



PRIME FOCUS LIMITED

(Prime Focus Limited was incorporated on June 24, 1997 as a Private Limited Company under Part IX of the Companies Act, 1956 with the Registrar of Companies at Mumbai with Registration No. 11-108981 and converted into a Public Limited Company vide a fresh certificate of incorporation dated April 24, 2000. The Corporate Identification Number of our Company is L92100MH1997PLC108981).

Prime Focus Limited (“**Company**”) is issuing 10,641,566 Equity Shares of face value of Re. 1/- each (“**Equity Shares**”) at a price of Rs. 68.58 per Equity Share, including a premium of Rs. 67.58 per Equity Share, aggregating upto Rs. 729.80 million (the “**Issue**”).

ISSUE IN RELIANCE UPON CHAPTER VIII OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AS AMENDED (“SEBI (ICDR) REGULATIONS”)

THIS ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT (“PLACEMENT DOCUMENT”) IS BEING MADE IN RELIANCE UPON CHAPTER VIII OF SEBI (ICDR) REGULATIONS AND OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S (“REGULATION S”) UNDER THE U. S. SECURITIES ACT OF 1933, AS AMENDED (“SECURITIES ACT”). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS OTHER THAN QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN THE SEBI (ICDR) REGULATIONS) (“QIBs”).

Invitations, offers and sales of Equity Shares shall only be made pursuant to this Placement Document together with Application Form and Confirmation of Allocation Note. For further information, please see section titled “**Issue Procedure**” in this Placement Document. The distribution of this Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document agrees to observe the foregoing restrictions, and to make no copies of this Placement Document or any documents referred to in this Placement Document.

This Placement Document has been prepared by our Company solely for providing information in connection with the proposed issue of the Equity Shares described in this Placement Document.

This Placement Document has not been reviewed by the Securities and Exchange Board of India (“**SEBI**”), the Reserve Bank of India (“**RBI**”), the Bombay Stock Exchange Limited (“**BSE**”), the National Stock Exchange of India Limited (“**NSE**”) or any other regulatory or listing authority and is intended only for use by QIBs.

This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or an offer to any other class of investors in India or in any other jurisdiction. The issue of Equity Shares proposed to be made pursuant to this Placement Document is meant solely for QIBs on a private placement basis. The Equity Shares have not been approved or disapproved by SEBI or any other regulatory authority.

Investments in equity and equity related securities involve a degree of risk and prospective investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Prospective investors are advised to carefully read section titled “Risk Factors” of this Placement Document before making an investment decision in this Issue. Each prospective investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Placement Document.

The information on our Company’s website, on the websites of the Book Running Lead Managers (“**Book Runners**”) or any website directly or indirectly linked to our Company’s website does not form part of this Placement Document and prospective investors should not rely on such information contained on, or available through, such websites.

All of our Company’s outstanding equity shares are listed on the BSE and the NSE. The closing price of the equity share on the BSE and the NSE as on November 3, 2010, the trading day preceding the day on which the resolution of the QIP Committee of our Company to launch the Issue was adopted, was Rs. 67.80 and Rs. 67.70 per equity share, respectively. Applications shall be made for the listing of the Equity Shares offered through this Placement Document on the BSE and the NSE (collectively, the “**Stock Exchanges**”). The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our Company or of the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION/DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI (ICDR) REGULATIONS AND/OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been filed with each of the Stock Exchanges. A copy of this Placement Document will be filed with the Stock Exchanges and will also be delivered to SEBI for record purposes.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the Securities Act, and they may not be offered or sold within the United States or to, or for the benefit of the U. S. Persons (as defined in Regulation S) under the Securities Act, except pursuant to an exemption from, or is a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws. The Equity Shares are being offered and sold outside the United States in offshore transaction in reliance on Regulation S of the Securities Act. For further information, see section titled “**Selling Restrictions**” and “**Transfer Restrictions**” of this Placement Document dated November 9, 2010.

Book Running Lead Managers



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* Centrum Capital Limited and Prime Focus Limited has a common director. Further, in compliance with the proviso to regulation 21A(1) and explanation (iii) to regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, read with Regulation 110 and Schedule XX of the SEBI (ICDR) Regulations, Centrum Capital Limited would be involved only in the marketing of the Issue.

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NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for the information contained in this Placement Document and to the best of its knowledge and belief, having made all reasonable enquiries, our Company confirms that this Placement Document contains all information with respect to our Company and the Equity Shares which is material in the context of this Issue. The statements contained in this Placement Document relating to our Company and to the Equity Shares are, in every material respect, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to our Company and the Equity Shares are honestly held, are reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

Neither the Book Runners nor any of their respective members, employees, counsel, officers, directors, representative, agent or affiliate makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Book Runners as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has not relied on the Book Runners nor on any person affiliated with the Book Runners in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares pursuant to this Issue. Centrum Capital Limited and our Company have a common director. Further, in compliance with the proviso to regulation 21A(1) and explanation (iii) to regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, read with Regulation 110 and Schedule XX of the SEBI (ICDR) Regulations, Centrum Capital Limited would be involved only in the marketing of the Issue.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or the Book Runners. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by any regulatory authority in any jurisdiction. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the Book Runners which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering material in connection with the Equity Shares may be distributed or published in or from any other country or jurisdiction except under circumstances as will result in compliance with any applicable rules and regulations of such country or jurisdiction.

In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of this Issue, including the merits and risks involved. **Investors should not construe the contents of this Placement Document as legal, business, tax, accounting or investment advice.** Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the Book Runners are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Chapter VIII of the SEBI (ICDR) Regulations and is not prohibited by SEBI or any other regulatory authority in India or abroad from buying, selling or dealing in securities. Each purchaser of Equity Shares in this Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

The information on our websites www.primefocusworld.com, www.pflplc.com or on the website of the Book Runners, does not constitute nor form part of this Placement Document.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

The distribution of this Placement Document or the disclosure of its contents without the prior consent of our Company, to any person other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document agrees to observe restrictions contained in the Placement Document, and to make no copies of this Placement Document or any documents referred to in this Placement Document.

REPRESENTATIONS BY INVESTORS

All references to 'you' in this section are to the prospective investors in the Issue. By bidding for and subscribing to any Equity Shares under the Issue, you are deemed to have represented and warranted to our Company and the Book Runners, and acknowledged and agreed as follows:

- you are a QIB as defined in Regulation 2 (1) (zd) of the SEBI (ICDR) Regulations, have a valid and existing registration under applicable laws in India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI (ICDR) Regulations;
- if you are a resident in any country other than India, that you are permitted by all applicable laws to acquire the Equity Shares;
- if you are Allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the Stock Exchanges;
- you are aware that the Equity Shares have not been and will not be registered under the SEBI (ICDR) Regulations or under any other law for the time being in force in India. This Placement Document has not been verified or affirmed by SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. This Preliminary Placement Document will be filed with the Stock Exchanges; and the Placement Document will be filed with the Stock Exchanges and with SEBI for record purposes only and will be displayed on the websites of our Company and the Stock Exchanges;
- You are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities
- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Placement Document) and will honor such obligations;
- you confirm that, either (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents ("**Company Presentations**") with regard to our Company or the Issue in the absence of the Book Runners; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Book Runners may not have knowledge of the statements that our Company or our agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly, you acknowledge that the Book Runners have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;
- neither our Company nor the Book Runners are making any recommendations to you nor advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of the Book Runners and that the Book Runners have no duties or responsibilities to you for providing the protections afforded to their clients or customers or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity;
- all statements other than statements of historical fact included in the Placement Document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company's present and future business strategies and environment in which we will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of the Placement Document. We assume no responsibility to update any of the forward-looking statements contained in the Placement Document;
- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment of the same shall be on a discretionary basis. You are aware that if you, together with any other QIBs belonging to the same group or under common control, are Allotted more than 5% of the Equity Shares

in this Issue, our Company shall be required to disclose the name of such Allottees and the number of Equity Shares Allotted to them on the website of the Stock Exchanges;

- you have made, or been deemed to have made, as applicable, the representations set forth under “**Transfer Restrictions**” of this Placement Document;
- you have been provided a serially numbered copy of this Placement Document and have read and understood the Placement Document in its entirety;
- that in making your investment decision, (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of our Company, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have relied upon your own investigations and resources in deciding to invest in the Equity Shares; (iv) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws and taxation matters, (v) you have relied solely on the information contained in the Placement Document and no other disclosure or representation by our Company or any other party and (vi) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;
- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to our Company and/or the Book Runners for compensation for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;
- the Book Runners have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including, but not limited to, the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely upon the Book Runners when evaluating the tax consequences in relation to the Equity Shares (including, but not limited to, the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the Book Runners with respect to the tax aspect of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;
- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each such managed account and to make (and you hereby make) the representations, warranties, acknowledgments and agreements herein for and on behalf of each such account, reading the reference to “you” to include such accounts;
- you are not a part of the Promoters and Promoter Group and are not a person related to the Promoters and Promoter Group, or group of companies thereof either directly or indirectly and your Application does not directly or indirectly represent the Promoters or Promoter Group or persons or entities related to the Promoters or Promoter Group or to any group company;
- you have no rights under a shareholders agreement or voting agreement with the Promoters and Promoter Group or persons related to the Promoters and Promoter Group or the group companies of any of them, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than the rights acquired in the capacity of a lender, not holding any equity shares of our Company, which shall not be deemed to be a person related to the Promoter and Promoter Group or the group companies of any of them;
- you will have no right to withdraw your Application after the Issue Closing Date;
- you are eligible to apply for and hold Equity Shares that may be Allotted to you pursuant to this Issue and together with any Equity Shares of our Company held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;
- the Equity Shares will, when issued, be credited as fully paid up and will rank *pari passu* in all respects with the existing issued Equity Shares of par value of Re. 1 per share in the capital of our Company, including the right to receive all dividends and other distributions declared, made or paid in respect of equity shares of our Company after the date of issue of the Equity Shares under the Issue;
- you confirm that the Applications made by you would not eventually result in triggering an offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the “**Takeover Code**”);

- to the best of your knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50% of the size of the Issue. For the purposes of this statement:
 - a. the expression “belongs to the same group” shall derive meaning from the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act.
 - b. “control” shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.
- you shall not undertake any trade in the Equity Shares credited to your depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges and until the date from which the Equity Shares are made available for trading by the Stock Exchanges;
- you are aware that applications have been made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading on the Stock Exchanges and that the application for listing and trading approvals will be made only after the Allotment of the Equity Shares in the Issue, and there can be no assurance that such final approval will be obtained on time or at all;
- you are aware and understand that the Book Runners will have entered into an Agreement with our Company (the “Placement Agreement”) whereby the Book Runners have, subject to the satisfaction of certain conditions set out therein, undertaken severally, and not jointly or jointly and severally, to use their reasonable endeavours as agent of the Company to seek to procure investors for the Equity Shares;
- that the contents of this Placement Document are exclusively the responsibility of the Company and that neither the Book Runners nor any person acting on their behalf, if any, has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Book Runners or the Company or any other person and neither the Book Runners nor the Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by the Book Runners or the Company (including any view, statement, opinion or representation distributed by the Book Runners or their affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of the Book Runners or their affiliates) or the Company and neither the Book Runners nor the Company will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;
- The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.
- you are purchasing the Equity Shares in an offshore transaction meeting the requirements of the Rule 903 and 904 of Regulation S. You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any security Regulatory Authority or any State of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the Securities Act and in compliance with the applicable U.S. state securities laws or in a transaction not subject to the registration requirements under the Securities Act.
- you agree to indemnify and hold the Company and the Book Runners harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares by or on behalf of the managed accounts;
- that the Company, the Book Runners, their affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Book Runners on their own behalf and on behalf of the Company and are irrevocable;

- that you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended from time to time, and have not been prohibited by SEBI from buying, selling or dealing in securities; and
- you understand that the Book Runners have no obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by the Company of any of its respective obligations or any breach of any representations or warranties by the Company, whether to you or otherwise;
- that you are a sophisticated investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular you acknowledge that , (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risks of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;
- any dispute arising in connection with this Issue will be governed by and construed in accordance with the laws of the Republic of India and the courts at Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Placement Document; and
- that each of the representations, warranties, acknowledgements and undertakings set out above shall continue to be true and accurate at all times upto and including the Allotment of the Equity Shares.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities (all such offshore derivative instruments are referred to herein as “P-Notes” or “Participatory Notes”) listed or proposed to be listed on any stock exchange in India only in favor of those entities which are regulated by appropriate regulatory authorities in the countries of their incorporation or establishment subject to compliance with “Know Your Customer” requirements. An FII or its sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to above is made to any person other than a regulated entity. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not the securities of the Company and do not constitute any obligation of, claims on or interests in the Company. The Company is not participating in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure relating to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Company. The Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Book Runners and do not constitute any obligations or claims on the Book Runners. FII affiliates of the Book Runners may purchase, to the extent permissible under law, Equity Shares in the Issue, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any p-notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such p-notes and the terms and conditions of any such p-notes. Neither SEBI nor any other regulatory authority has reviewed or approved any p-notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in p-notes, including whether p-notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Placement Document is being submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;
2. warrant that the Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of the Company, its Promoters and Promoter Group, its management or any scheme or project of the Company; and

it should not for any reason be deemed or construed to mean that is Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any securities of the Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a limited liability company incorporated under the laws of India. All of the Company's Directors and key managerial personnel named herein are residents of India and a substantial portion of assets of the Company and such persons are located in India. As a result, it may be difficult for investors to affect service of process upon the Company or such persons outside India or to enforce judgments obtained against such parties outside India. Further, under the Placement Document, exclusive jurisdiction has been conferred on the Courts in Mumbai, India.

Recognition and enforcement of foreign judgments is provided for under Section(s) 13 and 44A of the Code of Civil Procedure, 1908 (the "**Civil Code**") on a statutory basis. Section 13 of the Civil Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud, and (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court within the meaning of that Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. It may be noted that Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

The United Kingdom, Singapore and Hong Kong have been declared by the Government to be a reciprocating territory for the purposes of Section 44 A of the Civil Code but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. Such suit must be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the Reserve bank of India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy or that the court pronouncing the judgment is not a court of competent jurisdiction. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered and any such amount may be subject to income tax in accordance with applicable laws.

PRESENTATION OF FINANCIAL DATA AND OTHER INFORMATION

The Company is an Indian listed company and prepares its financial statements in accordance with Indian GAAP and in compliance with the Companies Act. There are changes in the presentation of financial information included in the Placement Document if compared to the presentation and disclosures the Company has reported as a listed company in India. This generally involves changes in the description and classification of certain amounts from those shown in the Indian GAAP financial statements prepared and presented to the shareholders of the Company and reported by the Company as a listed company.

Unless otherwise indicated, all financial data in this Placement Document are derived from the Company's reformatted consolidated and unconsolidated financial statements as at and for the years ended March 31, 2010, March 31, 2009 and March 31, 2008.

The reformatted consolidated financial statements of our Company and its subsidiaries and unconsolidated financial statements of our Company as of and for the financial years ended March 31, 2010, March 31, 2009 and March 31, 2008, included in this Placement Document (collectively, the "Reformatted Financial Statements"), have been extracted from the audited consolidated and unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the relevant provisions of the Companies Act and the accounting standards prescribed by the ICAI. Indian GAAP differs significantly in certain respects from IFRS and US GAAP. The Company does not provide a reconciliation of its financial statements to IFRS or US GAAP financial statements. Also see the section titled "**Risk Factors**" in this Placement Document. The audited consolidated and unconsolidated financial statements as of and for the years ended March 31, 2010 and March 31, 2009 have been audited by S. R. Batliboi & Associates, Chartered Accountants, the Company's independent statutory auditor. The financial statements as of and for the year ended March 31, 2008 was audited by M/s V. Shivkumar & Associates. The unaudited unconsolidated financial statements as of and for the three month period ended June 30, 2010 in respect of which a limited review has been undertaken by the Company's auditors in accordance with Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India are included in this Placement Document and are referred to herein under section titled "**Financial Statements**". The Reformatted Financial Statements included elsewhere in this Placement Document are published in Rupees in Million, unless otherwise stated. This reformatting generally involves changes in the description and classification of certain amounts from those shown in our Indian GAAP financial statements prepared and presented to our shareholders and reported by us as a listed company. Neither the information set forth in our financial statements nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or any accounting principles other than principles specified in the Indian Accounting Standards.

The Company's fiscal year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a fiscal year are to the 12 month period ended on March 31 of that year. Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31.

In this Placement Document, certain monetary amounts have been subjected to rounding off adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Placement Document, references to "USD", "\$" and "U.S. dollars" are to the legal currency of the United States, references to "CAD", "Canadian dollars" are to the legal currency of Canada, references to "GBP" and "£" are references to the legal currency of Great Britain, and references to "Rs.", "INR" and "Rupees" are to the legal currency of India.

In this Placement Document, unless the context otherwise indicates or implies, references to "you," "offeree," "purchaser," "subscriber," "recipient," "investors" and "potential investor" is to the prospective investors in this Issue, references to "Prime Focus Limited", the "Company" or the "Issuer" are to Prime Focus Limited; and references to "Prime Focus Group", "Group", "Our", "Us" or "We" are to the Prime Focus group of companies including Prime Focus Limited, its subsidiaries and associates. References in this Placement Document to "India" are to the Republic of India and the "Government" are to the Government of India, central or state, as applicable.

INDUSTRY AND MARKET DATA

Information regarding market, market position, growth rates and other industry data pertaining to the Company's businesses contained in this Placement Document consists of estimates based on data reports compiled by government bodies, professional organizations and analysts, data from other external sources and the Company's knowledge of the markets in which it competes. In some cases there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, the Company and the Book Runners have not independently verified that data. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Book Runners makes any representation regarding the accuracy of such data.

The Company takes responsibility for accurately reproducing such information but, subject to the next sentence, accepts no further responsibility in respect of such information or data. The Company confirms that all such information has been accurately and correctly reproduced and that as far as the Company is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Similarly, while the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and the Company cannot assure potential investors as to their accuracy. Accordingly, investors should not place undue reliance on this information.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information concerning exchange rates between the Rupee and the U.S. dollar for the periods indicated. Exchange rates are based on the reference rates released by the Reserve Bank of India. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all. On October 29, 2010, the exchange rate was Rs. 44.54 to US\$1.00.

	Period End	Average⁽¹⁾	High	Low
Year Ended March 31:	(Rs. Per US\$ 1.00)			
2008	39.97	40.24	43.15	39.27
2009	50.95	45.91	52.06	39.89
2010	45.14	47.42	50.53	44.94
Quarter Ended:				
September 30, 2009	48.04	48.42	49.40	47.54
December 31, 2009	46.68	46.64	47.86	45.91
March 31, 2010	45.14	45.92	46.81	44.94
June 30, 2010	46.60	45.67	47.57	44.33
September 30, 2010	44.92	46.50	47.33	44.92

(Source: www.rbi.org.in)

⁽¹⁾Represents the average of the reference rates released by the Reserve Bank of India on closing of each day during the period for each year and quarter presented

FORWARD-LOOKING STATEMENTS

The Placement Document includes certain statements that are not of historical fact, and may be deemed to constitute “forward-looking statements.” These statements express views of the management of the Company and expectations based on certain assumptions regarding trends in the Indian and International financial markets and regional economies, the political climate in which the Company operates and other factors.

Investors can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, or other words or phrases of similar import. All statements regarding the Company’s expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company’s business strategy, revenue and profitability, planned projects and other matters discussed in this Placement Document that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) include statements regarding the intentions, beliefs or current expectations of the Company concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the dividend policy of the Company and the industries in which it operates.

By their nature, forward looking statements are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may not occur and hence cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

Forward-looking statements are not guarantees of future performance. The Company’s actual results of performance may differ materially from the impression created by the forward looking statements contained in this Placement Document. In addition, even if the results of the Company’s operations are consistent with the forward looking statements, those results or developments may not be indicative of results or developments in subsequent periods.

Important factors that could cause actual results to differ materially from expectations include, among others:

- General political, social, economic and business conditions in India and other countries;
- Occurrence of natural calamities or natural disasters affecting the areas in which the Company has operations;
- Fluctuations in foreign exchange conversion rates,
- Changes in the foreign exchange control regulations in India,
- Changes in laws and regulations that apply generally to companies in India and specifically to the media industry.
- The Company’s ability to successfully implement its strategy, growth and expansion plans and technological changes;
- Continuing success of the Company’s business model, including the Company’s ability to finance its business and growth,
- Enhanced competition in the Industry in which the Company operates,
- Company’s ability and success at managing the risks that arise from these factors,
- Potential mergers, acquisitions or restructurings
- Performance of the Indian debt and equity markets;
- Other factors beyond the Company’s control.

Other factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under section titled “**Risk Factors**”, “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” and “**Our Business**” respectively of this Placement Document. These forward looking statements speak only as of the date of this Placement Document.

The forward looking statements contained in this Placement Document are based on the beliefs of management of the Company, as well as the assumptions made by, and information currently available to, the management of the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable at this

time, the Company cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of the underlying assumptions prove to be incorrect, the actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All written or verbal forward-looking statements attributable to the Company are expressly qualified in their entirety by reference to these cautionary statements.

DEFINITIONS

We have prepared this Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein.

Term	Description
Prime Focus/the Issuer/the Company/our Company	Prime Focus Limited, a public limited company incorporated under the Companies Act and having its registered office at 2 nd Floor, Main Frame, IT Park, Building - H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai 400065
We/us/our/Prime Focus Group/Group	Unless the context otherwise requires, “Prime Focus Limited” together with its Subsidiaries and Associates

Conventional / General Terms

Term	Description
Act	The Competition Act, 2002
CDSL	Central Depository Services (India) Limited
Code	The Code of Civil Procedure, 1908 of India (as amended)
Companies Act	The Companies Act, 1956, as amended from time to time
Delisting Regulations	The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A corporate body registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant / DP	A depository participant as defined under the Depositories Act
DDT	Dividend Distribution Tax
DTAA	Double Taxation Avoidance Agreements
FCCB	U.S.\$ 55,000,000 zero coupon foreign currency convertible bonds due in 2012
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the Regulations framed there under.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.
FICCI	Federation of Indian Chambers of Commerce and Industry
FIPB	Foreign Investment Promotion Board, Ministry of Finance, GoI
Financial Year / Fiscal Year / FY/ Fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
Government / GoI	The Government of India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India.
Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time
Memorandum/ Memorandum of Association	The Memorandum of Association of Prime Focus Limited.
MAT	Minimum Alternate Tax
NI Act	Negotiable Instruments Act, 1881
NRI	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSDL	National Securities Depository Limited
Preliminary Placement Document	The Preliminary Placement Document dated November 4, 2010 issued in accordance with Chapter VIII of the SEBI (ICDR) Regulations as amended from time to time.
SCRA	Securities Contracts (Regulation) Act 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to

	time.
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments thereto

Issue Related Terms

Term	Description
Allocation/ Allotment/Allotted	The allotment of Equity Shares pursuant to the Issue to the successful Bidders as the context requires.
Allottee	The successful Bidders to whom the Equity Shares are allotted pursuant to the Issue
Application Form	Serially numbered application forms supplied by the Book Runners in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of the Preliminary Placement Document
BSE	Bombay Stock Exchange Limited, Mumbai.
Book Runners	Intensive Fiscal Services Private Limited and Centrum Capital Limited
CAGR	Compounded Annual Growth Rate.
CAN	Confirmation Allocation Number
Closing Date	The date of allotment of the Equity Shares offered pursuant to this Issue
Designated Date	Probable designated date being the date of credit of the Equity Shares to the QIBs' account, as applicable to the respective QIBs
Escrow Bank	Yes Bank Limited
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
FSMA	Financial Services and Markets Act 2000
Issue	The issue of 10,641,566 Equity Shares issued at a price of Rs. 68.58 per Equity Share, including a premium of Rs. 67.58 per Equity Share, aggregating to Rs. 729.80 million
NSE	The National Stock Exchange of India Limited
Placement Agreement	Placement Agreement executed between the Book Runners and the Company
QIBs	Qualified Institutional Buyers (as defined in the SEBI (ICDR) Regulations)
RBI	The Reserve Bank of India
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Link Intime India Private Limited
Regulation S	Regulation S, as defined under the Securities Act
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI (ICDR) Regulation	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended from time to time.
Securities Act	The U. S. Securities Act of 1933, as amended.
SAT	Securities Appellate Tribunal.
Stock Exchanges	BSE and NSE referred to collectively.
UAE	United Arab Emirates.
U.S. / USA	United States of America.
UK	United Kingdom.

Company / Industry Related Terms

Auditors	The statutory auditors of the Company, being M/s. S. R. Batliboi & Associates
AGM	Annual General Meeting
Articles of Association	Article of association of the Company
Board of Directors/Board	Board of Directors of Prime Focus Limited or a committee constituted thereof.
Director(s)	Director(s) of Prime Focus Limited, unless otherwise specified.

Equity Shares	The equity shares of the Company of face value of Re. 1 each
FICCI	Federation of Indian Chamber of Commerce and Industry. It is a national organisation that represents and aggregates multiple Chambers of Commerce
Promoters	The promoters of the Company being, Naresh Malhotra, Namit Malhotra and Neeta Malhotra
Promoter Group	Unless the context requires otherwise, the entities forming part of our promoter group in accordance with the SEBI (ICDR) Regulations and which are disclosed by the Company to the Stock Exchanges from time to time
PAN	Permanent Account Number
Wire removal	Visual effects method of removing cables and other such stuff within a film frame

Abbreviations

Term	Full Form
3D	Three dimensional computer graphics
2D	Two dimensional computer graphics
BOLT	BSE On-line Trading
CGI	Computer Generated Imagery
DI	Digital Intermediate
HD	High Definition
NTSC	National television system committee (Video Format used in the America)
SD	Standard Definition
VFX	Visual Effects

RECENT DEVELOPMENTS

Issue of warrants

Pursuant to the Board approval dated August 27, 2010 and shareholders' approval dated September 30, 2010, the Company has allotted 1,000,000* warrants convertible into Equity Shares on October 15, 2010 to Mr. Namit Malhotra, a member of the Promoters and Promoter Group carrying an option/ entitlement to subscribe to equivalent number of Equity Shares on a future date not exceeding 18 months from the date of allotment of such warrants. Each warrant shall be convertible into one equity share of nominal value of Rs. 10/- each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations. The Company has received from Mr. Namit Malhotra, a sum equivalent to 25% of the price of the Equity Share to be issued in surrender/ exchange of each of such warrant. Each of the said warrant shall carry a right, entitling Mr. Namit Malhotra or any other registered owner in the event such warrants are transferred, to apply for at his/ her option, and seek allotment of one equity share upon surrendering/ exchanging of such warrant to the Company along with the balance 75% of the issue price of the Equity Share.

Further, the issue of the warrants is, *inter alia*, to be adjusted for, subject to the Companies Act, 1956 and SEBI guidelines, corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of a division or any such capital or corporate restructuring.

Stock Split/Sub-Division of Equity Shares

Pursuant to the Board approval dated August 27, 2010 and Shareholders' approval dated September 30, 2010 and pursuant to section 94(1)(d) and all other applicable provisions of the Companies Act, 1956 and subject to the provisions of the Articles of Association of the Company and the Listing Agreements with the Stock Exchanges, the Company sub-divided the existing 1,28,22,588 Equity Shares of Rs. 10/- each in the capital of the Company on which the sum of Rs. 10/- is credited as fully paid up into 12,82,25,880 equity shares of Re. 1/- each of which the sum of Re. 1/- shall be credited as fully paid up.

Contracts Awarded

The Prime Focus Group has been awarded orders worth USD 11 million for 2D to 3D stereoscopic conversion work from two leading Hollywood studios to be executed in the next 3 months.

In January 2010, the Prime Focus Group successfully completed conversion of an entire Hollywood movie, from 2D to 3D in a record 8 weeks simultaneously across 7 facilities worldwide.

The Prime Focus Group also made a major VFX contribution to the stereo film which was nominated for Academy Award in 2009.

Prime Focus Technologies Private Limited, a subsidiary of the Company entered into a service agreement with Global Cricket to produce and deliver live streaming and Video on Demand packages for the IPL 2010 tournament to both YouTube and IPL's Mobile Internet platform.

ESOP

The Company has been authorized by its Shareholders at its Annual General Meeting held on September 30, 2010 to create an employee stock option scheme directed to offer, issue and allot at any time to the benefit of such person(s) who are in permanent employment of the Company whether working in India or abroad, including any Director of the Company, whether whole-time or otherwise, options exercisable into not more than 1,000,000 (One million) Equity Shares of the Company of Rs. 10 each, either directly through a Trust, under one or more Employees Stock Option ("ESOP") Schemes, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authority. Further, pursuant to stock split of Equity Shares with effect from October 29, 2010, the options to be provided through the ESOP Scheme would be exercisable for not more than 10,000,000 Equity Shares of Re. 1 each.

New Facility to cater to View D technology

The Company commenced operations at its new global headquarters spread over 65,000 square feet in Mumbai which houses seven theaters and over 250 artist seats, along with a complete slate of visual effects and post-production services, and provides 1,000+ seats to cater to its revolutionary technology – 'View D' and has also set-up 150+ VFX seats in the same facility to cater to the ever increasing demand for VFX content in movies.

Suspension of trading and change in Nomad of Prime Focus London Plc at AIMs

Prime Focus London plc has appointed BDO to review its accounts in view of a potential restructuring. Due to the ongoing review by BDO, Prime Focus London plc has decided to publish its annual report for the fiscal 2010 after completion of the review. Accordingly, it has filed an application for suspension of trading in its equity shares till publication of its annual report. The trading in the equity shares was suspended with effect from September 30, 2010. The suspension from the trading in equity shares of this subsidiary may have an adverse impact on the shareholders of Prime Focus London plc.

Further, Seymour Pierce Limited has resigned as Nominated Adviser and Broker to Prime Focus London plc with effect from September 30, 2010. The independent directors of the Prime Focus London plc are in discussions with other NOMADs to take on the role.

Acquisition/Incorporation of two step down subsidiaries:

VTR Media Investment Limited a step down subsidiary of the Company acquired Repremiere Limited on July 14, 2010. Percentage of Holding by VTR Media Investments Limited is 51% of 100 shares of £1 in the issued capital of Repremiere Limited.

Prime Focus London Plc a subsidiary of the Company, acquired Upper Richmond (No.12) Limited on August 13, 2010. The name was subsequently changed to Prime Focus Technologies UK Limited vide Certificate of Incorporation on Change of Name on August 19, 2010 by the Registrar of Companies for England and Wales. Percentage of holding by Prime Focus London Plc is 100% in issued capital of 1 share of 1pence.

Increase in stake in Prime Focus Technologies Private Limited

With effect from April 1, 2010, the Company has increased its stake in Prime Focus Technologies Private Limited from 51% to 75.50%.

SUMMARY OF OUR BUSINESS

This summary highlights information contained elsewhere in this Placement Document. This summary does not contain all the information that should be considered before deciding to invest in the Equity Shares. We recommend reading this entire Placement Document carefully, including the reformatted financial statements and related notes elsewhere in this Placement Document.

Overview

We are one of the leading global players in the visual entertainment services segment of the Media and Entertainment Industry. We provide services related to VFX, conversion of 2D content to 3D content, post production activities, digital asset management and broadcast facilities and broadcast packaging. We provide these services primarily to film, broadcast, television, commercials and new media businesses. We specialize in providing technical creative solutions, which are basically technology and creative solutions for any audio-visual content and we provide such solutions in an integrated manner across various segments of the media and entertainment business. We capture, create, craft, circulate and conserve content to enable our clients to engage, entertain, educate and excite our audiences. We combine our global cost advantages, resources and international talent pool with our local knowledge and expertise to anticipate and meet the need of our diverse clients across the world.

Over the past few years, we have expanded our business operations through organic and inorganic route. We acquired majority interest in Prime Focus London plc which is into the business of providing post-production services for the advertisement and broadcast industry in the UK and is listed on the Alternative Investment Market of the London Stock Exchange. In 2006, we also acquired 100% shareholding in Clear Post Production Limited in Soho, London, which we subsequently merged with VTR Limited (one of the subsidiaries of Prime Focus London plc). Prime Focus London plc has four facilities in Soho, London. In 2007, we expanded our reach to North America with the acquisition of Post Logic Studios, Inc and Frantic Films, Inc for US\$ 43 million. Post Logic Studios, is in the business of DI, color science and post production services to independent and studio feature film clientele, with facilities in Los Angeles and New York. Frantic Films has businesses that offer VFX for films with development facilities in Los Angeles in US, Winnipeg and Vancouver in Canada. In 2009, we acquired 100% ownership in our joint venture company, Store Media Technologies (P) Ltd and was merged with our Company pursuant to a Scheme of Arrangement. We also acquired the post production business of UTV pursuant to a business transfer agreement in the year 2007. We have successfully integrated operations of companies which we acquired in India, the U.K. and the U.S.

We operate in 4 countries through 15 facilities spread across 10 cities which include Vancouver and Winnipeg in Canada, Los Angeles and New York in USA, London in the UK, Mumbai, Chennai, Hyderabad, Bangalore and Goa in India. We have recently expanded our operations in Mumbai, India with the set up of a state of the art facility with a capacity of 250 VFX seats.

Our consolidated total income was Rs. 4,615.73 million, Rs. 3,670.50 million and Rs. 2,315.62 million in fiscal 2010, 2009 and 2008 respectively. Correspondingly, the consolidated Profit before interest, depreciation, extraordinary items and tax was Rs. 1,146.93 million, Rs. 735.24 million and Rs. 718.71 million and the consolidated Profit after Tax (before minority Interest) was Rs. 393.93 million, Rs. 157.64 million and Rs. 317.58 million in fiscal 2010, 2009 and 2008 respectively. Our Company's unconsolidated total income, Profit before interest, depreciation, extraordinary items & tax and Profit after Tax for the three months ended June 30, 2010 was Rs. 262.67 million, Rs. 122.88 million and Rs. 29.36 million respectively.

We have been associated with various leading advertising agencies like JWT, O&M, Chaitra Leo Burnett, leading feature film directors like Sanjay Leela Bansali, Karan Johar, production houses like UTV, Yashraj Films, Eros International and provide services to most of the major Hollywood studios.

Strengths

- **Integrated Services:** We are one of the leading integrated visual entertainment services company in the world. Our range of services include VFX, conversion from 2D content to 3D content, post production activities, digital asset management, broadcast facilities and broadcast packaging. We leverage our strengths in the techno-creative services by providing similar services at various geographical locations in India, UK, US and Canada. We operate across segments at various points in the value chain to give greater convenience and freedom to our clients.
- **Technology:** We have developed proprietary technologies i.e. View-D and CLEARTM which give us a technological edge over our competitors. View D enables the user to convert 2D content to 3D stereoscopic content in an efficient and cost effective manner. CLEARTM provides a secure way to process, manage and deliver content for revenue-generating multi-platform opportunities.

- Research and Development (“R&D”) Focus: Our Company’s VFX Software Division delivers innovative, custom R&D solutions and quality software products through a truly international team of visual effects and programming experts. Working closely with our Company’s VFX division, the software team is meeting the challenges of the industry on a daily basis.
- Global Servicing Platform: Over the last few years, we have acquired studios and boutique firms globally to expand our horizons, tap international markets and gain access to better technologies. We have built this global enterprise through organic growth and strategic international and domestic acquisitions over the past few years. Our global presence is a key to the way we serve our clients, with our sites and facilities strategically spread across 10 cities worldwide. We leverage on the specialized services from various locations to provide superior quality services to our client 24x7.
- Low cost locations: Our facilities in India, enables us to provide to our clients, quality services at lower cost. Our pioneering business model ‘Worldsourcing’ enables our talent to share their expertise across projects, locations, disciplines and sectors. It means we can operate across the entire Visual Entertainment sector; in every major market and at every stage of a project’s development.
- Strong relationships in the Indian film industry: Mr. Naresh Malhotra and Mr. Namit Malhotra, our promoters, have a combined experience of over four decades in the media and entertainment industry. They have over the years successfully established relationships with various production houses across India. We believe that our relationship with production houses in India enables us to compete successfully for further business opportunities from them.

Strategies

- Investing in people and culture: We believe that our ability to maintain growth depends to a large extent on our strength in attracting, training, motivating and retaining employees. Our talent acquisition philosophy is to recruit for attitude, train for skill and develop for leadership roles. We focus on performance management, providing input on leadership qualities, mentoring and periodic reviews for career alignment and planning. Our human resources and compensation practices proactively address the factors that impact retention.
- Focusing on the market of conversion of 2D content into 3D content: We continue to tap opportunities available in the emerging market for 3D content. Our goal is to leverage on our recently developed proprietary technology ‘View-D’ which enables conversion of 2D content to 3D content at low cost and in a efficient manner. View-D enables filmmakers to shoot a movie with a single camera, on film, without having to be locked into digital cameras. View-D shortens the length of time of conversion which can be fit into the postproduction schedule.
- Leverage on the business model: The cost arbitrage available with India makes it an attractive destination for international films to avail VFX and conversion services. India has the potential to emerge as a major outsourcing hub for VFX and media processes, given the scope for savings on personnel and infrastructure costs. Due to our integrated services approach and global positioning, we are well placed to capitalize on this opportunity.
- Digital Asset Management through CLEARTM: As the digital distribution of media becomes increasingly important, it is necessary for all current and old television and film media to be held digitally, with adequate fail-safe protection. Digital re-mastering and cataloguing in its entirety can be outsourced to any part of the world due to its inherent ability to be transmitted using high-speed lines. We believe that the availability of high quality technical manpower and high-end technology gives India a competitive advantage in this regard.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by the more detailed information appearing elsewhere in this Placement Document, including under section titled “Issue Procedure” and “Description of Equity Shares” of this Placement Document.

Issuer	Prime Focus Limited
Issue size	10,641,566 Equity Shares of the Company of par value Re. 1 each at a price of Rs. 68.58 per Equity Share, at a premium of Rs. 67.58 per Equity Share, aggregating upto Rs. 729.80 million.
Issue Price	Rs. 68.58 per Equity Share.
Authority for the placement	The Company has authorised the Issue pursuant to the resolution passed by the Board on August 27, 2010 and subsequent approval by our shareholders pursuant to the resolution passed in the annual general meeting held on September 30, 2010.
Eligible Investors	QIBs as defined in clause 2(1) (zd) of SEBI (ICDR) Regulations. See Issue Procedure - Qualified Institutional Buyers ” of this Placement Document.
Equity Shares issued and outstanding immediately prior to the Issue	128,225,880 Equity Shares, aggregating Rs. 128.23 million
Equity Shares issued and outstanding immediately after the Issue	138,867,446 Equity Shares, aggregating Rs. 138.87 million
Delivery of Equity Shares	The Equity shares will be issued in dematerialized form and instructions for credit to the account of the relevant QIBs will be provided to the relevant depository participant as per the information provided to the Company by the applicant QIB.
Floor Price	The Floor Price for the Issue on the basis of Chapter VIII of the SEBI (ICDR) Regulations is Rs. 68.58 per Equity Share.
Listing	The Company shall make application for obtaining in-principle approvals for the listing of the Equity Shares on BSE and NSE.
Lock-up	Each of the Promoters have agreed that, without the prior written consent of the Book Runners, it will not, for a period of 90 days after the Closing Date directly or indirectly, offer, sell, contract to sell, or dispose of any equity shares. The foregoing undertaking shall not apply to (1) transactions relating to equity shares acquired in open market transactions after the completion of the Issue, (2) transactions entered into solely between or among the Promoters or their affiliates, provided that prior to so doing, the transferee signs a letter agreement in favour of the Book Runners substantially in the form of this letter agreement; (3) sales of equity shares by pledgees pursuant to the foreclosure of existing pledges; (4) conversion of any outstanding warrants or options to acquire equity shares of the Company; (5) any sale or acquisition of equity shares in the Company pursuant to any scheme of amalgamation, arrangement or other similar reorganization and (6) sale, transfer or disposition of equity shares of the Company by the Promoters to the extent such sale, transfer or disposition is required by Indian law. In addition, except for any further issuance of securities that the Company may undertake pursuant to any scheme of arrangement, conversion of outstanding warrants or options in the Company, the Company has undertaken that it will not for a period of 90 days after the Closing Date make issuances of its securities that cumulatively exceed Rs. 500 million without the prior written consent of the Book Runners.
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on the floor of the Stock Exchanges. For details please refer section titled “ Transfer Restriction ” of this Placement Document for other transfer restrictions relating to offers and sales of the Equity Shares.
Use of Proceeds	The net proceeds of the Issue which (after deduction of fees, commissions and expenses) are expected to total approximately Rs. 711.55 million will be used by the Company to augment long term working capital requirements of the Company in view of the expected growth in the Company’s business, prepay /

repay debt, expand and upgrade existing facilities, strengthen the financial position of our Company, fund other strategic initiatives and/or for other general corporate purposes. See section titled “*Use of Proceeds*” of this Placement Document.

Risk Factors

Prior to making an investment decision, prospective investors should carefully consider the matters discussed under section titled “*Risk Factors*” of this Placement Document.

Closing Date

The Allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about November 10, 2010. (“**Closing Date**”)

Selling Restrictions

No sales are permitted into the United States (or to US persons) or in any other jurisdiction, except as specified in the Placement Document. The purchasers of the Equity Shares may not offer, sell or otherwise transfer the Equity shares to any person who is not eligible to acquire the Equity Shares in accordance with all other applicable laws, rules, regulations, guidelines and approvals. The Company, its directors, agents, affiliates and representatives accept no responsibility or liability for advising any person, whether such person is eligible to make an Application in pursuance to this Issue and acquire Equity Shares. For details, please also refer to the section titled “*Selling Restrictions*” of this Placement Document.

Compliance with law

Notwithstanding anything stated hereinabove, the rights and obligations of the Company as stated herein and in the agreements and writings to be entered into in pursuance to the Issue, are and will be subject to compliance with other applicable Indian laws and regulations.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Company’s Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Company after the Closing Date, in compliance with the Companies Act. Shareholders may attend and vote in Shareholders meetings on the basis of one vote for every Equity Share held. See “*Description of the Equity Shares*” of this Placement Document.

Security Codes for the Equity Shares

ISIN

INE367G01038

BSE Code

532748

NSE Code

PFOCUS

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The following selected consolidated financial information as of and for the years ended March 31, 2008, March 31, 2009 and March 31, 2010, should be read in conjunction with the Company's reformatted consolidated financial statements and schedules and notes thereto included elsewhere in this Placement Document.

The selected consolidated financial information as of and for the years ended March 31, 2008, March 31, 2009 and March 31, 2010 set forth below have been derived from our reformatted consolidated financial statements included elsewhere in this Placement Document. For details of the unaudited condensed financial statements of the Company for the three month period ended June 30, 2010, please refer to the section titled "***Financial Statements***" in this Placement Document.

Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or other accounting principles. Indian GAAP differs in certain material respects from IFRS.

The selected financial information set forth below should be read in conjunction with "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and the reformatted consolidated financial statements included in this Placement Document.

Reformatted Consolidated Balance Sheet

(Rs. in million)

PARTICULARS	31.03.2010	31.03.2009	31.03.2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	128.23	128.23	127.23
Shares Pending Allotment	-	-	1.00
Reserves and Surplus	1,797.83	1,623.67	1,758.75
	1,926.06	1,751.90	1,886.98
LOAN FUNDS			
Secured Loans	2,471.65	2,583.01	1,339.66
Unsecured Loans	2,162.70	2,162.70	2,162.70
	4,634.35	4,745.71	3,502.36
MINORITY INTEREST	283.73	242.22	374.38
DEFERRED TAX LIABILITY (NET)	165.24	162.33	105.02
	7,009.38	6,902.16	5,868.74
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	7,431.56	7,339.56	4,761.77
Less: Accumulated Depreciation / Amortisation	2,615.52	2,810.68	2,346.60
Net Block	4,816.04	4,528.88	2,415.17
Add : Capital Work in Progress (including Capital Advances)	740.64	452.08	550.44
	5,556.68	4,980.96	2,965.61
INVESTMENTS	2.01	17.61	69.85
DEFERRED TAX ASSET (NET)	67.07	86.24	-
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories (Stores and Spares) - at lower cost or net realisable value	20.21	37.34	2.41
Sundry Debtors (Including Service Tax)	1,230.44	1,032.61	893.73
Cash and Bank Balances	212.37	613.59	408.16
Other Current Assets (Unbilled Revenue)	62.19	-	-
Loans and Advances	898.38	850.96	2,190.91
	2,423.59	2,534.50	3,495.21
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	1,039.15	716.62	641.22
Provisions	1.50	1.22	20.71
	1,040.65	717.84	661.93
NET CURRENT ASSETS	1,382.94	1,816.66	2,833.28
MISCELLANEOUSEXPENDITURE	0.68	0.68	-
(To the extent not written off or adjusted)			
	7,009.38	6,902.16	5,868.74

Reformatted Consolidated Profit & Loss Account

PARTICULARS	(Rs. in million)		
	31.03.2010	31.03.2009	31.03.2008
INCOME			
Income from Operations	4,527.84	3,543.73	2,221.34
Other Income	87.89	126.77	94.28
	4,615.73	3,670.50	2,315.62
EXPENDITURE			
Operating Costs	3,331.43	3,002.73	1,538.99
Exceptional Item	137.37	(67.47)	57.92
Interest	218.34	210.02	109.74
Depreciation	425.87	379.10	289.21
	4,113.01	3,524.38	1,995.86
PROFIT BEFORE TAX	502.72	146.12	319.75
PROVISION FOR TAX			
Current Tax	85.37	21.63	0.62
Less : MAT Credit Entitlement	(0.14)	(21.52)	(3.60)
	85.23	0.11	(2.98)
Fringe Benefit Tax	-	1.71	1.97
Deferred Tax	23.56	(13.35)	3.18
Total Tax Expense	108.79	(11.53)	2.17
PROFIT AFTER TAX (Before adjustment of Minority Interest)	393.93	157.64	317.58
Less Minority Interest	59.69	11.80	22.23
PROFIT AFTER TAX	334.24	145.84	295.35
Balance brought forward from previous year	750.95	779.63	519.29
Add : Adjustment pursuant to the court permission received by subsidiary	-	(174.52)	-
Add : Adjustments for Effect of Overseas Subsidiary Transition to IFRS	-	-	(44.45)
Less : Minority Interest in respect of above	-	-	(19.29)
Less : Cost of Equity	-	-	(10.99)
Add: Deferred Tax Credited on Share Issue Expense	-	-	14.87
	750.95	605.11	520.00
PROFIT AVAILABLE FOR APPROPRIATION	1,085.19	750.95	815.35
Appropriations			
Interim Dividend	-	-	19.08
Dividend Distribution Tax	-	-	3.24
Transfer to General Reserve	-	-	13.40
SURPLUS CARRIED TO BALANCE SHEET	1,085.19	750.95	779.63
EARNINGS PER SHARE			
Basic - Nominal Value of Shares Rs.10/-	30.72	11.45	23.22
Diluted - Nominal Value of Shares Rs.10/-	27.39	10.20	22.35

Reformatted Consolidated Cash Flow Statement

(Rs. in million)

	31.03.2010	31.03.2009	31.03.2008
Cash flow from Operating activities			
Net Profit before taxation	502.35	146.11	319.76
Adjustments for :			
Depreciation	425.88	379.10	289.21
(Profit)/ Loss on sale of Fixed Assets	(6.29)	(39.06)	(8.74)
(Profit)/ Loss on sale of Investments	(2.03)	(3.40)	0.45
Foreign exchange (Gain)/Loss (net)	(18.74)	(38.75)	(8.63)
Tax Written Off	0.85	-	-
Interest Income	(42.87)	(25.33)	(29.91)
Dividend Income	(0.02)	(0.03)	(2.02)
Interest Expense	210.90	210.02	103.36
Bad debts Written Off	80.50	64.36	-
Provision for Doubtful Debts	31.00	-	-
Undertaking Fees	(11.31)	(8.57)	(18.54)
Sundry Credit Balances Written Back	(1.93)	(1.59)	-
Provision for Share Based payment	7.21	-	-
Provision for Gratuity	0.27	1.22	-
Excess Provision Written Back	-	(1.30)	-
Miscellaneous Expenditure Written Off	-	-	9.24
Provision for Doubtful Debts	0.27	6.28	-
Impairment of Investment Adjustment	(0.53)	-	-
Operating profit before working capital changes	1,175.51	689.06	654.18
Movements in Working Capital :			
Decrease / (Increase) in Sundry Debtors	(267.09)	15.50	(186.76)
Decrease / (Increase) in Inventories	16.44	(182.21)	(0.29)
Decrease / (Increase) in Loans and Advances	(125.12)	992.30	(1,769.25)
Increase/(Decrease) in Current Liabilities	245.19	604.84	35.29
Cash generated from operations	1,044.93	2,119.49	(1,266.83)
Direct Taxes paid (Net of Refunds)	(60.82)	(92.59)	(75.70)
Fringe Benefit Tax Paid	(0.21)	(1.57)	(2.23)
Exchange Rate Difference	13.57	27.29	1.40
Net Cash from Operating activities	997.47	2,052.62	(1,343.36)
Cash flow from investing activities			
Purchase of Fixed Assets	(768.40)	(608.08)	(1,144.15)
Proceeds from Sale of Fixed Assets	6.31	57.71	31.07
Purchase of Current Investments	(569.90)	-	(83.00)
Purchase of Investment in Subsidiaries	-	(1,698.91)	(59.66)
Sale of Current Investments	140.96	33.95	193.00
Inter- Corporate Deposits given	(1.00)	(74.50)	-
Inter- Corporate Deposits received back	1.00	101.06	-
Margin money and Fixed Deposits under lien	114.23	(62.90)	128.89
Interest Received	35.76	59.85	30.10
Dividends Received	0.03	0.03	2.02
Expense incurred for increase in Capital of Subsidiary	-	(0.59)	-
Net Cash from Investing activities	(1,041.01)	(2,192.37)	(901.73)
Cash flow from Financing activities			
Redemption of Preference shares	-	(479.93)	-
Proceeds from long term borrowings	394.68	1,358.87	132.43
Repayment of long term borrowings	(358.86)	(333.39)	(55.78)
Proceeds from short term borrowings	395.03	934.68	935.36
Repayment of short term borrowings	(405.25)	(962.70)	(483.34)
Loans borrowed (net)	-	-	(102.50)
Proceeds from Issuance of FCCB	-	-	2,162.70
Proceeds from Issuance of Shares to Minorities	-	-	39.07
Interest paid	(257.78)	(240.78)	(103.36)
Dividends Paid	(0.00)*	(0.00)*	(19.07)
Foreign exchange Gain/(Loss) (net)	(0.05)	-	-
Tax on Dividend paid	-	-	(3.24)
Expenses on Issuance of Securities	-	-	(58.25)

	31.03.2010	31.03.2009	31.03.2008
Net Cash from Financing activities	(232.23)	276.75	2,444.03
Effect of exchange differences on translation	(23.12)	(5.66)	(2.14)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(298.91)	131.35	196.80
Cash and Cash Equivalents at the Beginning of the year	389.47	239.43	36.02
Translation adjustment on Opening Cash and Cash equivalents	6.08	(1.76)	(0.82)
Cash and Cash Equivalents Acquired on Merger	-	-	0.19
Cash and Cash Equivalents received pursuant to purchase of Subsidiary	-	12.05	-
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	0.12	0.02	7.24
Cash and cash equivalents at the end of the year	96.77	381.08	239.43
Components of Cash and Cash equivalents, as at March 31			
Cash	2.04	1.37	2.27
With Banks:			
- On Current Accounts	92.01	376.65	237.16
- On Fixed Deposits	2.72	3.06	-
Cash and Cash Equivalents at the End of the year	96.77	381.08	239.43
Bank deposits having maturity of more than 90days	114.57	228.80	165.90
Interest Accrued on bank deposits	1.03	3.71	2.83
Cash and Bank Balance	212.37	613.59	408.16

Amounts less than Rs. 0.01 million have been indicated by way of *

RISK FACTORS

This Placement Document contains forward looking statements that involve risks and uncertainties. This offering and an investment in Equity Shares involves a high degree of risk. You should carefully consider the risks described below as well as other information contained in this Placement Document before making an investment decision. If any of the risks described below actually occurs, the business, prospects, financial condition and results of operations could be adversely affected, the trading price of the Equity Shares could decline and you could lose all or part of your investment. Unless specified or quantified in the risk factors below, we are not in a position to quantify the financial implications of any of the risks mentioned below. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the trading price of the Equity Shares and investors may lose all or part of their investment.

A. RISKS ASSOCIATED WITH OUR BUSINESS :

1. *Our Company has violated provisions of the Foreign Exchange Management Act, 1999 and the Companies Act in the past and was levied with financial penalties by regulatory authorities in this connection.*

Our Company had raised debt under a Foreign Currency Convertible Bond issue in 2006. As the issue did not fall under the automatic route of the Reserve Bank of India ("RBI"), our Company was required to take prior approval of the RBI for the FCCB issue. As our Company undertook the FCCB issue without RBI approval, it was in violation of FEMA. Our Company therefore filed two compounding applications with RBI. The RBI compounded the contraventions and levied an aggregate penalty of Rs. 2.50 million on our Company, which has since been paid.

Further, our Company applied for compounding to the RoC, Mumbai for delay in compliance with section 135 of the Companies Act for which an aggregate penalty of Rs. 1,200 was imposed on our Company, which has since been paid.

Any such violation in future could attract monetary and non-monetary penal provisions from the regulators which could impact the financials and operations of our Company.

2. *Our Company has in the past delayed filing the disclosures under the SEBI (Substantial Acquisition of the Shares and Takeover) Regulations, 1997 with the Stock Exchanges*

There has been delay in filings under regulation 8 (3) of the Takeover Code for the fiscal 2007, 2008 and 2010 by 56 days, 13 days and 27 days respectively by our Company. While no notice has been received or action taken against our Company by any statutory authority on these delays as on date, there is no assurance that our Company may not be subjected to any action/penalty at a future date which could have adverse impact on the business and financial performance of our Company.

3. *The Auditors have qualified their opinion in the Auditors' Report for the fiscal 2008, fiscal 2009 and fiscal 2010 and in their limited review report for the quarter ended June 30, 2010.*

The auditors of our Company have qualified their opinion and have invited attention in their Auditor Reports for the fiscal 2008, fiscal 2009 and fiscal 2010 and in the limited review report as at June 30, 2010 as described in the auditors report on the reformatted financial statements that:

1. The Company has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at June 30, 2010, March 31, 2010, March 31, 2009 and March 31, 2008, which in their opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Company revalued the bonds as at June 30, 2010, the profit for the quarter ended June 30, 2010 and the reserves as at that date would have been lower by Rs 32.72 million and Rs 297.78 million respectively and Foreign Currency Monetary Item Translation Difference account would have been Rs 98.16 million. Further, had the Company provided for the premium on redemption, the securities premium as at June 30, 2010 would have been lower by Rs 481.83 million. Consequent to the above, the FCCB balance at June 30, 2010 would have been higher by Rs 877.78 million.
2. Without qualifying their opinion, in the fiscal 2009 unconsolidated audit report, the auditors drew attention that the Group had in the year 2008 issued Foreign Currency Convertible Bonds (FCCB) aggregating to US\$ 55 million. Subsequent to year ended March 31, 2009, the Group has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds under External commercial borrowings (ECB) guidelines. The Group has obtained legal opinion confirming its eligibility and is in process of considering various options, including filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the reformatted financial statements for the year ended March 31, 2009.

3. The auditors in their unconsolidated and consolidated auditor's reports for fiscal 2008 drew attention that as per legal advice received, the Company has continued with its accounting policy to adjust foreign exchange fluctuation on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956, which is at a variance to the treatment prescribed in Accounting Standard (AS-11) "Effect of Changes in Foreign Exchange Rates" notified in the Companies (Accounting Standard) Rules 2006 dated December 7, 2006. The Company capitalized Mark to Market (MTM) losses aggregating to Rs. 45,167,462 relating to fixed assets purchased, which is not in compliance with Accounting Standard Rules, 2006. Had the Company written off those losses the Profit for the year and fixed assets as at March 31, 2008 would have been lower by Rs. 45,167,462.

For further details on the qualifications and its impact on the financials of our Company for the fiscal 2008, fiscal 2009, fiscal 2010 and in their limited review report for the quarter ended June 30, 2010, please refer section titled "**Financial Statement**" of this Placement Document.

4. *Our Company is involved in certain legal and other proceedings in India and may face certain liabilities as a result thereof.*

Our Company is party to certain legal proceedings, pending at different levels of adjudication in various forums, and if determined against our Company, we will be liable for making payments on the demand amount with interest. No assurances can be given as to whether these legal proceedings will finally be decided in our Company's favour or have no adverse outcome, nor can any assurance be given that no further liability will arise out of these claims. Any adverse decision can have a significant effect on our business and reputation, financial condition, and results of operations. The amounts claimed in these proceedings have been disclosed in our reformatted consolidated financial statements to the extent ascertainable. Should any new development arise, such as a change in Indian law, regulations or orders, our Company may need to make additional provisions in its reformatted financial statements that could increase expenses and current liabilities.

The table below summarizes our outstanding litigation as of September 30, 2010:

Category	Company		Promoter and Directors	
	No. of Proceedings	Amount (Rs. million)	No. of Proceedings	Amount (Rs. million)
Civil Proceedings	1	7.5	-	-
Tax Proceedings	2	6.9	-	-
Customs Proceedings	1	23.9	1	1.5

In addition, SEBI and stock exchanges had in the past issued notices to and instituted proceedings against one of our directors, Mr. Rakesh Radheyshyam Jhunjhunwala and Geojit BNP Paribas Financial Services Limited, a company in which Mr. Rakesh Jhunjhunwala is a director. None of these proceedings are currently pending.

If any pending cases are decided against us or our officers, it can have a material adverse effect on our business and reputation, financial condition, and operations. For further information relating to such proceedings, see the section titled "**Legal proceedings**" of this Placement Document.

5. *We may be unable to adequately protect our intellectual property, since some of our brand names, logos and other intellectual property are in the process of being registered and therefore we do not currently enjoy any statutory protection, which could adversely affect our financial condition, results of operations and business.*

Our business is dependent upon our patents, trademarks, copyrights and other intellectual property rights. Effective intellectual property rights protection, however, may not be available under the laws of every country in which we and our licensees operate. The efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete.

Further, currently we do not have a registered trademark over the Prime Focus logo in all registrable classes in India and internationally. There is a risk that another firm may attempt to use our name or a similar name for a competing business, which could have a negative impact on our business. Though an application has been filed by us with the relevant trademark protection authorities to obtain a trademark, in the event that registration is not granted, we will not have statutory protection over the usage of such logo. In addition, although a patent registration application has been filed for 'View D' in the US and a trademark registration application has been filed for 'CLEARTM' in India, we do not have a patent registration over our proprietary technologies, View D and CLEARTM. In the event that registration is not granted, we will not have statutory protection over the usage of such technology.

We may be exposed to, or threatened with, future litigation by other parties alleging that our proprietary technologies infringe their intellectual property rights. Any intellectual property claims, regardless of their merit, could be time

consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination in any intellectual property claim could require us to pay damages and/or stop using the technology, trademarks and other material found to be in violation of another party's rights and could prevent us from licensing our technologies to others.

6. *The post-production and visual effects (film and television) industry is highly dependent on individual skill sets of key personnel, which are not readily replaceable. We may be unable to attract and retain skilled professionals.*

Our ability to sustain our operations and growth depends on our ability to attract, train, motivate and retain highly skilled key personnel, particularly in the creative area of our business. We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. The post-production and VFX industry requires skilled manpower with the ability to deliver the creative needs of the clients. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. An increase in the rate of attrition of our experienced employees would adversely affect our growth strategy. We cannot assure that we will be successful in recruiting and retaining a sufficient number of creative and technical personnel with the requisite skills to replace those personnel who leave. Further, we cannot assure that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in our business. Our Company may have to incur costs in providing our employees with incentives to retain technical staff such as employee stock option plans (which is a commonly used incentive in intellectual capital businesses like ours) which will be a cost to our Company (which include the increased costs due to recent Indian tax regulations affecting such employee stock option plans). While we have never experienced a work stoppage as a result of disagreements or otherwise with our employees, we cannot guarantee that we will not experience any such incidents in the future.

7. *Our operations are dependent on latest technology trends. Failure to upgrade the technology would affect our business.*

The entertainment and media industry is characterized by technological change, evolving customer needs and emerging technical standards. Besides, digital technology possesses additional risks including increased capital costs, increased maintenance costs and changing requirements for digital hardware. Our inability to adapt to the changing technologies may limit the competitiveness and demand for our services.

8. *There are no standard valuation methods followed in the industry and there are no listed benchmarks for relative valuation comparison*

There is no standard valuation methodology or accounting practices in the multi-media/post -production, visual effects and related industries. Also, the valuations in the Media/ Entertainment and related industries are presently high and may not be sustained in future and may also not be reflective of future valuations for the industry. In addition, there is no listed benchmark in India with a similar business mix. Therefore our financials may not be comparable with other comparable businesses in this industry.

9. *We are exposed to various operational risks including the risk of piracy by employees and outsiders*

We run various operational risks which include the risk of misappropriation and piracy of prints/negatives from our studios by employees and outsiders, non-compliance with statutory requirements and operational errors. It may not always be possible to deter employees from misconduct or the precautions we take to detect and prevent these activities may not be effective in all cases. Any such cases including acts of employee misconduct, fraud, improper use, disclosure of confidential information, piracy could result in legal and regulatory proceedings, and may severely impact our business, financial conditions, reputation and operations.

10. *One of our Subsidiaries, Prime Focus London plc, applied for and has been granted suspension from trading its equity shares on AIM*

Prime Focus London plc has appointed BDO, UK, an audit firm, to review its accounts in view of the potential restructuring of our overseas operations. Due to the ongoing review by BDO, Prime Focus London plc has decided to publish the annual report for the fiscal 2010 after completion of the review. Accordingly, it has made an application for suspension of trading in the equity shares till the publication of the annual report of Prime Focus London plc. The trading in the equity shares was suspended with effect from September 30, 2010. The suspension from the trading in equity shares may have an adverse impact on the shareholders of Prime Focus London plc.

11. *We have high level of outstanding receivables and bad debts*

The debtor's turnover cycle of our Company has been illustrated in the table given below:

(Rs. in million)

Particulars	Consolidated		Unconsolidated	
	Fiscal 2010	Fiscal 2009	Fiscal 2010	Fiscal 2009
Average Debtors	1056.30	898.61	566.75	466.54
Income from Operations	4,527.84	3,543.73	952.73	910.95
Debtors Turnover (approximate number of days)	85	93	217	187
Bad Debts and provision for bad debts	111.77	70.64	32.75	49.87

As at March 31, 2010, our Company had 25.39% of its consolidated income from operations and 71.13% of its unconsolidated income as outstanding receivables. The majority of our consolidated and unconsolidated income is derived from the film industry which is characterized by relatively long collection periods. As a part of our annual management review, a portion of our receivables may be written off in case the management believes these are not recoverable. However, large write-off of receivables could lead to earnings downgrades and valuation degradations.

12. We have significant contingent liabilities and our financial condition may be adversely affected if these contingent liabilities materialise.

The contingent liabilities of our Company as reflected in our reformatted consolidated financial statements as indicated in the table below for Fiscal 2010 and Fiscal 2009 are:

(Rs. in million)

Particulars	Fiscal 2010	Fiscal 2009
On account of undertakings given by the Group in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Group is confident of meeting its future obligations on such undertakings in the normal course of business.	748.59	797.03
On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made by Prime Focus London Plc. to vendors of Machine Effects Ltd. U.K.	61.08	69.36
Matters pending with Tax Authorities (Block Assessment). The Group has been advised that it has a valid case based on similar decided matters.	0.11	1.05
Company has made payment of taxes under protest towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals)	5.27	Nil
Premium on conversion of FCCB	420.38	269.14
Matters pending with Customs Authorities for which appeal is pending with Appellate Tribunal. On the basis of legal advice obtained, the Group is confident that no provision is required in respect of this case at this point of time.	176.02	2.12
Estimated amount of contracts remaining to be executed on capital account and not provided for	Nil	16.15
Guarantees given by Banks on behalf of the Group.	Nil	36.34
Total	1,235.43	1,191.20

In the event that any of the above contingent liabilities fructify, the same could adversely affect our financial condition.

13. Our management will have significant flexibility in applying proceeds of the Issue. The funding requirement and deployment mentioned in the section titled "Use of Proceeds" have not been appraised by any bank or financial institution.

We intend to use the proceeds of the Issue to augment long term working capital requirements of our Company in view of the expected growth in the business, prepay / repay debt, expand and upgrade existing facilities, strengthen the financial position of our Company, fund other strategic initiatives and/or for other general corporate purposes. Our funding requirements and the deployment of the proceeds of the Issue are based on internal management estimates and have not been appraised by any bank or financial institution. Accordingly, management will have significant flexibility in applying the proceeds of this Issue. Further, we have not appointed a monitoring agency to monitor the utilization of funds.

14. We operate some of our studios from leased premises whose terms may vary or may not be renewed on terms favorable to us or at all which could impact our operations

Some of the facilities used by our UK, US and Canadian operations are leased premises. While, many of these are long term leases and renewable at the option of the tenant, in the situation that these leases are not renewed, we would have to relocate our operations in these jurisdictions. There is no guarantee that we would be able to secure appropriate premises at competitive prices and in a suitable location. In addition, we would need to incur a significant expense in order to refurbish the newly acquired facility to suit its business requirements.

15. *Certain immovable properties in which we operate our offices are on lease without execution of any comprehensive documentation or lease agreements have expired and are pending for renewal*

Our Company is presently occupying certain immovable properties in India without execution of lease documentation or the lease agreement is pending for renewal. The rents for these properties are being paid on a month to month basis and we can claim no vested interest in the premises. However, there can be no assurance that we would be able to negotiate fresh leases for these premises to have access to these properties in the future.

16. *Our indebtedness and restrictive covenants imposed by certain loan agreements could restrict our ability to conduct our Business.*

As of September 30, 2010, we had unconsolidated outstanding loans of Rs. 1,408.32 million (including funded and non-funded) from banks apart from outstanding FCCB of USD 55 million. In addition, we may incur additional indebtedness in the future. The high level of our indebtedness could have significant consequences, including but not limited to:

- a substantial portion of our cash flow will be used for repayment of debt, which will reduce the availability of cash flow to fund working capital, capital expenditure, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future or renegotiate or refinance our existing indebtedness on terms favourable to us may be limited;
- fluctuations in market interest rates will affect the cost of our borrowings;
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions;
- we may have difficulty satisfying payment and other obligations under our existing financial arrangements and an inability to comply with these obligations could result in an event of default, acceleration of our payment obligations and enforcement of related security interests over our assets;
- we may be restricted from making dividend payments to our shareholders under certain circumstances.

Further, the said financing arrangements contain various restrictive covenants. Our Company has to take prior consent of the applicable lenders for various business decisions, including but not limited to:

- raising any further debt;
- issue any guarantee / other undertakings for our borrowings or those of our group companies;
- issue further equity shares;
- effect any change in capital structure;
- effect any change in the composition of the Board;
- dispose of or divest any investments or any other assets;
- encumber any assets.

Failure to meet these conditions and covenants or inability to obtain necessary lender consents or waivers in relation to such failure could materially and adversely affect our business, results of operations and financial condition.

17. *Highly competitive environment in the Media & Entertainment industry could have an adverse impact on our revenues and profitability*

The Media and Entertainment industry, we operate in, is highly competitive and service-oriented. We compete in each of the local markets with other national and regional players and independent studios. There have been several new companies in India which have entered the same business, which has been possible partly due to the low entry barriers in this industry. Even if such new entrants do not succeed in entering and operating in the same market on a profitable basis, they may have to enhance competition which in turn compels us to match the pricing with such competitors. We

also face competition from integrated production studios that set up their own post-production and VFX divisions. If we are unable to differentiate our services from those of our competitors, the competitive pressures could have an adverse impact on our revenues and profitability.

18. *Fluctuations in foreign exchange rates can impact profitability*

During the Fiscal year 2010, 81.06% of the consolidated revenues were in foreign currencies like USD, CAD and GBP. Similarly, a portion of the expenses, including the capital cost for acquiring equipments, as well as other operating expenses in connection with our international operations, are denominated in currencies other than Indian rupees, most significantly the USD, CAD and GBP. We have also certain capital commitment in foreign currencies including but not limited to FCCBs. Although our business operations provide a kind of natural hedge to our foreign currency exposure, significant fluctuations in currency exchange rates between the Indian rupee and these currencies and inter-se such currencies may adversely affect our results of operations.

Furthermore, financial reporting currency of our Company and its Indian subsidiaries is Indian rupees, while the financial reporting currency of international subsidiaries of our Company is in various local currencies of countries that they operate in, including GBP. Our foreign currency exchange risks therefore arise from the mismatch between our financial reporting currencies, currency of a portion of our revenue and the currency of a substantial portion of our expenses and our indebtedness, as well as timing differences between receipts and payments which could result in an increase of any such mismatch.

Although we believe that we have effective management process and hedging strategy in place, there can be no assurance that such measures will enable us to avoid the effect of any adverse fluctuations in the value of the Indian rupee against the U.S. dollar or other relevant foreign currencies.

19. *The Company's profit and loss data for the second quarter of the current fiscal year have not yet been finalised and are not yet available.*

The Company is currently preparing its unaudited non-consolidated profit and loss data for the three months ended September 30, 2010 (the "**Quarterly Financial Statements**"), which are expected to be published on or before November 15, 2010. The financial condition and results of operations of the Company as disclosed in the Quarterly Financial Statements can be influenced by a number of internal and external factors, including but not limited to, market prices of our products, seasonality, exchange rates and interest rates. As at the date of this Placement Document and prior to the issue date of the Equity Shares, none of the Company and the Book Runners have reviewed or will review the Quarterly Financial Statements or any other unaudited unconsolidated financial statements prepared by the Company since June 30, 2010. As such, none of the Company and Book Runners makes or can make any representation or gives or can give any assurance as to the results of operations of the Company as will be disclosed in the Quarterly Financial Statements. Furthermore, if the Quarterly Financial Statements do not disclose positive results for the Company, this could have a negative effect on the trading price of the Equity Shares.

20. *We may engage in acquisitions, strategic investments, strategic partnerships alliances or other ventures that may not be successful*

In the past five years, we have undertaken strategic acquisitions to achieve the present growth. We may continue to acquire or make strategic investments in complementary businesses, technologies, services or products, or may enter into strategic partnerships or alliances with third parties in order to enhance its business. It is possible that we may fail to identify suitable acquisitions, strategic investments or strategic partnership candidates, or even if we identify suitable candidates, we may fail to close those transactions on terms commercially acceptable to it. The inability to identify suitable acquisition targets or investments or the inability to close such transactions may affect our competitiveness and growth prospects. If we acquire another company, we may have difficulty in assimilating the acquired company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may choose not to work with us. In addition, we may have difficulty in integrating the acquired products, services, technologies or employees into our operations. These difficulties could disrupt our ongoing business and management and increase our expenses.

21. *We may not be able to manage the rapid growth in our business which could have a material adverse effect on the results of operations and financial condition*

We believe that our rapid growth may place significant demands on our management and other resources. It will require us to continue to develop and improve operational, financial and other internal controls, globally. In particular, continued growth increases the challenges involved in:

- (i) recruiting, training and retaining sufficient skilled technical, marketing and management personnel;

- (ii) adhering to the quality and process execution standards;
- (iii) preserving culture, values and entrepreneurial environment;
- (iv) developing and improving internal administrative infrastructure, particularly its financial, operational, communications and other internal systems; and
- (v) maintaining high levels of client satisfaction.

Failure to overcome the challenges mentioned above will have an adverse impact on our business.

22. *We have entered into, and will continue to enter into, related party transactions. There can be no assurance that such transaction, individually or in the aggregate will not have an adverse effect on our business, financial condition and results of operations.*

We have entered into certain transactions with related parties, including our Subsidiaries, joint venture company, Group Companies, Promoters, Directors and their relatives, key management personnel and enterprises in which key management personnel/ Directors have significant influence. For further information on our related party transactions, see "**Related Party Transactions**" of this Placement Document. While we believe that all our related party transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. Also, it is likely that compliances required under the Companies Act to enter into such related party transactions may not have been complied with.

Furthermore, it is possible that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our business, financial condition and results of operations.

Further, the Promoters and Directors may also be regarded as having interest in the Equity Shares, if any, held by them or by the companies/ firms/ventures promoted by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of the Promoters may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. For detailed information, please see the section titled "**Board of Directors and Key Managerial Personnel**" of this Placement Document.

23. *Our revenues could be significantly affected if the governments in countries in which our customers are based restrict companies from outsourcing work to non-domestic organisations.*

The issue of companies outsourcing services to organisations operating in other countries has become a topic of political discussion in many countries. In addition, there has been recent publicity about negative experiences associated with offshore outsourcing, such as theft and misappropriation of sensitive client data, particularly involving service providers in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends toward offshore outsourcing would seriously harm our ability to compete effectively with competitors that provide services from the other countries. Measures aimed at limiting or restricting offshore outsourcing have been enacted in a few countries and there is currently legislation pending in several countries. The measures that have been enacted to date generally have restricted the ability of government entities to outsource work to offshore business process service providers and have not significantly adversely affected our business, primarily because we do not currently work for such governmental entities and they are not currently a focus of our sales strategy. However, pending or future legislation in these countries could adversely affect our business, results of operations and financial condition.

24. *We face the risk of potential liabilities from lawsuits or claims by consumers and end-users.*

We face the risk of legal proceedings and claims being brought against us by various entities including consumers and end users of software products for which our services relate for various reasons including for defective products sold or services rendered. Responding to complaints and dealing with claims takes time and can divert management's attention away from our operations. If some or all of these lawsuits or claims succeed it could adversely affect our business and financial performance. This may result in liabilities and/or financial claims against us as well as loss of business and reputation.

B. RISKS RELATING TO THE EQUITY SHARES

25. *An investor will not be able to sell any of the Equity Shares subscribed to in the Issue other than on a recognized Indian stock exchange for a period of 12 months from the date of the issue of the Equity Shares.*

Pursuant to the SEBI (ICDR) Regulations, for a period of 12 months from the date of the issue of the Equity Shares, QIBs purchasing Equity Shares in the Issue may only sell their Equity Shares on the trading platforms provided by the Stock Exchanges and may not enter into any off-market trading in respect of these Equity Shares.

26. *The issue of share warrants may result in dilution of existing shareholding.*

Our Company has issued 1,000,000 share warrants to one of our Promoters, Mr. Namit Malhotra on October 15, 2010. These warrants can be converted into equal number of the equity shares of Rs. 10 each. If Mr. Namit Malhotra decides to exercise his option to convert the share warrants to equity shares, this would result in dilution of the shareholding of the other existing shareholders. For further information relating to issue of warrants, see section titled “**Recent Developments**” in this Placement Document.

27. *Future issues or sales of the Equity Shares may significantly affect the trading price of the Equity Shares.*

The future issue of the Equity Shares or the disposal of the Equity Shares by any of the major shareholders or the perception that such issues or sales may occur may significantly affect the trading price of the Equity Shares. If, for example, our Company consummates one or more significant acquisitions through the issuance of the Equity Shares, holders of the Equity Shares could suffer dilution of their ownership interests. There are limited restrictions on our Company's ability to issue Equity Shares or our Company's major shareholders' ability to dispose of their Equity Shares, and there can be no assurance that our Company will not issue Equity Shares or that any shareholder will not dispose of, encumber, or pledge, the Equity Shares in the future.

28. *The Promoters and Promoter Group will continue to hold a majority of the Equity Shares after the Issue and can therefore determine the outcome of shareholder voting.*

After the completion of this Issue, the Promoters and Promoter Group will hold approximately 49.73% of the Equity Shares. Consequently, the Promoters and Promoter Group will continue to be able to exercise a significant degree of influence over our Company and will be able to control the outcome of any proposal that can be approved with a majority shareholder vote. The Promoters and Promoter Group will also be able to influence the selection of the Board and to control most matters affecting us, including the appointment and removal of the officers; the business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; our dividend payout; and the capital structure and financing.

29. *Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.*

Securities markets in India are volatile and the Indian Stock Exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The Indian financial markets have experienced volatility, with the BSE Sensex from a high of 21,206.77 points on January 10, 2008 to a low of 7,697.39 points on October 27, 2008, a decline of almost 63.70% during the period. Similarly, the BSE Sensex increased from 8,047.17 points on March 6, 2009 to 17,486.05 points on December 29, 2009, a rise of 117.29% during the period. In addition, the governing bodies of the Indian Stock Exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Future fluctuations in the Indian securities markets could have a material adverse effect on the price of the Equity Shares.

30. *Because our Equity Shares are quoted in Indian rupees in India, investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.*

Investors are subject to currency fluctuation risk and convertibility risk since the Equity Shares are quoted in Indian rupees on the Indian stock exchanges on which they are listed. Dividends on the Equity Shares will also be paid in Indian rupees. In addition, investors that seek to sell Equity Shares will have to obtain approval from RBI, unless the sale is made on one of the Stock Exchanges or in connection with an offer made under regulations regarding takeovers. The volatility of the Indian rupee against the U.S. dollar and other currencies subjects investors who convert funds into Indian rupees to purchase the Equity Shares to currency fluctuation risks.

31. *There is no guarantee that the Equity Shares will be listed on the Stock Exchanges in a timely manner*

In accordance with Indian law and practices, permission for final listing and trading of the Equity Shares will not be granted until those Equity Shares have been issued and allotted. Approval will require all relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the Stock Exchanges. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. For instance, on May 18, 2009, following an unprecedented rise of over 17.0% in the Sensex and the Nifty as a reaction to the success of the new coalition government in the recent general election, the Indian stock market was shut down at noon and resumed trading only the next day. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares or a shareholder's ability to sell Equity Shares at a particular point in time. Historical trading prices may not be indicative of the prices at which the Equity Shares will trade in the future.

32. *Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions*

The Companies Act and related regulations, the Articles and the Listing Agreements with the Stock Exchanges govern the corporate affairs of our Company. Legal principles relating to these matters and the validity of corporate procedures, directors fiduciary duties and liabilities, and shareholders rights may differ from those that would apply to a company in another jurisdiction. Shareholders rights under Indian law may not be as extensive as shareholders rights under the laws of other countries or jurisdictions. Investors may have more difficulties in asserting their rights as a shareholder of our Company than as a shareholder of a corporation in another jurisdiction.

33. *Any trading closure at the Stock Exchanges may adversely affect the trading price of our Equity Shares*

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the U.S. and Europe. Indian stock exchanges have in the past experienced problems, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, the Stock Exchanges could adversely affect the trading price of the Equity Shares. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

34. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell Equity Shares at a particular point in time.*

We are subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of equity shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the equity shares. The BSE and NSE halted trading due to the index-based market-wide circuit breaker on May 18, 2009 after the index crossed the threshold of such circuit breaker. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the equity shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

35. *Your ability to sell Equity Shares that you acquire in this Issue is restricted by the transfer restrictions set forth in this Placement Document.*

No actions have been taken by our Company in order to permit a public offering of the Equity Shares in any jurisdiction including in India. The Equity Shares are subject to restrictions on transferability and resale. You are required to inform yourself about and observe these restrictions, which are set forth in this Placement Document under section titled ***“Transfer Restrictions”*** of this Placement Document. Our Company, its representatives and its agents will not be obligated to recognize any acquisition, transfer or resale of the Equity Shares made other than in compliance with the restrictions set forth herein.

36. *Your ability to sell your Equity Shares to a resident of India may be subject to delays if RBI approval is required.*

Under current Indian regulations and practice, approval of the RBI is required for the sale of Equity Shares by a non-resident to a resident of India, unless the sale is made on a stock exchange in India through a stock broker or a merchant banker registered with SEBI, at the market price or in terms of the pricing guidelines specified by the RBI in the case of an off-market transfer. If the Equity Shares are thinly traded, then certain other pricing guidelines specified by the RBI must be followed. Prior to the repatriation of sale proceeds, certain filings must be made with an authorised dealer remitting the proceeds along with certain documents, including an undertaking from the resident buyer in the prescribed form stating that the pricing guidelines have been adhered to and a no objection/tax clearance certificate from the income tax authority or an accountant has been obtained. If any approvals are required from the RBI or any other government agency, they may not be obtained on terms favourable to a non-resident investor or at all. We cannot guarantee that any approval, if required, will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realising gains during periods of price increases or limiting losses during periods of price declines.

37. *You may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.*

Capital gains arising from the sale of the equity shares of our Company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the securities transaction tax (“STT”) has been paid on the transaction. The STT will be levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and as a result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India. Capital gains arising from the sale of the equity shares of our Company will be exempt from taxation in India in cases where an exemption is provided under a treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdictions on gain upon a sale of the Equity Shares. For further details, please refer to the section titled ***“Taxation”*** of this Placement Document.

38. *There may be less information available in Indian securities markets than in securities markets in more developed countries.*

There is a mandatory level of regulation, disclosure and monitoring of the Indian securities markets and the activities of investors, brokers and other participants. SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. Moreover, under the terms of the listing agreement which every listed company enters into with the relevant stock exchange (“Listing Agreement”), certain information needs to be disclosed to the stock exchange which is then made available to the general public. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies. As a result, one may have access to less information about our Company’s business, results of operations and financial conditions, and those of our Company’s competitors that are listed on the BSE, NSE and other stock exchanges in India, on an ongoing basis than they may have in the case of companies subject to reporting requirements of other more developed countries.

39. *Financial instability in other countries, particularly emerging market countries, could disrupt the Indian share market and affect the price of the Equity Shares.*

Although economic conditions are different in each country, investors’ reactions to developments in one country may have an adverse effect on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector in particular. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders’ equity and the price of the Equity Shares.

40. *Significant differences exist with Indian GAAP used throughout our Company's financial information and other accounting principles with which investors may be more familiar.*

Our reformatted financial statements are extracted from our audited consolidated financial statements as of and for fiscal 2010, 2009 and 2008, prepared in accordance with Indian GAAP. Indian GAAP differ in certain significant respects from IFRS and other accounting principles and auditing standards with which prospective investors may be familiar with in other countries. We do not provide a reconciliation of our financial statements to IFRS or a summary of principal differences between Indian GAAP and IFRS relevant to our business. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS as may be applied to our financial statements. As there are significant differences between Indian GAAP and IFRS, there may be substantial differences in the results of operations, cash flows and financial positions discussed in this Placement Document, if the relevant financial statements were prepared in accordance with IFRS. The significant accounting policies applied in the preparation of our financial statements are as set forth in notes to the reformatted financial statements included in this Placement Document. Prospective investors should review the accounting policies applied in the preparation of these financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and how they might affect the financial information contained in this Placement Document.

C. EXTERNAL RISK FACTORS

41. *Terrorist attacks, civil disturbances and regional conflicts in India and elsewhere in the world may have a material adverse effect on our business and on the market for securities in India.*

Terrorists and other acts of violence or war may adversely affect global equity markets and economic growth. These acts may also result in a loss of business confidence, make travel and other services more difficult and have other consequences that could have an adverse effect on our business, results of operations and financial condition. In addition, any deterioration in international relations may result in investor concern regarding regional stability which could adversely affect the price of Equity Shares. In addition India has witnessed localised terrorist attacks recently. Such incidents could also create an increased perception that investment in Indian companies involves a higher degree of risk and could have a material adverse effect on our business and the market price of the Equity Shares. India has from time to time experienced instances of hostilities with neighbouring countries, including between India and Pakistan. In recent years, military confrontations between India and Pakistan have occurred in Kashmir and along the India-Pakistan border although the governments of India and Pakistan are engaged in conciliatory efforts. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that investments in Indian companies involve higher degree of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have an adverse effect on the market for securities of Indian companies, including the Equity Shares.

42. *Political instability and significant changes in the Government's policy on liberalisation of the Indian economy could impact our financial results and prospects.*

India has in recent years implemented economic reforms, and the current coalition-led Government which came to power in May 2004 and was re-elected in 2009 has announced policies and undertaken initiatives that continue the economic liberalisation policies pursued by previous Governments. However, there can be no assurance that these liberalisation policies and the political stability will continue in the future. The rate of economic liberalisation could change, and laws and policies affecting the entertainment industry, foreign investment, currency exchange and other matters affecting investment in our Company's securities could change as well. Any significant change in liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

43. *Any downgrading of India's debt rating by an international rating agency could have a negative impact on our Company's business.*

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our Company's ability to raise additional financing and the interest rates and their commercial terms at which such additional financing is available. This could have an adverse effect on our Company's financial performance and our Company's ability to obtain financing to fund our growth on favourable terms or at all.

44. *A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our Company's financial condition.*

According to a report released by the RBI, India's foreign exchange reserves totalled US\$295.79 billion as at October 8, 2010. A decline in this reserve could impact the valuation of the local currency and could result in reduced liquidity and higher interest rates which could adversely affect our Company's future financial performance and the market price of the Equity Shares.

45. *Investors may have difficulty enforcing foreign judgments against our Company or our Company's management.*

Our Company is a limited liability company incorporated under the laws of India. All of our Company's directors and executive officers are residents of India. As a result, it may be difficult for investors to effect service of process on our Company or to enforce judgments obtained against our Company in foreign courts predicated upon the liability provisions of foreign countries. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with Indian practice. Also, a party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered.

46. *Our Company's business and activities are regulated by the Competition Act, 2002.*

The Parliament has enacted the Competition Act, 2002 (the "**Act**") for the purpose of preventing practices having an adverse effect on competition under the auspices of the Competition Commission of India. Although enacted, the Act has not yet fully come into force (except for certain limited provisions). Under the Act, any arrangement, understanding or action whether or not formal or informal which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement, inter alia, which directly or indirectly determines purchase or sale prices, limits or controls production, or shares the market by way of geographical area or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the Act and the Competition Commission of India will affect industries in India.

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. 729.80 million. After deducting the Issue expenses of approximately Rs. 18.25 million, the net proceeds of the Issue will be approximately Rs. 711.55 million.

Subject to compliance with applicable laws and regulations, the Company proposes to use the net proceeds of the Issue to augment long term working capital requirements of the Company in view of the expected growth in the Company's business, prepay / repay of debt, expand and upgrade existing facilities, strengthen the financial position of the Company, fund other strategic initiatives and/or for other general corporate purposes.

In accordance with the policies set up by our Board, and as permissible under applicable laws and government policies, our management will have flexibility in deploying the proceeds received by us from the Issue. Pending utilization for the purposes described above, we intend to temporarily reduce the existing borrowings of the Company, deploy the same in working capital facilities / invest the proceeds in other credit worthy instruments. Such investments would be strictly in accordance with the investment policies approved by the Board from time to time.

CAPITALISATION

The following table sets forth our capitalization and total debt as of March 31, 2010 on consolidated basis and as adjusted to give effect to the Issue pursuant to this Placement Document. This table should be read in conjunction with our Company's reformatted financial statements and the related notes, other financial information and the section titled "*Management's Discussion and Analysis of Financial condition and Results of Operations*" contained elsewhere in this Placement Document and the other financial information contained elsewhere in this Placement Document.

	(in Rs. million)	
	As at March 31, 2010	As adjusted for the Issue
Shareholder's Fund		
Share Capital	128.23	138.87
Reserves and Surplus	1,797.83	2,498.74
Total Shareholder's Fund	1,926.06	2,637.61
Minority Interest	283.73	283.73
Loan Fund		
Secured Loans	2,471.65	2,471.65
Unsecured Loans	2,162.70	2,162.70
Total Loan Fund	4,634.35	4,634.35
Total Capitalisation	6,844.14	7,555.69

Unsecured loans include Rs. 2,162.70 million for foreign currency convertible bonds which can be converted to equity shares on or before December 13, 2012.

Pursuant to the special resolution of the shareholders at an AGM dated September 30, 2010 and the subsequent resolution of the Board dated October 15, 2010, 1,000,000 warrants convertible into 1,000,000 equity shares of Rs. 10 each were issued and allotted to Mr. Namit Malhotra. Our Company has received Rs. 138.70 million, on the allotment of warrants.

Share premium as "Adjusted for the Issue" is net of the approximate issue expenses related with the Issue. Any other changes in shareholder's and loan fund subsequent to March 31, 2010 have not been considered in the adjusted figures.

FINANCIAL INDEBTEDNESS

Our Company has availed cash credit facilities of Rs. 191.31 million, term loans of Rs. 542.78 million, working capital loan of Rs. 250.00 million, hire purchase obligation of Rs. 41.24 million, vehicle finance loans of Rs. 10.63 million and a bank guarantee of Rs. 28.48 million as on September 30, 2010. Set forth below is a brief summary of our current significant financing arrangements as on September 30, 2010.

Name of Lender	Facility	Outstanding Loan (Rs. in million)	Interest Rate
ICICI Bank	Credit arrangement letter dated May 13, 2010 for: (i) a cash credit facility of Rs. 67.50 million, including a sub-limit of Rs. 67.50 million for a working capital demand loan facility; (ii) a capex letters of credit facility of Rs. 500 million, including sub-limits of Rs. 500 million for buyer's credit and of Rs. 250 million for a term loan facility.	Cash credit – 26.91 Term Loan – 191.28 Buyer's credit – 205.36	Cash credit - IBAR plus cash credit risk premium minus 0.94%. Currently at 15.31% p.a. Working capital demand loan – to be determined at the time of disbursement. Currently at 12.21% p.a. Term loan – IBAR, liquidity premium minus 1.8%, subject to a minimum rate of 11.5%
Ratnakar Bank	Sanction letter dated September 23, 2008 for a term loan of Rs. 350 million. Sanction letter dated December 24, 2009 for a cash credit facility of Rs. 162.5 million.	Cash credit – 162.12 Term loan – 270.40	Term loan - 12.5% p.a. or PLR minus 2.5% whichever is higher. Cash credit – PLR plus 0.5%. Currently 13.50% p.a.
Yes Bank	Facility letter dated April 19, 2010 for a cash credit facility and working capital demand loan of Rs. 270 million. The limit of working capital is Rs. 250 million and that of cash credit is Rs. 20 million.	Working Capital – 250.00, Cash Credit limit - 2.28 & LC – 20.76	Working capital demand loan – to be determined at the time of disbursement. Cash credit – YES Bank PLR minus 3.5%. Currently at 13% p.a.
Kotak Mahindra Bank	Sanction letter dated May 5, 2008 for a term loan of Rs. 200 million and a bank guarantee facility of Rs. 30 million. The bank guarantee facility stands increased to Rs. 50 million.	Term loan – 81.10	Term loan - Kotak Mahindra Bank PLR minus 4.7%. Currently at 11.8% p.a.
IDBI Bank	Sanction letter dated November 4, 2009 for letter of credit facilities of Rs. 200 million.	Buyer's credit – 198.12	Not applicable

In addition to above, the Company has hire purchase obligation of Rs. 41.24 million and Vehicle Finance Loans of Rs. 10.63 million

Our Company has created charges over its fixed assets, current assets, movable and immovable assets to secure certain financing arrangements. Further, our promoters Mr. Naresh Malhotra and Mr. Namit Malhotra have provided unconditional and irrevocable personal guarantees in relation to certain loans.

The said financing arrangements contain various restrictive covenants. Additionally, our Company has undertaken not to do any of the following without the prior consent of the applicable lenders:

- raise any further debt;
- issue any guarantee / other undertakings for our borrowings or those of our group companies;

- issue further equity shares;
- effect any change in capital structure;
- effect any change in the composition of the Board;
- dispose of or divest any investments or any other assets;
- encumber any assets;
- declare or pay any dividend;
- engage in additional capital expenditure more than Rs. 100 million;
- undertake any new project schemes unless the expenditure is covered by net cash accruals or from long term funds received for financing such new projects;
- escrow its future cash flows or create any charge or lien or interest therein of whatsoever nature;
- invest by way of share capital in or lend or advance funds to or place deposits with any other concern;
- make additional investments in subsidiaries;
- extend loans and advances to group companies;
- directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any financial indebtedness;
- take actions for voluntary dissolution, winding-up or liquidation or any restructuring or reorganization which has a similar effect;
- undertake or permit any reorganization, amalgamation, reconstruction, takeover or any other schemes of compromise or arrangement;
- acquire any entity;
- invest in any associate or group companies;
- make loans to directors / associates and other companies;
- permit total debt to exceed 1.8 times total net worth;
- permit total debt to exceed 7.2 times earnings before interest, depreciation, taxes and amortization;
- permit earnings before interest, depreciation, taxes and amortization to fall below 4.3 times net interest; and amend memorandum or articles of association.

Foreign Currency Convertible Bonds

The Company issued U.S. \$ 55,000,000 zero coupon convertible bonds due in 2012 (the "**Bonds**"). The Bonds will bear no interest, except in certain circumstances. The Bonds constitute the Company's direct, unconditional, unsubordinated and unsecured obligations and shall mature on December 13, 2012. The Bonds were issued in registered form in the denomination of U.S. \$100,000. The Bonds are convertible at any time on and after January 22, 2008 and up to the close of business on November 28, 2012 by holders of the Bonds into newly issued, equity shares of Rs.10 each of the Company on the terms described therein, at an initial conversion price of Rs. 1386.79 per Share with a fixed rate of exchange on conversion of Rs.39.39 = U.S.\$1.00. In terms of condition of the FCCB issue, the conversion price has been reset to Rs. 1,109 per equity shares of face value of Rs. 10 each. Further, in terms of the conditions of the FCCB issue, the conversion price has been reset to Rs. 110.9 per equity shares of Re. 1 each on sub-division of equity shares of our Company.

The Bonds may be held and transferred, and will be offered and sold, in integral multiples of U.S.\$100,000 each. At any time on or after December 12, 2010, the Company may issue an irrevocable "Optional Redemption Notice" to the holders of the Bonds to redeem the Bonds in whole at their Early Redemption Amount as at the Optional Redemption Date. However, no such redemption may be made unless the Closing Price of the Equity Shares (translated into U.S. dollars at the Prevailing Rate) for each of 20 out of 30 consecutive Trading Days, the last of which occurs not more than five days prior to the date upon which the Optional Redemption Notice is published, is greater than 130 per cent of the Early Redemption Amount which would be payable on a Bond on such day were such Bond due for redemption on that day divided by the Conversion Ratio in respect of that Bond on that day. Furthermore, at any time, the Company may, with prior notice redeem the Bonds in whole at their Early Redemption Amount as at the Optional Redemption Date if less than 10 percent in aggregate principal amount of the Bonds originally issued (including any additional Bonds issued in accordance with Condition 11 stipulated therein (Further Issues) and consolidated and forming a single series with such Bonds) is outstanding. The Company has undertaken that for so long as any Bond remains outstanding, the Company will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest on its undertakings, assets or revenues to secure certain types of indebtedness. No bonds have been converted till date by the holders and the Company has not exercised the early redemption option.

Contingent liabilities and Balance Sheet arrangements

For details of the same, please refer to notes to accounts in the section "**Financial Statements**" in this Placement Document.

MARKET PRICE INFORMATION

The equity shares of our Company have been listed on the Stock Exchanges since June, 2006. The tables below set forth, for the periods indicated, the high, low and average closing prices and the trading volumes on BSE and NSE for the Company's Equity Shares.

While reviewing the information below, it should be noted that pursuant to the resolution passed by the shareholders in the annual general meeting held on September 30, 2010, the Equity Shares of the Company were subdivided from shares of face value Rs. 10 each to shares of face value Re. 1 each. The record date for the subdivision was November 1, 2010. The Equity Shares are being traded on the Stock Exchanges after the subdivision with effect from October 29, 2010.

The following tables set forth the reported high, low and average market prices of our Equity Shares at face value of Rs. 10 each on the BSE and the NSE traded on the days such high and low prices were recorded for the last three Financial Years 2007-08, 2008-09 and 2009-10.

BSE

Year ended March 31	Date of High	High (Rs.)	Volume on Date of High (No. of Equity Shares)	Date of Low	Low (Rs.)	Volume on date of Low (No. of Equity Shares)	Average Closing for the year (Rs.)
2008	January 3, 2008	1450.00	10,524	April 4, 2007	402.00	18,479	892.17
2009	April 21, 2008	764.00	1,133	March 9, 2009	51.80	32,267	331.19
2010	January 12, 2010	283.70	43,773	April 1, 2009	82.00	14,734	195.57

(Source: BSE Website)

NSE

Year ended March 31	Date of High	High (Rs.)	Volume on Date of High (No. of Equity Shares)	Date of Low	Low (Rs.)	Volume on date of Low (No. of Equity Shares)	Average Closing for the year (Rs.)
2008	January 4, 2008	1548.90	3,313	April 2, 2007	403.00	2,250	891.72
2009	April 23, 2008	761.05	880	March 9, 2009	51.20	61,158	331.17
2010	January 12, 2010	283.80	79,191	April 1, 2009	82.60	12,496	195.74

(Source: NSE Website)

The following tables set forth the reported high and low closing prices of our Equity Shares recorded on BSE and NSE and the number of Equity Shares traded on the days such high and low prices were recorded and the volume of securities traded in each month during the last six months.

BSE

Month	High (Rs.)	Date of High	No. of Equity Shares traded on date of high	Total Volume of Equity shares traded on date of high (Rs in million)	Low (Rs)	Date of Low	No. of Equity Shares traded on date of low	Total Volume of Equity shares traded on date of low (Rs. in million)	Average price for the month (Rs.)	Total Volume Of Equity Shares Traded in the month	
										In Number	In Rs. million
May 2010	333.00	May 4, 2010	26,458	8.60	257.15	May 21, 2010	10,172	2.68	289.30	152,155	45.67
June 2010	314.00	June 30, 2010	32,328	10.05	257.20	June 7, 2010	1,607	0.43	278.06	190,646	54.47
July 2010	378.60	July 30, 2010	66,961	24.74	300.60	July 1, 2010	9,021	2.76	342.51	758,631	260.93
August 2010	606.90	August 25, 2010	157,717	93.56	385.00	August 2, 2010	283,597	115.18	527.64	3,701,230	1,913.13
September 2010	694.00	September 30, 2010	35898	24.46	570.00	September 1, 2010	44056	25.40	627.33	1943165	1,234.45
Oct 2010*	753.00	October 4, 2010	483074	353.78	674.00	October 20, 2010	10082	6.87	699.02	1328448	949.16

(Source: BSE Website)

NSE

Month	High (Rs.)	Date of High	No. of Equity Shares traded on date of high	Total Volume of Equity shares traded on date of high (Rs in million)	Low (Rs)	Date of Low	No. of Equity Shares traded on date of low	Total Volume of Equity shares traded on date of low (Rs. million)	Average price for the month (Rs.)	Total Volume Of Equity Shares Traded in the month	
										In Number	In Rs. million
May 2010	335.00	May 4, 2010	28910	9.41	256.00	May 26, 2010	3942	1.03	289.17	164414	48.97
June 2010	313.85	June 30, 2010	49167	15.27	257.00	June 7, 2010	5963	1.60	277.72	269674	77.10
July 2010	379.60	July 30, 2010	81254	30.12	298.00	July 6, 2010	11240	3.44	342.57	989969	342.02
August 2010	607.00	August 25, 2010	158738	94.31	383.10	August 2, 2010	441857	180.26	528.14	5179465	2,658.80
Sept 2010	694.00	September 30, 2010	44486	30.37	572.00	September 1, 2010	42973	24.78	627.65	2622327	1,664.68
Oct 2010*	748.00	October 4, 2010	443989	324.24	667.20	October 1, 2010	249135	174.32	699.16	1746980	1,241.48

(Source: NSE Website)

* Pursuant to the notice dated October 8, 2010 issued by Stock Exchanges regarding sub-division of Equity Shares of the Company, with effect from October 29, 2010 the Equity Shares are being traded with face value of Re. 1 each. Hence, the market price information of October 29 2010 has not been considered for determining the market price for the month of October.

The market price of our Equity Shares at face value of Rs. 10 each on NSE and BSE on August 30, 2010, the trading day immediately following the day on which the resolution of the Board to approve this Issue was passed:.

Stock Exchange	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)
BSE	565.00	591.00	565.00	575.90
NSE	573.00	589.75	569.00	578.90

(Source: Websites of BSE and NSE)

DIVIDEND POLICY

The Company is not permitted to declare any dividend which is not recommended by the Directors. The Directors may pay an interim dividend. No dividend may be paid except out of the profits of the Company pursuant to Section 205 of the Companies Act.

The Company has paid cash dividends on its Equity Shares in the past.

	Fiscal		
	2010	2009	2008
Face Value of Equity Share (Rs.)	10	10	10
Dividend per Equity Share %	Nil	Nil	15%*
Dividend Distribution Tax(Rs. in million)	Nil	Nil	3.24

*Interim Dividend

Future Dividends

The form, frequency and amount of future dividends on the Equity Shares will depend upon the Company's earnings, cash flow, financial condition and other factors and shall be at the discretion of the Board. There is no assurance that any dividend in future will be declared or paid or that, if declared, the same rate will be maintained.

Pursuant to the terms of some the Company's loan agreements with certain banks and financial institutions, the Company cannot declare dividends and make payments without obtaining prior consent of the lenders when sums due under those loan agreements remain unpaid by the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion on our financial condition and results of operations together with our consolidated reformatted financial statements as of and for the years ended March 31, 2010, 2009 and 2008, including the notes thereto and reports thereon, each included in this Placement Document. You should also read the sections titled “Risk Factors” and “Forward Looking Statements” included in this Placement Document which discuss a number of factors and contingencies that could affect our financial condition and results of operations. The reformatted consolidated financial statements included in this Placement Document are extracted based on the consolidated audited financial statements as of and for the years ended March 31, 2010, March 31, 2009 and March 31, 2008 which were prepared in accordance with Indian GAAP, which differ in certain material respects from IFRS and U.S. GAAP.

Our fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve month period ended March 31 of that year.

Overview

We are one of the leading global players in the visual entertainment services segment of the Media and Entertainment Industry. We provide services related to VFX, conversion of 2D content to 3D content, post production activities, digital asset management and broadcast facilities and broadcast packaging. We provide these services primarily to film, broadcast, television, commercials and new media businesses. We specialize in providing technical creative solutions, which are basically technology and creative solutions for any audio-visual content and we provide such solutions in an integrated manner across various segments of the media and entertainment business. We capture, create, craft, circulate and conserve content to enable our clients to engage, entertain, educate and excite our audiences. We combine our global cost advantages, resources and international talent pool with our local knowledge and expertise to anticipate and meet the need of our diverse clients across the world.

Prime Focus Limited was incorporated on June 24, 1997 as a private limited company under part IX of the Companies Act, 1956, on merger of proprietary concerns of our promoters 'Video Works' and 'Video Workshop' to form 'Prime Focus Private Limited'. Subsequently, our Company was converted into a public limited company vide a fresh certificate of incorporation dated April 24, 2000.

We started as a television post-production facilities service provider and introduced the technology for non-linear editing in India. We later entered the advertising, films and television design market and in the year 2000, we set-up the telecine facilities in India, enabling the transfer of analogue film to digital tape with colour correction, thus allowing full image colour manipulation.

With the advent of high-end colour correction facilities for advertising and television, the film industry required radical change, which would allow high-end colour manipulation for films shown on the big screen. With this objective, we set up the fully integrated and calibrated DI pipeline for frame-by-frame feature film colour grading and restoration in India.

We undertook an Initial Public Offering (“IPO”) in June 2006 and our equity shares were listed on the BSE & NSE. The majority of the proceeds from the initial public offering were used to finance the acquisition of 55% stake in Prime Focus London plc (formerly known as VTR plc) and for domestic organic and inorganic expansion.

Over the past few years, we have expanded our business operations through organic and inorganic route. We acquired majority interest in Prime Focus London plc which is into the business of providing post-production services for the advertisement and broadcast industry in the UK and is listed on the Alternative Investment Market of the London Stock Exchange. In 2006, we also acquired 100% shareholding in Clear Post Production Limited in Soho, London, which we subsequently merged with VTR Limited (one of the subsidiaries of Prime Focus London plc). Prime Focus London plc has four facilities in Soho, London. In 2007, we expanded our reach to North America with the acquisition of Post Logic Studios, Inc and Frantic Films, Inc for US\$ 43 million. Post Logic Studios, is in the business of DI, color science and post production services to independent and studio feature film clientele, with facilities in Los Angeles and New York. Frantic Films has businesses that offer VFX for films with development facilities in Los Angeles in US, Winnipeg and Vancouver in Canada. In 2009, we acquired 100% ownership in our joint venture company, Store Media Technologies (P) Ltd and was merged with our Company pursuant to a Scheme of Arrangement. We also acquired the post production business of UTV pursuant to a business transfer agreement in the year 2007. We have successfully integrated operations of companies which we acquired in India, the U.K. and the U.S.

We operate in 4 countries through 15 facilities spread across 10 cities which include Vancouver and Winnipeg in Canada, Los Angeles and New York in USA, London in the UK, Mumbai, Chennai, Hyderabad, Bangalore and Goa in India. We

have recently expanded our operations in Mumbai, India with the set up of a state of the art facility with a capacity of 250 VFX seats.

Our consolidated total income was Rs. 4,615.73 million, Rs. 3,670.50 million and Rs. 2,315.62 million in fiscal 2010, 2009 and 2008 respectively. Correspondingly, the consolidated Profit before interest, depreciation, extraordinary items and tax was Rs. 1,146.93 million, Rs. 735.24 million and Rs. 718.71 million and the consolidated Profit after Tax (before minority Interest) was Rs. 393.93 million, Rs. 157.64 million and Rs. 317.58 million in fiscal 2010, 2009 and 2008 respectively. Our Company's unconsolidated total income, Profit before interest, depreciation, extraordinary items & tax and Profit after Tax for the three months ended June 30, 2010 was Rs. 262.67 million, Rs. 122.88 million and Rs. 29.36 million respectively.

The equity shares of Prime Focus Limited are listed on the BSE and the NSE. The market capitalization of our Company as on November 1, 2010 on BSE was Rs. 8,603.96 million and on NSE was Rs. 8,636.01 million.

Certain Factors Affecting Our Results of Operations

The business of our Company is subject to various risks and uncertainties, including those discussed in the section titled "**Risk Factors**" of this Placement Document.

Some of the important factors that have affected and which will continue to affect the results of operations of our Company, financial condition and cash flows are discussed in this section.

Changes in the Technology

The visual entertainment services business is characterized by technological change, evolving customer needs and emerging technical standards. Besides, the digital technology poses additional risks including changing requirements for digital hardware. Our inability to adapt to the changing technologies may limit our competitiveness and demand for our services. We believe in keeping up to the latest technology trends and has always expended significant amounts of capital to stay ahead of the technology curve. Over the years, we have acquired and adapted to technologies such as CLEARTM and View-D. We are continually upgrading our systems and infrastructure to meet the business needs. The new facilities at Mumbai and Vancouver are equipped with state-of-the-art and superior technology in terms of infrastructure and scale. If we fail to keep up with rapidly changing technologies or the growth of new and existing markets, our technologies could become less competitive or obsolete, which could have an adverse effect on our business and prospects.

Changes in currency exchange rates

Changes in currency exchange rates may influence our results of operations. We report results in our financial statements in Indian rupees, while a significant portion of our revenues are denominated in currencies other Indian rupees, most significantly the U.S. dollars, Great Britain Pound and CAD. We also make certain software licensing royalty payments in U.S. dollars. Changes in the value of the Indian rupee against such other currencies, particularly the U.S. dollars, Great Britain Pounds and CAD could increase or decrease our revenue, and increase or reduce our margins. Changes in the value of the Indian rupee against such other currencies could also affect our cost of servicing any debt denominated in foreign currencies. The exchange rate between the Indian rupee and these other currencies has been volatile in recent periods and may continue to fluctuate significantly in the future.

Employees and employee costs

We are highly dependent on the members of our management and operational team. We have been able to successfully attract and retain highly reputed and qualified personnel from the industry. Over the past two years, our staff strength has increased by almost 42% and we are now a team of more than 2,500 people across three continents.

Our ability to execute contract engagements and to obtain new clients depends in large part on our ability to attract, hire, motivate and retain highly skilled professionals. If we cannot hire and retain qualified personnel, our ability to bid on and obtain new assignments and to continue to expand may be impaired and our revenues could decline. We believe that there is significant competition for professionals with the necessary skill-sets in our areas of operations. We seek to incentivize our employees through competitive compensation. To grow our business and meet the challenge of employee attrition among our professionals, we seek to identify and hire established persons with experience and existing relationships whenever attractive opportunities to do so arise, and provide mentoring, career counselling and development opportunities. We also redeploy and retrain our employees as we determine is necessary to keep pace with evolving industry standards and changing client preferences.

The principal component of the expenditure is the personnel expenses and technical fees of our technical people such as creative artists. Wage costs in India, including the technology services industry, have historically been lower than wage

costs in the United States and Europe for comparable skilled professionals. However, if wages in India continue to increase at a faster rate than in the United States due to competitive pressures, we may experience a greater increase in our employee costs, particularly project managers and other mid-level professionals, thereby eroding one of our principal cost advantages over companies in US and other developed countries.

Competition

The entertainment and media industry is highly competitive and service-oriented. Our results of operations are dependent on our ability to compete successfully on the basis of our products, services, solutions, as well as support and cost structure. We believe that the important competitive factors to operate in this industry include the range of services offered, creativity, reputation for quality and innovation, pricing and long-term relationships with customers. We operate across the entire visual entertainment sector in most of the major markets and at every stage of the project's development.

We compete in each of our local markets with other national and regional players and independent studios. We strive to differentiate ourselves from the competition by innovating service delivery models, adopting new pricing strategies and demonstrating our value proposition to clients to sustain prices and profits. If we are unable to differentiate our services from those of our competitor's, the competitive pressures could negatively impact our revenue and profitability.

Components of our Income and Expenditure

Income

Our income comprises (i) income from operations and (ii) other income.

Income from Operations:

We derive our income from four verticals i.e. visual effects, post productions services mainly to feature films and advertising segment, camera rentals in India and broadcast packaging and broadcast facilities. We primarily cater to films, advertising and television industry.

Other income

We derive other income from interest on fixed deposits with banks and loans, dividends from investments as well as miscellaneous income. Other income also includes any non-recurring income such as profit on sale of fixed assets, profit on sale of investments, undertaking fees received, if any, foreign exchange gains, if any, and any excess provisions for expenses not required written back.

Expenditure

Operating Costs

Our expenditure relating to the operating costs includes:

Personnel expenses, includes salaries, wages and bonus paid to our employees, and as well as employees' provident fund and pension funds payments, gratuity and *ex gratia* payments, leave travel costs, managerial remuneration, staff recruitment expenses, training and development expenses, as well as staff welfare and medical expenses; Some of these which not recurring in nature, may be exceptional items, and may fluctuate from period to period including

Technician fee, includes fees payable to consultants working on a contractual basis.

Technical services payments, includes charges payable for outsourcing of work to the third parties, hiring of special equipments on need basis.

Administrative and other expenses, includes communication costs, consumables stores, electricity, insurance costs, legal and professional fees, rent, rates and taxes, repairs and maintenance, conveyance charges, rebates and discounts, and other miscellaneous expenses. Administrative and other expenses also include sundry/ old balances written off and foreign exchange losses;

Exceptional items

Exception items, includes VAT claim, liquidation income, share based payments, damages, license fees, goodwill written-off and legal fees.

Interest

Interest and other financial charges, including interest expense on fixed loans, buyer's credit, overdraft facilities and working capital facilities availed from banks and financial institutions, and other financing charges including bank charges and commissions paid for bank guarantees and letters of credit;

Depreciation

Depreciation / amortization costs relating to depreciation of tangible assets and amortization of intangible assets such as television entertainment software acquired/produced, movie rights and computer software; and

Impairment loss relating to impairment provision made for diminution in carrying value of assets such as television/entertainment program (produced).

Significant Accounting Policies

a. Basis of Preparation

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

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company namely March 31, 2010. The financial statements are presented in the general format specified in Schedule VI to the Act.

b. Principles of Consolidation

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

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

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

- d. Current Investments
 - e. Goodwill on consolidation
 - f. Intangible assets
 - g. Revenue recognition
- v. Goodwill arising on consolidation

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

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

Goodwill arising on consolidation is evaluated for impairment annually.

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

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc.	Post Production and VFX services	England & Wales	59.96%
Prime Focus Investments Limited	Media and other Investments	England & Wales	100%
Prime Focus Technologies Private Limited	Digital Asset Management	India	51%
Flow Post Solutions Private Limited	Post Production services	India	51%
GVS Software Private Limited	No activity as of date	India	100%
Prime Focus Motion Pictures Limited	No activity as of date	India	100%
Subsidiary undertakings of Prime Focus London Plc.			
Prime Focus Visual Entertainment Services Limited (Formerly Blue Post Production Limited)	Broadcast Post Production	England & Wales	100%
VTR Media Investments Limited	Media Investments	England & Wales	100%
Amazing Spectacles Limited (Formerly The Hive Animation Limited)	Post Production Service	England & Wales	100%
Clipstream Limited	Digital Content Management	England & Wales	100%
Meanwhile Content Limited (Formerly United Sound & Vision Limited)	Post Production of Television Commercials	England & Wales	100%
Machine Effects Limited	Graphics for Feature Films	England & Wales	100%
37 Dean Street Limited	Dormant	England & Wales	100%
Associates of Prime Focus London Plc.			
VTR North Limited	Post Production of Television Commercials	England & Wales	20%
Busy Buses Limited	Dormant	England & Wales	33%
Subsidiary undertakings of Prime Focus Investments Limited			
Prime Focus VFX Services I Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Services II Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Technology Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Pacific Inc	Post Production and VFX services	Canada	100%

Prime Focus VFX USA Inc	Post Production and VFX services	USA	100%
Prime Focus VFX Australia Pty Ltd	Post Production and VFX services	Australia	100%
Prime Focus North America Inc (formerly Post Logic Studios Inc)	Post Production and VFX services	USA	100%
Subsidiary undertakings of Prime Focus North America Inc.			
1800 Vine Street LLC	NA	USA	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the year			
PF (Post Production) Limited	Post Production	England & Wales	100%
K Post Limited	Post Production of Television Commercials	England & Wales	100%
The Machine Room Limited	Film Transfer, Video Mastering & DVD	England & Wales	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the previous year			
Clear (Post Production) Limited	Post Production of TV commercials.	England & Wales	100%
Outpost Post Production Limited	Post Production of TV commercials	England & Wales	100%

d. Use of Estimates

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

e. Fixed Assets

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

f. Depreciation

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

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

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

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

Impairment

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

g. Intangible Assets

Film Rights

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

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

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

Software

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

h. Leases

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

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

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

i. Stocks

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

j. Investments

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

In case of one of the subsidiary Prime Focus London Plc., quoted investments are revalued at each period end according to the movement in the share price at the time. The change in value of the investment is charged or credited to the fair value reserve in the balance sheet until its disposal or is impaired, at which time the cumulative gain or loss previously recognised in fair value reserve is included in the profit and loss account.

k. Revenue Recognition

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

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

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

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

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

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

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

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

l. Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011

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

However, in case of one of the subsidiary, Prime Focus London Plc, UK, all differences are charged to the profit and loss account. This is in variance with the policy adopted by the Group.

m. Income Taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax

assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

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

n. Segment Reporting

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

o. Earnings Per Share

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

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

p. Provisions

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

q. Cash & Cash Equivalents

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

r. Derivative Instruments

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

s. Retirement and other Employee Benefits

Post employment benefits and other long term benefits:

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

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

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

t. Stock based compensation

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

Summary of Reformatted Consolidated Financials and Results of Operations:

Particulars	Fiscal Year					
	2010		2009		2008	
	Amount (Rs. in million)	% of Total Income	Amount (Rs. in million)	% of Total Income	Amount (Rs. in million)	% of Total Income
Income:						
Income from Operations	4,527.84	98.10%	3,543.73	96.55%	2,221.34	95.93%
Other income	87.89	1.90%	126.77	3.45%	94.28	4.07%
Total income	4,615.73	100.00%	3,670.50	100.00%	2,315.62	100.00%
Expenditure:						
Operating Costs	3,331.43	72.18%	3,002.73	81.81%	1,538.99	66.46%
Exceptional Items	137.37	2.98%	(67.47)	-1.84%	57.92	2.50%
Interest	218.34	4.73%	210.02	5.72%	109.74	4.74%
Depreciation	425.87	9.23%	379.10	10.33%	289.21	12.49%
Total expenditure	4,113.01	89.11%	3,524.38	96.02%	1,995.86	86.19%
Profit before tax	502.72	10.89%	146.12	3.98%	319.75	13.81%
Current tax	85.37	1.85%	21.63	0.59%	0.62	0.03%
MAT credit entitlement	(0.14)	0.00%	(21.52)	-0.59%	(3.60)	-0.16%
Fringe benefit tax	-	-	1.71	0.05%	1.97	0.08%
Deferred tax charge	23.56	0.51%	(13.35)	-0.36%	3.18	0.14%
Total tax expense	108.79	2.36%	(11.53)	-0.31%	2.17	0.09%
Profit after tax (before Minority Interest)	393.93	8.53%	157.64	4.29%	317.58	13.72%
Minority Interest	59.69	1.29%	11.80	0.32%	22.23	0.96%
Consolidated profit after tax	334.24	7.24%	145.84	3.97%	295.35	12.76%

Fiscal 2010 Compared to Fiscal 2009:

Income

Our total income increased to Rs. 4,615.73 million in fiscal 2010 from Rs. 3,670.50 million in fiscal 2009, an increase of 25.75%. This was primarily due to an increase in the Income from Operations to Rs. 4,527.84 million in fiscal 2010 from Rs. 3,543.73 million, an increase of 27.77%. The increase in Income from Operations was on account of higher earnings from United Kingdom, United States and Canada, due to improvement in the business environment, execution of better value contracts and an increase in the production activities post global melt down. Further, our Other Income decreased to Rs. 87.89 million in fiscal 2010 from Rs. 126.77 million in fiscal 2009, a decrease of 30.67% primarily on account of an income of Rs. 39.06 million from sale of post production equipment in fiscal 2009.

The following table illustrates geographic distribution of our income from operations for the periods indicated:

Country	Fiscal		(Rs. in million)
	2010	2009	Change (%)
India	857.67	889.75	-3.61%
United Kingdom	1,560.04	1,223.01	27.56%
U.S.	988.85	801.99	23.30%
Canada	754.96	514.70	46.68%
Other Countries	366.32	114.27	220.56%

Expenditure

Our operating costs increased to Rs. 3,331.43 million in fiscal 2010 from Rs. 3,002.73 million in fiscal 2009, an increase of 10.95%. During the period, an increase in the operating costs was at a lower rate than the increase in the Income from Operations during the same period primarily on account of the cost cutting measures undertaken by us since 2009. Further, analysis of major heads of expenditure are explained below:

Personnel Expenses

Our personnel expenses decreased to Rs. 1,097.11 million in fiscal 2010 from Rs. 1,109.99 million in fiscal 2009, a decrease of Rs. 12.88 million, or 1.16%. This decrease was principally due to the successful implementation of various cost cutting measures undertaken by us during fiscal 2009 and fiscal 2010 which includes reduction in employee salaries and bonuses and reduced spending on the employee welfare. Additionally, we incurred Rs. 7.21 million in fiscal 2010 towards employee stock option scheme which was implemented by Prime Focus London Plc for employees participating in the salary reduction scheme.

Technician Fees

Our technician fees increased to Rs. 903.42 million in fiscal 2010 from Rs. 892.25 million in fiscal 2009, a marginal increase of Rs. 11.17 million, or 1.25% which is in line with the current industry fee structure relevant to our business.

Technical Services Payments

Our technical services payments increased to Rs. 385.38 million in fiscal 2010 from Rs. 125.11 million in fiscal 2009, an increase of Rs. 260.27 million, or 208.03%. This increase was principally due to increase in the outsourcing activity on account of new projects.

Rent

Our rent expenses decreased to Rs. 176.18 million in fiscal 2010 from Rs. 210.60 million in fiscal 2009, a decrease of Rs. 34.42 million, or 16.35%. This decrease was principally due to consolidation of operations at a new facility in Vancouver, Canada.

Bad Debts

The write-off on bad debts increased to Rs. 80.50 million in fiscal 2010 from Rs. 64.36 million in fiscal 2009, an increase of Rs. 16.14 million, or 25.07%. Further, the provisions for bad debts was increased to Rs. 31.27 million in fiscal 2010 from Rs. 6.28 million for fiscal 2009, an increase of Rs. 24.99 million, or 398.19%. This increase in bad debts and provisions of bad debts was principally due to write-off of bad debts of the companies acquired by us overseas.

Exceptional Items

We have incurred cost of Rs. 137.37 million in fiscal 2010 on exceptional item as against an income of Rs. 67.47 million in fiscal 2009, an increase by Rs. 204.84 million principally due to exceptional expense towards write off on account of old unrecoverable balances amounting of Rs. 155.02 million, license fee cost paid towards use of View D software of Rs. 101.42 million, foreign exchange loss of Rs. 40.21 million and expense towards share based payments of Rs. 7.21 million and goodwill written off of Rs. 19.30 million which was partially off-set by excess liabilities of Rs. 111.89 million not payable on liquidation of three subsidiaries of Prime Focus London Plc and VAT claim of Rs. 33.89 million.

Interest

Our interest expense increased to Rs. 218.34 million for fiscal 2010 from Rs. 210.02 million for fiscal 2009, an increase of 3.96%. The marginal increase is in line with the borrowing levels of our company in fiscal 2010 and fiscal 2009. .

Profitability and Taxation

Our profit before tax increased to Rs. 502.72 million for fiscal 2010 from Rs. 146.12 million, an increase of 244.06% and our profit after tax (before adjustment of minority interest) increased to Rs. 393.93 million for fiscal 2010 from Rs. 157.64 million for fiscal 2009, an increase of 149.89%. The increase in profitability margins in fiscal 2010 is on account of growth in revenues and less than corresponding growth in operating costs due to cost-cutting measures adopted by us.

Fiscal 2009 compared to Fiscal 2008:

Income

Our total income increased to Rs. 3,670.50 million in fiscal 2009 from Rs. 2,315.62 million in fiscal 2008, an increase of 58.51%. This was primarily due to an increase in the Income from Operations to Rs. 3,543.73 million in fiscal 2009 from Rs. 2,221.34 million, an increase of 59.53%. The increase in the consolidated Income from Operations is on account of earnings from United States and Canada, primarily on account of two acquisitions made in the USA. Further, our Other Income increased to Rs. 126.77 million in fiscal 2009 from Rs. 94.28 million in fiscal 2008, an increase of 34.47% primarily on account of increase in income from exchange fluctuations and sale of post production equipment in 2009.

The following table illustrates geographic distribution of our income from operations for the periods indicated:

Country	Fiscal		(Rs. in million)
	2009	2008	Change (%)
India	889.75	774.48	14.88%
United Kingdom	1,223.01	1,371.51	-10.83%
U.S.	801.99	-	-
Canada	514.70	-	-
Other Countries	114.27	75.34	51.68%

Expenditure

Our operating costs increased to Rs. 3,002.73 million in fiscal 2009 from Rs. 1,538.99 million in fiscal 2008, an increase of 95.11%. During the period, an increase in the operating costs was at a higher rate than rate of increase in the Income from Operations primarily on account of acquisition of two companies in the USA whose cost of operations were relatively higher than our cost of operations at the time of acquisition.

Personnel Expenses

Our personnel expenses increased to Rs. 1,109.99 million in fiscal 2009 from Rs. 834.81 million in fiscal 2008, an increase of Rs. 275.18 million, or 32.96%. This increase was principally on account of high employee costs at the two acquired companies in the US. Further, on account of expansion of our operations, there has been increase in our employee base which is also one of the reasons for the increase in personnel expenses.

Technician Fees

Our technician fees increased to Rs. 892.25 million in fiscal 2009 from Rs. 150.63 million in fiscal 2008, an increase of Rs. 741.62 million, or 492.35%. This increase was principally due to our geographic expansion into US through acquisitions.

Technical Services Payments

Our technical services payments decreased to Rs. 125.11 million in fiscal 2009 from Rs. 157.10 million in fiscal 2008, a decrease of Rs. 31.99 million, or 20.36%. This decrease was due to lower level of out sourcing and equipment hiring in fiscal 2009.

Rent

Our rent expenses increased to Rs. 210.60 million in fiscal 2009 from Rs. 169.96 million in fiscal 2008, an increase of Rs. 40.64 million, or 23.91%. This increase was principally due to incremental rental expenses incurred due to expansion of facilities in the US.

Bad Debts

The write-off of bad debts increased to Rs. 64.36 million in fiscal 2009 from Rs. 3.11 million in fiscal 2008, an increase of Rs. 61.25 million, or 1972.89%. This increase was principally due to write-off of bad debts of the companies acquired by us overseas.

Exceptional Items

We have earned income of Rs. 67.47 million in fiscal 2009 on exceptional item as against an expense of Rs. 57.92 million in fiscal 2008, a decrease in expense by Rs. 125.39 million principally due to income on account of VAT claim of Rs. 122.18 million.

Interest

Our interest expense increased to Rs. 210.02 million for fiscal 2009 from Rs. 109.74 million in fiscal 2008, an increase of 91.39%. The increase is primarily on account of increased borrowings for acquisitions and setting up of new infrastructure.

Profitability and Taxation

Our profit before tax decreased to Rs. 146.12 million for fiscal 2009 from Rs. 319.75 million, a decrease of 54.30% on account of increase in operating costs. Our profit after tax (before adjustment of minority interest) decreased to Rs. 157.64 million for fiscal 2009 from Rs. 317.58 million, a decrease of 50.36%. This was mainly on account of higher costs in relation to the setting up of new facilities.

Financial Condition, Liquidity and Capital Resources:

Liquidity

We regularly monitor our funding levels to ensure we are able to satisfy the requirement for loan disbursements and maturity of our liabilities. Our primary liquidity needs have been to finance our operations, working capital needs, acquisitions and expansions, dividend payments and debt servicing. We maintain diverse sources of funding and liquid assets to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by long-term borrowings from banks and mutual funds, short and long-term general financing through the domestic debt markets and retained earnings, proceeds from securitization and equity issuances.

Our loan agreements and debentures contain a number of covenants including financial covenants. In addition, some loans contain provisions which allow the lender, at its discretion to call for repayment of the loan at short notice and/or require us to prepay on a pari passu basis if any other loan is being repaid. Such covenants, if acted upon, may have an impact on our liquidity.

Cash Flows

The following table summarises our cash flows for fiscal 2010, 2009 and 2008:

	Fiscal Years		
	2010	2009	2008
	(Rs. in million)		
<i>Net cash generated from / (used in) operating activities</i>	997.47	2,052.62	(1,343.36)
<i>Net cash used in investing activities</i>	(1,041.01)	(2,192.37)	(901.73)
<i>Net cash from financing activities</i>	(232.23)	276.75	2,444.03
<i>Net change in cash and cash equivalents</i>	(298.91)	131.35	196.80

Operating Activities

Net cash generated from operating activities was Rs. 997.47 million in fiscal 2010 and consisted of net profit before taxes of Rs.502.35 million, as adjusted for, among other things, depreciation of Rs.425.88 million, interest expense of Rs.210.90

million, writing off of bad debts of Rs. 80.50 million, provision for doubtful debts of Rs. 31.00 million, which were partially offset by gain on forward exchange contracts or exchange fluctuations of Rs. 18.74 million, profit on sale of fixed assets of Rs.6.29 million, interest income of Rs.42.87 million, resulting in an operating profit before working capital changes of Rs. 1,175.51 million. Our operating cash flow was further adjusted by working capital changes including increases in sundry debtors of Rs. 267.09 million, decreases in inventories of Rs.16.44 million, increases in loans and advances of Rs.125.12 million and an increase in current liabilities of Rs. 245.19 million. The changes in the working capital were generally in line with the improvement in the business and sales.

Net cash generated from operating activities was Rs. 2,052.62 million in fiscal 2009 and consisted of net profit before taxes of Rs.146.11 million, as adjusted for, among other things, depreciation of Rs.379.10 million, interest expense of Rs. 210.02 million, writing off of bad debts of Rs. 64.36 million, provision for doubtful debts of Rs. 6.28 million, which were partially offset by gain on forward exchange contracts or exchange fluctuations of Rs. 38.75 million, profit on sale of fixed assets of Rs.39.06 million, interest income of Rs.25.33 million, resulting in an operating profit before working capital changes of Rs. 689.06 million. Our operating cash flow was further adjusted by working capital changes including decreases in sundry debtors of Rs. 15.50 million, increases in inventories of Rs.182.21 million, decreases in loans and advances of Rs.992.30 million and an increase in current liabilities of Rs. 604.84 million. The changes in the working capital were generally in line with the improvement in the business and sales.

Net cash used in operating activities was Rs. 1,343.36 million in fiscal 2008 and consisted of net profit before taxes of Rs.319.76 million, as adjusted for, among other things, depreciation of Rs.289.21 million, interest expense of Rs. 103.36 million, which were partially offset by gain on forward exchange contracts or exchange fluctuations of Rs. 8.63 million, profit on sale of fixed assets of Rs.8.74 million, interest income of Rs.29.91 million, resulting in an operating profit before working capital changes of Rs. 654.18 million. Our operating cash flow was further adjusted by working capital changes including increases in sundry debtors of Rs. 186.76 million, increases in inventories of Rs.0.29 million, increases in loans and advances of Rs.1,769.25 million and an decrease in current liabilities of Rs. 35.29 million. The changes in the working capital were generally in line with the improvement in the business and sales.

Investing Activities

Net cash used in investing activities was Rs.1,041.01 million for fiscal 2010 and consisted of, among other things, purchases of fixed assets of Rs.768.40 million and purchase of current investments of Rs.569.90 million, partially offset by proceeds for margin money and fixed deposits under lien of Rs. 114.23 million, sales of current investments of Rs. 140.96 million and receipt of interest of Rs.35.76 million. The major additions in the fixed assets were of purchase of equipments for new facilities at Mumbai.

Net cash used in investing activities was Rs.2,192.37 million for fiscal 2009 and consisted of, among other things, purchases of fixed assets of Rs.608.08 million and investments for acquisitions of companies in the US of Rs.1,698.91 million, partially offset by proceeds from sales of fixed assets comprising principally of post production equipments in the UK, of Rs. 57.71 million and inter corporate deposits of Rs. 101.06 million which were given in during the fiscal 2008 and in fiscal 2009.

Net cash used in investing activities was Rs.901.73 million for fiscal 2008 and consisted of, among other things, purchases of fixed assets of Rs.1,144.15 million mainly on account of setting of new facilities at Mumbai and London, advance for acquisitions of companies in the US of Rs.59.66 million and purchase of current investments of Rs.83.00 million, partially offset by interest income of Rs. 30.10 million and release of margin money and fixed deposits under lien of Rs. 128.89 million.

Financing Activities

Net cash used for financing activities for fiscal 2010 was Rs. 232.23 million, consisting of proceeds from long and short term borrowings of Rs. 789.71 million which was offset in part by repayment of long term and short term borrowings of Rs. 764.11 million, interest payment of Rs. 257.78 million.

Net cash generated from financing activities for fiscal 2009 was Rs. 276.75 million, consisting of proceeds from long and short term borrowings of Rs. 2,293.55 million which was offset in part by, payment towards redemption of preference shares of Rs. 479.93 million, repayment of long and short term borrowings of Rs. 1,296.09 million and interest payment of Rs. 240.78 million.

Net cash generated from financing activities for fiscal 2008 was Rs. 2,444.03 million, consisting of proceeds from long and short term borrowings of Rs. 1,067.79 million and proceeds from issuance of FCCB of Rs. 2,162.70 million, partially offset by repayment of long and short term borrowings of Rs. 539.12 million, interest payment of Rs.103.36 million, dividend paid of Rs.19.07 million and expenses on issuance of FCCB of Rs. 58.25 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, derivative instruments or other relationships with unconsolidated entities that were established for the purpose of facilitating off-balance sheet arrangements.

Contingent Liabilities

Given below are our contingent liabilities not provided for on a consolidated basis as of March 31, 2010:

Particulars	Amount (Rs. in million)
On account of undertakings given by the Group in favour of Customs authorities at the time of import of capital goods under EPCG Scheme	748.59
On account of undertakings given on future probable obligation on behalf of subsidiary company in the course of acquisitions made by Prime Focus London Plc. to vendors of Machine Effects Limited U.K.	61.08
Matters pending with Tax Authorities (Block Assessment)	0.11
Company has made payment of taxes under protest towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals)	5.27
Premium on conversion of FCCB	420.38

Indebtedness

The following table summarises our secured and unsecured indebtedness on an unconsolidated basis as of September 30, 2010:

Type of Indebtedness	Outstanding as of September 30, 2010 (Rs. in million)
Secured Term Loans from Banks and financial institutions	542.78
Cash Credit from scheduled banks	191.30
Working Capital Loans	250.00
Hire Purchase Obligations	41.24
Unsecured Loans	2,162.70
Vehicle Finance Loans	10.63
Total	3,602.13
Guarantees given to banks and other financial institutions	28.48

Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties, including with our affiliates and certain key management members on an arm's length basis. Such transactions could be for provision of services, leases of assets or property, sales or purchases of equity shares or incurrence of indebtedness. For details of our related party transactions, see note 7 of schedule 18 to our reformatted financial statements.

Competitive Conditions

We face competition from a broad range of companies in the media and entertainment industry in each of our primary business verticals in India and globally. We expect competition in the film content industry both Indian as well as global from existing and potential competitors to continue. Potential competitors may be new entrants to any of the region we operate from but may have existing film content businesses in other regions. Although we believe that there are significant entry barriers in our business, including availability of the technology, experience in post-production services and existing relationships in film, advertising and television sector, a potential increase in competition may adversely affect market share, our income and our results of operations. For further information, see the section titled "**Risk Factors**", "**Our Business**" and "**Industry Overview**", respectively.

Seasonality of Business

Our revenue is not subject to changes due to seasonal conditions to any material extent.

Inflation

In recent years, although India has experienced fluctuation in inflation rates, inflation has not had material impact on our business and results of operations.

Significant Developments after March 31, 2010:

In the opinion of our board of directors, there have not arisen, since the date of the last audited financial statements included in this Placement Document, any circumstances that materially and adversely affect the profitability or the value of our assets or our ability to pay our liabilities within the next 12 months except as stated in section titled “***Recent Developments***”.

INDUSTRY OVERVIEW

The information in this section has not been independently verified by the Company, the Book Runners or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry sources are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investors should not place undue reliance on this information.

The following disclaimer clause of PricewaterhouseCoopers Pvt. Ltd. (PwCPL) is applicable to relevant extracts of their report on 'Indian entertainment and media outlook 2010' cited in this section.

PwCPL Disclaimer: This report does not constitute professional advice. The information in this report has been obtained or derived from sources believed by PricewaterhouseCoopers Pvt. Ltd. (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this report are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this report. PwCPL neither accepts or assumes any responsibility or liability to any reader of this report in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

The Indian economy

India is the world's largest democracy in terms of population (approximately 1.17 billion people) for the year 2010. (Source: www.censusindia.gov.in) The GDP on a purchasing power parity basis of approximately US\$3,752 billion in the year 2009. This makes India the fourth largest economy in the world in terms of GDP after the United States of America, China and Japan. (Source: www.siteresources.worldbank.org.)

The following table sets forth the key indicators of the Indian economy for the past four Fiscal years.

Item	(Annual Percentage Change, except for foreign exchange reserves) As at and for the year ended March 31			
	2006	2007	2009	2010
GDP Growth	9.5	9.7	6.7	7.4
Index of Industrial Production	8.2	11.6	2.6	10.4
Inflation - Wholesale Price Index	4.4	5.4	8.4	11.0
(Source: Economic Survey 2008.2009 & 2009-2010 RBI, Central Statistics Organization, Ministry of Statistics and Programme Implementation)				

India has experienced rapid economic growth over the past five Fiscal years. However, economic activity in India slowed down in the first two quarters of Fiscal 2009 as compared with over nine percent growth in the previous three years. Growth decelerated sharply in the third quarter following the failure of Lehman Brothers in mid-September 2008 and adverse effects of the global financial crisis on the Indian economy. Consequently, the growth rate during the first three quarters (April – December) of 2008-09 slowed down to 6.9 percent from 9 percent in the corresponding period of the previous year. However, RBI's monetary Policy for the Q1 2010-11 indicated that the Indian economy grew by 7.4 percent in 2009-10. The momentum was particularly pronounced in Q4 of 2009-10 with growth at 8.6 percent as compared with 6.5 percent in the previous quarter. The double digit growth in the Index of Industrial Production (IIP) that began in October 2009 continued during the current financial year although there was modest deceleration in May 2010. In the first two months of this Fiscal, April-May 2010, the IIP recorded a year-on year growth of 14 percent with as many as fifteen out of the seventeen industry groups (two digits NIC classification) showing positive growth. The lead indicators of service sector also suggest increased economic activity. (Source: RBI Annual Policy Statement 2009-10 & 2010-11)

Despite the global economic decline in Fiscal 2008, India continues to be one of the fastest growing countries in the world and is showing positive signs of recovery following the global financial downturn. India's growth is expected to outperform advanced and developing economies. Recent data suggests that the rate of decline in economic activity is moderating, although this is occurring to varying degrees across different regions.

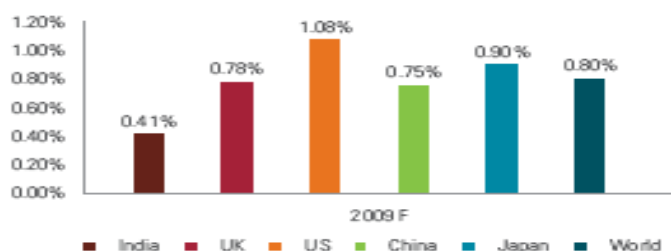
India's ability to recover from the global slowdown (and its own domestic liquidity crunch) has been driven by the country's large domestic savings and corporate retained earnings, which have been used to finance investment. The fiscal

policy, primarily in the form of reduced interest rates and Government intervention, has further helped to maintain private demand, liquidity and short-term rates, thereby reducing the risk of loan losses. (Source: *International Monetary Fund, World Economic Outlook Update, July 2009 (Calendar Year Growth Rates)* and the *RBI's First Quarter Review, 2009-2010*).

Due to the increasing economic growth, the potential for increase in advertisement expenditure remains strong. Further, the emergence of India's young middle class with greater earning power and higher disposable incomes signifies good potential for increased marketing and advertising expenditure in the country which will translate into the overall growth of the advertisement industry.

Media spend in India as a percent of GDP is 0.41 percent. This ratio is almost half of the world's average of 0.80 percent and is much lower compared to developed countries like US and Japan. This indicates the potential for growth in spends as the industry in India matures. As we move towards a more brand-conscious society, this is likely to get reflected in the future growth rates.

Media spend as a % of GDP



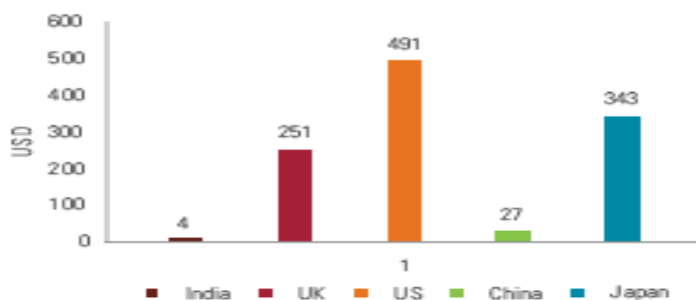
Source: Worldwide Media & marketing forecasts, Group M, Summer 2009

(Source: *FICCI KPMG Report 2010*)

If we compare the contribution of India to the world in terms of population, it is second only to China at 22 percent. China's media spend ratio at 0.75 percent is much in line with the world average, whereas India lags behind. This is largely due to some of the media platforms being in a relatively nascent stage. As penetration increases and more audiences come into the fold of Media & Entertainment ("M&E") industry, it is expected to see higher growth going forward.

The current media expenditure per capita for India is very low at USD 4 compared to the other countries. Even though it is challenging to reach the levels of countries like US, Japan and UK, due to a very large population base and lower spending power per capita, there is scope to follow China and enhance this ratio.

Media spend per capita



Source: Worldwide Media & marketing forecasts, Group M, Summer 2009

(Source: *FICCI KPMG Report 2010*)

With revised growth estimates for GDP at 6.8 percent in 2009 by IMF, which is higher than the world average and the expected recovery from the slow down, the M&E industry is expected to grow steadily over the next five year period. The industry is looking at reaching newer target segments, geographies and mediums, while tapping the potential of the existing ones.

Media and Entertainment Industry in India

The Indian Entertainment and Media industry includes the print media, television, radio, cinema and the internet. According to the Report published by the PricewaterhouseCooper's (PWC) titled "Indian Entertainment and Media (E&M)

Outlook 2010¹, covering the forecast period of 2010–2014, the Indian Entertainment Industry is one of the fastest growing sectors of the Indian economy riding on the economic growth and rising income levels that India has been experiencing in the past few years.

Segment wise break up of the Indian M&E industry is given below:

M&E Industry (INR billion)*	2006	2007	2008	2009	CAGR (2006-09)	2010P	2011P	2012P	2013P	2014P	CAGR (2009-14)
Films	78	93	104	89	5%	96	105	115	125	137	9%
Television	183	211	241	257	12%	289	337	382	448	521	15%
Print	139	160	172	175	8%	190	206	225	246	269	9%
Radio	6	7	8	8	9%	9	10	12	14	16	16%
Music	8	7	7	8	2%	9	10	12	14	17	16%
Animation & VFX	12	14	17	20	18%	23	28	33	39	47	19%
Gaming	3	4	7	8	38%	10	14	20	26	32	32%
Internet	2	4	6	8	56%	11	15	18	23	29	30%
Outdoor	12	14	16	14	5%	15	17	19	21	24	12%
Total Size	443	516	579	587	10%	652	742	835	956	1091	13%

(Source: FICCI KPMG Report 2010)

For the Indian Media and Entertainment (M&E) industry, the year 2009 was an inflection point. While the industry registered a modest growth of around 1.4% as compared to 12% registered during 2008, it was a year marked with innovation and a focus on cost efficiencies. Newer content formats and strategies adopted by the players in the industry helped ensure that customers had more choices which led to the evolution of the industry.

According to the FICCI-KPMG 2010 report, the film sector registered a negative growth, while the TV industry showed a good growth rate, and Internet, Gaming and Animation, registered double digit growth rates, albeit on a smaller base. In 2009, the film industry is estimated to have declined by nearly 14% to Rs. 89.3 billion from Rs.104.4 billion in 2008.

Filmed entertainment is the most pervasive and visible segment within the M&E industry as it is the primary content source for music and radio besides being a major contributor to the television segment. India's film industry is one of the largest in the world with more than 1000 releases and over three billion movie goers annually (Source: FICCI KPMG 2009). The Indian movie industry, being an integral part of the Indian socio-economic psyche and the most popular source of entertainment, contributes about 15 percent to the Rs 587 billion M&E industry (Source: FICCI KPMG 2010). However, factors such as piracy, poorly developed revenue streams, excessive reliance on domestic box office collections and inefficiencies prevalent across the value chain has resulted in relatively lower revenues for the industry. The industry was also very highly fragmented with independent producers and single screen cinemas dominating the value chain. Poor infrastructure facilities, high entertainment taxes and long theatrical windows, resulted in India being a highly under-screened and under priced market. Over the past three to four years, the film entertainment industry has witnessed significant changes. Availability of organised funding, growing number of multiplexes and increasing overseas collections have led to improved realization in the industry. The industry is also enjoying greater acceptance and recognition in the global arena as is evident by the recent success of films like 'Slumdog Millionaire' and deals between DreamWorks and Reliance ADA Group, Disney and UTV etc. With Moser Baer entering the markets, DVDs and VCDs have become affordable and home video has come to stay. Hence the domestic theatrical lifecycle of movies has decreased, while due to ever expanding budgets and increasing market spends, the breakeven point of movies has increased.

Global Media & Entertainment Industry

The entertainment and media industry in North America, EMEA (Europe, Middle East, Africa), Asia Pacific, and Latin America will increase from \$1.3 trillion in 2009 to \$1.7 trillion in 2014, growing at a compound annual rate of 5%. North America will be the slowest-growing region, with a 3.9% compounded annual increase. After falling by 6.8% to \$460 billion in 2009, spending will rise to \$558 billion in 2014. EMEA, the largest region, at \$463 billion in 2009, declined by 2.8% in 2009. We expect spending in EMEA to increase by 4.6% compounded annually to \$581 billion in 2014. Spending in Asia Pacific increased by 1.3% in 2009 and will average 6.4% compounded annually through 2014, rising to \$475 billion in 2014 from \$348 billion in 2009. Excluding Japan, Asia Pacific will increase at a projected 9.2% compound

annual rate during the next five years. The market in Latin America rose by 3.9% in 2009 and will expand at an 8.8% compounded annual rate during the next five years from \$50 billion to \$77 billion in 2014. (Source : PwC Report on Indian Media and Entertainment 2010).

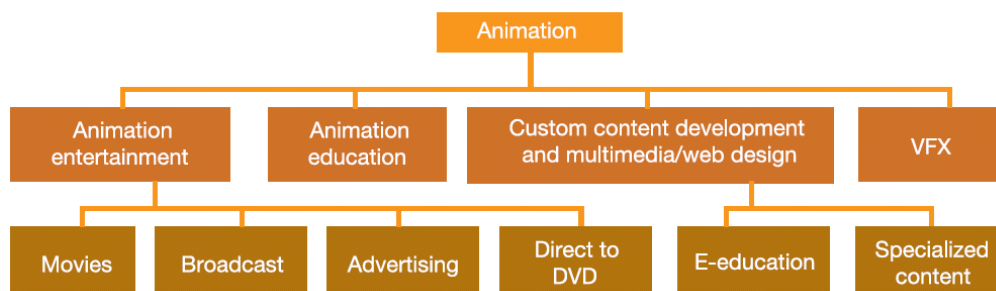
Global Entertainment and Media Market by Region (US\$ million)

Region	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015+
North America	481,873	484,408	500,920	484,203	480,457	485,880	479,989	503,923	527,408	557,758	3.9
% Change	3.9	4.9	3.4	-1.3	-0.8	1.2	-3.0	5.0	4.7	5.8	
EMEA	405,277	430,440	481,715	475,951	482,772	471,802	489,715	515,853	547,932	580,814	4.8
% Change	6.5	6.2	7.3	-1.3	1.4	-2.3	3.8	5.3	5.9	6.0	
Asia Pacific	273,701	295,875	322,009	343,579	345,172	365,658	388,223	414,574	443,878	474,913	8.4
% Change	11.3	8.1	8.8	6.7	0.5	5.0	6.2	6.8	7.1	7.0	
Latin America	33,410	37,982	43,930	48,816	50,489	53,438	57,680	63,483	69,708	76,815	8.8
% Change	12.3	13.7	15.7	10.7	3.3	5.8	7.9	10.0	9.8	10.2	
Total	1,174,261	1,248,703	1,328,574	1,382,349	1,321,890	1,385,574	1,415,607	1,497,813	1,588,922	1,690,288	5.0
% Change	6.3	6.3	6.4	4.0	-4.4	4.6	2.1	5.5	5.7	6.4	

Sources: PricewaterhouseCoopers LLP, Wikitalky Group Associates

Indian Animation and VFX Industry

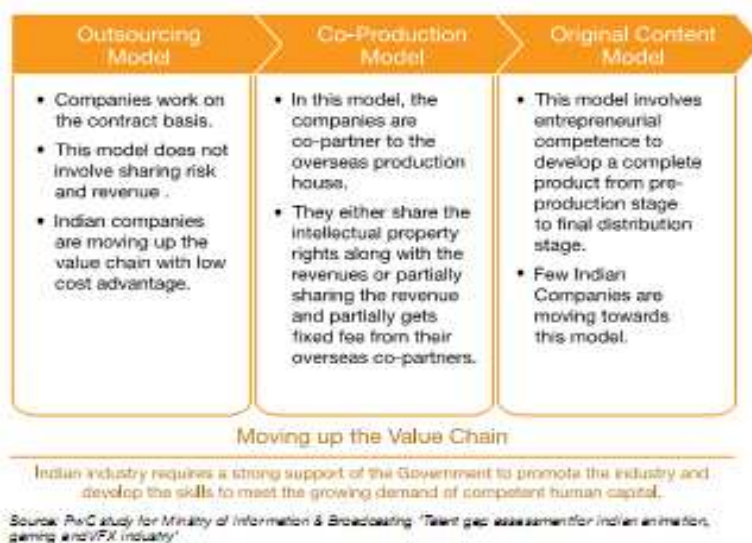
Traditionally, Indian animation segment has witnessed significant growth on the back of high-end work outsourced from international studios complemented with increased demand of animated content in the film and television industries. The structure of the Indian animation industry is illustrated below:



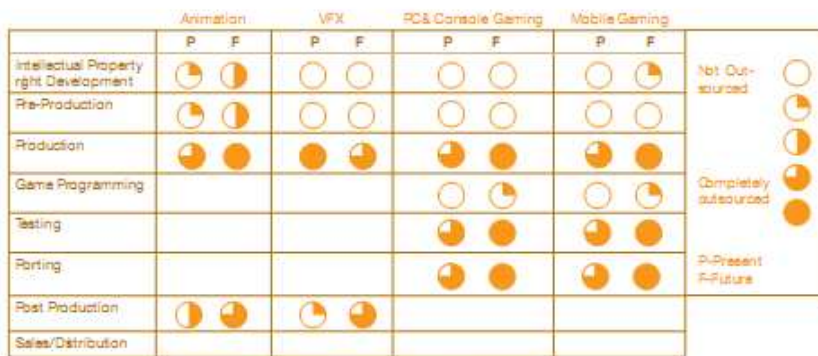
(Source: PwC Report on Indian Media and Entertainment 2010)

Value Chain

At present, Indian animation companies primarily operate in the production and post-production stages of the value chain. When it comes to IP creation and concocting fresh ideas, these companies still stand at a very nascent stage. However, off late, this sector has received substantial boost with a number of domestic animation movies and television series being conceptualized and produced by local companies.



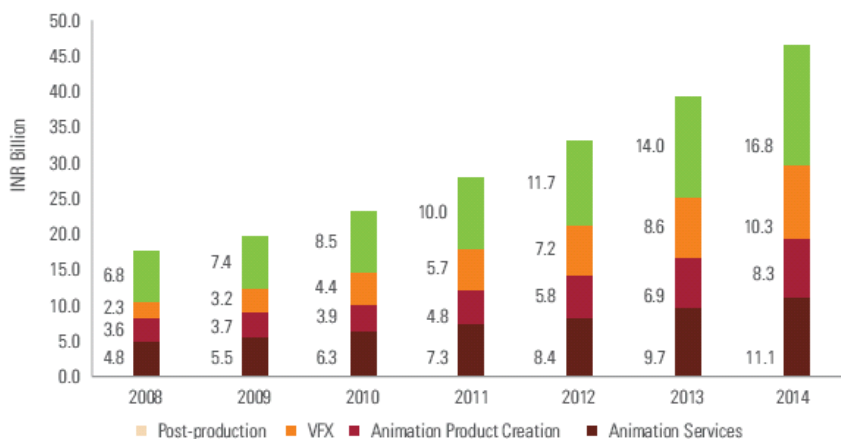
(Source: PwC Report on Indian Media and Entertainment 2010)



Source: PwC study for Ministry of I&BT (Tentative assessment for Indian animation, gaming and VFX industry).

(Source: PwC Report on Indian Media and Entertainment 2010)

Size of Animation and VFX Industry in India

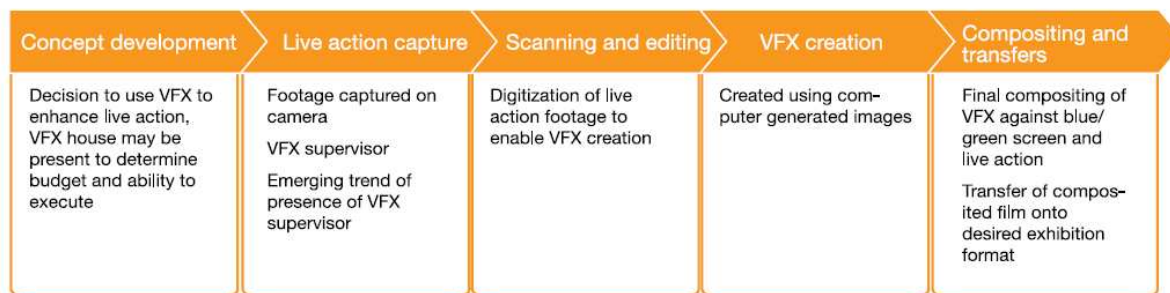


Source: KPMG Analysis, Industry Interviews

Indian VFX Industry

VFX comprises of computerized digital animation and process known as composition. It helps producers visualize the shots before they are taken, thus making the shot more effective and less expensive. Cost arbitrage available with India makes it an even more attractive destination for international films.

Value Chain:



Source: PwC Report on Indian Media and Entertainment 2010

Many live action films today include a VFX sequence and the sheer duration of these screen shots has also risen substantially. Taking into account the low base for this service, it is estimated to have grown by nearly 40 percent over 2008. This is driven by both international and domestic demand for special effects. However, billings generated by the domestic market are at lower price points when compared to the rates charged for outsourced work. While VFX demand for films continues, over 50 percent of the work is currently created for ad film productions. Given the growing demand and capability of Indian studios to produce superior quality content, Indian studios are looking at establishing their presence in the overseas market. International presence enables studios to create an integrated production set up and generate a robust pipeline of projects through the global network. Established VFX players such as Prime Focus and Pixion

are already setting foot on international grounds through the inorganic route thus paving the growth path for other Indian VFX companies.

(Source: FICCI – KPMG Report, 2010)

Key trends in Animation and VFX Industry

The Animation and VFX industry has seen an overall growth of 13.6 percent over 2008 and is expected to grow at a CAGR of 18.7 percent in the coming years to reach INR 46.6 billion by 2014 driven by increased consumption of animated content, acceptance of 3D graphics and venturing into international markets. (Source: FICCI – KPMG Report, 2010)

Boost to television broadcasting with increased interest in kids channels

Kids channels excelled in the year 2009. Channels such as POGO and Nickelodeon have indicated a considerable rise in their ratings, thus building the conviction in the market that there is high potential in this area that can be further explored. More channels are either acquiring new content made locally or producing the content themselves such as Little Krishna by BIG Entertainment. International channels are also showing confidence in the local studios and encouraging them to produce the content locally.

(Source: PwC Report on Indian Media and Entertainment 2010)

More animation movies being created locally

Many projects were shelved or postponed and only a handful of movies were released in the year 2009 due to recession. But with the financial conditions improving and with Bollywood displaying great interest in this sector (after the success of some animation movies), a renewed enthusiasm has been noted in conceptualizing and creating content suitable to local taste. Studios have understood the importance of owning the content and hence are looking to create new content, locally. Many Indian animated films are in the pipeline, such as:

- Kuchi Kuchi Hota Hai produced by Karan Johar.
- Toonpur Ka Superhero by Kumar Mangat and Krishika Lulla.
- Delhi Safari by Krayon pictures.
- Arjun by UTV motion pictures.
- Alpha and Omega by Crest Animation.
- Bal Hanuman 2 by Astute Media Vision.
- The Prodigies by DQE entertainment, Onyx films and Fidelite films, France.
- Zokkomon by Walt Disney.
- Ab Dilli Dur Nahin produced and directed by Nikhil Advani.

(Source: PwC Report on Indian Media and Entertainment 2010)

Greater share of outsourcing market

India offers tremendous cost arbitrage in the areas of pre to post-production. A 30 minutes animation film can be made at a lower cost of producing the same in Korea, Philippines and North America.

Estimated costs for 30 minutes of animated content	India	Korea, Philippines	North America
2D Hand drawn	USD 45,000 - 50,000	USD 60,750 - 67,500	USD 180,000 - 200,000
3D	USD 90,000	USD 121,500	USD 360,000
Backend production	USD 200,000	USD 270,000	USD 800,000
Flash Animation	USD 20,000	USD 27,000	USD 80,000

(Source: FICCI – KPMG Report, 2010)

With surging investments in state-of-the-art equipment, more companies would look to target India as the outsourcing hub. Recently, Mumbai-based Crest Animation and US-based Lionsgate Family Entertainment announced their second movie titled Norm of the North planned to be released in 2012. Currently, they are producing Alpha and Omega due to be released in October 2010. (Source: PWC Report on Indian Media and Entertainment 2010).

Newer revenue streams: merchandising, mobile downloads

The animation industry is exploring new revenue streams like merchandising which are not yet fully tapped to its potential. However, progressive production houses are focusing on exploring this area to maximize their returns. Recently, Diamond

comics has given out merchandising and animation license to License India of popular comic heroes like Chacha Chowdhary, Pinki, Saboo, Billu and others to use the same on kids toys and miscellaneous merchandises. Mobile is another promising revenue stream which is being explored by companies, currently, in the form of mobisodes. For example, service providers like Vodafone have launched mobisodes on their network. Star India had also created mobisodes of their serials, as had Rajshri Productions. Ram and Ria is a sitcom produced specifically for mobile and internet screens. (Source: PwC Report on Indian Media and Entertainment 2010).

Growth in animation education segment

Several education institutes are trying to enhance their learning experience by providing education through animation. Moreover, some DTH operators are also producing custom education content for learning (like Active Learning, Active Wizkids and others by Tata Sky). Hence, this is a growing segment for animation industry. The Ministry of Information and Broadcasting (MoIB) has decided to set up a national centre of excellence (NCoE) to support and augment the animation, gaming and VFX industry in India. (Source: PwC Report on Indian Media and Entertainment 2010).

3D Formats

The number of 3D screens in India is steadily increasing supported by an increased awareness for these formats and an enhanced consumer experience. Reliance MediaWorks is partnering with In Three (which recently worked on Disney's 3D "G-Force") to create the world's largest 2D-to-3D conversion facility, in Mumbai, that can undertake 15-25 projects per year. Moreover, the recent Consumer Electronics trade fair in Las Vegas also had many technology companies displaying their next generation 3D enabled stereoscopic screens for television and notebooks. With television broadcasters such as ESPN announcing the launch of a 3D channel by the end of 2010, the demand for animated and 3D content is set to rise, giving India an opportunity to address this growing demand with a low cost advantage. (Source: FICCI – KPMG Report, 2010)

Key challenges for the Animation and VFX Industry

Low Capital investments

One of the major upheavals is the low level of capital investment in the Indian animation industry. Besides, not only the quality of service provided is limited, but the size of existing players is also small. It is pivotal for the industry to invest if it needs to have an end-to-end concept to marketing solution.

Human capital requirement

As the demand for animation gains precedence, India would also need to keep up on the human capital needs. Currently, there are not only just few schools in the country providing animation courses. Slack awareness about the future potential of the animation sector mars the growth of this industry. Furthermore, the handful of schools which do provide these courses follow a very substandard level of educational courses. The Ministry of Human Resource Development (HRD) would need to focus on this issue if the industry has to expand extensively in coming years.

Tough competition from foreign animation

Going by the trends in past few years, most domestic animation movies revolve around mythological characters, thus attracting users on their own. However, when it comes to extending their competence in other genres, domestic studios would need to compete with international Hollywood movies that already enjoy the advantage of higher capabilities at their disposal. But, with added interests in domestic IP generation and investments in local setups, this gap is being bridged.

(Source: PwC Report on Indian Media and Entertainment 2010)

OUR BUSINESS

The following summary is qualified in its entirety by, and should be read in conjunction with our reformatted financial statements and the more detailed information appearing elsewhere in this Placement Document along with the risks discussed under section titled “Risk Factors” for an understanding of the risks associated with the purchase of the Equity Shares.

In this section, a reference to “Prime Focus” or “the Company” means Prime Focus Limited. Unless the context otherwise requires or implies, references to “we”, “us”, or “our” refers to Prime Focus Limited, its Subsidiaries & its Associates, on a consolidated basis.

Overview

We are one of the leading global players in the visual entertainment services segment of the Media and Entertainment Industry. We provide services related to VFX, conversion of 2D content to 3D content, post production activities, digital asset management and broadcast facilities and broadcast packaging. We provide these services primarily to film, broadcast, television, commercials and new media businesses. We specialize in providing technical creative solutions, which are basically technology and creative solutions for any audio-visual content and we provide such solutions in an integrated manner across various segments of the media and entertainment business. We capture, create, craft, circulate and conserve content to enable our clients to engage, entertain, educate and excite our audiences. We combine our global cost advantages, resources and international talent pool with our local knowledge and expertise to anticipate and meet the need of our diverse clients across the world.

Prime Focus Limited was incorporated on June 24, 1997 as a private limited company under part IX of the Companies Act, 1956, on merger of proprietary concerns of our promoters 'Video Works' and 'Video Workshop' to form 'Prime Focus Private Limited'. Subsequently, our Company was converted into a public limited company vide a fresh certificate of incorporation dated April 24, 2000.

We started as a television post-production facilities service provider and introduced the technology for non-linear editing in India. We later entered the advertising, films and television design market and in the year 2000, we set-up the telecine facilities in India, enabling the transfer of analogue film to digital tape with colour correction, thus allowing full image colour manipulation.

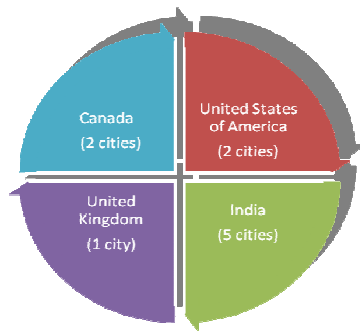
With the advent of high-end colour correction facilities for advertising and television, the film industry required radical change, which would allow high-end colour manipulation for films shown on the big screen. With this objective, we set up the fully integrated and calibrated DI pipeline for frame-by-frame feature film colour grading and restoration in India.

We undertook an Initial Public Offering (“IPO”) in June 2006 and our equity shares were listed on the BSE & NSE. The majority of the proceeds from the initial public offering were used to finance the acquisition of 55% stake in Prime Focus London plc (formerly known as VTR plc) and for domestic organic and inorganic expansion.

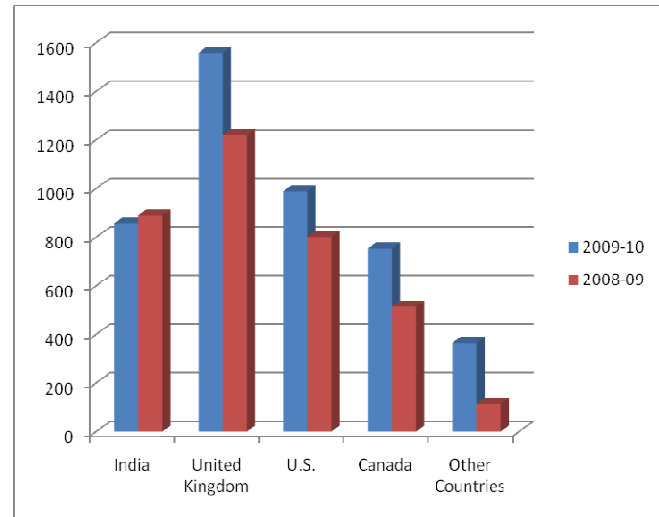
Over the past few years, we have expanded our business operations through organic and inorganic route. We acquired majority interest in Prime Focus London plc which is into the business of providing post-production services for the advertisement and broadcast industry in the UK and is listed on the Alternative Investment Market of the London Stock Exchange. In 2006, we also acquired 100% shareholding in Clear Post Production Limited in Soho, London, which we subsequently merged with VTR Limited (one of the subsidiaries of Prime Focus London plc). Prime Focus London plc has four facilities in Soho, London. In 2007, we expanded our reach to North America with the acquisition of Post Logic Studios, Inc and Frantic Films, Inc for US\$ 43 million. Post Logic Studios, is in the business of DI, color science and post production services to independent and studio feature film clientele, with facilities in Los Angeles and New York. Frantic Films has businesses that offer VFX for films with development facilities in Los Angeles in US, Winnipeg and Vancouver in Canada. In 2009, we acquired 100% ownership in our joint venture company, Store Media Technologies P Ltd pursuant to a Scheme of Arrangement. We also acquired the post production business of UTV pursuant to a business transfer agreement in the year 2007. We have successfully integrated operations of companies which we acquired in India, the U.K. and the U.S.

We operate in 4 countries through 15 facilities spread across 10 cities which include Vancouver and Winnipeg in Canada, Los Angeles and New York in USA, London in the UK, Mumbai, Chennai, Hyderabad, Bangalore and Goa in India. We have recently expanded our operations in Mumbai, India with the set up of a state of the art facility with a capacity of 250 VFX seats. Details of country-wise facilities & geographical break-up of income are given below:

Country-wise presence:



Geographical Income Chart:



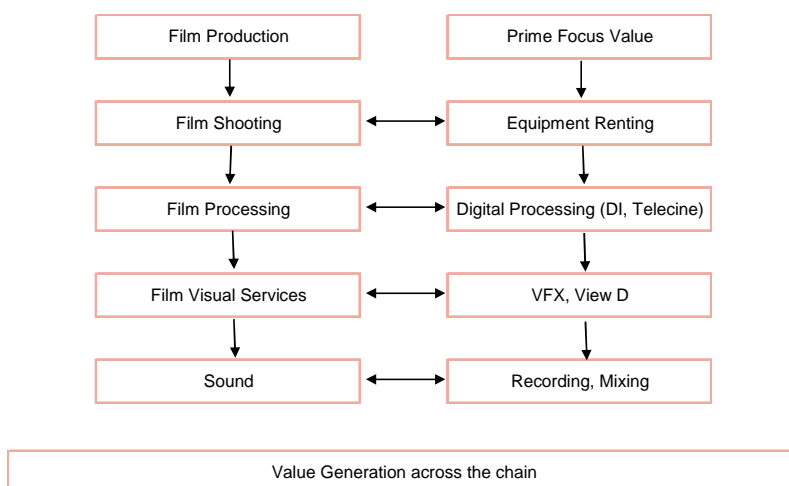
Our consolidated total income was Rs. 4,615.73 million, Rs. 3,670.50 million and Rs. 2,315.62 million in fiscal 2010, 2009 and 2008 respectively. Correspondingly, the consolidated Profit before interest, depreciation, extraordinary items and tax was Rs. 1,146.93 million, Rs. 735.24 million and Rs. 718.71 million and the consolidated Profit after Tax (before minority Interest) was Rs. 393.93 million, Rs. 157.64 million and Rs. 317.58 million in fiscal 2010, 2009 and 2008 respectively. Our Company's unconsolidated total income, Profit before interest, depreciation, extraordinary items & tax and Profit after Tax for the three months ended June 30, 2010 was Rs. 262.67 million, Rs. 122.88 million and Rs. 29.36 million respectively.

The equity shares of Prime Focus Limited are listed on the BSE and the NSE. The market capitalization of our Company as on November 1, 2010 on BSE was Rs. 8,603.96 million and on NSE was Rs. 8,636.01 million.

Strengths

Integrated Services:

We are one of the leading integrated visual entertainment services company in the world. Our range of services include VFX, conversion from 2D content to 3D content, post production activities, digital asset management, broadcast facilities and broadcast packaging. We leverage our strengths in the techno-creative services by providing similar services at various geographical locations in India, UK, US and Canada. We operate across segments at various points in the value chain to give greater convenience and freedom to our clients. The value chain is given below:



As an integrated visual entertainment services provider, we believe that our operations are sufficiently flexible to enable us to cater to varied needs of our clients. As a provider of end-to-end post production services, we believe that we have an advantage over other visual entertainment service providers who are unable to offer integrated service offerings.

Technology:

We have developed the following proprietary technologies which give us a technological edge over our competitors:

View-D

View-D is a proprietary technology developed in-house. View D enables the user to convert 2D content to 3D stereoscopic content in an efficient and cost effective manner. It allows filmmakers to create stereoscopic 3D content from source material shot in most of the formats. It has the capability to convert existing content as well as new releases to 3D stereoscopic quality in less time and at competitive costs.

CLEARTM

CLEARTM provides a secure way to process, manage and deliver content for revenue-generating multi-platform opportunities. It allows the user to take control of digital assets and associated business processes, and manage them throughout the entire content life-cycle, from creation, through processing and distribution, to preservation. It is a ready-to-use, cost effective and workflow management platform, which is accessible from anywhere in the world.

Research and Development (“R&D”) Focus:

The Company’s VFX Software Division delivers innovative, custom R&D solutions and quality software products through a truly international team of visual effects and programming experts. Working closely with the Company’s VFX division, the software team is meeting the challenges of the industry on a daily basis. Turning to real science as a foundation, the in-house R&D team of the Company seeks to push the boundaries of visual effects, tackling complex production problems and physics issues with inventive programming solutions. The end results have produced advanced imagery for many of the Company’s feature film projects.

Global Servicing Platform:

We operate in 4 countries through 15 facilities spread across 10 cities which include Vancouver and Winnipeg in Canada, Los Angeles and New York in USA, London in the UK, Mumbai, Chennai, Hyderabad, Bangalore and Goa in India. Over the last few years, we have acquired studios and boutique firms globally to expand our horizons, tap international markets and gain access to better technologies. We have built this global enterprise through organic growth and strategic international and domestic acquisitions over the past few years.

Our India facilities offer post production and VFX services to the bollywood and regional film markets and also to the advertising and broadcast markets. Apart from this, we also provide strategic and execution support to our international offices.

Our North America facility offers an integrated suite of media solutions and sources majority of the 2D to 3D conversion and VFX business for us. Our Winnipeg facility is the centre of all our research and development activities in the fields of VFX and 3-D. Our Vancouver facility specializes in high-end feature visual effects. Our New York facility caters to the advertising broadcast and film clientele.

Our UK facility offers a complete range of visual entertainment services like digital intermediate, post production, animation, restoration & mastering, VFX and 2D to 3D conversion from our facilities located in Soho, London.

Our global presence is a key to the way we serve our clients, with our sites and facilities strategically spread across 10 cities worldwide. We leverage on the specialized services from various locations to provide superior quality services to our client 24x7. Further, our business model enables us to spread the project across multiple facilities which helps us to execute the projects quickly.

Low cost locations:

India has the potential to emerge as an outsourcing hub for VFX and media processes, given the cost arbitrage in personnel and infrastructure costs as compared with the UK and the US. India is also cost competitive as compared to some of the other countries like Korea and Philippines providing high quality VFX and animation services. Further, India is the largest film consuming market in the world with over 3.5 billion tickets sold annually and over 1,000 movies produced annually. (*Indian media and entertainment, 2010, KPMG-FICCI Report, 2010*). We operate from 10 facilities in India, spread across five cities viz. Mumbai, Chennai, Hyderabad, Bangalore and Goa. Our facilities in India, enables us to provide to our clients, quality services at lower cost.

Our pioneering business model ‘Worldsourcing’ enables our talent to share their expertise across projects, locations, disciplines and sectors. It means we can operate across the entire Visual Entertainment sector; in every major market and at

every stage of a project's development. Worldsourcing has no borders, timezones or limits on capacity and is able to adapt to the constantly changing needs and ambitions of content creators.

Strong relationships in the Indian film industry:

Mr. Naresh Malhotra and Mr. Namit Malhotra, our promoters, have a combined experience of over four decades in the media and entertainment industry. They have over the years successfully established relationships with various production houses across India. Further, they have a long-standing relationship with our customers, built on our successful execution of prior engagements. These relationships have helped us to understand better our customers' business needs at early stages and to enable us to provide effective solutions to meet these needs. We believe that our relationship with production houses in India enables us to compete successfully for further business opportunities from them.

Deep knowledge of industry & experienced team:

Our senior management team has significant experience in visual entertainment services business. We believe that this depth of experience is a key element of our ability to successfully provide end-to-end solutions at various stages of project development, including equipment hire, visual effects, video and audio post production, DI and digital asset management. We believe that our management team is well placed to provide strategic leadership and direction to explore new emerging opportunities in our business as well as to constantly improve our current operations.

Strategies

Investing in people and culture:

We believe that our ability to maintain growth depends to a large extent on our strength in attracting, training, motivating and retaining employees. Our talent acquisition philosophy is to recruit for attitude, train for skill and develop for leadership roles. We focus on performance management, providing input on leadership qualities, mentoring and periodic reviews for career alignment and planning. Our human resources and compensation practices proactively address the factors that impact retention. These practices include regular salary reviews, skill and performance related bonuses, rotation into growth opportunities as well as providing international exposure. Further, we have initiated preliminary steps to introduce employee stock option plan for retaining and attracting the talent. By bringing together creative talent, technology and a seamlessly integrated network across North America, Europe and Asia, we believe we can deliver quality services efficiently and save costs for our clients.

Focusing on the market of conversion of 2D content into 3D content:

We continue to tap opportunities available in the recently emerged market for 3D content. Our goal is to leverage on our recently developed proprietary technology 'View-D' which enables conversion of 2D content to 3D content at low cost and in a efficient manner. View-D enables filmmakers to shoot a movie with a single camera, on film, without having to be locked into digital cameras. View-D shortens the length of time of conversion which can be fit into the postproduction schedule. View-D technology offers a new production method to convert both library titles and new releases to stereoscopic quality in a shorter time than other traditional methods.

Leverage on the business model:

The cost arbitrage available with India makes it an attractive destination for international films to avail VFX and conversion services. India has the potential to emerge as a major outsourcing hub for VFX and media processes, given the scope for savings on personnel and infrastructure costs. Due to our integrated services approach and global positioning, we are well placed to capitalize on this opportunity. We aim to use our operations in India (including developing strong communication channels amongst our teams in different countries and overseas) as a way to spread work across our network to take advantage of the low-cost location and the relatively low price at which services can be offered in India. Further, our global presence through our offices in India, UK, US and Canada enables us to create an integrated production set up and generate a pipeline of projects. Further, our relatively large team with 600 VFX seats in India, not only enables us to execute large projects efficiently but also provides us with a competitive cost advantage to compete with global players in the Industry.

Pursuing strategic acquisitions and other inorganic initiatives:

Over the past few years, we have expanded our business globally through acquisitions. We will continue to evaluate opportunities for acquisitions or joint ventures or alliances that expand our product portfolio, build on our existing system capabilities, or give us a presence in complementary markets.

Digital Asset Management through CLEARTM:

As the digital distribution of media becomes increasingly important, it is necessary for all current and old television and film media to be held digitally, with adequate fail-safe protection. Currently most old media is stored on tape. This needs to be digitized, catalogued, mastered and stored in near-line systems so that adequate copies can be quickly retrieved and transferred to requirements of different delivery platforms like HDTV, HD DVD, IPTV and Mobile. Digital re-mastering and cataloguing in its entirety can be outsourced to any part of the world due to its inherent ability to be transmitted using high-speed lines. The Company believes that the availability of high quality technical manpower and high-end technology gives India a competitive advantage in this regard.

Our Services

1) *Visual Effects:*

Globally, VFX budgets in a movie are increasing significantly. Its use is becoming indispensable in the creation of films and advertisements. The use of VFX enhances the cinematic value of the movie and enables production teams to make cost savings by performing work digitally. Our Company has one of the largest VFX facilities in India, with 600 seats. From these facilities, we provide VFX services to both domestic and international production houses.

Using our global digital pipeline model which ensures timely execution of projects while utilizing the talent pool effectively, we have been able to provide effective and efficient services to clients in the media and entertainment industry.

The CLEAR™ platform enables us to manage workflow across 3 continents, working in all time zones across 15 facilities with more than 2,000 people working to deliver quality content efficiently at competitive costs. A tailored approach to each project ensures the delivery of a quality service aligned with a highly competitive pricing structure.

Categories

Visual effects may be divided broadly into following categories:

- **Models:** In the field of special effects a miniature effect is a special effect generated by the use of scale models. Scale models are often combined with high speed photography to make gravitational and other effects scale properly.
- **Matte paintings and stills:** A matte painting is a painted representation of a landscape, set, or distant location that allows filmmakers to create the illusion of an environment that would otherwise be too expensive or impossible to build or visit. Historically, matte painters and film technicians have used various techniques to combine a matte-painted image with live-action footage. At its best, depending on the skill levels of the artists and technicians, the effect is "seamless" and creates environments that would otherwise be impossible to film.
- **Chroma key compositing (or chroma keying):** It is a technique for compositing two images or frames together in which a color (or a small color range) from one image is removed (or made transparent), revealing another image behind it. This technique is also referred to as color keying, colour-separation overlay, greenscreen, and bluescreen. It is commonly used for weather forecast broadcasts, wherein the presenter appears to be standing in front of a large map, but in the studio it is actually a large blue or green background. The meteorologist stands in front of a bluescreen, and then different weather maps are added on those parts in the image where the color is blue. If the meteorologist wears blue clothes, their clothes will become replaced with the background video. This also works for greenscreens, since blue and green are considered the colors least like skin tone. This technique is also used in the entertainment industry.
- **Front projection effect:** It is an in-camera visual effects process in film production for combining foreground performance with pre-filmed background footage.
- **Special effects:** These are traditionally divided into the categories of optical effects and mechanical effects. With the emergence of digital film-making tools a greater distinction between special effects and visual effects has been recognized, with "visual effects" referring to digital post-production and "special effects" referring to on-set mechanical effects and in-camera optical effects. The illusions used in the film, television, theater, or entertainment industries to simulate the imagined events in a story are traditionally called special effects (often abbreviated as SFX, SPFX, or simply FX).
- **Optical effects (also called photographic effects):** These are techniques in which images or film frames are created photographically, either "in-camera" using multiple exposure, mattes, or the Schufftan process, or in post-production processes using an optical printer. An optical effect might be used to place actors or sets against a different background.
- **Mechanical effects (also called practical or physical effects):** These are usually accomplished during the live-action shooting. This includes the use of mechanized props, scenery, scale models, pyrotechnics and Atmospheric Effects: creating physical wind, rain, fog, snow, clouds etc. Making a car appear to drive by itself, or blowing up a building are examples of mechanical effects. Mechanical effects are often incorporated into set design and makeup. For example, a set may be built with break-away doors or walls to enhance a fight scene, or prosthetic makeup can be used to make an actor look like a monster.

- **VFX Creative:** The VFX Creative Director is a position usually demanded in Film, Television program, Game industry and it is mostly needed in science fiction, mythical, epic projects. He/She is asked to take part in the movies which demand high imagination and creativity. The responsibility of a creative director is very much like an art director; although more related to CGI (computer-generated imagery) of the projects. For movies which are fully CG or partly CG a VFX creative director actively participates with the director.

2) Conversion of 2D content to 3D content:

View-D offers the industry an exciting new production method to convert both library titles and new releases to stereoscopic quality in considerably less time than other methods. The increasing dependency on VFX & 3D for the success of a movie opens huge market potential for us. 3D is expected to permeate to TV and gaming apart from movies and significant investments in 3D devices has put companies like us in the spotlight for 3D content generation. Major global hardware and content players are betting big on 3D emerging as a significant development that would shape their business. With this technology, we are well-positioned to leverage on this emerging opportunity.

In April 2010, we were one of the first companies in the world to convert an entire full length feature film from 2D to stereo 3D. The conversion was completed in a relatively short span of eight weeks using our resources in USA, Canada and India.

3) Post Production Activities:

a) Feature film post production:

We were one of the earliest entrants in feature film post-production in India. Starting with the post-production of small sequences in 2001 and then the first DI film in 2003, we provided DI in a number of feature films in Bollywood in 2010, including films such as My Name is Khan, Badmaash Company, Anjaana Anjaani, Allah Ke Bandey, House Full to name a few. In addition to DI, Prime Focus also provided design and packaging services such as title sequences, video deliverables, broadcast promotions, multi-format digital deliveries, DVD deliverables and D-Cinema deliverables. In addition to Bollywood, we worked extensively on the post-production of leading films in the Chennai and Hyderabad markets. In London, PF London plc continues to establish itself as a digital post-production service provider and has worked on many reputed films.

b) Advertising post production:

Our Company's boutique advertising facilities situated in Khar and Parel, Mumbai provides end-to-end solutions for commercial post-production. From telecine, editing, finishing, computer graphics and sound facilities, the facility now caters to a major proportion of advertising out of India.

In London, Prime Focus London plc is a key player in the commercial post-production market, offering the same range of services as offered in India. Most major advertising agencies and Ad makers in India and UK have experienced our services and continue to avail our services.

4) Camera Rentals:

Prime Focus India offers camera rentals to film and advertisement producers around the world. It offers a full range of cameras for 3Perf Super35 shooting. The range includes Arri 535, 435, and 235 cameras with either ultra prime lenses or scope lenses. In addition to the cameras, we provide HD digital shooting through the latest Sony HDCAM SR technology with Canon block lenses. We also provide budget sensitive users to shoots in HD format with Panasonic Varicam Cameras. In addition to services to the film and advertising industries, Prime Focus also provides video cameras in Digital Betacam and HD formats to shoot television serials and multi camera shooting with online switching for events and shows.

5) Broadcast Packaging and Broadcast Facilities:

Prime Focus is involved in high-end broadcast packaging for all major networks including Star, Sony, Zee, MTV and Zoom.

Prime Focus London plc broadcast entity, Blue, is one of the market leaders in broadcast packaging in London and works extensively with BBC, Channel 4, Discovery Networks and many of the other main networks in the UK. Our services

include on-air packaging, equipment rental, programme editing and mastering. We provide television stations with creative services for on-air advertising, packaging and broadcast design.

Key Clients

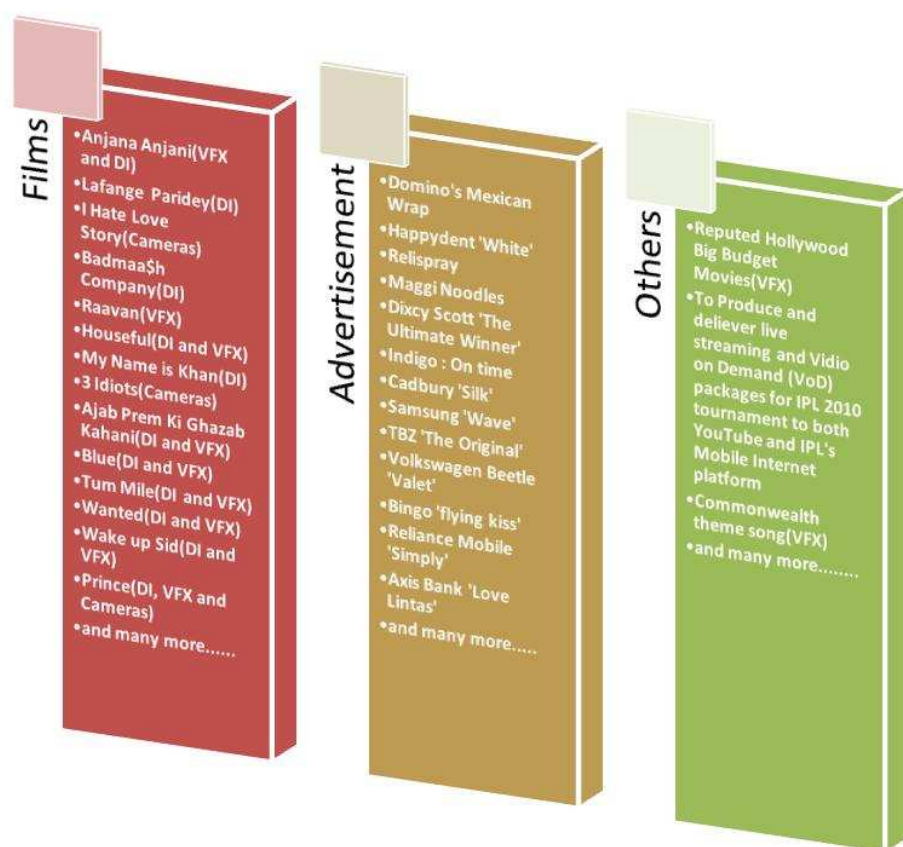
Our Company has been associated with various leading advertising agencies like JWT, O&M, Chaitra Leo Burnett, advertisement filmmakers like Prasoon Pandey, Kiran Deohans, Pradeep Sarkar and production houses like MAD Films, Red Ice Films and Film Farm.

Our Company has also worked with leading feature film directors like Sanjay Leela Bansali, Karan Johar, Siddharth Anand and production houses like UTV, Yashraj Films, Eros International.

Our Company has been closely associated with motion pictures like Anjaana Anjaani, Raavan, Badmaash Company, My name is Khan, Wake Up Sid, HouseFull, Ajab Prem Ki Gazab Kahani.

On the international side, we continue to provide services to most of the major Hollywood studios.

Projects Executed Recently



Intellectual Property Approvals

Trade Marks

We at present hold registered trademarks in the name of Prime Focus Limited, Prime Focus Plus and Prime Focus Home Entertainment, the latter two being divisions of Prime Focus Limited. Our Company has applied for the exclusive



trademark and logo of "Prime Focus" and by filing applications for Trademark (TM - 1) in all the 42 Classes as defined under the Trademark Act, 1999, in order to build a strong brand name. Our application has been approved in some classes and is pending in some of the classes.




Registered Trade Marks

The following are the approvals received by our Company, Subsidiaries and Joint Venture under the Trademarks Act:

S. No.	Description of Trade Mark	Class	Name of proprietor that stands on Trade Mark Registry records	Registration number	Date of Application
1.	“PRIME FOCUS” Label	16 35 41	Prime Focus Limited	1435488 1435497 1048984	March 23, 2006
2.	“PRIME FOCUS home entertainment (A Division of Prime Focus Ltd.)” Label	41	Prime Focus Home Entertainment	1435422	March 23, 2006
3.	“PRIME FOCUS home entertainment (A Division of Prime Focus Ltd.)” Logo	41	Prime Focus Home Entertainment	1435422	March 23, 2006
4.	“PRIME FOCUS PLUS” Label	35 41	Prime Focus Plus	1435517 1435532	March 23, 2006
5.	“PRIME FOCUS PLUS” Logo	35 41	Prime Focus Plus	1435517 1435532	March 23, 2006
6.	“USL” Label	9 16	Prime Focus Limited	704689B 704690	April 15 1996 April 15, 2006
7.	“USL” Logo	9 16	Prime Focus Limited	704689B 704690	April 15 1996 April 15, 2006
8.	“LITTLE STARS” Label	16	Prime Focus Limited	1048984	October 1, 2001

Trademarks pending registration:

The following are the pending trademark applications made by our Company under the Trademarks Act:

S. No.	Description of Trade Mark	Class	Name of proprietor	Application number	Date of Application
1.		9 16 35 41 42	Prime Focus Limited	1905126	January 5, 2010
2.		9 16 35 41 42	Prime Focus Limited	1905127	January 5, 2010
3.	“Lets Create...”	9 35 41 16	Prime Focus Limited	1937312	March 17, 2010
4.		9 35 41 42 16	Prime Focus Limited	1950566	April 15, 2010

Trademarks that have received opposition:

Opposition applications have been filed against the following trademarks owned by our Company under the Trademarks Act:

S. No.	Description of Trade Mark	Class	Name Of Proprietor that stands on Trade Mark Registry Records	Application/ Registration number	Description of Trademark Opposed	Status
1.	PRIME FOCUS	12	Prime Focus Limited	1788836	“PRIME FOCUS” (and device)	Opposed
2.	PRIME FOCUS	42	Prime Focus Limited	1788864	“FOCUS”	Opposed
3.	PRIME FOCUS	30	Prime Focus Limited	1788854	“PRIME FOCUS”	Opposed

Patents:

Prime Focus VFX Services II INC. has filed Patent Applications for system and process for transforming two dimensional images into three-dimensional images in the U.S. Patent and Trademark Office (“USPTO”) and also under the Patent Co- Operation Treaty Route. The details are as follows:

Sr. No	Description of the Patent	Proprietor	Filed At	Date of Application	Application No.	Status
1.	Applications for system and process for transforming two dimensional images into three-dimensional images	Prime Focus VFX Services II INC	U.S. Patent and Trademark Office (“USPTO”)	September 1, 2010	U.S. Non-Provisional Patent Application no. 12/874,190	Pending
2.	Applications for system and process for transforming two dimensional images into three-dimensional images	Prime Focus VFX Services II INC	Under Patent Co-Operation Treaty	September 1, 2010	International Application No. PCT/US 10/475 78	Pending

Our intellectual property

We have intellectual property rights that we seek to protect to the fullest extent practicable. In the course of our research and development activities, we create a range of intellectual property which we attempt to protect through patent and copyright protection, confidentiality procedures and contractual provisions. We seek patent protection for certain of the inventions which we develop. We have applied for U.S. Non-Provisional Patent Application no. 12/874,190a patent registration for “System and process for transforming two dimensional images into three-dimensional images” in the United States.

We require our people and sub-contractors to enter into non-disclosure and assignment of rights arrangements to limit access to and distribution of our clients’ proprietary and confidential information as well as our own.

Contracts with our clients typically require us to comply with certain security obligations including maintenance of network security, back-up of data, ensuring our network is virus free and verifying the credentials of our people that work with our clients. We cannot assure you that we will be able to comply with all such obligations and not incur any liability. For more information, see section titled “*Risk Factors*” of this Placement Document. Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future.

Competitors

We believe that the following are our competitors in different segments of the business that we operate:

India	U.K.	U.S.
Pixion	The Moving Picture Company	Industrial Light and Magic

Reliance Media Works	Ascent Media	Cinesite
Future Works	Technicolor	Digital Domain
Visual Computing Labs	Framestore	Stereo 3
	The Mill	In 3
	The Farm	Legend 3D
	Pepper Post	Ascent Media
	Double Negative	

Infrastructure and Locations

Our Company has its registered office at Mainframe IT Park, Building 'H', Royal Palms Goregaon (East) Mumbai – 400 065, admeasuring 63,858 square feet. We also have office premises at various locations as listed below:

India

- Mumbai - Royal Palms, Ground Floor, Master Mind – I, Royal Palms, Goregaon East, Mumbai, 400 065;
- Mumbai - Parel, Unit No. 5, 2nd Floor, Raghuvanshi Mansion, Raghuvanshi Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai, 400 013;
- Mumbai - Khar, Gazebo Plaza, Linking Road, Khar West, Mumbai 400 052;
- Mumbai - Film City Campus, Dadasaheb Phalke, Chitranagari, Mumbai 400 065;
- Goa, B - Wing, 3rd floor, Osia Commercial Arcade, Margoa, Goa 403 601;
- Hyderabad - Rama Naidu Studios Complex, 79, Film Nagar, Jubilee Hills, Hyderabad 500 033;
- Chennai - 1st Floor, 9-A, Kumaran Colony, Vadapalni, Chennai 600 026.

UK

- London - Total of 40,000 square feet, in Soho, Central London, spread across 4 buildings.

US

- Los Angeles - 55,000 square feet facility located in Hollywood, California;
- New York - 6,000 square feet located in Manhattan

Canada

- Vancouver - 22,000 square feet facility
- Winnipeg - 8,000 square feet facility

Awards and Recognitions

Some of the recent awards and recognitions received by us are listed below:

Fiscal 2010

1. FICCI BAF Awards 2010 'Special Jury Award' for 'Chandni Chowk to China'
2. FICCI BAF Awards 2010 'VFX shot of the Year' for 'Turn Mile'.
3. Apsara Awards for Blue.
4. INDY'S Award for Best Visual Effects
5. IIFA Award for Best Visual effects for Ghajini
6. Emmy Award for 'Outstanding Sound Editing for Nonfiction Programming' for work done on Nutopia's 'America The Story of Us'

Fiscal 2009

1. Filmfare Award 2009 for 'Best VFX in a Motion Picture' – Love Story 2050
2. FICCI BAF Jury Award for 'Best VFX Shot of the Year' – Love Story 2050
3. 24fps Award 2009 for 'Outstanding Contribution to Visual Effects'- Love Story 2050
4. IIFA Award 2009 for 'Best Visual Effects' for Ghajini
5. FICCI BAF Award 2008 for 'Best VFX in a commercial' for Honda CBZ 'Hero'
6. Golden Cursor Animation Awards – Best Animation/ Live Action (Commercial LG)
7. Golden Cursor Animation Awards- Best VFX Feature Film (Film – Love Story 2050)

Insurance

The Company has insurance policies for all camera equipment, editing machines, fixed assets, furniture and fixtures. The policies for camera equipment cover “All Risks” which indemnify the Company, in case of loss, to the extent of the intrinsic value of the property lost, damaged, or destroyed by fire, riot and strike, terrorist activity, theft or accident since the camera equipment is sent on a hire basis on locations. We have “Standard Fire & Special Perils Policy” for all our existing editing machines, fixed assets and furniture and fixtures at all the present locations. In addition to the above, we also take 'In-transit' policies for all the machines that are imported.

REGULATORY FRAMEWORK

The Company is a Service Provider engaged in providing end to end post production and visual effects services, and hence is not governed by any key industrial regulations.

Foreign Investment Regulations

Foreign investment in the Entertainment and Media Industry is regulated by the provisions of the Foreign Exchange Management Act, 1999 (FEMA) and the rules and regulations framed thereunder read with the Industrial Policy of the Government of India as amended from time to time. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investments may be made. Under the Foreign Direct Investment Policy of the Government of India, unless specifically restricted, foreign investment is freely permitted in Indian companies up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per the current foreign investment policy, foreign investment is allowed up to 100% in the Entertainment Sector. The government bodies responsible for granting foreign investment approvals are FIPB and RBI. In terms of the existing regulations, FIIs are permitted to subscribe to shares of an Indian company in a public issue without prior RBI approval, so long as the price of the equity shares to be issued is not less than the price at which equity shares are issued to residents. The maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by our Company's Shareholders; however, as of date, no such resolution has been recommended to the shareholders of our Company.

While calculating foreign equity of a company, the foreign holding component, if any, in the equity of the Indian shareholder companies of a company will be duly reckoned on pro-rata basis, so as to arrive at the total foreign holding in a company. However, the indirect holdings of the FII in a company as on March 31 of the year would be taken for the purposes of pro-rata reckoning of foreign holdings.

The Company's overseas direct investments in Joint Venture (JV) and Wholly Owned Subsidiary (WOS) abroad are being allowed, in terms of clause (a) of sub-section (3) of section 6 of the Foreign Exchange Management Act 1999, (42 of 1999) read with FEMA Notification 120/RB-2004 dated July 7, 2004, (GSR 757 (E) dated November 19, 2004), viz. Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004, as amended from time to time.

Restrictions on Conversion of Rupees into Foreign Currency

There are certain restrictions on the conversion of Rupees into foreign currency. FEMA regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the RBI. FEMA has eased restrictions on current account transactions. However, the RBI continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The RBI has from time to time issued regulations, circulars and guidelines under FEMA to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. The RBI has permitted authorised dealers to freely allow remittances by resident individuals up to U.S. \$ 200,000 per calendar year for any permissible current or capital account transactions or a combination of both. Dividends on Equity Shares received by foreign investors can be freely repatriated in foreign currency.

Restrictions on Transfers of Equity Shares into and from India and on Repatriation of Sale Proceeds

After October 4, 2004, prior FIPB and RBI approvals are not required for the transfer of shares from a resident to a non-resident and vice versa, subject to conditions set forth in the RBI A.P. (Dir. Series) Circular No. 16 dated July 1, 2010. Further, the sale of shares under the portfolio investment scheme prescribed by the RBI does not require the approval of the RBI, provided the sale is made on a recognised stock exchange and through a registered stockbroker.

A non-resident person holding equity shares of a listed Indian company is permitted to sell them on a recognized Indian stock exchange through a registered broker. The sale proceeds of equity shares (net of taxes) sold by a person resident outside India may be remitted outside India. In the case of an FII, the sale proceeds may be credited to its special non-resident Rupees account that it holds. In the case of a non-resident Indian, if the equity shares sold were held on a repatriation basis, the sale proceeds (net of taxes) may be credited to his non-resident rupee account or foreign currency account and if the equity shares sold were held on a non-reparation basis, the sale proceeds may be credited to his non-resident account subject to payment of taxes. If the prior approval of the RBI has been obtained for the sale of equity shares, then the sale proceeds shall be remitted as per the terms of such approval and FEMA regulations. Under foreign exchange regulations that are in effect in India and for repatriation of the proceeds thereof, any approval granted by the RBI for a transfer of equity shares by a non-resident of India to a resident of India will require the equity shares to be transferred at a price based on a specified formula, and a higher price per share may not be permitted. However, if equity shares are sold under the portfolio investment scheme, then the sale proceeds may be remitted through an authorised dealer

without the approval of the RBI, provided that the equity shares are sold on a recognised stock exchange through a registered stock broker and a no objection/tax clearance certificate from the income-tax authority or the provision of an undertaking in the prescribed format along with a certificate from an accountant has been obtained. There can be no assurance that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all.

A non-resident of India or a non-resident Indian may generally transfer by way of sale the equity shares held by him to any other non-resident of India or non-resident Indian, respectively, without the prior approval of the RBI or the FIPB. However, if the acquirer of the equity shares has, as on January 12, 2005, a venture or tie-up in India through an investment in shares or a technical collaboration, trademark agreement or investment howsoever called in the same field that the company is engaged in, then the acquirer is required to obtain the prior permission of the FIPB to acquire equity shares. However, the prior permission of the FIPB would not be required even in cases where the foreign investor has a joint venture or technology transfer or trademark agreement in the industry where the foreign investor's investment in the existing joint venture is less than 3%, or where the existing joint venture is defunct or sick, or an investment is made by venture capital funds registered with SEBI.

Moreover, the transfer of shares by an Indian resident to a person not resident in India does not require the prior approval of the FIPB or the RBI, provided that: (1) the activities of the investee company are under the automatic route pursuant to the foreign direct investment policy ("FDI Policy") and the transfer does not involve the application of the Takeover Code; (2) the non-resident shareholder complies with sector limits under the FDI Policy; and (3) the pricing is in accordance with the guidelines prescribed by SEBI and the RBI.

A non-resident of India may transfer equity shares held by him to a person resident in India by way of a gift or sale. Any non-resident seeking to sell equity shares on one of the stock exchanges or to sell or transfer equity shares to a resident of India should seek advice from Indian legal advisers as to the applicable requirements. If any approval is required, we cannot guarantee that any approval will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

III. Other laws

(i) Negotiable Instruments Act, 1881 (the "NI Act")

The NI Act pertains to negotiable instruments like promissory notes, bills of exchange and cheques. The NI Act, *inter alia*, explains the meaning of negotiable instruments, including cheques, and the method to be adopted for transactions in relation to the negotiable instruments. Section 138 of the NI Act deals with the dishonour of cheques for reasons such as insufficiency of funds and the consequences thereof.

Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall, without prejudice to any other provision of this Act, be punished with imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of the cheque, or with both;

Prior to initiation of any proceedings, a notice would be required to be sent by the person in whose favour the cheque has been given, within thirty days of the receipt of information by him from the bank regarding the return of the cheque as unpaid, and proceedings may be initiated only if no payment is made even after such notice. In the event that the dishonoured cheque was issued by a company, every person who, at the time the offence was committed, was in charge of, and was responsible for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Where any offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to, any neglect on the part of, any director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

(ii) Shops and Establishments legislations in various states

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia*

registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

(iii) **Labour Laws**

Our Company is required to comply with various labour laws, including the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972 and the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

(iv) **Laws relating to Intellectual Property**

The Trade Marks Act, 1999 and the Copyright Act, 1957, *inter alia*, govern the law in relation to intellectual property, including brand names, trade names and service marks and research works. In addition to the above, the Company is required to comply with the provisions of the Companies Act, 1956, the Foreign Exchange Management Act, 1999, various tax related legislations and other applicable statutes.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The corporate governance bodies of the Company comprise of the Board of Directors, the Audit committee, the Remuneration Committee and the Shareholders and Investor Grievance committee.

Board of Directors

Our Company's Articles of Association provide that the minimum number of directors shall be three and the maximum number of directors shall be twelve. Currently, our Company has eight directors. The present composition of the Board of Directors and its proceedings are in accordance with the Companies Act and the norms of the code of corporate governance as applicable to listed companies in India.

The following table sets forth details regarding the Board of Directors as at the date of this Placement Document:

Name	Age (Years)	Designation	Address
Mr. Naresh Malhotra	66	Chairman and Whole-Time Director	201, Priyanka Apartments, NS 6 th Road, JVPD Scheme Juhu, Mumbai-400056, Maharashtra, India.
Mr. Namit Malhotra	34	Managing Director and Executive Director	201, Priyanka Apartments, NS 6 th Road, JVPD Scheme Juhu, Mumbai-400056, Maharashtra, India.
Mr. Kodi Raghavan Srinivasan	43	Independent and Non-Executive Director	A2-1, Rajat Rekha, 142/6 Jai Prakash Road, Andheri – West, Mumbai – 400 053, India.
Mr. RakeshJhunhunwalla	50	Non-Executive Director	3, Sheetal Sagar, Sheetal Baug, 64, Walkeshwar Road, Mumbai-400 006, India.
Mr. Rivkaran Chadha	34	Independent and Non-Executive Director	5, Kaushal Building, 12 th Road, Juhu Scheme, Mumbai-400 049, India.
Mr. Chandir Gidwani	46	Non- Executive Director	1202, Ocean View, Union Park, opp. Hotel Pali Hill, Khar (West), Mumbai-400054, Maharashtra, India.
Mr. Hariharan Padmanabhan	58	Independent and Non-Executive Director	3, Marabara, Arya Vidya Mandir Marg, JVPD Scheme, Mumbai-400 049, Maharashtra, India.
Mr. Padmanabha Gopal Aiyar	73	Independent and Non-Executive Director	G 16, Salasar Nagar, Navghar Road, Bhayandar (East), Thane-401105, Maharashtra, India.

All Directors of our Company are Indian nationals.

Brief biographies of the Directors of our Company

Mr. Naresh Malhotra

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

Mr. Naresh Malhotra had setup India's first digital audio studio named 'Audio File'. Realizing the potential boom in the television industry, in 1990 he ventured into the business of providing services for the production of TV programs and ad films by hiring out video equipment like cameras, recorders, monitors, etc. to various Satellite Channels, Production houses and Ad filmmakers.

Mr. Namit Malhotra

Mr. Namit Malhotra is the Managing Director of our Company. He is a 'hands-on' promoter, having built Prime Focus from a moderate one room editing studio to being one of the largest post production and visual effects studio in India. His grasp and understanding of technology has ensured that the business has successfully adapted to rapid changes in technology, and timely upgradation has mitigated the risk of technological obsolescence. He continues to lead all decisions of the Company on the technology front. Over the years, he has made sure that the Company has constantly evolved by ensuring that the various processes of backward and forward integration have been implemented successfully, thereby engaging the client in the entire process of filmmaking. By integrating all the various technology / service profiles, under one roof, he has created one of largest end to end services company for post production and visual effects in the world.

Mr. Namit Malhotra's core strength lies in working with people and understanding their requirements and providing suitable solutions. Mr. Namit Malhotra's inter - personal skills have ensured that in an industry where there are no quality training institutes and trained people are continuously being pulled by each new entrant in the business, The Company has maintained a negligible attrition rate.

Mr. Rakesh Jhunjhunwala

Mr. Rakesh R. Jhunjhunwala is one of the well-known equity investors in India. He belongs to a class of investors who has created wealth through careful stock selection, patience and conviction. Among India's successful investors, Mr. Rakesh Jhunjhunwala is perhaps one of the few who has shared his insight into successful investing with the people at large through his articles, interviews and presentations. He is a Chartered Accountant and his passion for stocks compelled him to opt for investing as a career.

Mr. Kodi Raghavan Srinivasan

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

Mr. Rivkaran Chadha

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

Mr. Chandir Gidwani

Mr. Chandir Gidwani holds a Masters degree in Commerce from Mumbai University and is a qualified Chartered Accountant. He is the founder and chairman of Centrum Capital Limited. He is also a member of various Industry associations e.g. FICCI, CII, etc. and is on the board of Rap Media Limited. Apart from financial services businesses at Centrum, he also runs a proprietary investing business focused on mid sized Indian companies.

Mr. Hariharan Padmanabhan

Mr. Hariharan Padmanabhan, graduated from IIT, Kanpur in 1975 and took his Post-graduate Diploma in Management from IIM, Kolkata in 1979. His professional background includes over twenty-seven years of experience in India and the Middle East. He started his IT career with International Data Management (IDM) in 1979 for sales and distribution of Data Centre processing and in house computing in the western region . He moved to Dubai in 1983, at which time he was Regional Manager (North) for IDM. He joined Emitac, the Hewlett Packard distributor in the UAE, to market and manages the implementation of turnkey solutions to their major accounts in the U.A.E. He also started the Oman operations of IMTAC.

Mr. Padmanabha Gopal Aiyar

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

None of the Directors of our Company are related to each other except of Mr. Naresh Malhotra and Mr. Namit Malhotra. Mr. Namit Malhotra is son of Mr. Naresh Malhotra.

Borrowing Powers

Pursuant to a resolution passed by the shareholders on September 28, 2007 and in accordance with provisions of the Companies Act, the Board has been authorized to borrow sums of money for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company shall not, at any time exceed, a sum of Rs. 7,500 million.

Interest of Directors in the Company

All the Directors of our Company, excluding the Chairman and the Managing Director, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the

extent of other remuneration and reimbursement of expenses payable to them. Mr. Naresh Malhotra, the Chairman and Mr. Namit Malhotra, the Managing Director are interested to the extent of remuneration paid to him for services rendered as an officer or employee of the Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees. Except for Mr. Naresh Malhotra, Mr. Namit Malhotra, Mr. Rakesh Jhunjhunwalla and Mr. Chandir Gidwani, no other Director holds any Equity Shares in the Company.

Some of our Directors, may be deemed to be interested to the extent of consideration received / paid or any loans or advances provided to any body corporate including companies and firms, and trusts, in which they are interested as directors, members, partners or trustees. For details see the section titled “**Financial Statements**” in this Placement Document.

Shareholding of the Directors

The following table sets forth the shareholding pattern of the directors of our Company as on October 30, 2010:

Sr.No.	Name	Number of Equity Shares#	Percentage
1.	Mr. Naresh Malhotra	55,25,000	43.09%
2.	Mr. Namit Malhotra	12,40,000*	9.67%
3.	Mr. Kodi Srinivasan	NIL	-
4.	Mr. Rakesh Jhunjhunwalla	2,50,000	1.95%
5.	Mr. Rivkaran Chadha	NIL	-
6.	Mr. Chandir Gidwani	1,920	0.02%
7.	Mr. Hariharan Padmanabhan	NIL	-
8.	Mr. Padmanabha Gopal Aiyar	NIL	-
	TOTAL	70,16,920	54.72%

Pursuant to the resolution passed by the shareholders in the annual general meeting held on September 30, 2010, the Equity Shares of the Company has been subdivided from shares of face value Rs. 10 each to shares of face value Re. 1 each. The record date for the subdivision was November 1, 2010.

* Our Company has issued 1,000,000 share warrants to one of our Promoters, Mr. Namit Malhotra on October 15, 2010. These warrants can be converted into equal number of the equity shares of Rs. 10 each. If Mr. Namit Malhotra decides to exercise his option to convert the share warrants to equity shares, this would result in dilution of the shareholding of the other existing shareholders. Further, the issue of the warrants is, *inter alia*, to be adjusted for, subject to the Companies Act, 1956 and SEBI guidelines, corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of a division or any such capital or corporate restructuring. For further information relating to issue of warrants, see section titled “**Recent Developments**” in this Placement Document.

Changes in the Board of Directors in last three years:

The changes in the Board of Directors in the last three years are as follows:

Sr. No	Name of the Directors	Date of Appointment	Date of Cessation	Reason
1)	Mr. Somasekhar Sunderasan	April 12, 2005	January 8, 2009	Resignation
2)	Mr. Chandir Gidwani	January 24, 2007	-	Appointment
3)	Mr. Hariharan Padmanabhan	January 24, 2007	-	Appointment
4)	Mr. Padmanabha Gopal Aiyar	July 3, 2009	-	Appointment

Terms of Employment of the Executive Directors of our Company

Mr. Naresh Malhotra was appointed as Chairman and Whole-Time Director of the Company, with effect from June 30, 1997. He was reappointed Chairman and Whole-Time Director for a period of five years with effect from April 1, 2010 till March 31, 2015.

At present, Mr. Naresh Malhotra receives a annual remuneration of Rs. 3,000,000 /- (Rupees Three million only) subject to tax deductions at source or any other tax, duties, levies or charges payable in respect of the Salary as per the Income Tax Act, 1961 or any other applicable legislation in this regard.

The appointment may be terminated either by the Company or the Chairman at any time by either party giving 90 (ninety) days notice in writing or salary in lieu thereof as liquidated damages. Thereafter the Chairman shall complete all assignments allocated to him within the stipulated 90 (ninety) day period, and shall not accept any new or fresh assignments which require, for completion, a duration in excess of said notice period. The Chairman shall, upon termination of your appointment by either Party in any manner whatsoever, return all such data, records, documents or any other information received by you on behalf of the company, to the Company, and shall not use the same in any manner which is detrimental to the Company's interests. The Chairman shall not disclose any confidential information received directly/indirectly during the course of your appointment to any third party without prior written consent of the Company in that behalf

The Chairman cannot engage himself directly or indirectly, with or without remuneration, in any trade, business, occupation, employment and service or carry on any business either in partnership with others or on your own account similar or in any way competitive with the interests of the Company, without the prior written permission of the Company or accept any emoluments, salary commission or honoraria whatsoever from any third party without the prior permission of the Company.

No sitting fees shall be paid to him for attending meetings of the Board of Directors or Committees.

Mr. Namit Malhotra was appointed as Managing Director of the Company, with effect from with effect from June 30, 1997. He was reappointed as the Managing Director for a period of five years with effect from April 1, 2010 till March 31, 2015.

At present, Mr. Namit Malhotra receives a annual remuneration of Rs. 3,000,000 /- (Rupees Three million only) subject to tax deductions at source or any other tax, duties, levies or charges payable in respect of the Salary as per the Income Tax Act, 1961 or any other applicable legislation in this regard.

The appointment may be terminated either by the Company or the Managing Director at any time by either party giving 90 (ninety) days notice in writing or salary in lieu thereof as liquidated damages. Thereafter the Managing Director shall complete all assignments allocated to him within the stipulated 90 (ninety) day period, and shall not accept any new or fresh assignments which require, for completion, a duration in excess of said notice period. The Managing Director shall, upon termination of appointment by either Party in any manner whatsoever, return all such data, records, documents or any other information received by you on behalf of the company, to the Company, and shall not use the same in any manner which is detrimental to the Company's interests. The Managing Director shall not disclose any confidential information received directly/indirectly during the course of your appointment to any third party without prior written consent of the Company in that behalf

The Managing Director cannot engage himself directly or indirectly, with or without remuneration, in any trade, business, occupation, employment and service or carry on any business either in partnership with others or on your own account similar or in any way competitive with the interests of the Company, without the prior written permission of the Company or accept any emoluments, salary commission or honoraria whatsoever from any third party without the prior permission of the Company.

No sitting fees shall be paid to him for attending meetings of the Board of Directors or Committees.

Remuneration of the Directors

Mr. Namit Malhotra

Mr. Namit Malhotra has received annual remuneration of Rs. 3,000,000 during the fiscal 2008, 2009 and 2010.

Mr. Naresh Malhotra

Mr. Naresh Malhotra has received annual remuneration of Rs. 3,000,000 during the fiscal 2008, 2009 and 2010.

Independent and Non-Executive Directors

Each of the independent and non-executive Directors is entitled to a Sitting Fees of Rs. 20,000 subject to tax deduction at source for each Board meeting.

Corporate Governance

The Company has been complying with all applicable requirements of the guidelines on corporate governance as per Clause 49 of the listing agreement, as amended, entered into with the Stock Exchanges.

Audit Committee

Our Company had through a resolution of the Board dated May 27, 2005 constituted an audit committee as required under Section 292A of the Companies Act. It was last reconstituted in terms of Board Resolution dated August 27, 2010. The audit committee currently comprises:

- a) Mr. Rivkaran Chadha, Chairman
- b) Mr. Kodi Raghavan Srinivasan, Member
- c) Mr. Namit Malhotra, Member

General Role, Functions and Powers

Powers:

- i. Investigating any activity within its terms of reference.
- ii. Seeking information from any employee.
- iii. Obtaining outside legal or other professional advice.
- iv. Securing attendance of outsiders with relevant expertise, if it considers necessary.

Role:

- i. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- iv. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
- v. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- vi. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- vii. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- viii. Discussion with internal auditors any significant findings and follow up there on.
- ix. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- x. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- xi. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- xii. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- xiii. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Function:

The Audit Committee shall mandatorily review the following information:

- i. Management discussion and analysis of financial condition and results of operations;
- ii. Statement of significant related party transactions (as defined by the audit committee), submitted by management;

- iii. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- iv. Internal audit reports relating to internal control weaknesses

Shareholders and Investors' Grievance Committee

The Company had through a resolution of Board dated May 27, 2005 constituted a Shareholders and Investors' Grievance Committee. It was last reconstituted in terms of Board Resolution dated August 27, 2010. The Shareholders and Investors' Grievance Committee currently comprises of:

- a) Mr. Rivkaran Chadha, Chairman
- b) Mr. Kodi Raghavan Srinivasan, Member
- c) Mr. Hariharan Padmanabhan, Member

General Functions

The Investor Grievance and Share Transfer Committee was authorized to redress shareholders and investor complaints, transfer/transmission of shares, issue of duplicate / consolidated share certificates, allotment and listing of shares and others.

Remuneration Committee

We have through a resolution of Board dated April 1, 2002 constituted a remuneration committee. It was last reconstituted in terms of Board Resolution dated August 27, 2010. The remuneration committee currently comprises:

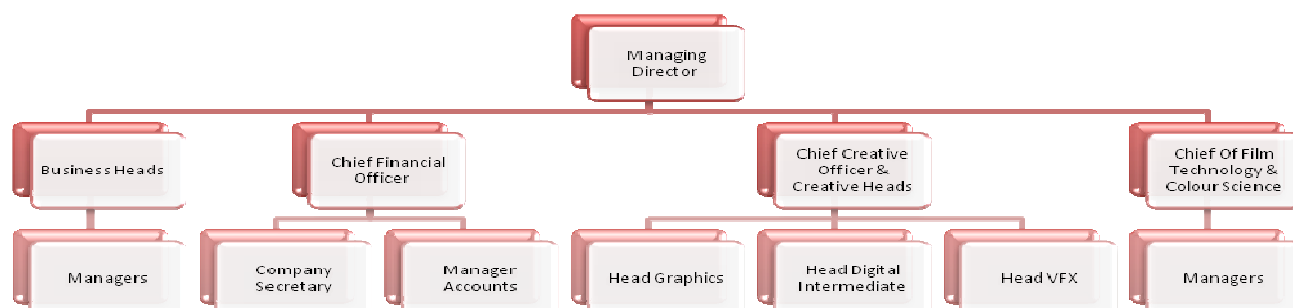
- a) Mr. Rivkaran Chadha, Chairman
- b) Mr. Kodi Raghavan Srinivasan, Member
- c) Mr. Padmanabha Gopal Aiyar, Member

General Functions

The Remuneration Committee shall carry out its functions and discharge the obligations mentioned below:

1. The Remuneration Committee is authorized to redressal of shareholders and investor complaints, transfer/transmission of shares, issue of duplicate / consolidated share certificates, allotment and listing of shares and others.
2. The Remuneration Committee is authorized to review the overall compensation structure and related policies aimed at attracting, motivating and retaining personnel.
3. The Remuneration Committee is authorized to seek any information from any employees of the Company and to obtain independent professional advice.

Management Organisation Chart:



Key Managerial Personnel

In addition to Mr. Naresh Malhotra, our Chairman and Mr. Namit Malhotra our Managing Director our key managerial personnel are:

Mr. Nishant Fadia, Chief Financial Officer of the Company. He has been associated with the Company for over 10 years and heads the Finance and Accounts department of the Company globally. In addition to his qualifications as a Chartered Accountant, he is also a CPA registered in USA. Before joining the Company, he was working with Deloitte & Touche.

Mr. Merzin Tavaría, is the Chief Creative Officer (CCO) and Co-Founder of the Company. Merzin is a commerce graduate and has been associated with the Company since its incorporation and heads the VFX department of the Company. Merzin's entry into the world of VFX began over 15 years ago and before joining the Company, he was a teaching faculty at Mumbai's premier 3D VFX and animation institute.

Mr. Huzefa Lokhandwala, is the Creative Head and Co-Founder of the Company. He is a commerce graduate. He has 15 years of experience in non-linear editing and has been associated with the Company since incorporation. His award-winning projects include the Levis Sykes Reversible commercial, Kesariya Balam music video for Sandeep Chowta and a film on rainwater harvesting which was amongst the final four entries at the Green Oscars.

Mr. Prakash Kurup, is the Creative Head and Co-Founder of the Company. He is a commerce graduate. He has been associated with the Company since its incorporation and has 15 years of valuable experience in the entertainment and media industry. He is head of the company's boutique Advertising division. Before co-founding the Company, Prakash was a renowned freelance comic illustrator.

Mr. Parminder Chaddha, is the Chief of Film Technology and Colour Science and heads the Digital Film Lab department. He is a commerce graduate and has 15 years experience in the post production and visual effects field and is associated with the Company since 2001. Before joining the Company, he was working with Equinox Film Production. He has handled various innovative special effects projects including the Adidas advertisement featuring Sachin Tendulkar. His specialization is in digital film applications and was instrumental in establishing the Digital Film Lab at Royal Palms, Goregaon.

Mr. Bhaarith Sundar, is the Business Head - Advertising of our Company and has been associated with the Company since January 2005. He is a commerce graduate and has over 25 years of rich experience in the entertainment industry. Before joining the Company, he was working with Famous Studios Limited as CEO and prior thereto with United Studio Limited as CEO. He is responsible for converting opportunities into business and providing leadership and direction to the organisation and its team of professionals.

Mr. Rohan Desai, is the Business Head – Feature Films at the Company. He has been associated with the Company since 2000. Mr. Rohan holds a Bachelors degree in Engineering. Mr. Rohan started his career with the Company, and today has cumulative 10 years of experience within the media and entertainment industry.

Shareholding of the Key Managerial Personnel in the Company:

The following key managerial personnel hold Equity shares in the Company as on October 30, 2010.

Name of Key Managerial Employees	No. of Equity Shares Held*
Bhaarith Sunder	5,000
Nishant Fadia	6,500
Merzin Tavaría	17,000
Huzefa Lokhandwala	10,000
Prakash Kurup	10,000
Parminder Chaddha	Nil
Rohan Desai	14,516
Total	63,016

*Pursuant to the resolution passed by the shareholders in the annual general meeting held on September 30, 2010, the Equity Shares of the Company has been subdivided from shares of face value Rs. 10 each to shares of face value Re. 1 each. The record date for the subdivision was November 1, 2010.

Bonus or Profit Sharing Plan

The Company has been authorized by the Shareholders at its Annual General Meeting held on September 30, 2010 to create an employee stock option scheme directed to offer, issue and allot at any time to the benefit of such person(s) who are in permanent employment of the Company whether working in India or abroad, including any Director of the Company, whether whole-time or otherwise, options exercisable into not more than 10,00,000 (Ten Lac) equity shares of the Company of Rs 10 each, either directly through a Trust , under one or more Employees Stock Option Schemes, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authority.

Interest of the Key Managerial Personnel

Except as disclosed hereinabove none of our Key Managerial Personnel have any interest in the Company except to the extent of remuneration and reimbursement of expenses.

Changes in the Last Three years

There have been no changes in the Key Managerial Personnel in the last three (3) year

PRINCIPAL SHAREHOLDERS

Our Company was incorporated on June 24, 1997 under the Companies Act, 1956 as Prime Focus Private Limited. Subsequently, our Company became a public limited company under Section 44 of the Companies Act with effect from April 24, 2000 and the name of our Company was changed to Prime Focus Limited.

The registered office of our Company was originally situated at 2 Anand Kunj, North Avenue, Linking Road, Santacruz (West), Mumbai 400054, Maharashtra, India, which was later shifted to Prime Focus House, Opp. Citibank, Linking Road, Khar (West), Mumbai 400052, Maharashtra, India with effect from April 20, 2009. Subsequently, the registered office was shifted to 2nd Floor, Building H, Main Frame IT Park, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai 400065, Maharashtra (India) with effect from August 28, 2010.

Shareholding Pattern

The following table sets forth the pattern of shareholding of the Equity Shares (of Rs. 10 each) in our Company as at September 30, 2010*

Category	Category of Shareholders	Number of shareholders	Number of Shares	Number of shares in dematerialized form	Total shareholding as a % of total number of shares		Shares Pledged or otherwise Encumbered	
					As a % of (A+B)	As a % of (A+B+C)	Number of Shares	As a %
(A)	Shareholding of Promoter and Promoter Group							
(1)	Indian							
(a)	Individuals/Hindu Undivided Family	3	6906272	6906272	53.86	53.86	1524000	22.07
(b)	Central Government/State Government	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d)	Financial institutions/Banks	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(e)	Any other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub- Total(A)(1)	3	6906272	6906272	53.86	53.86	1524000	22.07
(2)	Foreign							
(a)	Individuals(Non Resident Individuals/Foreign individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(b)	Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d)	Any other (Specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	SubTotal(A)(2)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1) +(A)(2)	3	6906272	6906272	53.86	53.86	1524000	22.07
(B)	Public Shareholding							
(1)	Institutions							
(a)	Mutual Funds/UTI	1	34707	34707	0.27	0.27	NIL	NIL
(b)	Financial Institutions/Banks	1	500	500	0.00	0.00	NIL	NIL
(c)	Central Government/State Government(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d)	Venture capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(e)	Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(f)	Foreign Institutional Investors	6	1315827	1315827	10.26	10.26	NIL	NIL
(g)	Foreign Venture Capital investors	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(h)	Any other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub- Total (B)(1)	8	1351034	1351034	10.54	10.54	NIL	NIL
(2)	Non- Institutions							
(a)	Bodies Corporate	298	2004298	2004298	15.63	15.63	NIL	NIL
(b)	Individuals							
	i) Individual Shareholders holding nominal share capital upto Rs 1 lakh	6076	1060164	1059992	8.27	8.27	NIL	NIL

Category	Category of Shareholders	Number of shareholders	Number of Shares	Number of shares in dematerialized form	Total shareholding as a % of total number of shares		Shares Pledged or otherwise Encumbered	
					As a % of (A+B)	As a % of (A+B+C)	Number of Shares	As a %
	ii) Individual Shareholders holding nominal share Capital in excess of Rs 1 lakh	16	1235540	1235540	9.64	9.64	NIL	NIL
(c)	Any other (specify)							
	i) Clearing Member	308	184233	184233	1.44	1.44	NIL	NIL
	ii) NRI	138	81047	81047	0.63	0.63	NIL	NIL
	iii) Overseas Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub Total (B) (2)	6836	4565282	4565110	35.60	35.60	NIL	NIL
	Total Public shareholding (B) = (B)(1)+(B)(2)	6844	5916316	5916144	46.14	46.14	NIL	NIL
	TOTAL (A) +(B)	6847	12822588	12822416	100.00	100.00	1524000	11.89
(C)	Shares held by Custodians and against which Depository Receipts have been issued	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	GRAND TOTAL (A) +(B) +(C)	6847	12822588	12822416	100.00	100.00	1524000	11.89

*Pursuant to the resolution passed by the shareholders in the annual general meeting held on September 30, 2010, the Equity Shares of the Company has been subdivided from shares of face value Rs. 10 each to shares of face value Re. 1 each. The record date for the subdivision is November 1, 2010.

Statement showing shareholding of persons belonging to the category “Promoter and Promoter Group”

Sr No	Name of the Shareholders	Number of shares	Shares as a % of total number of shares	Shares pledged or otherwise encumbered		
				Number (V)	As a % (VI)=(V)/(III)*100	As a % of total number of shares (VII)
(I)	(II)	(III)	(IV)			
1	Naresh Malhotra	55,25,000	43.09	15,24,000	27.58	11.89
2	Namit Malhotra	12,40,000	9.67	NIL	NIL	NIL
3	Neeta Malhotra	1,41,272	1.10	NIL	NIL	NIL
	Total	69,06,272	53.86	15,24,000	22.07	11.89

Statement showing shareholding of persons belonging to the category “ public” and holding more than 1% of the total number of shares.

Sr No	Name of the Shareholders	Number of shares	Shares as a % of total number of shares
1.	Jhunjunwala Rekha Rakesh	632500	4.93
2.	Top Class Education Facilities & Services Private Limited	613175	4.78
3.	Top Class Education Facilities & Services Private Limited	590000	4.60
4.	India Investment Partners Limited A/C ICGQ LIMITED	491971	3.84
5.	Morgan Stanley Mauritius Company Limited	325000	2.53
6.	The Royal Bank of Scotland N.V., (London) Branch	270671	2.11
7.	Jhunjunwala Rakesh Radheshyam	250000	1.95
8.	Alchemy India Long Term Fund Limited	200000	1.56
	Total	3373317	26.31

Statement showing details of Locked in shares:

Sr No	Name of the Shareholders	*Category of Shareholders (Promoters/Public)	Number of Shares	Shares as a % of total number of shares
1.	Namit Malhotra	Promoters	1240000	9.67
2.	Suresh Productions Private Limited	Public	25000	0.20
	Total		1265000	9.87

(II) (a) Statement showing details of Depository Receipts - NIL

(II) (b) statement showing holding of Depository Receipts ,where underlying shares are in excess of 1% of the total number of shares - NIL

Notes:

Pursuant to the Board approval dated August 27, 2010 and shareholders' approval dated September 30, 2010, the Company has allotted 1,000,000* warrants convertible into Equity Shares on October 15, 2010 to Mr. Namit Malhotra, a member of the Promoters and Promoter Group carrying an option/ entitlement to subscribe to equivalent number of Equity Shares on a future date not exceeding 18 months from the date of allotment of such warrants. Each warrant shall be convertible into one equity share of nominal value of Rs. 10/- each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations. The Company has received from Namit Malhotra, a sum equivalent to 25% of the price of the Equity Share to be issued in surrender/ exchange of each of such warrant. Each of the said warrant shall carry a right, entitling Namit Malhotra or any other registered owner in the event such warrants are transferred, to apply for at his/ her option, and seek allotment of one equity share upon surrendering/ exchanging of such warrant to the Company along with the balance 75% of the issue price of the Equity Share.

Further, the issue of the warrants is, inter alia, to be adjusted for, subject to the Companies Act, 1956 and SEBI guidelines, corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of a division or any such capital or corporate restructuring.

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and the investors are assumed to have appraised themselves of the same from our Company or the Book Runners. The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. Please also see the sections titled “Selling Restrictions” and “Transfer Restrictions” respectively of this Placement Document for further details.

Summary of ICDR for Qualified Institutional Placements

The Issue is being made to QIBs in reliance upon Chapter VIII of the SEBI (ICDR) Regulations through the mechanism of a QIP. Under SEBI (ICDR) Regulations, a listed company in India may issue “eligible securities” as defined in the SEBI (ICDR) Regulations to include equity shares, non-convertible debt instruments along with warrants and convertible securities other than warrants, provided that:

- (i) equity shares of the same class, which are proposed to be allotted through qualified institutions placement have been listed on a recognised stock exchange that has nation-wide trading terminals for a period of at least one year as on the date of issuance of notice to its shareholders for convening the meeting; and
- (ii) it complies with the minimum public shareholding requirements set out in the listing agreement with the stock exchange referred to above.
- (iii) a special resolution approving the qualified institutions placement has been passed by its shareholders.

Additionally, there is a minimum pricing requirement under the SEBI (ICDR) Regulations. The issue price of the equity shares shall not be less than the average of the weekly high and low of the closing prices of the related equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date.

The “relevant date” referred to above means the date of the meeting in which the board of directors or the committee of directors duly authorized by the board of the company decides to open the Issue. The “stock exchange” means any of the recognized stock exchanges in which the equity shares of the same class of the Issuer are listed and in which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

The equity shares must be allotted within 12 months from the date of the shareholders resolution approving the QIP. The equity shares issued pursuant to a QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI (ICDR) Regulations. The placement document is a private document provided to less than 50 investors through serially numbered copies and is required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors. A copy of the placement document is required to be filed with the SEBI for record purposes within 30 days of the allotment of the securities.

The aggregate of the proposed QIP and all previous QIPs made in the same financial year shall not exceed five times the net worth of the issuer as per the audited balance sheet of the previous financial year. The issuer shall furnish a copy of the placement document to each stock exchange on which its equity shares are listed.

Securities Allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of Allotment except on a recognized stock exchange in India.

Our Company has received the in-principle approval from the Stock Exchanges under Clause 24(a) of the Listing Agreements.

Issue Procedure

- Our Company and the Book Runners shall identify the QIBs and circulate serially numbered copies of the Placement Document and the Application Form, either in electronic form or physical form, to not more than 49 QIBs.
- The list of QIBs to whom the Application Form is delivered shall be determined by the Book Runners in consultation with our Company. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.
- QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the Book Runner.

- QIBs will be required to indicate the following in the Application Form:
 - a. Name of the QIB to whom Equity Shares are to be Allotted;
 - b. Number of Equity Shares Bid for;
 - c. Price at which they offer to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at “Cut-off Price”; and
 - d. The details of the dematerialized account(s) to which the Equity Shares should be credited.

Note: Each sub-account of an FII will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting Application Form(s). Applications by various schemes/funds of a mutual fund will be treated as one application from the Mutual Fund. FIIs or Sub-accounts of FIIs are required to indicate the SEBI FII/Sub-account registration number in application form.

- Once a duly filled Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid Closing Date. The Bid Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after the receipt of the Application Form.
- Upon the receipt of the Application Form, our Company shall determine the Issue Price and the number of Equity Shares to be issued in consultation with the Book Runners. On determination of the Issue Price and the QIBs to whom Allocation shall be made, the Book Runners will send the Confirmation Allocation Note (“CAN”) to the QIBs who have been Allocated the Equity Shares. The dispatch of the CAN shall be deemed a valid, binding and irrevocable contract for the QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price or through electronic transfer to the designated bank account by the Pay-In Date specified in the CAN. Upon receipt of the application monies from the QIBs, our Company shall allot as per the details in the CAN to the QIBs. Our Company shall not allot Equity Shares to more than 49 QIBs. The Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for listing on the Stock Exchanges prior to crediting the equity shares into the DP account of the QIBs.
- After receipt of the listing approval of the Stock Exchanges, our Company shall credit the Equity Shares into the DP accounts of the respective QIBs.
- The Company shall then apply for the trading permission from the Stock Exchanges.
- The Equity Shares that have been credited to the DP accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.
- Upon intimation of final trading and listing approval from the Stock Exchanges, our Company shall inform the QIBs who have received an Allotment of the receipt of such approval.
- The Company and the Book Runners shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on the respective websites of the Stock Exchanges. QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Company.

Qualified Institutional Buyers: Only QIBs as defined in clause 2 (1) (zd) of the SEBI (ICDR) Regulations are eligible to invest. Currently these include:

- Public financial institutions as defined in section 4A of the Companies Act;
- Scheduled commercial banks;
- Mutual funds/Venture capital fund/ Foreign venture capital investors registered with SEBI;
- Foreign institutional investors and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- Multilateral and bilateral development financial institutions;
- State industrial development corporations;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs.250 million;
- Pension Funds with minimum corpus of Rs.250 million; and

- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the GoI published in the Gazette of India.
- Insurance funds set up and managed by army, navy or air force of the Union of India

FII's are permitted to participate through the portfolio investment scheme in this Issue. FII's are permitted to participate in the QIP subject to compliance with all applicable laws and such that the shareholding of the FII's does not exceed specified limits as prescribed under applicable laws in this regard.

The issue of Equity Shares to a single FII shall not exceed 10% of the post-Issue, issued capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual.

Under the current foreign investment policy applicable to the Company, FII holding in the Company cannot exceed 24% of the total issued capital of the Company. No Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our Promoter or any person related to our Promoter(s). QIBs which have all or any of the following rights shall be deemed to be persons related to Promoter(s):

- a) rights under a shareholders agreement or voting agreement entered into with our promoters or persons related to our promoters;
- b) veto rights; or
- c) right to appoint any nominee director on the Board.

Provided that a QIB which does not hold any shares in the Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoters.

The Company and the Book Runners are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of the Preliminary Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Application Forms would not eventually result in triggering a tender offer under the Takeover Code. A minimum of 10% of the Equity Shares in this Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: Affiliates or associates of the Book Runners who are QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the Book Runners in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of the Preliminary Placement Document and the Placement Document. By making a Bid (including the revision thereof) for Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections titled “***Notice to Investors***”, “***Representations by Investors***” “***Selling Restrictions***” and “***Transfer Restrictions***” of this Placement Document:

1. The QIB confirms that it is a QIB in terms of Clause 2 (1) (zd) of the ICDR and is eligible to participate in this Issue;
2. The QIB confirms that it is not a promoter and is not a person related to the Promoters, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or promoter group of the Company;
3. The QIB confirms that it has no rights under a shareholder’s agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of the Company other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;
4. The QIB has no right to withdraw its application after the Bid Closing Date;

5. The QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to apply and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any regulations applicable to the QIB;

7. The QIB confirms that the Application Form would not eventually result in triggering a tender offer under the Takeover Code;

8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

a. The expression “belongs to the same group” shall derive meaning from the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act;

b. “Control” shall have the same meaning as is assigned to it by clause I of Regulation 2 of the Takeover Code.

9. The QIBs shall not undertake any trade in the Equity Shares credited to its Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above. The submission of an Application Form by the QIBs shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by the Company in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied. The Application Form shall be submitted to the Book Runners either through electronic form or through physical delivery at the following address:

Name	Intensive Fiscal Services Private Limited	Centrum Capital Limited
Address	131, "C" Wing, 13th Floor, Mittal Tower, Nariman Point, Mumbai 400021	Centrum House, Vidya Nagari Marg, CST Road, Kalina, Santacruz (East), Mumbai 400 098
Contact Person	Brijesh Parekh / Rishabh Jain	Maulik Sanghavi / Amandeep Sidhu
Email	brijesh@intensivefiscal.com	project.blue@centrum.co.in

The Book Runners shall not be required to provide any written acknowledgement of the same.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision of bids) within the Bidding Period to the Book Runners.

Price discovery and allocation

The Company, in consultation with the Book Runner, shall determine the Issue Price for the Equity Shares which shall be at or above the Floor Price.

Method of Allocation

The Company shall determine the Allocation in consultation with the Book Runners on a discretionary basis and in compliance with Chapter VIII of the SEBI (ICDR) Regulations. Application Forms received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE ISSUER AND THE BOOK RUNNERS IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE ISSUER AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER THE ISSUER NOR THE BOOK RUNNERS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

All Application Forms duly completed along with payment and a copy of the PAN card or PAN Allotment Letter shall be submitted to the Book Runners as per the details provided in the respective CAN.

Number of Allottees

The minimum number of Allottees in the Issue shall not be less than:

- (a) two, where the issue size is less than or equal to Rs. 2500 million; or
- (b) five, where the issue size is greater than Rs. 2500 million.

Provided that no single Allottee shall be Allotted more than 50% of the aggregate amount of the Issue Size. Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single Allottee for the purpose of this clause. For details of what constitutes “same group” or “common control” see - ***Application Process - Application Form*** of this Placement Document.

The maximum number of Allottees of Equity Shares shall not be greater than 49.

Further the Equity Shares will be Allotted within 12 months from the date of the shareholders resolution approving the Issue.

CAN

Based on the Application Forms received, the Company and the Book Runner, in their sole and absolute discretion, will decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date (“Designated Date”), being the date of credit of the Equity Shares to the QIBs’ account, as applicable to the respective QIBs. The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery alongwith the serially numbered CAN. The dispatch of the serially numbered Placement Document and the CAN by the QIB shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Book Runners and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

Company Account for Payment of Application Money

The Company has opened a special bank account (the “**Escrow Bank Account**”) with Yes Bank Limited (“**Escrow Bank**”) in terms of the arrangement between the Company, Book Runners and the Yes Bank Limited (acting as an escrow bank). The QIB will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the respective CAN. If the payment is not made favouring the Escrow Bank Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled. In case of cancellations or default by the QIBs, the Company and the Book Runners have the right to re-allocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to not more than 49 QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of “Prime Focus - QIP Escrow Account” as per the payment instructions provided in the CAN.

QIBs may make payment only through electronic fund transfer.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Prime Focus- QIP Escrow Account as stated above.
2. In accordance with the SEBI (ICDR) Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
3. The Issuer, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
4. Post receipt of the in-principle listing approvals of the Stock Exchanges, the Company shall credit the Equity Shares into the Depository Participant accounts of the QIBs.
5. Post Allotment and credit of Equity Shares into the QIBs Depository Participant account, the Company would apply for final trading approvals from the Stock Exchanges.
6. In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by the Company.
7. The Escrow Bank shall not release the monies lying to the credit of the Prime Focus-QIP Escrow Account to us, until such time as we deliver to the Escrow Bank documentation regarding the approval of the Stock Exchanges, for the listing and trading of the Equity Shares.

After finalization of the Issue Price, the Company had updated the Preliminary Placement Document with the Issue details and shall file this Placement Document with the Stock Exchanges.

Submission to SEBI

The Company shall submit the Placement Document to SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Our Right to Reject Applications

The Company, in consultation with the Book Runners, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of the Company and the Book Runners in relation to the rejection of Bids shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

The Allotment of the Equity Shares in this Issue shall be only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

1. A QIB applying for Equity Shares must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid.
2. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.
3. Equity shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with CDSL and NSDL.

4. The trading of the Equity Shares would be in dematerialized form only for all QIBs in the demat segment of the respective Stock Exchanges.
5. The Company will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or on part of the QIBs.

PLACEMENT

Brief about the Placement Agreement

The Book Runners have entered into the Placement Agreement with our Company ("**Placement Agreement**"), pursuant to which the Book Runners have agreed to place, on reasonable best efforts basis, up to such number of our Company's equity shares, the aggregate subscription amount of which shall be up to Rs. 729.80 million to QIBs, pursuant to Chapter VIII of the SEBI (ICDR) Regulations, and outside the United States, in reliance on Regulation S under the Securities Act.

The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and is subject to termination in accordance with the terms contained therein. An application shall be made to list the Equity Shares Allotted pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs.

In connection with the Issue, the Book Runners (or its respective affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Runners may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Runners may purchase the Equity Shares and be allocated the Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes. Please see the section titled "*Offshore Derivative Instruments*" of this Placement Document.

Brief about the Lock-up

The Company, the Promoters and members of the Promoter Group, have contractually agreed to certain lock-up restrictions as set below:

Under the Placement Agreement executed with the Book Runners, our Company has undertaken that it will not, for a period of 90 days from the date of the Final Placement Document, without the prior written consent of the Placement Agent, (A) directly or indirectly, issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (A) or (B) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (C) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depositary receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depositary receipt facility, or publicly announce any intention to enter into any transaction.

The foregoing sentence shall not apply to: (I) any issuance or transfer of Equity Shares by the Company to any employee of the Company or its Subsidiaries as a result of such employee exercising its employee stock option issued under an existing employee stock option plan and disclosed in the Placement Document, (II) any grant by the Company of an option, right or warrant to purchase or acquire Equity Shares in the Company to the employees of the Company or its Subsidiaries as part of any employee stock option plan in existence as of the date of the Preliminary Placement Document and disclosed in the Placement Document, (III) any issuance, sale, transfer or disposition of Equity Shares by the Company to the extent such issuance, sale, transfer or disposition is required by Indian law and (IV) any issue of shares under the subsisting obligations for conversion of Warrants issued by the Company.

In addition, certain members of our Promoters and Promoter Group, aggregating approximately 53.86% of the share capital of our Company as on September 30, 2010, have agreed with the Book Runners that during the period commencing on the date hereof and ending 90 days after the date of allotment of equity shares under the Offering agrees not to, (a) directly or indirectly, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares or any securities convertible into or exercisable for Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares which may be deemed to be beneficially owned by the undersigned), or file

any registration statement under the U.S. Securities Act of 1933, as amended, with respect to any of the foregoing or (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares (regardless of whether any of the transactions described in clause (a) or (b) is to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise), or (c) deposit Equity Shares with any other depositary in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares in any depositary receipt facility or publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided, however, that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares by the undersigned to the extent such sale, transfer or disposition is required by Indian law.

SELLING RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating to us or the Equity Shares in any jurisdiction where action for the purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly and neither this Placement Document nor any other offering material or advertisements in connection with the Equity Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or to be deemed to have made, as applicable, the acknowledgments and agreements as described under **“Transfer Restrictions”**.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **“Relevant Member State”**), an offer of the Equity Shares to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer of Equity Shares to the public in that Relevant Member State at any time may be made:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than Euro 43,000,000 and (3) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

Provided that no such offer of Equity Shares shall result in the requirement for the publication by our Company or the Placement Agent of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an **“offer of Equity Shares to the public”** in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **“Prospectus Directive”** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

The Equity Shares may only be offered or sold in Hong Kong (i) to 'professional investors' as defined in the Securities Future Options (“SFO”) and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a 'prospectus' as defined in the Companies Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance; and the Placement Agent has not issued, or had in their possession for the purposes of issue, and will not issue, or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the contents of

which are likely to be accessed or read by, the public in Hong Kong(except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to 'professional investors' as defined in the SFO and any rules made under the SFO.

India

This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India and the Equity Shares will not be offered or sold directly or indirectly, to the public or any members of the public in India or any other class of investors other than QIBs.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). The Equity Shares may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Equity Shares be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Equity Shares, namely a person who is: (a) a corporate (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares under Section 275 of the Securities and Futures Act except: (1) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act; (2) where no consideration is given for the transfer; or (3) by operation of law.

United Kingdom

The Book Runners:

- (a) have not offered or sold, and prior to the expiry of a period of six months from the issue date of any Equity Shares, will not offer or sell any securities of our Company to persons in the United Kingdom except to 'qualified investors' as defined in section 86(7) of the FSMA or otherwise in circumstances which have not resulted in an offer to the public in the United Kingdom;
- (b) have complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom; and
- (c) in the United Kingdom, will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) to persons that are 'qualified investors' and who are (a) 'investment professionals' falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities and/or other persons to whom it may lawfully be communicated falling within Article 49(2)(a) to (d) of the Order in circumstances in which section 21(1) of the FSMA does not apply to our Company.

United States

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Equity Shares are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act. Each purchaser of the Equity Shares offered by this Placement Document will be deemed to have made the representations, agreements and acknowledgements as described under “*Transfer Restrictions*”.

United Arab Emirates

This Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Placement Document has not been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E., nor has the placement agent, if any, received authorization or licensing from the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell securities within the United Arab Emirates. No marketing of any financial products or services has been or will be made from within the United Arab Emirates and no subscription to any securities, products or financial services may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that the Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The Dubai Financial Services Authority has not approved this Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it.

Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice. This Placement Document is for your information only and nothing in this Placement Document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

TRANSFER RESTRICTIONS

Purchasers of the Equity Shares in this Issue are not permitted to sell the Equity Shares for a period of one year from the date of allotment except through the Stock Exchanges.

Subject to the foregoing:

Each purchaser of the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed as follows:

- It is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.
- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that such Equity Shares have not been and will not be registered under the Securities Act.
- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S).
- It agrees that it will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India.
- It acknowledges that our Company, the Book Runners, its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify us.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above-stated restrictions will not be recognized by our Company.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE and the NSE, and has not been prepared or independently verified by our Company or the Book Runners or any of its respective affiliates or advisors.

The securities market in India is governed, primarily, by the Securities Contracts (Regulation) Act, 1956, as amended (the “SCRA”) read with the Securities Contracts (Regulation) Rules, 1957, as amended (the “SCRR”), the SEBI Act, the Depositories Act, 1996 (the “Depositories Act”), the Companies Act, and various rules and regulations framed there under.

The securities markets in India are primarily regulated by SEBI, a statutory body established under the SEBI Act. The SEBI Act mandates SEBI to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market in India. SEBI has been empowered to regulate the activities of, and grant registration to, intermediaries, which operate in the securities market in India including stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors and credit rating agencies, primarily by framing regulations under the SEBI Act. SEBI has also been empowered to prohibit and take action against certain market irregularities such as fraudulent and unfair trade practices, insider trading. SEBI has framed other regulations and issued circulars which govern different aspects of the securities market including regulations governing issue of capital and disclosure requirement for companies accessing the capital markets, and substantial acquisitions of shares and takeover of listed companies. The Companies Act also gives SEBI the power to administer certain aspects relating to listed companies, issue and transfer of securities and non-payment of dividend. SEBI has set up a committee for the review of Indian securities laws, which has made proposals to amend the SEBI Act, the SCRA and the Depositories Act. If enacted in their present form, these amendments may result in certain changes in the laws relating to securities transactions in India.

The central government has also introduced the Companies Bill, 2009 in the Lok Sabha on August 3, 2009 to amend the Companies Act.

Stock Exchange Regulations

The stock exchanges in India are regulated primarily by SEBI along with the Central Government through the Ministry of Finance, Department of Economic Affairs (Capital Markets Division) under the SCRA, the SCRR and the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 (the “MIMPS Regulations”). The stock exchanges in India are granted recognition by SEBI under the SCRA and the SCRR which, read together with the MIMPS Regulations and the rules, bye-laws and regulations of the respective stock exchanges, provide for the restrictions on shareholding in stock exchanges, qualifications for membership, the manner in which contracts are entered into, settled and enforced between members and other incidental matters.

Pursuant to amendments to the SCRA in 2004, all stock exchanges in India are required to be corporatized (from a non-corporate structure to a ‘for-profit’ corporate structure) and demutualised (where the ownership, the management and the trading rights at the stock exchange are segregated from one another).

Listing of securities on stock exchanges

The listing of securities on a recognised stock exchange is regulated by the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines, rules, regulations and circulars issued by SEBI and the listing agreements, as amended from time to time of the respective stock exchanges. For initial listing of securities on a recognised stock exchange, the SCRR requires that the company (other than a public sector company) offer and allot at least 25% of each class or kind of equity shares or debentures convertible into equity shares issued by the company in terms of an offer document. The exception to this rule where the post issue capital of the company calculated at offer price is more than four thousand crore rupees and the minimum equity shares or debentures convertible into equity shares offered and allotted to public by such companies is 10%. However, in terms of the SCRR, such companies have to increase their public shareholding to at least 25% within a period of three years from the date of listing of the securities, in the manner specified by the SEBI. However, for the initial listing of securities of a public sector company, it is required to offer and allot at least 10% of each class or kind of equity shares or debentures convertible into equity shares to public in terms of an offer document.

For continuous listing of securities, the SCRR requires that all the listed companies (other than public sector company) must ensure a minimum level of public shareholding at 25%. However, any listed company which had public shareholding below 25% prior to this amendment is required to increase its public shareholding to at least 25% within a period of three years from the date of commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010.

Clause 49 of the equity listing agreement provides that if non-executive chairman of a listed company is a promoter or is related to promoters of the company or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of independent directors.

Under the SCRR, the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of an issuer's obligations under such listing agreement or for any other reason, subject to the issuer receiving prior written notice and upon granting of a hearing in the matter. In the event that a suspension of an issuer's securities continues for a period in excess of three months, the issuer may appeal to the Securities Appellate Tribunal ("SAT"), an appellate body established under the SEBI Act, to set aside the suspension. SEBI has the power to vary or set aside the decision of stock exchange in this regard. SEBI also has the power to amend such listing agreements and the bye-laws of the stock exchanges in India. However, all orders or directions issued by SEBI are appealable in the SAT and orders of SAT are further appealable in the Supreme Court of India.

Delisting of securities

The SEBI has pursuant to a notification dated June 10, 2009, issued the SEBI (Delisting of Equity Shares) Regulations, 2009 ("**Delisting Regulations**").

The provisions of the Delisting Regulations and the SCRR govern voluntary and compulsory delisting of equity shares of listed Indian companies from any of the recognised stock exchanges.

The Delisting Regulations are applicable to: (i) voluntary delisting of securities by promoters of a company; (ii) any acquisition of shares of a company (either by a promoter or by any other person) or a scheme or arrangement, consequent to which the public shareholding in such company falls below the minimum limits specified in the listing conditions or listing agreement that may result in delisting of securities; (iii) promoters of companies who voluntarily seek to delist their securities from some or all stock exchanges on which the security is listed; (iv) cases where a person in control of the management is seeking to consolidate his holdings in a company in a manner that would result in the public shareholding in the company falling below the limit specified in the listing conditions or in the listing agreement that may have the effect of company being delisted; and (v) companies which may be compulsorily delisted by the stock exchanges on account of, among other things, violation of stock exchange by-laws. Following a compulsory delisting, a company, its whole time directors, its promoters and the firms promoted by any of them cannot directly or indirectly access the securities market or seek listing of any equity shares for a period of 10 years from the date of such delisting.

No company can apply for permission to delist: (i) pursuant to a buy back of equity shares or preferential allotment made by a company or (ii) unless a period of three years has elapsed since the listing of that class of equity shares on any recognized stock exchange. Furthermore, if any instruments issued by our Company which are convertible into the same class of equity shares that are sought to be delisted, are outstanding, delisting is disallowed. A company may voluntarily delist from a stock exchange provided that (a) the securities of the company have been listed for a minimum period of three years on any recognised stock exchange, (b) the delisting has been approved by two-thirds of the public shareholders, and (c) the company, the promoter and/or the director of the company provide an exit opportunity and purchase the outstanding securities from those holders who wish to sell them at a price determined in accordance with the Delisting Regulations, provided further that the condition in (c) above may be dispensed with by SEBI if the securities remain listed on the NSE or the BSE.

In the event a company seeks to voluntarily delist from a stock exchange, it is required to provide an exit opportunity to the other shareholders ("**Delisting Offer**") and seek the in-principle approval of the relevant stock exchange. This exit opportunity involves a price discovery process known as the "book building process". A Delisting Offer can be launched by any promoter seeking to delist the securities of the company. The Delisting Offer needs to be supported by a resolution approved by the board of directors and a resolution approved by three-fourths of the shareholders of the listed company through a postal ballot. In addition, the special resolution of the shareholders can be acted upon if, and only if, the votes cast by public shareholders in favour of the proposal amount are at least two times the number of votes cast by public shareholders against it (non-promoters and holders of depository receipts are considered non-public shareholders). Following the approval of the shareholders, the promoter would issue a public announcement (i.e. a public notice) in relation to the Delisting Offer. The offer price shall have a floor price which shall be determined in the manner provided in the Delisting Regulations. The floor price for delisting must, therefore, be determined by calculating the average of the weekly high and low of the closing prices during the last twenty six weeks or two weeks preceding the date on which the recognized stock exchange were notified. The offer must fulfill the criteria prescribed in the Delisting Regulations to be successful. Upon closure of open offer process, all shareholders whose equity shares are verified will be paid the final price stated in the public announcement within ten working days.

The Delisting Regulations and the SCRR also provide the stock exchanges the power to delist the securities of companies on certain grounds. Any order for compulsory delisting can be made only after considering representations received from aggrieved persons. Delisting Regulations also provide that in the event that the securities of a company are delisted by a stock exchange, the fair value of securities shall be determined by an independent valuer appointed by the stock exchange from a panel of experts selected by the stock exchange. The Delisting Regulations do not permit the listing of equity shares once delisted for a period of 5 years (in a voluntary delisting) and 10 years (if the stock exchanges initiate the delisting).

The Ministry of Finance has, on June 10, 2009, proposed certain amendments to the SCRR and notified delisting rules under Rule 21 of the SCRR on June 15, 2009 (collectively, the “**MoF Notification**”) in relation to voluntary and compulsory delisting, to bring them in line with the Delisting Regulations. Due to their recent issuance, the applicability of the Delisting Regulations and MoF Notification have not been tested in any manner and hence it is possible that some of the clauses may be amended to make either the Delisting Regulations or the MoF Notification more effective or clarify any ambiguities contained therein. Investors are requested to consult their advisors before taking any steps under the Delisting Guidelines.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI (ICDR) Regulations. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company’s registered office is situated, which in our case is currently the Registrar of Companies located in Mumbai, Maharashtra. A company’s directors and promoters shall be subject to civil and criminal liability for misrepresentation in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. Pursuant to the provisions of the SEBI Act, the SEBI has issued detailed guidelines concerning disclosures by public companies and to further investor protection. Prior to the repeal of certain rules in mid-1992, the Controller of Capital Issues of the Government regulated the prices at which companies could issue securities. The SEBI (ICDR) Regulations now permit companies to price their domestic issues of securities freely. The SEBI (ICDR) Regulations permit companies to freely price their issues of securities. All companies, including public limited companies, are required under the Companies Act to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts, which comply with the disclosure requirements of the Companies Act and regulations governing their manner of presentation, which include sections pertaining to corporate governance and the management’s discussion and analysis. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange, including the requirement to publish unaudited financial statements on a quarterly basis, and is required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Companies Act further requires mandatory compliance with accounting standards issued by the Institute of Chartered Accountants of India and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide segment reporting, to increase their disclosure of related party transactions from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002.

As of April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the ICAI and as of April 1, 2004 accounting standards set by the ICAI will regulate accounting for impairment of assets. The ICAI has recently announced that all listed companies and public interest entities have to comply with International Financial Reporting Standards from April 1, 2011.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX or of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

Indian Stock Exchanges

There are currently 23 recognized stock exchanges in India. Most of the stock exchanges have their own governing board for self regulation. The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation, and trading activity.

BSE

Established in 1875, it is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchange of India.

As of September 2010, the BSE had 1,245 members, comprising 208 individual members, 1015 Indian companies and 22 FIIs. Only a member of the BSE has the right to trade in the stocks listed on the BSE. As of September 2010, there were 4,997 listed companies trading on the BSE (excluding permitted companies) and the estimated market capitalisation of stocks trading on the BSE was Rs. 71,258.07 billion. In September 2010, the average daily turnover on the BSE was Rs. 51.85 billion.

NSE

The NSE was established by financial institutions and banks to serve as a national exchange and to provide nationwide on-line satellite-linked screen-based trading facilities with electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchange of India. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000.

As of September 2010, the average daily traded value of the capital market segment was Rs. 157.08 billion. The NSE launched the NSE 50 index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. As of September 2010, the market capitalisation of the NSE was approximately Rs. 69,585.33 billion. NSE has a wide network in major metropolitan cities, screen based trading and a central monitoring system.

Internet-based Securities Trading and Services

SEBI approved Internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated under applicable law. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

Trading Hours

Trading on both the BSE and the NSE occurs from Monday through Friday, from 9.00 a.m. to 3.30 p.m. The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in cash and derivatives segments) subject to the condition that (i) the trading hours are between 9 a.m. and 5 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, in 1995, BSE replaced its open outcry system with BOLT (BSE On-line Trading) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. NSE also provides on-line trading facilities.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code which prescribes certain thresholds or trigger points that give rise to certain obligations, as applicable. The Takeover Code is under constant review by SEBI and was last amended on April 13, 2010. Once the Equity Shares are listed, the provisions of the Takeover Code will apply to any acquisition of the Company’s shares/ voting rights/ control. Since the Company is an Indian listed company, the provisions of the Takeover Code apply to the Company.

The principal features of the Takeover Code are set forth below:

- The term “shares” is defined under the Takeover Code to mean equity shares or any other security, which entitles a person to receive shares with voting rights but does not include preference shares.

- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, or acquires or agrees to acquire control over a company, either by himself or with any person acting in concert with him either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the equity shares or voting rights in a company (together with the listed company's equity shares or voting rights, if any, already held by such acquirer) is required to disclose the aggregate of his equity shareholding or voting rights in that company to such company (which in turn is required to disclose the same to each of the stock exchanges on which the equity shares of such company are listed) and to each of the stock exchanges on which the equity shares of the company are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity shares or voting rights, as the case may be.

- A person who holds more than 15% of the shares or voting rights in any company is required to make an annual disclosure of his holdings to that company within 21 days of the financial year ending on March 31 (which in turn is required to disclose the same to each of the stock exchanges on which that company's shares are listed). Further, such person who, together with persons acting in concert with him, holds 15% or more but less than 55% of the equity shares or voting rights in any company, or who holds 55% or more but less than 75% of the equity shares or voting rights in any company and acquires shares or voting rights under the second proviso to Regulation 11(2) of the Takeover Code, is required to disclose any purchase or sale representing 2% or more of the equity shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the equity shares of such company are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose such shareholding to each of the stock exchanges on which the equity shares of such company are listed).

- Promoters or persons in control of a company are also required to make annual disclosure of their holding in a specified manner. A listed company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed. SEBI has recently amended the Takeover Code to make it mandatory for the promoters and promoter group of listed companies to disclose the creation and enforcement of a pledge on the equity shares held by such persons.

- An acquirer cannot acquire equity shares or voting rights which (taken together with the existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of such listed company at a price not lower than the price determined in accordance with the Takeover Code. Such offer has to be made to all public shareholders of the company (defined as holders of shareholdings held by persons other than the promoter (as defined under the Takeover Code)). A copy of the public announcement is required to be delivered, on the date, on which such announcement is published, to SEBI, the listed company and the stock exchanges on which the equity shares of such company are listed.

- No acquirer who, together with persons acting in concert with him, has acquired, in accordance with Law, 15% or more but less than 55% of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights with post acquisition shareholding or voting rights not exceeding 55% in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of the target company at a price not lower than the price determined in accordance with the Takeover Code.

- An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55% or more but less than 75% of the equity shares or voting rights in a company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in such company) may not, either by itself or through persons acting in concert with it, acquire any additional equity shares or voting rights in the company, unless such acquirer makes an open offer to acquire a minimum of 20% of the shares or voting rights which it does not already own in such company, provided that an acquirer together with persons acting in concert may acquire additional shares or voting rights entitling him to up to 5% voting rights in a company without making a public announcement if (i) the acquisition is made through open market purchase on the stock exchanges or the increase in the shares or voting rights is pursuant to a buy-back of shares by the target company and (ii) the post acquisition shareholding of the acquirer and persons acting in concert does not exceed 75%.

- Where an acquirer who (together with persons acting in concert) holds 55% or more, but less than 75% of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90% of the shares or voting rights in the target company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so by making an open offer in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20% of the voting capital of such company, or (ii) such other lesser percentage of the voting

capital of such company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding specified in the listing agreement with the stock exchanges.

- In addition, regardless of whether there has been any acquisition of equity shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the voting equity shares of the company. In addition, the Takeover Code introduces the “chain principle” by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

- Further, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement with the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement with the stock exchanges, within the time period prescribed therein.

- The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are “frequently” or “infrequently” traded (as defined in the Takeover Code). In case the shares of a company are frequently traded, the offer price shall be the higher of:

- a. the negotiated price under the agreement for the acquisition of shares in the company;
- b. the highest price paid by the acquirer or persons acting in concert with him for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of public announcement; and
- c. the average of the weekly high and low of the closing prices of the shares of the company quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of public announcement, or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

- The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfill his obligations.

- The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of a target company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a “sick industrial company” pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A “financially weak company” is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves as at the beginning of the previous financial year. A “sick industrial company” is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

- The Takeover Code, subject to certain specified conditions, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a state government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on

their own account or as a pledgee. An application may also be filed with the takeover panel seeking exemption from the open offer requirements of the Takeover Code. Pursuant to a recent amendment, a listed company can apply to SEBI to waive requirements under the Takeover Code in relation to an acquisition of a listed company in circumstances where the board of the listed company has been taken over by the Government of India and there is a plan for a transparent and competitive process for the operations of the listed company.

- Recent amendments to the Takeover Code provide that where American depository receipts and global depository receipts holders are entitled to exercise voting rights on the shares underlying such American depository receipts and global depository receipts, open offer obligations as aforesaid shall be triggered upon crossing the same threshold limits.

- SEBI is further empowered to relax, upon application by a target company, the provisions of Chapter III of the Takeover Code, which pertain to the disclosure and the open offer requirements, in the event the directors of such company have been removed and replaced by the regulatory authorities for the orderly conduct of the affairs of the company and the replaced board has, amongst others, devised a plan for a transparent, open and competitive process for the continued operation of the company in the interests of all stakeholders of the company without furthering the interests of any particular acquirer. In the event the SEBI has granted such relaxation, no competitive bidding is allowed after a bid has been publicly announced by an acquirer.

- Recent amendments to the Takeover Code also obligate every promoter and person forming part of the promoter group of a listed company to disclose to the company details of pledge of shares of that company held by such person and the revocation of pledge within seven working days from the date of creation of the pledge or the revocation, as the case maybe. A listed company is further required to disclose such information to all the stock exchanges on which its shares are listed within seven working days of its receipt thereof if, during any quarter ending March, June, September and December of any year, the aggregate number of pledged shares of a promoter or every person forming part of the promoter group (taken together with shares already pledged during that quarter by such promoter or persons) exceeds 25,000 or 1 percent of the total shareholding or voting rights of the company, whichever is lower.

Insider Trading Regulations

The SEBI (Prohibition of Insider Trading) Regulations 1992, as amended ("**Insider Trading Regulations**") have been notified by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit an "insider" from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price sensitive information. The terms "unpublished" and "price sensitive information" are defined in the Insider Trading Regulations. The Insider Trading Regulations define an "insider" to mean any person who, (i) is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company; or (ii) has received or has had access to such unpublished price sensitive information.

An insider is also prohibited from communicating, counselling or procuring, directly or indirectly, any unpublished price sensitive information to any other person while in possession of such information. The prohibition under Regulation 3A of the Insider Trading Regulations also extends to a company dealing, while in possession of unpublished price sensitive information, in the securities of another company or its associate listed on any stock exchange and is not restricted to insiders alone. It is to be noted that recently SEBI has amended the Insider Trading Regulations to provide certain defences to the prohibition on companies in the possession of unpublished price sensitive information dealing in securities.

Unpublished means information which is not published by the Company or its agents and is not specific in nature. The Insider Trading Regulations clarify that speculative reports in print or electronic media shall not be considered as published information. Price sensitive information means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of the company, such as the periodical financial results of the company, intended declaration of dividends (both interim and final), issue of securities or buy-back of securities. Under the Insider Trading Regulations, no insider shall communicate or counsel or procure, directly or indirectly, any unpublished price sensitive information to any other person who while in possession of such unpublished price sensitive information shall not deal in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading deals and also to regulate disclosure of unpublished price sensitive information within such entities so as to minimise misuse thereof. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of conduct. As per the recent amendments the Insider Trading Regulations require that the model code of conduct should not be diluted in any manner and shall be complied with.

The model code of conduct has also been amended to prohibit all directors/ officers/ designated employees who buy or sell any number of shares of the company from entering into opposite transactions during the next six months following the prior transaction. All directors and designated employees have also been prohibited from taking positions in derivative transactions in shares of the company at any time.

Further, certain provisions pertaining to, *inter alia*, reporting requirements have also been extended to dependants of directors and designated employees of the company.

The Insider Trading Regulations require any person who holds more than 5% of the outstanding shares or voting rights in any listed company to disclose to the company the number of shares or voting rights held by such person on becoming such holder within two working days of:

- The receipt of intimation of allotment of shares; or
- The acquisition of the shares or voting rights, as the case may be.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5% of the shares or of the voting rights in any listed company is required to disclose to the company the number of shares or voting rights held by him and any change in shareholding or voting rights (even if such change results in the shareholding falling below 5%) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2% of the total shareholding or voting rights in the company. Such disclosure is required to be made within two working days of:

- The receipt of intimation of allotment of the shares; or
- The acquisition or the sale of the shares or voting rights.

Further, all directors and officers of a listed company are required to disclose to the company the number of shares or voting rights held and positions taken derivatives by such person in such company within two working days of becoming a director or officer of such company. All directors and officers of a listed company are also required to make periodic disclosures of their shareholding in the company as specified in the Insider Trading Regulations.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Rules and Regulations, 1996 which provide *inter alia*, for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets. The Depositories Act requires that every person subscribing to securities offered by an issuer has the option either to receive the security certificate or hold the securities with a depository. NSDL and CDSL are two depositories that provide electronic depository facilities for the trading of equity and debt securities in India. Trading of securities in book-entry form commenced in December 1996. In order to encourage “dematerialization” of securities, SEBI has set up a working group on dematerialization of securities comprising FIIs, custodians, stock exchanges, mutual funds and the National Securities Depository Limited to review the progress of securities and trading in dematerialised form and to recommend scrips for compulsory, dematerialised trading in a phased manner. In January 1998, the SEBI notified scrips of various companies for compulsory dematerialised trading by certain categories of investors such as FIIs and other institutional investors and has also notified compulsory dematerialised trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialised trading is compulsory for all investors. SEBI has also provided that the issue and allotment of shares in public offers, rights offers or offers for sale after specified dates to be notified from time to time by SEBI shall only be in dematerialised form and an investor shall be compulsorily required to open a depository account with a participant. Under the Depositories Act, a company shall give the option to subscribers/shareholders to receive the security certificates or hold securities in dematerialised form with a depository. However, even in the case of scrips notified for compulsory dematerialised trading, investors, other than institutional investors, are permitted to trade in physical shares on transactions outside the stock exchange where there are no requirements for reporting such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Charges for opening an account with a depository participant, transaction charges for each trade and custodian charges for securities held in each account vary depending upon the practice of each depository participant and have to be borne by the accountholder. Upon delivery, the shares shall be registered in the name of the relevant depository on our Company’s books and this depository shall enter the name of the investor in its records as the beneficial owner. The transfer of beneficial ownership shall be effected through the records of the depository. The beneficial owner shall be entitled to all rights and benefits and be subject to all liabilities in respect of his/her securities held by a depository.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialised form in accordance with the provisions of the Depositories Act.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term “securities,” as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of the SEBI. Derivatives products have been introduced in a phased manner in India, starting with future contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

DESCRIPTION OF THE EQUITY SHARES

Set forth below is certain information relating to the share capital of our Company including a brief summary of some of the provisions of the Memorandum and Articles of Association of our Company, the Securities Contracts (Regulation) Act, 1956 (as amended) ("SCRA") and the Companies Act and certain related legislation of India, all as currently in effect, relating to the rights attached to the Equity Shares.

General

On the date of this Placement Document, our Company's authorised share capital of Rs. 200,000,000 consists of 200,000,000 equity shares of Re.1 per share. The Equity Shares are listed on the NSE and the BSE. All of the issued and outstanding equity shares of our Company are in registered form. As of the date of this Placement Document, 128,225,880 Equity Shares have been issued, all of which are fully paid.

Dividends

Under the Companies Act, unless the board of directors recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits in accordance with the provisions of the Companies Act or out of the profits for any previous financial year(s) arrived at after providing for unabsorbed depreciation or losses, whichever is lower, in accordance with the provisions of the Companies Act and remaining undistributed or out of both or out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

Under the Articles, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value. The Board has the power to recommend such dividend payable to the equity shareholders *pari passu* with the existing equity share capital of our Company during the relevant financial year, irrespective of the date of allotment. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as of the book closure or record date for which such dividend is payable. In addition, the Board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash (or stock) to shareholders listed on the register of members on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his/her shares is outstanding.

Any dividend declared shall be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days of the expiry of the 30-day period (mentioned aforesaid) to a special unpaid dividend account held at a scheduled bank. Any money which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the Government pursuant to which no claim shall lie against our Company or our Company's directors or the Investor Education and Protection Fund. Directors may be held criminally liable for any default of the aforementioned provisions.

Under the Companies Act, our Company may only pay a dividend in excess of 10.0 per cent of paid-up capital, in respect of any financial year, out of the profits of that year after our Company has transferred to their reserves a percentage of our Company's profits for that year ranging between 2.5 per cent and 10.0 per cent, depending on the rate of dividend proposed to be declared/paid in that year. The Companies Act further provides that if the profit for a year is inadequate or absent, the dividend for that year may be declared out of the accumulated profits earned in previous years and transferred to reserves, subject to the following conditions: (i) the rate of dividend to be declared may not exceed the lesser of the average of the rates at which dividends were declared in the five years immediately preceding that year, or 10.0 per cent of paid-up capital; (ii) the total amount to be drawn from the accumulated profits from previous years and transferred to reserves may not exceed an amount equivalent to 10.0 per cent. of paid-up capital and reserves and the amount so drawn is first to be used to set off the losses incurred in the financial year before any dividends in respect of preference or equity shares is declared; and (iii) the balance of reserves after withdrawals must not be below 15.0 per cent of paid-up capital.

Capitalisation of Reserves and Issue of Bonus Shares

Article 171 permits our Company, by a resolution of the shareholders in a general meeting, to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium account can be capitalised and distributed by way of bonus shares. Such amounts may also be utilised on behalf of our Company's shareholders to pay in full, either at par or premium, any unissued shares and/or to pay any amounts for the time being unpaid on any shares held by the members. Bonus shares must be issued pro rata to the amount of capital paid up on existing shareholdings.

Any issue of bonus shares would be subject to the guidelines issued by SEBI. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such convertible securities, through reservation of shares in proportion to such convertible part of the convertible securities. Further, for the issuance of such bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures/bonds or principal on redemption of such debentures/bonds nor can bonus be declared unless the partly paid-up shares are fully paid-up.

The declaration of bonus shares in lieu of a dividend cannot be made. The bonus issue shall be made out of free reserves built out of genuine profits or share premium amount collected in cash only. The reserves created by revaluation of fixed assets cannot be capitalised. Further, a company should have sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees, such as contribution to provident fund, gratuity and/or bonus. The issuance of bonus shares must be implemented within six months from the date of approval by the board of directors or the shareholders, whichever is later.

Pre-Emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, our Company may increase its share capital by issuing new shares. Such new shares shall be offered to existing shareholders listed on the members' register on the record date in proportion to the amount paid-up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date, the Board may dispose of the shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him/her in favour of any other person provided that the person in whose favour such shares have been renounced is approved by the Board in their absolute discretion.

Under the provisions of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of our Company in a general meeting. The issuance of the Equity Shares upon conversion of the Bonds has been duly approved by a special resolution of the shareholders and such shareholders are deemed to have waived their pre-emptive rights with respect to such shares.

Our Company's issued share capital may be, among other things, increased by the exercise of warrants attached to any securities of our Company, or individually issued, entitling the holder to subscribe for our Company's shares or upon the conversion of convertible debentures issued. The issue of any convertible debentures or the taking of any convertible loans, other than from the Government and financial institutions, requires the approval of a special resolution of shareholders.

Our Company can also alter its share capital by way of a reduction of capital or by undertaking a buyback of shares under the prescribed SEBI guidelines.

Articles 4, 10 and 11 provide that our Company may in a general meeting, from time to time increase its capital by the creation of new shares and may consolidate or sub-divide its share capital, convert all or any of its fully paid-up Shares into stock and reconvert that stock into fully paid-up Shares or cancel Shares which have not been taken up by any person. Our Company may also from time to time by special resolution reduce its capital.

Preference Shares

Preference share capital is that part of the paid-up capital of our Company which fulfils both the requirements below:-

- (i) that with respect to dividend, it carries or will carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate; and
- (ii) that with respect to capital, it carries or will carry on a winding-up of the company, a preferential right to be repaid the amount of the capital paid-up or deemed to have been paid-up, subject to the provisions of the Companies Act.

Under the Companies Act, the Company may issue redeemable preference shares but (i) no such shares shall be redeemed except out of profits of the Company which would otherwise be available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption; (ii) no such shares shall be redeemed unless they are fully paid; (iii) the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account, before the shares are redeemed; (iv) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed; and (v) the provisions of the Companies Act relating to the reduction of the share capital of a company shall apply as if such reserve account were paid-up share capital of such company. Preference shares must be redeemable before the expiry of a period of 20 years from the date of their issue.

General Meetings of Shareholders

The Company must hold its annual general meeting each year within 15 months of the previous annual general meeting and in any event not later than six months after the end of each accounting year, unless extended by the Registrar of Companies, at the Company's request for any special reason, by a period not exceeding three months. The Board may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than 10 per cent of the Company's paid-up capital (carrying a right to vote in respect of the relevant matter on the date of the deposit of the requisition).

Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received from all shareholders, in the case of an annual general meeting, and from shareholders holding not less than 95 per cent of the Company's paid-up capital, in the case of any other general meeting. Currently, the Company gives written notices to all members. General meetings are generally held in Mumbai, India. The quorum for a general meeting of the Company is five members personally present.

A company intending to pass a resolution relating to matters such as, but not limited to, amending the objects clause of the Memorandum, issue of shares of differential voting rights as to voting or dividend or otherwise, variation in the rights attached to a class of shares or debentures or other securities, buyback of shares under the Companies Act, giving loans or extending guarantees in excess of limits prescribed under the Companies Act and guidelines issued thereunder or selling or disposing of the whole or substantially the whole of the undertaking of the Company, is required to obtain passage of the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all shareholders shall be sent along with a draft resolution explaining the reasons thereof and requesting each shareholder to send his/her assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter.

Voting Rights

At a general meeting, upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy, are in the same proportion as the capital paid-up on each share held by such shareholder to the total paid-up capital of the Company. Voting is by show of hands, unless a poll is ordered by the chairman of the meeting or demanded by a shareholder or shareholders holding at least 10 per cent of the voting rights in respect of the resolution or by those holding paid-up capital of at least Rs.50,000 (that is, 50,000 shares of Re.1 each).

Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. Special resolutions require that the votes cast in favour of the resolution by those present and voting must be at least three times the votes cast against the resolution. Under the Companies Act, some matters that require special resolution are amendments to the Articles, members voluntary winding up, dissolutions, merger or consolidation, issue of shares to persons other than existing shareholders, etc.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles. The instrument appointing a proxy is required to be lodged with the company at least 48 hours before the time of the meeting. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder of the company may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings, subject to necessary board resolution passed by the corporate shareholder. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorised representative who can vote in all respects as if a member both by show of hands and by poll.

The Companies Act allows for a company to issue shares with differential rights as to dividends, voting or otherwise, subject to certain conditions. In this regard, the laws require that, for a company to issue shares with differential voting rights: (i) the company must have had distributable profits (in accordance with the requirements of the Companies Act) for the three financial years preceding the year in which it was decided to issue such shares; (ii) the company must not have defaulted in filing annual accounts and annual returns for the three financial years immediately preceding the financial year of the year in which it was decided to issue such shares; (iii) the articles of association must allow for the issuance of such shares with differential voting rights; and (iv) such other conditions set forth in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001.

Register of Members and Record Dates

Our Company is obliged to maintain a register of members at its registered office in Mumbai or with the approval of its members by way of a special resolution and with prior intimation to the Registrar of Companies, at Marine Lines, Mumbai,

India at some other place in the same city. The register and index of beneficial owners maintained by a depository under the Depositories Act 1996 is deemed to be an index of members and register and index of debenture holders. The Company recognises as members only those persons who appear on its register of members and it cannot recognise any person holding any share or part of it upon any trust, express, implied or constructive, except as permitted by law. The Company has appointed Link Intime India Private Limited as its share transfer agent and as its registrar pursuant to the Agreement dated June 13, 2006.

In the case of shares held in physical form, the Company's registrars and transfer agents register transfers of shares on the register of shareholders upon lodgment of the duly stamped share transfer form executed by or on behalf of the transferor and by or on behalf of the transferee and duly complete in all respects, accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred. In respect of transfer of shares held in the depository form, the transfer of shares is effected by the depository entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the Company enters the name of the depository in its records as the registered owner of the shares.

The beneficial owner is entitled to all the rights and benefits, as well as the liabilities, with respect to the shares that are held by the depository. Transfer of beneficial ownership through a depository is exempt from any stamp duty but each depository participant may have its own depository charges. A transfer of shares by way of stock transfer form attracts stamp duty at the rate of 0.25 per cent of the transfer price.

For the purpose of determining the shareholders, the Company may, after giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district where the registered office of the Company is situated, close the register of members for periods not exceeding 45 days in any one year and 30 days at any one time. In order to determine the shareholders entitled to dividends the Company keeps the register of shareholders closed for approximately 10 to 15 days in each year. Under the listing regulations of the stock exchanges on which our Company's outstanding shares are listed, our Company may, upon at least 15 days' advance notice to such stock exchanges (or 21 days' advance notice in the event the Company's shares are traded on the stock exchanges in physical form), set a record date and/or close the register of members in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, the Company is also required to maintain a register of debenture holders.

Annual Reports and Financial Results

The annual report must be laid before the annual general meeting. This report contains audited financial statements as of the date of the closing of the financial year, auditor's report and Director's report and includes certain other financial information, a corporate governance section and management's discussion and analysis. It is sent to shareholders, and also made available for inspection at the Company's registered office during normal working hours for 21 days prior to the annual general meeting.

Under the Companies Act, the Company must file its annual report with the Registrar of Companies within 30 days from the date of the relevant annual general meeting. Under the listing agreement between the Company and the Stock Exchanges (the "**Listing Agreement**"), six copies of the annual report and of all notices of general meetings and all periodical and special reports which may be issued by the Company are required to be sent to the Stock Exchanges. The Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region where the Company's registered office is situated.

The Company files certain information on-line, including its annual report, quarterly financial statements, the shareholding pattern statement and such other statements, information and reports as may be specified by SEBI from time to time in accordance with the requirements of the Listing Agreement.

Transfer of Equity Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. The Company has entered into an agreement for such depository services with the National Securities Depository Limited and the Central Depository Services (India) Limited.

The SEBI requires that for trading and settlement purposes, a company's shares be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the

stock exchange. The requirement to hold shares in book-entry form will apply to holders of the FCCB when they acquire Equity Shares upon conversion. In order to trade in the Equity Shares in the Indian market, the converting holder of the FCCB will be required to comply with the procedures above. Equity Shares are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it, or any other law for the time being in force, the Company Law Board (the quasi-judicial body constituted pursuant to Section 10E of the Companies Act, 1956), may, on an application made by the Company, a depository incorporated in India, an investor, the SEBI or certain other parties, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer is delivered to the company, the transferee may appeal to the Company Law Board seeking to register the transfer of equity shares. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant equity shares before completing its investigation of the alleged contravention. By the Companies (Second Amendment) Act, 2002, the Company Law Board is proposed to be replaced by the National Company Law Tribunal, which is expected to be set up shortly. Pursuant to the Listing Agreement, in the event the Company has not effected the transfer of Shares within one month or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The Companies Act provides that the shares or debentures of a public listed company (such as the Company) shall be freely transferable. The Company's Articles provide for certain restrictions on the transfer of shares, including granting power to the Board in certain circumstances, to refuse to register or acknowledge transfer of shares or other securities issued by the Issuer. However, under the Companies Act, the enforceability of these transfer restrictions is unclear.

Power of the Company to purchase its own Shares/buy back of Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75 per cent of its shareholders voting on the matter in accordance with the Companies Act. Moreover, subject to certain conditions, a company is prohibited from giving whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company or its holding company. However, pursuant to certain amendments to the Companies Act, a company is empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back), subject to certain conditions, including:

- (i) the buyback should be authorised by its articles of association;
- (ii) a special resolution should have been passed in a general meeting authorising the buyback;
- (iii) the buyback is for less than 25 per cent. of the total paid-up capital and free reserves;
- (iv) the debt (including all amounts of unsecured and secured debt) owed by the Company is not more than twice the capital and free reserves after such buyback; and
- (v) the buyback is in accordance with the Securities and Exchange Board of India (Buyback of Securities) Regulation, 1998.

The condition mentioned in (ii) above would not be applicable if the buyback is for less than 10 per cent of the total paid-up equity capital and free reserves of the company and provided that such buyback has been authorised by the board of directors of the company. Further, a company buying back its securities is not permitted to buyback any securities for a period of one year from the buyback or to issue the same kind of shares or other securities except by way of bonus issue or in the discharge of subsisting obligation such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares for six months from the buyback date. The aforesaid restriction relating to the one year period does not apply to a buyback authorised by a special resolution of the shareholders in general meeting. Every buy back has to be completed within a period of one year from the date of passing of the special resolution or resolution of the Board as the case may be. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buyback. A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company, including its own subsidiary companies or through any investment company (other than a purchase of shares in accordance with a scheme for the purchase of shares by trustees of or for shares to be held by or for the benefit of employees of the company) or if the company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank, if the company is listed and wishes to buy back its shares or specified securities for the purpose of delisting its shares or specified securities or in the event of non-compliance with certain other provisions of the Companies

Act. Every buy-back has to be completed within a period of one year from the date of passing of the special resolution or the resolution of the Board of Directors, as the case may be.

Disclosure of Ownership Interest

Section 187C of the Companies Act requires beneficial owners of shares of Indian companies who are not holders on record to declare to the Company details of the holder on record and the holder on record to declare details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to Rs.1,000 for each day the declaration is not made. Any charge, promissory note or other collateral agreement created, executed or entered into with respect to any share by the registered owner thereof, or any hypothecation by the registered owner of any share pursuant to which a declaration is required to be made under Section 187C, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C will, *inter alia*, not affect the obligation of the Company to register a transfer of shares or to pay any dividends to the registered holder of any shares pursuant to which such declaration has not been made.

Liquidation Rights

Subject to the provisions of the Companies Act (including in particular the rights of employees, the requirement to pay statutory dues and the rights of creditors as contained in Sections 529A and 530 thereof), and of the holders of any other shares entitled by their terms of issue to preferential repayment over the Equity Shares, in the event of the Company's winding-up, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid-up or credited as paid up on such Shares or in case of shortfall, proportionately. All surplus assets remaining after payments due to employees, statutory dues, the holders of any preference shares and other creditors in accordance with Sections 529A and 530 of the Companies Act belong to the holders of the equity shares in proportion to the amount paid-up or credited as paid-up on such Shares, respectively, at the commencement of the winding-up.

Board of Directors

Notice and Quorum

Under our Company's Articles of Association, subject to Section 287 of the Companies Act, the quorum for a meeting of the Board of Directors of our Company shall be one third of its total strength or two directors whichever is higher, provided that where at any time the number of interested directors exceeds or is equal to two thirds of the total strength in number, the remaining Directors, that is to say, the number of Directors, who are not interested, present at the meeting being not less than two, shall be the quorum during such meeting. Notice of every meeting of the board or committee thereof shall be given in writing to every Director for the time being in India and at his usual address in India and to every other Director.

Interested Directors

Interested Directors are not allowed to take part in the discussion of, or vote on, any arrangement if the director is in any way, directly or indirectly, interested in the arrangement. In addition, the director is required to disclose the nature of his interest under Section 299 of the Companies Act. Under Section 297 of the Companies Act, the consent of the Board of Directors is required where a director of our Company or his relative, firm in which such a director or relative is a partner, any other partner in such a firm, or a private company of which the director is a member or proposes to enter into certain contracts with our Company.

Director Compensation

Each Director, other than the whole time paid directors may be paid such fee as may be prescribed under Indian law and as approved by the board for each meeting of the board or a committee thereof attended by him. The Directors may also be paid the expenses as decided by the Board from time to time in attending a meeting of the Board or a committee of the Board.

Rotation

One-third of the Directors who are liable to retirement by rotation and if their number is not three or multiple of three then the number nearest thereto shall retire at each annual general meeting.

TAXATION

The Board of Directors,
Prime Focus Limited
2nd Floor, Building H,
Main Frame IT Park,
Royal Palms
Goregaon East,
Mumbai 400 065

Dear Sirs,

Re: Possible Direct Tax Benefits available under the existing tax laws to the Company and it's Shareholders

As desired by you, we enclose an "Annexure" giving the details of possible Direct Tax Benefit available to Prime Focus Limited and its Shareholders under the current Direct Tax Laws, in India.

Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, the Company / its Shareholders may or may not choose to fulfil.

The benefits discussed in the enclosed Annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue and we are absolved of any liability to the shareholder or placing reliance upon the contents of this material.

We do not express any opinion or provide any assurance as to whether:

- The Company or its Shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefit have been / would be met with; or
- The revenue authorities / courts will concur with the views expressed herein.

Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to up-date the views consequent to such changes.

The contents of this Annexure are based on information and explanations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of current tax laws.

While all reasonable care has been taken in the preparation of this opinion, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

This report is intended solely for information and for the inclusion in the Placement Document relating to the offering of Equity Shares of the Company to qualified institutional buyers (as such term defined under chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 (the "**SEBI Regulations**") and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Thanking you,

Yours faithfully,

For **V. Shivkumar & Associates**
Chartered Accountants
Firm Registration Number: 112781W

V. Shivkumar
Membership No. 42673
Mumbai,

Date: 29th October, 2010

**ANNEXURE TO STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY
AND ITS SHAREHOLDERS**

I. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY AND IT'S SHAREHOLDERS

There are no special tax benefits available to Company and it's shareholders.

II. GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS:

A) To the Company

1. Subject to compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 (I. T. Act) the Company will be entitled to a deduction for depreciation in respect of tangible assets and intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998 at the rates prescribed under the Income Tax Rules, 1962;
2. Dividend income from shares, is exempt from income tax in accordance with and subject to the provisions of section 10(34) read with Section 115-O or section 10(35), respectively, of the I. T. Act. As per the provisions of Section 14A of the I. T. Act, no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with the provisions contained therein. Also, Section 94(7) of the I. T. Act provides that losses arising from the sale/transfer of shares purchased within a period of three months prior to the record date and sold/transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt.
3. Under section 10(38) of the I. T. Act, the long-term capital gains arising on transfer of securities, which are chargeable to Securities Transaction Tax ("STT"), are exempt from tax in the hands of the company. The STT will be levied on purchase or sale of Equity Shares entered into in a recognised stock exchange in India. However, such long term capital gain shall be taken into account in computing the book profit and income tax payable under section 115JB.
4. The Company will be entitled to amortise preliminary expenditure, being expenditure incurred on public issue of shares under section 35D of the I. T. Act, subject to the limit specified therein.
5. As per the provisions of Section 112 of the I. T. Act, other long-term capital gains arising to the company are subject to tax at the rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess). However, as per the Proviso to that section, the long-term capital gains resulting from transfer of listed securities (not covered by section 10(36) and 10(38) of the I. T. Act), are subject to tax at the rate of 20% on long-term capital gains worked out after considering indexation benefit (plus applicable surcharge, education cess and secondary & higher education cess), which would be restricted to 10% of long-term capital gains worked out without considering indexation benefit (plus applicable surcharge, education cess and secondary & higher education cess).
6. As per the provisions of section 111A of the I. T. Act, short-term capital gains arising to the company from transfer of Equity Shares in any other company through a recognized Stock Exchange is subject to tax at the rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess), if such a transaction is subjected to STT. In accordance with and subject to the conditions specified in Section 54EC of the I. T. Act, the company would be entitled to exemption from tax on long-term capital gain (not covered by Section 10(36) and Section 10(38) of the I. T. Act) if such capital gain is invested in any of the long-term specified assets (herein the manner prescribed in the said section) for investment made on or after 1st day of April 2007, the exemption would be restricted to the amount which does not exceed Rupees Fifty Lacs during the financial year. If the new asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of Capital Gains for which exemption is availed earlier would become chargeable to tax as long-term capital gains in the year in which such new asset is transferred or converted into money. If only a portion of capital gain is so invested, the exemption is available proportionately. The bonds presently specified within this section are bonds issued by National Highway Authority of India (NHAI) and Rural Electrification Corporation Ltd (REC).
7. The Corporate Tax Rate for the Assessment Year 2011 – 2012 shall be 30% (plus applicable surcharge, education cess and secondary & higher education cess).

8. As provided under section 115JB, the Company is liable to pay income tax at the rate of 18% (plus applicable surcharge, education cess and secondary & higher education cess) on the Book Profit as per the provisions of section 115JB if the total tax payable as computed under the I. T. Act is less than 18% of its Book Profit as computed under the said section.
 9. Under Section 115JAA, credit shall be allowed of any Minimum Alternate Tax (MAT) paid under Section 115JB of the I. T. Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the I. T. Act. However no interest shall be payable on the tax credit under this sub-section. Such MAT credit shall be available for set-off up to 10 years succeeding the year in which the MAT credit initially arose.
 10. Under Section 115O, the domestic company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the Dividend Distribution Tax (DDT) if:
 - the dividend is received from its subsidiary
 - the subsidiary has paid the DDT on the dividend distributed
 - the domestic company is not a subsidiary of any other company
 Provided that the same amount of dividend shall not be taken into account for reduction more than once.
- For the purpose of this sub-section a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company.
11. In accordance with and subject to the conditions specified under Section 80-IB(10) of the I. T. Act, the Company is eligible for hundred percent deduction of the profits derived from development and building of housing projects approved before 31 March, 2008, by a local authority subject to fulfilment of conditions mentioned therein.
 12. Under section 24(a) of the I. T. Act, the Company is eligible for deduction of thirty percent of the annual value of the property (i.e. actual rent received or receivable on the property or any part of the property which is let out).
 13. Under section 24(b) of the I. T. Act, where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of interest payable on such capital shall be allowed as a deduction in computing the income from house property. In respect of property acquired or constructed with borrowed capital, the amount of interest payable for the period prior to the year in which the property has been acquired or constructed shall be allowed as deduction in computing the income from house property in five equal instalments beginning with the year of acquisition or construction.

B) To the Shareholders of the Company

Resident Members:

1. Dividend income of shareholders is exempt from income tax under section 10(34) read with Section 115-O of the I. T. Act. As per the provisions of Section 14A of the I. T. Act, no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with the provisions contained therein. Also, Section 94(7) of the I. T. Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholders.

Any income arising from the transfer of Equity Share held for the period of 12 months or more and held as Capital Asset is exempt under section 10(38), where the transaction of sale of such equity share is entered through recognized Stock Exchange on or after 1-10-2004 and such transaction is chargeable to STT.
2. Under section 54EC of the I. T. Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gain (in case not covered under section 10(38) of the I. T. Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain is invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition. For Investment made on or after 1st day of April 2007, the exemption would be restricted to the amount which does not exceed Rupees Fifty Lacs during the financial year.

3. Under Section 54F of the I. T. Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the I. T. Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to other conditions, if the net sales consideration from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

Such benefit will not be available if the individual or HUF

- a) owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- b) purchases another residential house within a period of one year after the date of transfer of the shares; or
- c) constructs another residential house within a period of three years after the date of transfer of the shares;
and
- d) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt. If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

4. As per section 74 of the I. T. Act, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set off against subsequent year's short - term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set off against subsequent year's long-term capital gains.
5. Under section 111A of the I. T. Act, capital gains arising to a shareholder from transfer of short terms capital assets, being an equity share in the company, entered into in a recognized stock exchange in India will be subject to tax at the rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess).
6. Under Section 112 of the I. T. Act and other relevant provisions of the I. T. Act, long term capital gains (not covered under section 10(38) of the I. T. Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge, education cess and secondary & higher education cess) (without indexation), at the option of the Shareholders.

Non Resident Indians/Members other than FIIs and Foreign Venture Capital Investors:

1. Dividend income of shareholders is exempt from income tax under section 10(34) read with Section 115-O of the I. T. Act. As per the provisions of Section 14A of the I. T. Act, no deduction is allowed in respect of any expenditure incurred in relation to such income which does not form part of total income under the Income Tax Act, 1961. Also, Section 94(7) of the I. T. Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholders.
2. Any income arising from the transfer of a long term capital asset (i.e. capital asset held for the period of 12 months or more) being an Equity Share in a company is exempt under section 10(38), where the transaction of sale of such equity share is entered through recognized Stock Exchange on or after 1-10-2004 and such transaction is chargeable to STT.

3. Tax on income from investment and long term capital gains (other than those exempt under section 10(38):

A non-resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the I. T. Act Provisions Relating to certain incomes of Non-Residents”

- Under section 115E of the I. T. Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under section 10(38) of the I. T. Act) be concessional tax at a flat rate of 10% (plus applicable surcharge, education cess and secondary & higher education cess) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to section 48 of the I. T. Act.
- Capital gain on transfer of Foreign Exchange Assets, not to be charged in certain cases

Under provisions of section 115F of the I. T. Act, long term capital gains (not covered under section 10(38) of the I. T. Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Return of income not to be filed in certain cases

Under provisions of section 115-G of the I. T. Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

- Under section 115-I of the I. T. Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income under section 139 of the I. T. Act declaring therein that the provisions of this Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him, instead the other provisions of the I. T. Act shall apply.

Other Provisions

4. Under proviso to section 48 of the I. T. Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
5. Under section 54EC of the I. T. Act and subject to the conditions and to the extent specified therein, long term capital gain (in case not covered under section 10(38) of the I. T. Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by

a. National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

b. Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition. For Investment made on or after 1st day of April 2007, the exemption would be restricted to the amount, which does not exceed Rupees Fifty Lacs during the financial year.

6. Under Section 54F of the I.T. Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the I. T. Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to

other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

Such benefit will not be available if the individual or Hindu Undivided Family

- a) owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- b) purchases another residential house within a period of one year after the date of transfer of the shares; or
- c) constructs another residential house within a period of three years after the date of transfer of the shares; *and*
- d) the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt. If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

7. As per section 74 of the I. T. Act, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set off against subsequent year’s short- term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set off against subsequent year’s long term capital gains.
8. Under section 111A of the I. T. Act, capital gains arising to a shareholder from transfer of short terms capital assets, being an equity share in the company, entered into in a recognized stock exchange in India will be subject to tax at the rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess).
9. Under section 112 of the I. T. Act and other relevant provisions of the I. T. Act, long term capital gains (not covered under section 10(38) of the I. T. Act) arising on transfer of shares in the company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge & education cess and secondary & higher education cess) after indexation as provided in the second proviso to section 48. However, indexation will not be available if the investment is made in foreign currency as per the first proviso to section 48 stated above, or it can be taxed at 10% (plus applicable surcharge & education cess and secondary & higher education cess on income tax) (without indexation), at the option of assessee.
10. As per section 90(2) of the I. T. Act, the provisions of the I. T. Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident shareholder. Thus a non-resident shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.

Foreign Institutional Investors (FIIs)

1. By virtue of section 10(34) of the I. T. Act, income earned by way of dividend income from domestic company referred to in section 115O of the I. T. Act, are exempt from tax in the hands of the institutional investor.
2. In terms of section 10(38) of the I. T. Act, any long term capital gains arising to an investor from transfer of long-term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the transaction is chargeable to STT.
3. Under section 111A of the I. T. Act, capital gains arising to FIIs from transfer of short terms capital assets, being an equity share in the company, entered into in a recognized stock exchange in India will be taxed at the rate of 15% (plus applicable surcharge, educational cess & secondary & higher education cess on income tax) as per section 115AD of the I. T. Act.
4. The income by way of short term capital gains (not referred to in section 111A of the I. T. Act) or long term capital gains (not covered under section 10(38) of the I. T. Act) realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the I. T. Act.:
 - Short term capital gains 30% (plus applicable surcharge, education cess & secondary & higher education cess on income tax)

- Long term capital gains 10% (without cost indexation) plus applicable surcharge, education cess and secondary & higher education cess on income tax)

(Shares held in a company would be considered as a long-term capital asset provided they are held for a period exceeding 12 months).

5. Under section 54EC of the I. T. Act and subject to the conditions and to the extent specified therein, long term capital gain (in case not covered under section 10(38) of the I. T. Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
 - a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
 - b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition. For Investment made on or after the 1st Day of April 2007, the exemption would be restricted to the amount, which does not exceed Rupees Fifty Lacs during the financial year.

6. As per section 74 of the I. T. Act, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set off against subsequent year's short- term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set off against subsequent year's long term capital gains.
7. As per section 90 of the I. T. Act, the provisions of the I. T. Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident shareholder. Thus a non-resident shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.
8. Under section 196D (2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

Persons carrying on business in shares and securities.

In accordance with the insertion of Section 36(1) (xv) in the Finance Act 2008, STT paid in respect of taxable securities transaction entered during the course of business will be available as deduction while computing the taxable business income.

Mutual Funds

In accordance with section 10(23D), any income of:

- (i) Mutual Fund registered under the Securities and Exchange Board of India Act 1992 or regulations made there under;
- (ii) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf,

- will be exempt from income-tax.

Under the Wealth-tax Act, 1957

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth-tax Act, hence Wealth-tax Act will not be applicable.

Notes:

1. All the above benefits are as per the current tax laws as amended by the Finance Act (No.2), 2009. However benefits proposed by Direct Taxes Code Bill, 2010 (which becomes law only in 2011, if passed in the Parliament) have not been considered.

2. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements (DTAA), if any, between India and the country in which the non-resident has fiscal domicile.
4. The stated benefit will be available only to the sole/first named holder in case the shares are held by Joint holders.
5. In view of the individual nature of tax consequence, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in this issue and we are absolved of any liability to the shareholder for placing reliance upon the contents of this material.

LEGAL PROCEEDINGS

Except as set forth below, we are not involved in any legal proceedings and, to our knowledge, no legal proceedings are threatened, which may have, or have had during the twelve months preceding the date of this Placement Document, a material adverse effect on our business, properties, financial conditions or operation.

Proceedings initiated against the Company

A. Civil Proceedings

1. Microsoft Corporation Ltd. & Ors. vs. Arvind Singh & Ors (Civil Suit No. 1439 of 2009)

- Pending in the High Court at Delhi
- Relief. For seeking permanent injunction restraining the Company from infringement of copyrights, delivery up, rendition of accounts of profits, damages etc.
- Brief facts. The Plaintiff has alleged that the Company has indulged in multiple unlicensed usage of the Plaintiff's software.
- Proceedings. (i) On August 11, 2009 the High Court at Delhi passed an ad-interim ex-parte order appointing three local commissioners to undertake a search and seizure at the Company's premises at Adlabs, Film City Complex, Goregaon (E), Mumbai-;
- (ii) On August 21, the local commissioner conducted a search and seizure operation on the Company at its aforementioned premises at Adlabs, Film City Complex, Goregaon (E), Mumbai, Prime Focus, Linking Road, Khar and at Master Mind I, Royal Palms, Goregaon (E), Mumbai;
- (iii) On August 29, 2009 the High Court considered the report of the local commissioner stating that 215 computer systems were found installed with unlicensed/pirated software of the Plaintiff out of which 13 computer systems were sealed and; issued notice to the Company and passed an *ad interim ex parte* injunction restraining the Company and its representatives from directly and/or indirectly reproducing/storing/installing and/or using the pirated/unlicensed software of the Plaintiffs' computer programs/software titles and directed the Company to file its written statement.,
- (v) The Company filed its written statement in September 2010 and has denied the allegation against it on the grounds of (a) locus standi, (b) lack of jurisdiction of the Hon'ble Court at Delhi, and (c) denial of infringement of copyright.

* Current status. Liability/Damages. The approximate amount of damages claimed under the proceedings is Rs. 7,500,000/- (Rupees seven million and five hundred only) along with the interest which may be levied at the discretion of the Court.

2. ITXA No. 4342 of 2010 filed against the Company by the Commissioner of Income Tax, Central-II for deductibility of bad debts written off, for A.Y. 2002-03

- Pending. High Court, Mumbai
- Relief. Setting aside the order upholding the Company return on 01-07-2004 and directing the Company to pay tax at the higher assessment as determined by the Assessing Officer, IT.
- Brief facts. The Company filed its Return on December 31, 2002 declaring income of Rs. 7,925,354/-. Subsequently a search and seizure under section 132 (1) was carried by the Income Tax authorities at the premises of the Company and residential premises of the Directors on June 25, 2003. The Income tax department seized certain documents. Consequent to the search, the Assessing Officer issued a notice U/s 153 A asking the Company to file the Return of Income. The Income Tax department has alleged that there is a discrepancy in two unaudited balance sheets with respect to the audited balance sheet under which the Company has filed its Returns. The Company again filed its return on 01-07-2004 declaring the same income as was originally shown while filing its return U/s 139 of the Income Tax Act. The Assessing Officer after its assessment determined a higher income of the Company. Thereafter the Company being aggrieved with such assessment by the Assessing Officer order preferred an Appeal to the CIT (A) who partly allowed the Appeal to the extent of Rs. 18.40 Lakhs (out of Rs. 64.87 Lakhs). The Company being aggrieved by the order filed an appeal before the Ld.Tribunal and upheld the contention of the Company and deleted the addition of Rs. 18.40 Lakhs.
- Current Status. The Income Tax Department has challenged the ruling in appeal in the High Court.
- Liability/Damages. The approximate liability of the Company shall be Rs 1,880,000/- (Rupees Eighteen Lakhs eighty thousand only) in the event the appeal is decided against it including interest for A.Y. 2002-03.

3. Proceedings u/s 271 (1) (C) of the Income Tax Act, 1961 for A.Y. 2007-08. Pending. Commissioner of Income Tax (A)-40, Mumbai

- Relief. To set aside the order disallowing the deductions
- Brief Facts. Show cause notice dated June 09, 2010 was issued by the Office of Dy. Commissioner of Income Tax – (OSD-I), Central Range-7 under section 271 (1) (C) of the Income Tax Act, 1961 to the Company for concealment of income for A.Y. 2007-08. The Company filed its reply dated June 18, 2010 before the above-mentioned authority stating that it has not concealed any income and has stated that disallowance of bad debts amounting to Rs. 1,465,624/- on account of reconciliation differences, which cannot be considered as concealment. The Company clarified that an amount of Rs. 7,612,767/- paid as professional fees etc. and an amount of Rs. 1,465,624/- towards Bad debts have been disallowed by the Assessing Officer. In addition, the Company has evidence to establish that the parties against whom the deductions of payments were made have confirmed receipt of the payments with the supporting documents provided by the Company.
- Current Status. The Company has appealed against the order to CIT (A)-40, Mumbai, challenging the disallowance. .
- Liability/Damages. The approximate liability of the Company shall be Rs. 5,168,490/- in the event the appeal is decided against it including interest for A.Y. 2007-08.

4. Office of the Commissioner of Customs (Import) Air Cargo Complex, Sahar, Mumbai under CAO No. CC-SJS/02/2009

- * **Pending.** Office of the Commissioner of Customs (Import) **Air Cargo Complex, Sahar, Mumbai**
- * **Relief.** Declaration of undervaluation of the goods by the Company and levy of duty of Rs. 2,117,500/- with interest 13% calculated from April 2006, fine amounting to Rs. 2,000,00,00/- being the redemption fine and penalty on the Company and fine for Rs. 1,500,000/- on the Company, its Managing Director and the Chief Financial Officer respectively for omissions.
- Brief facts. Show Cause Notice issued against the Company on March 05, 2008 by the Office of the Commissioner of Customs (Import) alleging that the Company has imported two consignments of a software valued at Rs.14,369,860/- by wrongly claiming exemptions under Notification No. 06/2006 dated March 01, 2006 and the same were cleared without making payments of customs duty and by wrongly declaring the imported goods as a “Customised Software”.

The Company by its letter dated June 13, 2008 has denied all the allegations in the said show cause notice.

The Commissioner of Customs in his order dated January 14, 2009 held that the transaction value by the Company is incorrect and reassessed the transaction value in the bills of entry and further levied a total fine amounting to Rs. 20,000,000/- being the redemption fine and penalty on the Company and fine of Rs. 1,500,000/- on the Company, its Managing Director and the Chief Financial Officer respectively for omissions.

The Company filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal (CESAT) West Zone Bench at Mumbai which has under its order dated July 23, 2009 upheld the contention of the Company and has noted that the redemption fine levied holds no justification and has set aside the order passed by the Commissioner of Customs and has remanded the case back to the Commissioner for retrial.

- Current Status. The Company has to file its representations before the Commissioner of Customs under Section 28 (1 A) of the Customs Act, 1962 and the maximum duty involved in the matter is Rs. 2,117,500/- with interest 13% calculated from April 2006 against which an amount of Rs. 2,215,150/- has already been deposited by the Company.

The matter is presently pending before the Commissioner of Customs.

- Liability/Damages. The approximate liability of the Company shall be a penalty equal to twenty-five per cent on the declared duty i.e. Rs 1,714,184/- and an interest between ten per-cent to thirty-six per-cent in the event the Commissioner of Customs decides the appeal against the Company.

B. Proceedings initiated by the Company

Civil Proceedings

1. Prime Focus Ltd. v/s. Stephen Elliott Street and John Alexander Lockwood, Prime Focus London PLC & Machine Effects Limited (Suit No.1595 of 2010)

* Pending. The matter is pending before the Hon'ble City Civil Court at Dindoshi, Mumbai.

* Relief. The Company has prayed for a declaration that the put-option and guarantee/indemnity issued to the Vendors be declared void and to restrain the Vendors (Defendants herein) from invoking the put-option and guarantee/indemnity.

* Brief Facts. (i) The Company as a part of its global expansion acquired certain companies in UK and under a Share Purchase Agreement dated January 18, 2008 ('Agreement') acquired 100 fully paid ordinary shares of £ 1 each, comprising the entire share capital of Machine Effects Limited ('Machine'). In terms of the Agreement, the Vendors were entitled to allotment of 1025000 ordinary shares of 5 pence each in the capital of VTR plc (Now, Prime Focus London) on Completion. At Completion, including but not limited to, the following actions: transfer of shares in Machine in favour of the VTR plc., transfer of consideration price to the Respondents, reconstitution of the Board, resignation of existing staff and management, execution of service contracts between the Purchaser and the Vendors. The Consideration shares were subject to a lock-in of one year with a 'put option' in favour of the Vendors exercisable in the following circumstances:

a. termination of the Service Agreement by VTR plc without cause

b. by the Respondents giving notice and post termination, succeeding in a claim for constructive dismissal

c. trading in the shares of VTR plc ceasing or being suspended for more than 60 days

in each of which case the Vendors had a right to call upon VTR to buy back the Consideration shares within 20 days of the Put Option period.

The Vendors have issued a letter dated May 18, 2010 and July 19, 2010, seeking to exercise the put option and invoking the guarantee/indemnity in respect of the Consideration shares of the Purchaser. In terms of the option the Company undertook that in the event that either of the Vendors elected not to sell, part with some or all of the Consideration Shares and the market value of one ordinary share in the Purchaser being less than £1.00, the Company undertook to buy all / part of the Consideration Shares at the pre-determined price. The Vendors have elected not to sell, part or all of the Consideration Shares held by them. Accordingly, the Vendors have claimed £0.89x 1,025,000= £912,250 from the Company.

Proceedings. (i) The Company has filed a Suit before the Hon'ble City Civil Court at Dindoshi, Mumbai praying that the put-option and guarantee/indemnity issued to the Respondents be declared void and to restrain the Vendors from invoking the put-option and guarantee/indemnity. The Company further alleged that the Vendors failed to cooperate in the affairs and operations of Machine, deliberately obstructed the Company in dealing with the executives of Machine, refused to co-operate with other specialists in the Company's other Group companies, failed to secure work by being unresponsive and non-cooperative in their dealings with present and potential clients, refused to disclose work opportunities pursued on behalf of Machine and failed to increase the scope or profitability of the business of Machine.

(ii) The Company has filed a Contempt Notice of Motion No.533 of 2010 against the aforesaid action of the Vendors and the Court by its order dated October 18, 2010 has extended the ad-interim injunction against the Defendant Nos.1 and 2 (in respect of enforcement of Guarantee under clause 7 and Put option under clause 8 of the Share Purchase Agreement) until further orders.

The Company in its Notice of Motion No. 1920 /2010 before the Court has prayed for ad-interim and interim injunction restraining the Vendors from initiating any steps for enforcement/invocation or acting or claiming any rights under the put-option and guarantee/indemnity.

The Court has under its order dated July 16, 2010 passed interim injunctions restraining the Vendors from enforcement/invocation or acting or claiming any rights under the put-option and guarantee/indemnity, until the Court decides the Notice of Motion.

The Company has also filed a Caveat No. 3560/2010 in the High Court of Mumbai praying that no ex-parte order either in interim or ad-interim be passed against it without due notice to the Company.

On September 24, 2010 the Vendors filed their Affidavit-in reply to the Notice of Motion and the Hon'ble Court have taken on record the said Affidavit, an opportunity to the Company to demonstrate that such notarized affidavit would not be acceptable in the Courts at UK. The court has further ordered that the ad-interim injunction vide the Court's order dated July 16, 2010 to be continued until further orders.

- Status. The matter is pending before the Hon'ble City Civil Court at Dindoshi, Mumbai for hearing the Notice of Motion. Next date of hearing is fixed for November 19, 2010.
- Liability/Damages: In the event the court rules in favour of the Defendants the matter will move to a court in England as per the jurisdiction clause in the Agreement and in the event the Court in England rules against the Company, the Company shall be liable to pay to the Vendors an approximate amount equivalent to the difference in the pre-determined future price of the Consideration Shares and the actual market price of the shares of Machine. Under the clause on Governing Law and Jurisdiction in the Share Purchase Agreement the parties have agreed on English laws for resolution of disputes and courts of England for jurisdiction.

6. Criminal complaint under Section 138 of the Negotiable Instruments Act, 1881, against M/s RKB Communications and Mr. Ravi Bajaj.

- Pending. Metropolitan Magistrates Court, Andheri
- Relief. Imprisonment of the proprietor for upto 2 years and fine
- Brief Facts. The Company filed a complaint under Section 138 of the Negotiable Instruments Act on September 23, 2010 against Mr. Rajiv Bajaj, the proprietor and authorised signatory of M/s RKB Communications for dishonour of cheque bearing number 207646 dated January 25, 2010 drawn on Development Credit Bank Limited Andheri West, Branch, Mumbai 400 058 for an amount of Rs.550,000/-.
- Status. The Court admitted the complaint and issued process against Rajiv Bajaj. Next date of hearing is fixed for November 30, 2010.

C. Proceedings against Indian Subsidiaries

The Indian Subsidiaries being Prime Focus Technologies Private Limited ("PFTPL"), Flow Post Solutions Private Limited ("FPSPL"), GVS Software Private Limited ("GSPL"), Prime Focus Motions Pictures Limited ("PFMPL") have certified by a letter dated October 21, 2010, that there are no outstanding litigations, show cause notices, disputes, demands for non-payment of statutory dues, defaults or overdues to banks/ financial institutions, or defaults by the Company/ its subsidiaries against banks/ financial institutions, or any defaults in dues towards instrument holders like debenture holders, fixed deposits as may be issued by the Company/ its subsidiaries, or any proceedings initiated for the economic/civil/ any other offences against the Company/ its subsidiaries. Further, there are no litigations/ disputes/ penalties or any proceedings, known to be contemplated by government authorities or any violation of regulations.

D. Proceedings against Overseas Subsidiaries

The Company's overseas subsidiaries and stepdown subsidiaries have certified by letter dated October 15, 2010, that there are no outstanding litigations, show cause notices, disputes, demands for non-payment of statutory dues, defaults or overdues to banks/ financial institutions, or defaults by the company/ its subsidiaries against banks/ financial institutions, or any defaults in dues towards instrument holders like debenture holders, fixed deposits as may be issued by the Company/ its subsidiaries, or any proceedings initiated for the economic/civil/ any other offences against the Company/ its subsidiaries. Further, there are no litigations/ disputes/ penalties or any proceedings, known to be contemplated by government authorities or any violation of regulations.

E. Litigation against Directors:

a. The Managing Director of our Company is arraigned in the below-mentioned proceedings:

Office of the Commissioner of Customs (Import) Air Cargo Complex, Sahar, Mumbai under CAO No. CC-SJS/02/2009

- * **Pending.** Office of the Commissioner of Customs (Import) **Air Cargo Complex, Sahar, Mumbai**
- * **Penalty.** Declaration of undervaluation of the goods by the Company and levy of duty. Fine of Rs. 1,500,000/- on the Company, its Managing Director and the Chief Financial Officer respectively for omissions.

GENERAL INFORMATION

- a. Our Company was incorporated as Prime Focus Private Limited in Mumbai, Maharashtra, India, with the registration no. 11-108981 of 1997 on June 24, 1997. As a consequence of conversion from a private to a public company, the name of our Company was changed to Prime Focus Limited with effect from April 24, 2000. (Corporate Identity Number is L92100MH1997PLC108981)
- b. The registered office of our Company is situated at 2nd Floor, Main Frame, IT Park, Building – H, Royal Palms, Near Aarey Colony, Goregaon (East), Mumbai 400065, India.
- c. Pursuant to the resolution passed by the Board of Directors on August 27, 2010 and subsequent approval by our shareholders pursuant to the resolution passed in the AGM held on September 30, 2010, it has been decided to make the QIP offer to QIBs.
- d. Copies of our Memorandum and Articles will be available for inspection during usual business hours on any week day between 11 am and 5 pm (except Saturdays and public holidays) at our registered office.
- e. There has been no material change in the Issuer's financial position since March 31, 2010, the date of the last audited financial statements prepared in accordance with Indian GAAP except as disclosed herein.
- f. Except as disclosed in this Placement Document, there are no legal proceedings pending against the Issuer or its Subsidiaries, and in the opinion of the Issuer no proceedings are threatened, which may have, or have had during the 12 months preceding the date of this Placement Document, a material adverse effect on the Company's business, financial position, profitability or results of operations.
- g. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.
- h. Our Company having made all reasonable inquiries, accepts responsibility for and confirms that this Placement Document contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Placement Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Placement Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

Our Company, however, does not accept any responsibility for statements made otherwise than in the Placement Document and any reliance placed on any other source of information would be at the risk of the QIB.

Prohibition by SEBI:

Our Company, our subsidiary, our Directors, our Promoters and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Further, our Promoters and Promoter Group have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

- **Disclaimer in Respect of Governing Law and Jurisdiction**

This Issue is being made only in India to QIBs in accordance with and subject to the Chapter VIII of the SEBI (ICDR) Regulations. Any dispute arising out of this Issue will be governed by Indian laws and will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that this Placement Document is required to be placed on the website of our Company and the Stock Exchanges pursuant to the requirements of the Chapter VIII of the SEBI (ICDR) Regulations. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Placement Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Placement Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

i. Listing

Applications will be made to the Stock Exchanges for permission to list and trade the Equity Shares. If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, our Company shall forthwith repay, without interest, all moneys received from the QIBs in pursuance of this Placement Document.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares issued pursuant to the Issue at the Stock Exchanges are taken promptly. The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold except (i) in accordance with Regulation S or (ii) pursuant to an exemption from the registration requirements of the Securities Act and in compliance with the applicable U.S. state securities laws or (iii) in a transaction not subject to the registration requirements of the Securities Act. The Equity Shares are being offered and sold in the Issue outside the United States pursuant to Regulation S. The Equity Shares are not being offered or sold in the Issue in the United States and you may not purchase Equity Shares in the Issue if you are in the United States.

- j. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges. M/s S. N. Ananthasubramanian & Co, Company Secretaries has vide certificate dated October 30, 2010, has confirmed that our Company is in compliance with the mandatory requirement of clause 49 of the Listing Agreement.
- k. The Floor Price for the Issue is Rs. 68.58 per Equity Share. The Floor Price has been calculated in accordance with chapter VIII of the SEBI Regulations.

l. Filing

As per the requirements in Chapter VIII of the SEBI (ICDR) Regulations, the Placement Document shall be filed with SEBI within thirty days of the allotment of the Equity Shares. Our Company shall furnish a copy of the Placement Document to the Stock Exchanges. Our Company shall also furnish to the Stock Exchanges certificates stating that the Issue is being made pursuant to the Chapter VIII of the SEBI (ICDR) Regulations and complies with its requirements, along with an application for seeking in-principle approval for listing of the Equity Shares. Further, our Company shall furnish to the Stock Exchanges, the documents, undertakings, etc., if any, specified in the listing agreement for the purpose of seeking their in- principle approval and final permission for listing/trading of the Equity Shares. Our Company shall make necessary filings with the Registrar of Companies, Mumbai, Maharashtra.

m. Consents

We have obtained all consents, approvals and authorisations required in connection with this Issue.

n. Compliance Officer:

Mr. Navin Agarwal, Company Secretary
E-mail: Navin.Agarwal@primefocusworld.com
Tel: +91 022 42095000
Fax: +91 022 42095001

o. Government and Other Approvals

We have received all necessary consents, licenses, permissions, authorizations and approvals from the appropriate authorities in relation with this Issue.

FINANCIAL STATEMENT

REPORT OF S.R. BATLIBOI & ASSOCIATES ON THE REFORMATTED UNCONSOLIDATED FINANCIAL STATEMENTS OF PRIME FOCUS LIMITED AS AT AND FOR EACH OF THE YEARS ENDED MARCH 31, 2010, MARCH 31, 2009 AND MARCH 31, 2008.

To
The Board of Directors,
Prime Focus Limited
2nd Floor, Main Frame IT Park,
Building – H, Royal Palms,
Near Aarey Colony,
Goregaon (East),
Mumbai - 400065

Dear Sirs,

1. We have examined the Reformatted Unconsolidated Financial Statements (the 'reformatted statements') of Prime Focus Limited ('PFL' or 'the Company'), annexed to this report for the purposes of inclusion in the Preliminary Placement Document and Placement Document (hereinafter collectively referred to as the 'Placement Documents') prepared by the Company in connection with the Qualified Institutions Placement ('QIP') of its equity shares in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the ICDR Regulations') ('the Proposed QIP'). The preparation of such reformatted financial statements is the responsibility of the Company's management. Our responsibility is to report on such statements based on our procedures.
2. We have examined such reformatted statements taking into consideration:
 - a. the terms of reference dated October 21, 2010, received from the Company, requesting us to carry out the assignment, in connection with the Placement Document being issued by the Company for the QIP of its equity shares; and
 - b. the Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India.
3. The figures disclosed in such reformatted statements of the Company have been extracted by the management from the unconsolidated financial statements of the Company for each of the years ended March 31, 2010, March 31, 2009 and March 31, 2008 and approved by the Board of Directors. The Unconsolidated financial statements of the Company for the years ended March 31, 2010 and March 31, 2009 have been audited by us and in respect of which we have issued audit opinions dated August 27, 2010 and June 30, 2009 respectively. The Unconsolidated financial statements for the year ended 31 March 2008 were audited by V. Shivkumar & Associates who have issued their report dated December 6, 2008 thereon and accordingly reliance has been placed on the financial statements audited by them for the said year.
4. The Reformatted Statements have been examined by us and are set out in Annexure I. The Reformatted statements annexed to this report are as they were produced in the respective years' audited financial statements after making adjustments for material reclassifications, if any. The accounting policies and notes to accounts as set out in Annexure II have been reproduced as they were disclosed in the financial statements for the respective years.
5. In the presentation of the reformatted statements based on audited unconsolidated financial statements as referred to in paragraphs 3 above, no adjustments have been made for any events occurring subsequent to the dates of the audit reports specified herein.

6. Our audit report on the financial statements for the year ended March 31, 2010 was qualified for the following matters:

the Company has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at March 31, 2010, March 31, 2009 and March 31, 2008, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Company revalued the bonds as at March 31, 2010, the profit for the year ended March 31, 2010 and the reserves as at that date would have been lower by Rs 46.12 million and Rs 265.06 million respectively and Foreign Currency Monetary Item Translation Difference account would have been Rs 46.12 million. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2010 would have been lower by Rs 420.38 million. Consequent to the above, the FCCB balance at March 31, 2010 would have been higher by Rs 731.57 million. This had caused us to qualify our audit opinion on the financial statements relating to the year ended March 31, 2009.

7. Our audit report on the financial statements for the year ended March 31, 2009 was qualified for the following matters:

the Company has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at March 31, 2009 and March 31, 2008, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Company revalued the bonds as at March 31, 2009, the profit for the year ended March 31, 2009 and the reserves as at that date would have been lower by Rs 208.3 million and Rs 219.0 million respectively and Foreign Currency Monetary Item Translation Difference account would have been Rs 416.7 million. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2009 would have been lower by Rs 269.1 million. Consequent to the above, the FCCB balance at March 31, 2009 would have been higher by Rs 904.8 million.

8. Our audit report for the year ended March 31, 2009 included an emphasis of matter as follows
The Company had in the year 2008 issued Foreign Currency Convertible Bonds (FCCB) aggregating to US\$ 55 million. Subsequent to year ended March 31, 2009, the Company has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds under External commercial borrowings (ECB) guidelines. The Company has obtained legal opinion confirming its eligibility and is in process of considering various options, including filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements for the year ended March 31, 2009.
9. Statement on certain matters specified in the Companies (Auditors Report) Order, 2003Annexure to Our audit report for the year ended March 31, 2010 was qualified as follows:
- The internal control system for the sale of film related services is inadequate since the Company does not have formal documentation with customers in few cases, which is an industry issue per management. In our opinion this is a continuing failure to correct major weakness in the internal control system.*
 - The scope and coverage of internal audit, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.*
10. Statement on certain matters specified in the Companies (Auditors Report) Order, 2003Annexure to Our audit report for the year ended March 31, 2009 was qualified as follows:
- The internal control system for the sale of film related services is inadequate since the Company does not have formal documentation with customers in few cases, which is an industry issue per management.*
 - The scope and coverage of internal audit, in our opinion requires to be enlarged to be commensurate with the size and nature of its business.*

11. As stated in our audit reports referred to in paragraph 3 above, we conducted our audits in accordance with the auditing standards generally accepted in India to enable us to issue an opinion on the General Purpose Financial Statements. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.
12. Our audits referred to in paragraph 3 above were carried out for the purpose of reporting on the General Purpose Financial Statements. For none of the periods referred to in paragraph 3 above, did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions, and accordingly, we express no such opinion thereon.
13. We have not audited any financial statements of the Company as of any date or for any period subsequent to March 31, 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to March 31, 2010.
14. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of Chartered Accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.
15. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
16. This report is intended solely for your information and for inclusion in the Placement Document in connection with the proposed QIP by the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. BATLIBOI ASSOCIATES

Firm Registration No: 101049W

Chartered Accountants

per Govind Ahuja

Partner

Membership No: 48966

Place: Mumbai, India

Date: November 1, 2010

REFORMATTED BALANCE SHEET AS AT
(INR In Million)

		For The Year Ended		
Particulars	Sch No	31.03.2010	31.03.2009	31.03.2008
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	128.23	128.23	127.23
Shares Pending Allotment		-	-	1.00
Reserves and Surplus	2	1,990.95	1,863.69	1,730.22
		2,119.18	1,991.92	1,858.45
LOAN FUNDS				
Secured Loans	3	1,518.71	1,622.94	1,190.12
Unsecured Loans	4	2,162.70	2,162.70	2,162.70
		3,681.41	3,785.64	3,352.82
DEFERRED TAX LIABILITY (NET)				
	5	164.52	161.91	106.63
		5,965.11	5,939.47	5,317.90
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	6	2,183.59	2,201.90	1,654.77
Less: Accumulated Depreciation / Amortisation		776.51	583.02	403.09
Net Block		1,407.08	1,618.88	1,251.68
Add : Capital Work in Progress (including Capital Advances)		600.70	444.27	550.44
		2,007.78	2,063.15	1,802.12
INVESTMENTS				
	7	2,302.27	2,307.27	551.57
CURRENT ASSETS, LOANS AND ADVANCES				
Sundry Debtors (Including Service Tax)	8	757.48	524.27	536.81
Cash and Bank Balances	9	151.80	470.80	217.52
Other Current Assets (Unbilled Revenue)		62.19	-	-
Loans and Advances	10	888.99	748.98	2,464.03
		1,860.46	1,744.05	3,218.36
Less : CURRENT LIABILITIES & PROVISIONS				
Current Liabilities	11	203.90	173.78	233.44
Provisions	12	1.50	1.22	20.71
		205.40	175.00	254.15
NET CURRENT ASSETS				
		1,655.06	1,569.05	2,964.21
MISCELLANEOUSEXPENDITURE				
<i>(To the extent not written off or adjusted)</i>	13	-	-	-
		5,965.11	5,939.47	5,317.90
NOTES TO ACCOUNTS #				
	17			

For FY 2008-09 Notes to Accounts is Schedule 17

Amounts less than Rs. 0.01 million have been indicated by way of *

The Schedules referred to notes to Accounts form an integral part of the Balance Sheet and Profit and Loss Account

For and on behalf of the Board of Directors

Place: Mumbai

Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

REFORMATTED PROFIT & LOSS ACCOUNT

		(INR In Million)		
		For The Year Ended		
Particulars	Sch No	31.03.2010	31.03.2009	31.03.2008
INCOME				
Income from Operations		952.72	910.96	857.21
Other Income	14	50.43	117.48	75.57
		1,003.15	1,028.44	932.78
EXPENDITURE				
Operating Costs	15	494.90	515.08	408.58
Exceptional Item - Miscellaneous Expenditure Written Off		-	-	9.24
Interest	16	123.55	140.93	72.74
Depreciation	6	193.50	182.00	160.42
		811.95	838.01	650.98
PROFIT BEFORE TAX		191.20	190.43	281.80
ADJUSTMENT PURSUANT TO THE SCHEME OF ARRANGEMENT				
Adjustment to carrying value of assets		-	-	250.00
Withdrawn from Business Restructuring Reserve		-	-	(250.00)
		-	-	-
PROFIT BEFORE TAX		191.20	190.43	281.80
PROVISION FOR TAX				
Current Tax		61.33	21.38	3.60
Less : MAT Credit Entitlement		-	(21.38)	(3.60)
		61.33	-	-
Deferred Tax		2.60	55.29	13.39
Fringe Benefit Tax		-	1.67	1.97
TOTAL TAX EXPENSE		63.93	56.96	15.36
PROFIT AFTER TAX		127.27	133.47	266.44
Balance brought forward from previous year		885.43	751.96	506.37
Add: Deferred Tax Credited on Share Issue Expense		-	-	14.87
Balance brought forward from previous year		885.43	751.96	521.24
PROFIT AVAILABLE FOR APPROPRIATION		1,012.69	885.43	787.68
Appropriations				
Interim Dividend		-	-	19.08
Dividend Distribution Tax		-	-	3.24
Transfer to General Reserve		-	-	13.40
SURPLUS CARRIED TO BALANCE SHEET		1,012.69	885.43	751.96
EARNINGS PER SHARE				
Basic - Nominal Value of Shares Rs.10/-		9.93	10.48	20.94
Diluted - Nominal Value of Shares Rs.10/-		8.85	9.33	20.16

For FY 2008-09 Notes to Accounts is Schedule 17

Amounts less than Rs. 0.01 million have been indicated by way of *

The Schedules referred to notes to Accounts form an integral part of the Balance Sheet and Profit and Loss Account

For and on behalf of the Board of Directors

Place: Mumbai

Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

REFORMATTED CASH FLOW STATEMENT

(INR In Million)

		For The Year Ended		
	Particulars	31.03.2010	31.03.2009	31.03.2008
A.	Cash flow from Operating activities			
	Net Profit before taxation	191.20	190.42	281.81
	Adjustments for :			
	Depreciation	193.50	182.00	160.42
	(Profit)/ Loss on sale of Fixed Assets	0.01	1.56	-
	(Profit)/ Loss on sale of Investments	(2.03)	(3.39)	0.45
	Foreign exchange (Gain)/Loss (net)	21.29	(49.68)	(8.63)
	Interest Income	(30.68)	(44.16)	(29.63)
	Dividend Income	(0.03)	(0.03)	(2.02)
	Interest Expense	123.56	140.93	72.73
	Bad Debts Written Off	1.71	49.87	-
	Provision for Doubtful Debts	31.00	-	-
	Undertaking Fees	(11.31)	(8.57)	(18.54)
	Sundry Credit Balances Written Back	(1.93)	(1.59)	-
	Provision for Gratuity	0.27	1.22	-
	Excess Provision Written Back	-	(1.31)	-
	Miscellaneous Expenditure Written Off	-	-	9.24
	Operating profit before working capital changes	516.56	457.27	465.83
	Movements in working capital :			
	Decrease / (Increase) in Sundry Debtors	(328.99)	(37.40)	(293.03)
	Decrease / (Increase) in Loans and Advances	(30.62)	(67.18)	(83.77)
	Increase/(Decrease) in Current Liabilities	45.46	(91.31)	149.56
	Cash generated from operations	202.41	261.38	238.59
	Direct Taxes Paid (net of refunds)	(53.39)	(81.03)	(77.76)
	Fringe Benefit Tax Paid	(0.19)	(1.53)	(2.23)
	Exchange Rate Difference	13.58	39.01	0.03
	Net Cash from Operating activities	162.41	217.83	158.63
B.	Cash flow from Investing activities			
	Purchase of Fixed Assets	(170.09)	(398.40)	(891.86)
	Proceeds from Sale of Fixed Assets	0.01	17.08	12.96
	Purchase of Current Investments	(0.00)	-	(83.00)
	Purchase of Investment in Subsidiaries	-	(0.60)	(59.86)
	Share Application in Subsidiary	(127.53)	-	(1,768.69)
	Loans given to Subsidiary	-	(250.40)	(242.34)
	Loans received from Subsidiary	-	407.06	-
	Sale of Current Investments	7.03	33.95	193.01
	Inter- Corporate Deposits given	(1.00)	(74.50)	-
	Inter- Corporate Deposits received back	1.00	101.06	-
	Margin Money and Fixed Deposits under lien	114.23	(62.90)	128.89
	Interest Received	19.46	38.58	29.82
	Dividends Received	0.02	0.03	2.02
	Net Cash from Investing activities	(156.87)	(189.04)	(2,679.05)
C.	Cash flow from Financing activities			

	Particulars	For The Year Ended		
		31.03.2010	31.03.2009	31.03.2008
	Proceeds from Long Term Borrowings	367.89	567.76	132.42
	Repayment of Long Term Borrowings	(342.28)	(329.43)	(55.78)
	Proceeds from Short Term Borrowings	250.00	920.52	935.36
	Repayment of Short Term Borrowings	(312.92)	(865.00)	(483.34)
	Proceeds from Issuance of FCCB	-	-	2,162.70
	Interest Paid	(170.44)	(133.16)	(72.73)
	Dividends Paid	(0.00)	(0.00)	(19.07)
	Tax on Dividend Paid	-	-	(3.24)
	Expenses on Issuance of FCCB	-	-	(58.24)
	Net Cash from Financing activities	(207.75)	160.69	2,538.08
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	(202.21)	189.48	17.66
	Cash and Cash Equivalents at the Beginning of the year	238.29	48.79	23.70
	Cash and Cash Equivalents Acquired on Merger	-	-	0.19
	Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	0.12	0.02	7.24
	Cash and Cash Equivalents at the End of the year	36.20	238.29	48.79
	Components of Cash and Cash equivalents, as at March 31, 2010			
	Cash	0.27	0.29	1.20
	With Banks:			
	On Current Accounts	33.21	234.94	47.59
	On Fixed Deposits	2.72	3.06	-
	Cash and Cash Equivalents at the End of the year	36.20	238.29	48.79
	Bank deposits having maturity of more than 90days	114.57	228.80	165.90
	Interest Accrued on bank deposits	1.03	3.71	2.83
	Cash and Bank Balance (Refer Schedule 9)	151.80	470.80	217.52

Amounts less than Rs. 0.01 million have been indicated by way of *

The Schedules Referred to notes to Accounts form an integral part of the Balance Sheet and Profit and Loss Account

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

SCHEDULES FORMING PART OF REFORMATTED BALANCE SHEET AS AT

(INR In Million)

Particulars	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Schedule 1			
SHARE CAPITAL			
Authorised :			
15,000,000 (2009 - 15,000,000 : 2008 - 15,000,000) Shares of Rs.10 each	150.00	150.00	150.00
Issued, Subscribed and Paid-Up:			
12,822,588 (2009 - 12,822,588 : 2008 - 12,722,588) Shares of Rs.10 each	128.23	128.23	127.23
Of the above :			
i. 3,600,000 (2009 - 3,600,000 : 2008 - 3,500,000) Equity Shares of Rs.10 each were allotted as fully paid up pursuant to scheme of arrangement for consideration other than cash			
ii. 4,000,000 (2009 - 4,000,000 : 2008 - 4,000,000) Equity Shares of Rs.10 each were allotted as fully paid up bonus shares by capitalisation of Reserves			
	128.23	128.23	127.23
Schedule 2			
RESERVES AND SURPLUS			
Securities Premium at the beginning of the year	964.86	964.86	1,267.79
Less : Issue Expenses Pertaining to IPO	-	-	65.62
Less : FCCB Issue Expenses	-	-	58.24
Less : Drawal as per proposed Scheme of Merger	-	-	179.07
Securities Premium at the end of the year	964.86	964.86	964.86
General Reserve at the beginning of the year	13.40	13.40	-
Add : Transferred during the year	-	-	13.40
General Reserve at the end of the year	13.40	13.40	13.40
Business Restructuring Reserve at the beginning of the year	-	-	-
Add : Pursuant to Merger	-	-	70.93
Add : Transfer from Share Premium pursuant to Scheme of Merger	-	-	179.07
Less : Drawal as per proposed Scheme of Merger	-	-	250.00
Business Restructuring Reserve at the end of the year	-	-	-
Profit and Loss Account	1,012.69	885.43	751.96
	1,990.95	1,863.69	1,730.22
Schedule 3			
SECURED LOANS			
Loans from Banks (Refer Note 3 to Schedule 17 for FY 09-10 and Refer Note 3 to Schedule 17 for FY 08-09)			
Term Loans	620.90	357.05	129.90
(Amount repayable within one year Rs. 214.09 Million (2009 - Rs.84.66 Million : 2008 - Rs. 12.69 Million)			
Buyers Credit	443.31	745.45	601.36

SCHEDULES FORMING PART OF REFORMATTED BALANCE SHEET AS AT

(INR In Million)

Particulars	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
<i>(Amount repayable within one year Rs.264.74 Million (2009 - Rs.257.55 Million : 2008 - Rs. 274.85 Million)</i>			
Cash Credit/Over Draft	191.26	477.49	66.97
Short Term Demand Loan	250.00	25.00	380.00
Loans from Others			
Vehicle Finance	13.24	17.95	11.89
<i>(Amount repayable within one year Rs. 4.73 Million (2009 - Rs.5.83 Million : 2008 - Rs.3.88 Million)</i>			
	1,518.71	1,622.94	1,190.12
Schedule 4			
UNSECURED LOANS			
Zero Coupon Foreign Currency Convertible Bonds (Refer Note 18 to Schedule 17 for FY 09-10 and Refer Note 18 to Schedule 17 for FY 08-09)	2,162.70	2,162.70	2,162.70
550 (Previous year 550) Bonds @ USD 0.10 Million each aggregating to USD 55.00 Million (2009 - USD 55.00 Million : 2008 - USD 55.00 Million)			
	2,162.70	2,162.70	2,162.70
Schedule 5			
DEFERRED TAX LIABILITY			
Difference in depreciation and other differences in block of assets as per tax books and financial books	177.00	178.28	138.22
Gross Deferred Tax Liability	177.00	178.28	138.22
DEFERRED TAX ASSET			
Unabsorbed Depreciation	-	5.26	16.47
Provision for Doubtful Debts	10.54	-	-
Differences due to accelerated amortisation of intangibles under Income Tax Act	0.14	0.19	0.25
Difference on Derivative Losses	-	7.32	-
Share Issue Expenses	1.80	3.60	14.87
Gross Deferred Tax Asset	12.48	16.37	31.59
Net Deferred Tax Liability	164.52	161.91	106.63

SCHEDULES FORMING PART OF REFORMATTED BALANCE SHEET AS AT

Schedule 6

FIXED ASSETS

(INR In Million)

	Description of asset	Gross Block				Depreciation					Net Block	Net Block
		As on 01.04.2009	Additions	Deductions	As on 31.03.2010	As on 01.04.2009	Adjustments	Deductions	For the Year	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
(A)	TANGIBLE ASSETS											
	Building	68.23	-	-	68.23	4.48	-	-	1.11	5.59	62.64	63.75
	Plant & Machinery	1,940.19	32.10	76.88	1,895.41	539.98	-	-	173.48	713.46	1,181.95	1,400.21
	Furniture & Fixtures	87.79	0.33	-	88.12	18.51	-	-	8.49	27.00	61.12	69.29
	Office Equipments	17.69	5.01	0.01	22.69	6.20	-	-	2.84	9.04	13.65	11.49
	Vehicles	35.43	1.30	-	36.73	5.38	-	-	3.44	8.82	27.91	30.05
	Total (A)	2,149.33	38.74	76.89	2,111.18	574.55	-	-	189.36	763.91	1,347.27	1,574.78
(B)	INTANGIBLE ASSETS											
	Goodwill	5.32	-	-	5.32	5.32	-	-	-	5.32	-	-
	Rights	30.00	-	-	30.00	-	-	-	-	-	30.00	30.00
	Software	17.25	19.84	-	37.09	3.14	-	-	4.14	7.28	29.81	14.11
	Total (B)	52.57	19.84	-	72.41	8.46	-	-	4.14	12.60	59.81	44.11
	Total (A + B)	2,201.90	58.58	76.90	2,183.59	583.01	-	-	193.50	776.51	1,407.08	1,618.89
	Previous year	1,654.77	603.03	55.90	2,201.90	403.09	-	2.08	182.00	583.01	1,618.89	-
	Capital Work In Progress *	-	-	-	-	-	-	-	-	-	600.70	444.26

(INR In Million)

	Description of asset	Gross Block				Depreciation					Net Block	Net Block
		As on 01.04.2008	Additions	Deductions	As on 31.03.2009	As on 01.04.2008	Adjustment s	Deductions	For the Year	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
(A)	TANGIBLE ASSETS											
	Building	68.23	-	-	68.23	3.37	-	-	1.11	4.48	63.75	64.86
	Plant & Machinery	1,428.55	563.84	52.20	1,940.19	375.72	-	1.03	165.29	539.98	1,400.21	1,052.82
	Furniture & Fixtures	70.25	17.54	-	87.79	10.57	-	-	7.95	18.52	69.27	59.69
	Office Equipments	12.90	4.79	-	17.69	3.97	-	-	2.23	6.20	11.49	8.93
	Vehicles	23.97	15.16	3.70	35.43	3.77	-	1.05	2.66	5.38	30.05	20.20
	Total (A)	1,603.90	601.33	55.90	2,149.33	397.40	-	2.08	179.24	574.56	1,574.77	1,206.50
(B)	INTANGIBLE ASSETS											
	Goodwill	5.32	-	-	5.32	5.32	-	-	-	5.32	-	-
	Rights	30.00	-	-	30.00	-	-	-	-	-	30.00	30.00
	Software	15.55	1.70	-	17.25	0.38	-	-	2.76	3.14	14.11	15.18
	Total (B)	50.87	1.70	-	52.57	5.70	-	-	2.76	8.46	44.11	45.18
	Total (A + B)	1,654.77	603.03	55.90	2,201.90	403.10	-	2.08	182.00	583.02	1,618.88	1,251.68
	Previous year	922.89	746.90	15.02	1,654.77	244.73	26.08	2.06	134.34	403.09	1,251.68	0.00
	Capital Work In Progress *	-	-	-	-	-	-	-	-	-	444.27	550.44

(INR In Million)

	Description of asset	Gross Block				Depreciation					Net Block	Net Block
		As on 01.04.2007	Additions	Deductions	As on 31.03.2008	As on 01.04.2007	Adjustment s	Deductions	For the Year	As on 31.03.200 8	As on 31.03.2008	As on 31.03.2007
(A)	TANGIBLE ASSETS											
	Building	68.05	0.18	-	68.23	6.57	(4.31)	-	1.11	3.37	64.86	61.48
	Plant & Machinery	782.47	646.08	-	1,428.55	213.88	37.67	-	124.18	375.73	1,052.82	568.60
	Furniture & Fixtures	35.83	34.43	-	70.26	8.14	(1.78)	-	4.20	10.56	59.70	27.69
	Office Equipments	7.45	5.45	-	12.90	1.96	0.68	-	1.33	3.97	8.93	5.50
	Vehicles	23.76	15.22	15.02	23.96	9.98	(6.17)	2.06	2.03	3.77	20.19	13.78
	Total (A)	917.57	701.35	15.02	1,603.90	240.52	26.09	2.06	132.85	397.40	1,206.50	677.04
(B)	INTANGIBLE ASSETS											
	Goodwill	5.32	-	-	5.32	4.20	-	-	1.12	5.32	-	1.12
	Rights	-	30.00	-	30.00	-	-	-	-	-	30.00	-
	Software	-	15.55	-	15.55	-	-	-	0.37	0.37	15.18	-
	Total (B)	5.32	45.55	-	50.87	4.20	-	-	1.49	5.69	45.18	1.12
	Total (A + B)	922.89	746.90	15.02	1,654.77	244.72	26.09	2.06	134.34	403.09	1,251.68	678.16
	Previous year	705.95	242.18	25.24	922.89	172.09	-	4.81	77.45	244.73	678.16	0.00
	Capital Work In Progress *	-	-	-	-	-	-	-	-	-	550.44	292.24

* Note: Borrowing Cost included in Capital Work In Progress - Rs.93.76 Million (2009 - Rs. 48.84 Million: 2008 - Rs. 12.42 Million)

SCHEDULES FORMING PART OF REFORMATTED BALANCE SHEET AS AT

(INR In Million)

	For The Year Ended		
Particulars	31.03.2010	31.03.2009	31.03.2008
Schedule 7			
INVESTMENTS			
Long Term Investments (At Cost)			
Trade			
In Subsidiary Companies			
Quoted, fully paid up			
Prime Focus London Plc, UK	610.70	610.70	515.40
19,567,003 (2009 - 19,567,003 : 2008 - 17,041,751) equity shares of 5 pence each <i>Market Value Rs. 150.35 Million (2009 - Rs. 99.66 Million : 2008 - Rs.549.36 Million)</i>			
Unquoted, fully paid up			
Prime Focus Technologies Pvt. Ltd.	0.05	0.05	0.05
5,100 (2009 - 5,100 : 2008 - 5,100) equity shares of Rs.10/- each			
Flow Post Solutions Pvt. Ltd.	0.05	0.05	0.05
5,100 (2009 - 5,100 : 2008 - 5,100) equity shares of Rs.10/- each			
Prime Focus Investment Ltd., UK	1,690.35	1,690.35	0.00 *
21,748,973 (2009 - 21,748,973) equity share of 1/- pound each (2008 - 1 share of 1 pence each)			
Prime Focus Motion Pictures Ltd.	0.50	0.50	-
50,000 (2009 - 50,000 : 2008 - Nil) equity shares of Rs.10/- each			
GVS Software Pvt. Ltd.	0.10	0.10	-
10,000 (2009 - 10,000 : 2008 - Nil) equity shares of Rs.10/- each			
Other than trade			
Unquoted - fully paid up			
The Shamrao Vithal Co-operative Bank Ltd.	0.10	0.10	0.10
4,000 (2009 - 4,000 : 2008 - 4,000) shares of Rs 25/- each			
Mainframe Premises Co-Operative Society Ltd.	0.00*	-	-
Current Investments (at lower of cost and market value)			
Other than Trade Quoted			
Cinemax India Ltd.	0.42	0.42	0.97
9,172 (2009 - 9,172 : 2008 - 9,172) equity shares of Rs.10/- each <i>Market Value Rs. 0.58 Million (2009 - Rs. 0.41 Million : 2008 - Rs. 0.97 Million)</i>			
Other than Trade Unquoted units of Mutual Fund			
ICICI Prudential FMP Series 34 - Fifteen Months Plan	-	-	30.00
Nil (2009 - 3,000,000 : 2008 - 3,000,000) Units of Rs. 10 each			
Other Investments			
DSP Merrill Lynch - Principal Protected Debenture	-	5.00	5.00
Nil (2009 - 5 : 2008 - 5) Units of Rs. 1 Million each			
	2,302.27	2,307.27	551.57
Aggregate amount of quoted Investments	611.12	611.12	516.37

SCHEDULES FORMING PART OF REFORMATTED BALANCE SHEET AS AT

(INR In Million)

Particulars	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
<i>Market Value Rs. 150.93 Million (2009 - Rs.100.07 Million : 2008 - Rs.550.29 Million)</i>			
Aggregate amount of unquoted Investments	1,691.15	1,696.15	35.20
Investments purchased and redeemed during the year: (Refer Note 5 to Schedule 17 for FY 09-10 and Refer Note 5 to Schedule 17 for FY 08-09)			
Schedule 8			
SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Unsecured, considered good	188.87	179.06	159.12
Unsecured, considered doubtful (Net of Service Tax)	31.00	-	-
Other debts			
Unsecured, considered good	568.61	345.21	377.69
	788.48	524.27	536.81
Less Provision for Doubtful Debts (Net of Service Tax)	31.00	-	-
	757.48	524.27	536.81

Included in Sundry Debtors are :

i. Service Tax amount of Rs. 79.78 Million (2009 - Rs.68.47 Million : 2008 - Rs.59.51 Million), which is payable upon collection

ii. Amount receivable from subsidiaries Rs. 131.81 Million (2009 - Rs. 12.36 Million : 2008 - Rs. 24.45 Million)

Schedule 9

CASH AND BANK BALANCES

Cash on hand	0.27	0.29	1.20
Balances with Scheduled banks			
In Current Accounts	33.21	234.94	47.59
In Fixed Deposit Accounts	118.32	235.57	168.73
(Refer Note below)			
	151.80	470.80	217.52

Note :

i. As margin for Letter of Credit / Buyers Credit - Rs. 42.83 Million (2009 - Rs. 192.29 Million : 2008 - Rs.137.18 Million)

ii. Lien on Fixed Deposit against Bank Guarantee availed -Rs. 33.37 Million (2009 - Rs. 36.51 Million : 2008 - Rs.28.72 Million)

iii. As margin for Term Loan - Rs.37.50 Million (2009 - Rs. Nil : 2008 - Rs. Nil)

iv. Accrued interest on Fixed Deposits - Rs. 1.03 Million (2009 - Rs.3.71 Million : 2008 - Rs.2.83 Million)

Schedule 10

LOANS AND ADVANCES

Unsecured - Considered Good

Advances recoverable in Cash or in Kind or for value to be received	158.24	145.68	226.88
Deposits	54.85	55.43	39.86
Inter Company Deposits	94.93	90.42	80.96
Share Application (Pending Allotment) (Refer Note 8 to Schedule 17 for FY 09-10)	361.57	-	1,768.69

SCHEDULES FORMING PART OF REFORMATTED BALANCE SHEET AS AT
(INR in Million)

Particulars	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Loans to subsidiary (Refer Note 8 to Schedule 17 for FY 09-10 and Refer Note 10 to Schedule 17 for FY 08-09)	-	241.87	243.70
Advances to subsidiaries (Refer Note 8 to Schedule 17 for FY 09-10 and Refer Note 10 to Schedule 17 for FY 08-09)	69.58	40.92	10.31
MAT Credit Entitlement	-	24.99	3.60
Advance Payment of Taxes	149.82	149.67	90.03
<i>(Net of Provision for Tax - Rs. 90.01 Million (2009 - Rs. 169.83 Million : 2008 - Rs. 148.45 Million)</i>			
	888.99	748.98	2,464.03

Schedule 11
CURRENT LIABILITIES
Sundry creditors

Total Outstanding dues to Micro and Small Enterprises (Refer Note 4 to Schedule 17 for FY 09-10 and Refer Note 4 to Schedule 17 for FY 08-09)

	-	-	-
Dues of creditors other than Micro and Small Enterprises	94.34	63.22	145.51
Other Liabilities	83.60	72.85	66.62
Bank Book Overdraft	2.89	0.98	-
Deferred Revenue Income	-	11.31	-
Interest Accrued but not due	8.75	10.70	5.40
Advances from Customers	14.31	14.71	15.89
Unclaimed Dividend *	0.01	0.01	0.02
	203.90	173.78	233.44

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

Schedule 12
PROVISIONS

Provision for Gratuity (Refer Note 14(a) to Schedule 17 for FY 09-10 and Refer Note 14(a) to Schedule 17 for FY 08-09)

	1.50	1.22	-
	1.50	1.22	-
Provision for Undertaking			
Beginning of the year	-	20.71	-
Add : Provision for the year	-	-	20.71
Less : Settled during the year	-	20.71	-
End of the year	-	-	20.71
	1.50	1.22	20.71

Schedule 13
MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary expenses

As per last balance sheet	-	-	87.01
Add: incurred during the year	-	-	-
	-	-	87.01

Less: Share issue expenses adjusted against Securities

Premium	-	-	65.62
Less: Other Adjustments	-	-	12.15
Less: Amortised / Written off during the year	-	-	9.24
	-	-	-

SCHEDULES FORMING PART OF REFORMATTED PROFIT AND LOSS ACCOUNT

(INR In Million)

Particulars	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Schedule 14			
OTHER INCOME			
Dividend			
Long Term Investments - Non Trade	0.03	0.03	0.01
Current Investments	-	-	2.00
Interest Income			
Bank Deposits			
(TDS :- 2010 - Rs.2.03 Million : 2009 - Rs.2.86 Million : 2008 - Rs.1.95 Million)	12.51	20.48	21.92
Others			
(TDS :- 2010 - Rs. Nil : 2009 - Rs. Nil : 2008 - Rs. Nil)	18.16	23.68	7.72
Profit / (Loss) on Sale of Investment	2.03	3.40	-
Exchange Gain (net) (Refer Note 5 to Schedule 17 for FY 08-09)	-	49.68	8.63
Undertaking Fee (Refer Note 6 to Schedule 17 for FY 09-10 and Refer Note 8 to Schedule 17 for FY 08-09)	11.31	8.57	18.54
Excess Provision Write Back	1.93	1.30	-
Insurance Claim Received	-	6.37	-
Miscellaneous Income (Refer Note 19 to Schedule 17 for FY 09-10 and Refer Note 19 to Schedule 17 for FY 08-09)	4.46	3.97	16.75
	50.43	117.48	75.57

Schedule 15

OPERATING AND OTHER EXPENSES

Personnel Expenses			
Salaries, Staff Remuneration and Bonus	80.51	80.57	59.41
Contribution to Provident and Other Fund (Refer Note14(b) to Schedule 17 for FY 09-10 and Refer Note 14(b) to Schedule 17 for FY 08-09)	2.04	1.93	1.15
Gratuity (Refer Note14(a) to Schedule 17 for FY 09-10 and Refer Note 14(a) to Schedule 17 for FY 08-09)	0.27	1.22	-
Staff Welfare	1.93	5.00	7.08
Technician Fees	175.53	189.17	166.39
Technical Services Payments	6.46	12.90	32.08
Communication Cost	7.85	11.28	9.41
Consumables Stores	19.32	19.39	19.97
Director's Sitting Fees	0.18	0.32	0.22
Electricity Charges	23.81	29.02	19.31
Insurance Cost	6.73	6.27	5.38
Legal and Professional Fees	7.27	17.24	7.89
Loss on sale of Assets (net)	0.01	1.56	-
Rates and Taxes	1.15	5.21	1.29
Rebates and Discount	24.67	8.96	10.12
Rent	31.38	32.09	18.04
Traveling and Conveyance	11.83	11.86	21.37
Miscellaneous Expenses	19.24	15.02	18.97

SCHEDULES FORMING PART OF REFORMATTED PROFIT AND LOSS ACCOUNT

(INR In Million)

Particulars	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Repairs & Maintenance			
Repairs and Maintenance-Equipment	13.48	9.96	6.23
Repairs and Maintenance-Studio/Office Premises	4.51	4.23	3.96
Bad Debts Written Off	1.70	49.87	-
Provision for Doubtful Debts	31.00	-	-
Exchange Loss (net)	21.29	-	-
Auditor's Remuneration			
As Auditor			
Audit Fees	2.00	1.50	0.07
In Other Matters	0.74	0.51	0.24
	494.90	515.08	408.58
Schedule 16			
FINANCIAL EXPENSES			
Interest on Working Capital Finance	55.70	51.12	4.90
Interest on Term Loan	18.71	20.94	25.94
Interest on Buyer's Credit	36.37	62.00	29.29
Interest on Others	1.85	2.71	6.43
Bank Charges	10.92	4.16	6.18
	123.55	140.93	72.74

Schedule forming part of Reformatted Financial Statement for the Financial Year 2009-10
Schedule 17 - Notes to Accounts

1. Nature of Operations:

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

2. Statement of Significant Accounting Policies:

a. Basis of Preparation

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

b. Use of Estimates

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

c. Fixed Assets

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

d. Depreciation

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

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

e. Intangible Assets

Film Rights

The Company amortizes film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortized for each film in the ratio that current period revenue for such

films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortization and/or a write down of the intangible asset to fair value.

Software

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

f. Impairment

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

g. Leases

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

h. Investments

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

i. Revenue Recognition

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

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

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

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

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

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

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

j. **Foreign Currency Transactions**

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011

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

k. **Income Taxes**

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

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

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

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or

virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

l. Segment Reporting

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

m. Earnings Per Share

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

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

n. Provisions

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

o. Cash & Cash Equivalents

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

p. Derivative Instruments

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

q. Retirement and other Employee Benefits

Post employment benefits and other long term benefits:

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

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

3. Detail of charges provided for Secured Loans:

Nature	Value	Security
Term Loan	Rs. 105.43 Million	i. Subservient Charge on the movable Fixed Assets and Receivables of the Company ii. Personal Guarantee of the Promoter Director. iii. Pledge of Shares by Promoters iv. Escrow of rent payment receivable by Promoters.
Term Loan	Rs. 179.71 Million	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.
Term Loan	Rs.327.77 Million	i. First Charge against the Property Financed & Project Assets. ii. Personal Guarantees of the Promoter Director.
Term Loan	Rs.8.00 Million	i. First Charge against the equipment financed.
Buyers Credit	Rs. 443.31 Million	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.

Nature	Value	Security
Cash Credit / Over Draft	Rs. 173.57 Million	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	Rs. 17.69 Million	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Short Term Demand Loan	Rs. 250.00 Million	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Vehicle Loan	Rs.13.24 Million	i. First Charge on the Vehicles Financed

4. The Company does not have suppliers who are registered as micro, small or medium enterprise under the

Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2010. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

5. Investments purchased and sold during the year:

(INR in Million)

Particulars	Face Value	As at March 31, 2009	Purchased During the Year	Redeemed During the Year	As at March 31, 2010
Other than Trade Quoted units of Debentures - Units					
DSP Merrill Lynch - Principal Protected Debenture	Rs. 10/-	5.00	-	5.00	-
Other than Trade Unquoted units					
Mainframe Premises Co-Operative Society Ltd. - Equity Shares		-	0.00	-	0.00

6. During the FY 2008-09 the Company was allotted 505,050 ordinary shares of 5 pence each in Prime Focus London Plc, a subsidiary of the Company, as fully paid up for consideration other than cash for providing an undertaking on certain future obligations, to the vendors under the Share Purchase Agreement entered by Prime Focus London Plc. to acquire Machine Effects Limited.

The outcome of these obligations is dependent on uncertain future events for which no reliable estimate can be made. Hence no provision is considered necessary (Refer Note 13 (ii) of Schedule 16).

Subsequent to year end, the parties to whom the undertaking was provided have asked the Company to confirm that it will honor the guarantee provided by the Company. The Company has filed a suit in Mumbai High Court alleging that the terms of the undertaking are not tenable and hence no liability is expected to crystallise on the Company.

7. Segment Information

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

Geographical Segment

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

Income from Operations by Geographical Area

(INR in Million)

	2010	2009
India	807.38	871.35
United Kingdom	23.90	3.10
U.S.	116.72	3.79
Canada	3.91	26.89
Other Countries	0.82	5.83
	952.73	910.96

Segment Assets by Geographical Area and additions to Segment Assets

(INR in

Million)

	Segments Assets		Additions to Fixed Assets and intangibles	
	2010	2009	2010	2009
India	3,140.02	3,147.57	58.58	603.03
United Kingdom	36.41	180.34	Nil	Nil
U.S.	106.23	2.79	Nil	Nil
Canada	0.45	6.53	Nil	Nil
Other Countries	4.17	5.62	Nil	Nil
	3,287.28	3,342.85	58.58	603.03

8. Related party disclosures:

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

i) Subsidiary Companies

Prime Focus London Plc.
Prime Focus Technologies Private Limited
Flow Post Solutions Private Limited
Prime Focus Investments Limited
GVS Software Private Limited
Prime Focus Motion Pictures Limited

ii) Step-down Subsidiaries

Subsidiary of Prime Focus Investments Limited

Prime Focus North America, Inc (Formerly known as Post Logic Studios, Inc)
1800 Vine Street LLC (Subsidiary of Prime Focus North America, Inc)
Prime Focus VFX Services I Inc
Prime Focus VFX Services II Inc
Prime Focus VFX Technology Inc
Prime Focus VFX Pacific Inc
Prime Focus VFX USA Inc
Prime Focus VFX Australia Pty Limited

Subsidiary of Prime Focus London Plc.

Prime Focus Visual Entertainment Services Limited (Formerly known as Blue Post Production Limited)
The Machine Room Limited (Liquidated during the year)
VTR Media Investments Limited
Machine Effects Limited
PF (Post Production) Limited (Liquidated during the year)
37 Dean Street Limited
Amazing Spectacles Limited (Formerly The Hive Animation Limited (Subsidiary of VTR Media Investments Limited)
Clipstream Limited (Subsidiary of VTR Media Investments Limited)
K Post Limited (Subsidiary of VTR Media Investments Limited) (Liquidated during the year)
United Sound & Vision Limited (Subsidiary of VTR Media Investments Limited)

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

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman

Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Ms. Neha Malhotra

Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

c. Particulars of Related Party Transactions

(INR in Million)

S.No		2010	2009
1	Key Management Personnel*		
A	Remuneration		
	Namit Malhotra	3.00	3.00
	Naresh Malhotra	3.00	3.00
		6.00	6.00
B	Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	0.17	0.24
	Naresh Malhotra	0.17	0.24
		0.34	0.48
2	Relatives of Key management Personnel		
	Professional Fees		
	Neha Malhotra	Nil	0.45
	Premnath Malhotra	0.14	0.22
		0.14	0.67
3	Step-down Subsidiaries #		
A	Revenue		
	i) Prime Focus North America, Inc	116.72	3.79
	ii) Prime Focus VFX Services II, Inc	3.91	26.89
B	Technical Service payments		
	i) Prime Focus VFX Services II, Inc	Nil	1.09
C	Interest on loans		
	i) Prime Focus North America, Inc	Nil	10.87
D	Loans and Advances - Given		
	i) Prime Focus North America, Inc	2.51	17.46
	ii) Prime Focus VFX Service II, Inc	12.22	Nil
E	Loans and Advances - Repaid		
	i) Prime Focus North America, Inc	Nil	(153.73)
	ii) Prime Focus VFX Service II, Inc	(1.65)	Nil
F	Balance outstanding at the year end		
	i) Debtors		
	1. Prime Focus VFX Services II	0.45	6.53

S.No		2010	2009
	2. Prime Focus North America, Inc	106.23	3.79
	ii) Advances to subsidiary		
	1. Prime Focus North America, Inc	1.24	(1.27)
	2. Prime Focus VFX Services II	11.01	0.73
4	Subsidiaries		
A	Revenue		
	i) Prime Focus London Plc	22.97	3.10
	ii) Prime Focus Technologies Private Limited	0.09	0.04
B	Technical Service Payments		
	i) Prime Focus London Plc	Nil	4.48
C	Investment in Equity Shares <i>(including shares received for consideration other than cash)</i>		
	i) Prime Focus London Plc	Nil	95.30
	ii) Prime Focus Investments Limited	Nil	1,690.35
	iii) Prime Focus Motion Pictures Limited	Nil	0.50
	iv) GVS Software Private Limited	Nil	0.10
D	Share Application		
	i) Prime Focus London Plc	234.04	Nil
	ii) Prime Focus Investment Limited	127.53	Nil
E	Loans and Advances - Given		
	i) Prime Focus London Plc	19.19	246.96
	ii) Prime Focus Technologies Private Limited	35.25	33.60
F	Loans and Advances - Repaid		
	i) Prime Focus London Plc	Nil	261.16
	ii) Prime Focus Technologies Private Limited	7.60	Nil
G	Interest on loans to Subsidiary		
	i) Prime Focus London Plc	Nil	7.89
	ii) Prime Focus Technologies Private Limited	5.34	1.18
H	Balance outstanding at the year end		
	i) Debtors		
	1. Prime Focus London Plc.	25.01	5.83
	2. Prime Focus Technologies Private Limited	0.12	Nil
	ii) Advances to subsidiary		
	1. Prime Focus London Plc.	11.00	2.30
	2. Flow Post Solutions Private Limited	0.00	0.00
	3. Prime Focus Motion Pictures Limited	0.58	0.58
	4. Prime Focus Technologies Private Limited	45.73	34.78
	iii) Loans to subsidiary		
	1. Prime Focus London Plc.	Nil	241.87
	iv) Share application money		
	1. Prime Focus Investment Limited	127.53	Nil
	2. Prime Focus London Plc.	234.04	Nil
5	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
A	Rent		
	i) Blooming Bud Coaching Private Limited	24.00	21.25
B	Deposits given		
	i) Blooming Bud Coaching Private Limited	Nil	13.20
C	Balance outstanding at the year end – Deposits		
	i) Blooming Bud Coaching Private Limited	48.00	48.00

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

Company has given guarantee for lease taken by Step down Subsidiaries (Prime Focus North America Inc.) (Refer note 13 (v) of Schedule 16)

9. Leases:

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

	<i>(INR in Million)</i>	
	2010	2009
Lease Payments due within one year	2.50	11.22
Lease Payments due later than one but not later than five years	6.15	7.50
Lease Payments due later than five years	Nil	1.15

- b) The Company has taken certain premises on cancellable operating lease basis. The tenure of the lease ranges from 11 to 180 months
- c) Amount of lease rental charged to the Profit and loss account in respect of operating leases is Rs. 31.38 Million (previous year Rs.32.09 Million)

10. Earnings per Share (EPS):

	<i>(INR in Million)</i>	
	2010	2009
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	127.27	133.47
Weighted average number of equity shares in calculating basic EPS	12,822,588	12,739,300
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	1,952,760	1,562,205
Weighted average number of equity shares in calculating diluted EPS	14,775,348	14,301,505
Basic EPS	9.93	10.48
Diluted EPS	8.85	9.33

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

12. Capital Commitment

	<i>(INR in Million)</i>	
	2010	2009
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	52.94	16.15

13. Contingent Liabilities not provided for:

	<i>(INR in Million)</i>	
	2010	2009
i. On account of undertakings given by the Company in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Company is confident of meeting its future obligations on such undertakings in the normal course of business.	748.59	797.03

ii. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made. (Refer Note No. 6 of schedule 16)	61.08	69.36
iii. Matters pending with Tax Authorities (Block Assessment). Company has been advised that it has a valid case based on similar decided matters.	0.11	1.05
iv. Matters pending with Tax Authorities towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals) and has made full payment of demand under protest.	5.27	Nil
v . Guarantee for Lease taken by step-down subsidiary	44.98 (USD 1 Million)	50.64 (USD 1 Million)
vi. Premium on conversion of FCCB (Refer Note No. 18 (c))	420.38	269.14

14. Gratuity and other post-employment benefit plans:

a. Define benefit plans:

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

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	(INR in Million)	
	March 31, 2010 Amount	March 31, 2009 Amount
Current service cost	0.74	0.55
Interest cost on benefit obligation	0.09	0.07
Expected return on plan assets	-	-
Net actuarial(gain) / loss recognised in the year	(0.54)	0.22
Past service cost	-	0.38
Net benefit expense	0.29	1.22
Actual return on plan assets	Not Applicable	Not Applicable

Balance sheet**(INR in Million)**

Details of Provision for gratuity	March 31, 2010 Amount	March 31, 2009 Amount
Defined benefit obligation	1.50	1.22
Fair value of plan assets..	-	-
Amount recognised in the balance sheet	1.50	1.22

Changes in the present value of the defined benefit obligation are as follows:**(INR in Million)**

Particulars	March 31, 2010 Amount	March 31, 2009 Amount
Opening defined benefit obligation	1.22	0.38
Interest cost	0.09	0.07
Current service cost	0.74	0.55
Benefits paid	-	-
Actuarial (gains) / losses on obligation	(0.54)	0.22
Closing defined benefit obligation	1.50	1.22

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

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

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

	March 31, 2010	March 31, 2009
	%	%
Discount rate	7.75%	7.75%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2 %	2 %

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

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

Particulars	March 31, 2010 Amount	March 31, 2009 Amount
Defined benefit obligation	1.50	1.22
Plan assets	-	-
Surplus / (deficit)	(1.50)	(1.22)
Experience adjustment on plan liabilities (gain) / loss	(0.32)	-
Experience adjustment on plan assets	-	-

b. Defined Contribution Plan:

Amount recognized as an expense and included in Schedule – 14 as Contribution to Provident and Other Fund Rs. 2.04 Million (*Previous Year – 1.93 Million*).

15. Directors remuneration:

(INR in Million)

	March 31, 2010	March 31, 2009
Salaries	6.00	6.00
Perquisites	Nil	Nil
Contribution to Provident Fund	Nil	Nil
TOTAL	6.00	6.00

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

(INR in Million)

	March 31, 2010	March 31, 2009
Profit as per Profit and Loss Account	127.27	133.47
<i>Add:</i>		
Directors' Remuneration	6.00	6.00
(Loss)/Profit on sale of Fixed Assets as per Section 349 of the Companies Act, 1956	(0.01)	(1.56)
Net Profit as per Section 349 of the Companies Act, 1956	133.25	137.90
Maximum remuneration allowed to Managing and Whole time Directors at 10% of the net profits as calculated above	13.33	13.79
Remuneration Paid to Directors	6.00	6.00

16. Details of loans given to subsidiaries and associates and firms/companies in which directors are interested:

1. Prime Focus London Plc :
Balance as at March 31, 2010: Rs. Nil. (*Previous Year Rs. 241.87 Million*)
Maximum Amount outstanding during the year Rs. 241.87 Million (*Previous Year Rs. 251.32 Million*)
2. Prime Focus North America, Inc. :
Balance as at March 31, 2010: Rs. Nil (*Previous Year Rs. Nil*)
Maximum Amount outstanding during the year Rs. Nil (*Previous Year Rs. 150.54 Million*)
3. Prime Focus Technologies Private Limited :
Balance as at March 31, 2010: Rs. 41.62 Million (*Previous Year Rs. 33.60 Million*)
Maximum Amount outstanding during the year Rs. 45.26 Million (*Previous Year Rs. 35.68 Million*)

17. Derivative Instruments and Unhedged Foreign Currency Exposure:
(INR in Million)

	Value (March 31, 2010)	Value (March 31, 2009)	Purpose
Particulars of Derivatives			
Currency Swap			
USD – JPY	Nil	USD 1.53 Million (JPY 191.13 Million)	Hedge against exposure to foreign currency fluctuations.
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer's Credit (Liability)	439.77 (USD 9.78 Million @ Closing Rate of 1 USD = Rs. 44.98)	608.98 (USD 11.97 Million @ Closing Rate of 1 USD = Rs. 50.88)	For import of equipments
	3.54 Million (EUR 0.06 Million @ Closing Rate of 1 EUR = Rs.60.84)	38.44 Million (EUR 0.57 Million @ Closing Rate of 1 EUR = Rs.67.46)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162.70 (USD 55.00 Million)	2,162.70 (USD 55.00 Million)	For strategic acquisitions and / or strategic alliances outside of India
Sundry Debtors (Assets)	136.87 (USD 2.48 Million & GBP 0.37 Million)	20.78 (USD 0.41 Million)	Amount receivable for services rendered to Overseas Subsidiary and others
Loans and Advances (Assets)	Nil	234.05 (USD 4.60 Million)	Advances given to Overseas Subsidiary and others
Investment in Foreign Subsidiary – Prime Focus London (Assets)	610.70 (GBP 7.52 Million)	610.70 (GBP 7.52 Million)	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus Investment Limited (Assets)	1,690.35 (USD 43.00 Million)	1,690.35 (USD 43.00 Million)	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus London (Assets)	234.04 (USD 4.60 Million)	Nil	Share Application in Subsidiary
Investment in Foreign Subsidiary – Prime Focus Investment Limited (Assets)	127.53 (USD 2.75 Million)	Nil	Share Application in Subsidiary

18. Foreign Currency Convertible Bonds (FCCB):

- On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of USD 0.10 Million each, aggregating to USD 55.00 Million (equivalent – Rs. 2,162.70 Million). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.
- As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per USD subject to certain adjustments as per the terms of the issue. In terms of condition of issue, the conversion price has been reset to

Rs. 1,109 per equity share. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2010, no bonds have been converted into equity shares of Rs. 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of “Unsecured Loans”.

- c. The FCCB's as detailed above are compound instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to Rs. 420.38 Million (*Previous Year Rs. 269.14 Million*). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.
- d. The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/loss on translation of FCCB liability in the event of redemption have not been recognized.
- e. Had the Company revalued the bonds as at March 31, 2010 considering it as a long term monetary liability, the profit for the year ended March 31, 2010 would have been lower by Rs. 46.12 Million (*Previous Year: Rs. 208.36 Million*) . The reserves as on that date would have been lower by Rs. 265.06 Million (*Previous Year: Rs. 218.94 Million*) and foreign currency monetary item would have been Rs. 46.12 Million (*Previous Year: Rs. 416.72 Million*).

19. Miscellaneous Income:

As the Company is engaged in providing post production services, net income of Rs. 1.96 Million (*Previous Year Rs.0.95 Million*) from production of TV Programme (gross Rs. 27.10 Million (*Previous Year Rs. 11.55 Million*) less: direct cost of Rs. 25.14 Million (*Previous Year Rs. 10.60 Million*)) is disclosed under other income as Miscellaneous Income. The revenue of the Company for the year including revenue from TV production income is Rs. 979.82 Million (*Previous Year Rs. 922.50 Million*)

20. Investments include Rs. 610.70 Million (*Previous Year: Rs. 610.70 Million*) in Prime Focus London Plc, UK [‘PF UK’], a subsidiary company. The Company has also paid an amount of to Rs. 234.04 Million (*Previous Year Rs. Nil*) to PF UK for which shares are yet to be issued to the Company. PF UK has recorded profits in Mar 09 and Mar 10. The Market value of shares as on March 31, 2010 is Rs. 150.35 Million (*Previous Year: Rs. 99.66 Million*). These being long term and strategic investments and also in view of the projected profitable operations of these companies, the management is of the view that there is no diminution other than temporary in the value of these investments and the share application money.

21. Earnings in Foreign Currency – On receipt basis:

(INR in Million)

	2010	2009
Technical Service receipts	47.93	47.02
Interest Received	0.55	4.83
	48.48	51.86

22. Expenditure in Foreign Currency – On payment basis:

(INR in Million)

	2010	2009
a. On Interest & Finance Charges	30.56	13.98
b. On Other accounts	1.84	1.90

	32.40	15.89
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23. C I F Value of imports:

(INR in Million)

	2010	2009
Capital Goods	322.73	385.97

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

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

Schedule forming part of Reformatted Financial Statement for the Financial Year 2008-09
Schedule 17 - Notes to Accounts

1. Nature of Operations:

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

2. Statement of Significant Accounting Policies:

a. Basis of Preparation

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

b. Use of Estimates

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

c. Fixed Assets

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

d. Depreciation

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

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

e. **Impairment**

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

f. **Intangible Assets**

Film Rights

The Company amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. No amortization has been done in the current year as the rights are not exercisable in the current year.

g. **Leases**

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

h. **Investments**

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

i. **Revenue Recognition**

Technical services receipts

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

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

Interest

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

Dividends

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to

period on or before the date of balance sheet as per the requirement of Schedule VI of the Companies Act, 1956.

Fee for providing undertaking

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

j. Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011

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

k. Income Taxes

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

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

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

asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

l. Segment Reporting

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

m. Earnings Per Share

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

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

n. Provisions

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

o. Cash & Cash Equivalents

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

p. Derivative Instruments

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

q. Retirement and other Employee Benefits

i) Post employment benefits and other long term benefits:

Retirement benefits in the form of Provident Fund and Family Pension Fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the

respective funds are due. Liability in respect thereof is determined on the basis of contributions as required under the Statute / Rules. There are no other obligations other than the contribution payable to the respective trusts.

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

ii) Short term employee benefits:

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

3. Detail of charges provided for Secured Loans:

(INR in Million)

Nature	Value	Security
Term Loan	Rs. 357.05	i. First Charge against the Property Financed ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company iii. Personal Guarantee of the Promoter Director. iv. Pledge of Shares by Promoters
Buyers Credit	Rs. 745.45	i. Letter of Credit ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. iii. First Charge on the Fixed Assets of the Company, both present and future. iv. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	Rs. 477.49	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	Rs. 25.00	i. First Charge on Current Asset and Personal Guarantee of Director. ii. Post Dated Cheques of the Company
Vehicle Loan	Rs. 17.95	i. First Charge on the Vehicles Financed

4. The Company does not have suppliers who are registered as micro, small or medium enterprise under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2009. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

5. Changes in Accounting Policy:

During the previous year, the Company had adjusted Mark-to-Market losses on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956 as per legal advice received. Consequent to recent amendment to AS-11, the company has debited the foreign exchange fluctuation including Mark-to-Market loss on loans/liability on derivative contract aggregating to Rs. 45.17 Million as at March 31, 2008 to Profit and Loss Account.

6. Changes in Accounting Estimates:

During the year ended March 31, 2009, the company has changed the useful life of certain Plant & Machinery items prospectively from April 1, 2008. Consequent to such change, the unamortised depreciable amount will be charged over the revised remaining useful life of those assets. This change in estimate has resulted in profit after tax being higher by Rs. 29.05 Million.

7. Investments purchased and sold during the year:

Particulars	Face Value	As at March 31, 2008	Purchased During the Year	In Units	
				Redeemed During the Year	As at March 31, 2009
Other than Trade Unquoted units of Mutual Fund - Units					
ICICI Prudential FMP Series 34 - 15 Months Plan	Rs. 10	3,000,000	-	3,000,000	-
Long Term Investments (At Cost) - Other than Trade In Subsidiary Companies					
<u>Quoted, fully paid up</u> Prime Focus London Plc. – Equity Shares	5 pence	17,041,751	2,525,252	-	19,567,003
<u>Unquoted, fully paid up</u> Prime Focus Investment Limited – Equity Shares	1 Pound	1	21,748,972	-	21,748,973
Prime Focus Motion Pictures Limited – Equity Shares	Rs. 10	-	50,000	-	50,000
GVS Software Private Limited – Equity Shares	Rs. 10	-	10,000	-	10,000

8. During the year the Company was allotted 2,020,202 ordinary shares of 5 pence each in Prime Focus London Plc. a subsidiary of the Company, at a premium of 44.50 pence each, as fully paid up.

Also, the Company was allotted 505,050 ordinary shares of 5 pence each in Prime Focus London Plc. A subsidiary of the Company, as fully paid up for consideration other than cash for providing an undertaking on certain future obligations, to the vendors under the Share Purchase Agreement entered by Prime Focus London Plc. to acquire Machine Effects Limited.

The outcome of these obligations is dependent on uncertain future events for which no reliable estimate can be made. Hence no provision is considered necessary (Refer Note No. 13 (iv)).

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

Geographical Segment

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

Income from Operations by Geographical Area

(INR in Million)

	2009	2008
India	871.35	774.48

United Kingdom	3.10	82.73
U.S.	3.79	Nil
Canada	26.89	Nil
Other Countries	5.83	Nil
	910.96	857.21

Segment Assets by Geographical Area and additions to Segment Assets

(INR in Million)

	Segments Assets		Additions to Fixed Assets and intangibles	
	2009	2008	2009	2008
India	3,147.57	2,907.75	603.03	746.90
United Kingdom	180.34	24.45	Nil	Nil
U.S.	2.79	Nil	Nil	Nil
Canada	6.53	Nil	Nil	Nil
Other Countries	5.62	Nil	Nil	Nil
	3,342.85	2,932.20	603.03	746.90

10. Related party disclosures:

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

i) Subsidiary Companies

Prime Focus London Plc (formerly known as VTR Plc.)
Prime Focus Technologies Private Limited
Flow Post Solutions Private Limited
Prime Focus Investments Limited
GVS Software Private Limited
Prime Focus Motion Pictures Limited

ii) Step-down Subsidiaries

Post Logic Studios, Inc
1800 Vine Street LLC
Prime Focus VFX Services I Inc
Prime Focus VFX Services II Inc
Prime Focus VFX Technology Inc
Prime Focus VFX Pacific Inc
Prime Focus VFX USA Inc
Prime Focus VFX Australia Pty Limited
Blue Post Production Limited
The Machine Room Limited
VTR Media Investments Limited
The Hive Animation Limited
Clipstream Limited
K Post Limited
United Sound & Vision Limited
Machine Effects Limited
PF (Post Production) Limited

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

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman
Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Ms. Neha Malhotra
Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

c. Particulars of Related Party Transactions

(INR in Million)

S.No		2009	2008
1	Key Management Personnel		
a	Remuneration		
	Namit Malhotra	3.00	3.00
	Naresh Malhotra	3.00	3.00
		6.00	6.00
b	Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	0.24	Nil
	Naresh Malhotra	0.24	Nil
		0.48	Nil

S.No		2009	2008
2	Relatives of Key management Personnel		
	Professional Fees		
	Neha Malhotra	0.45	0.60
	Premnath Malhotra	0.22	0.24
		0.67	0.84
3	Step-down Subsidiaries		
a	Revenue		
	i) Post Logic Studios, Inc	3.79	Nil
	ii) Prime Focus VFX Services II	26.89	Nil
b	Technical Service payments		
	i) Prime Focus VFX Services II	1.09	Nil
c	Interest on loans		
	i) Post Logic Studios, Inc.	10.87	Nil
d	Loans and Advances - Given		
	i) Post Logic Studios, Inc.	17.46	Nil
e	Loans and Advances - Repaid		
	i) Post Logic Studios, Inc.	(153.73)	Nil
f	Balance outstanding at the year end		
	i) Debtors		
	1. Prime Focus VFX Services II	6.53	Nil
	ii) Advances to subsidiary		
	1. Post Logic Studios, Inc	2.52	Nil
	2. Prime Focus VFX Services II	0.73	Nil
4	Subsidiaries		
a	Revenue		
	i) Prime Focus London Plc	3.10	82.73
		0.04	Nil

	ii) Prime Focus Technologies Private Limited		
b	Technical Service Payments i) Prime Focus London Plc	4.48	Nil
c	Investment in Equity Shares (including shares received for consideration other than cash) i) Prime Focus London Plc ii) Prime Focus Investments Limited iii) Prime Focus Motion Pictures Limited iv) GVS Software Private Limited v) Prime Focus Technologies Private Limited vi) Flow Post Solutions Private Limited	95.30 1,690.35 0.50 0.10 Nil Nil	99.01 Nil Nil Nil 0.05 0.05
d	Share Application i) Prime Focus London Plc ii) Prime Focus Investment Limited	Nil Nil	78.34 1,690.35
e	Loans and Advances - Given i) Prime Focus London Plc ii) Prime Focus Technologies Private Limited	246.96 33.60	743.73 Nil
f	Loans and Advances - Repaid i) Prime Focus London Plc	(261.16)	(505.42)
g	Interest on loans to Subsidiary i) Prime Focus London Plc ii) Prime Focus Technologies Private Limited	7.89 1.18	Nil Nil
S.No		2009	2008
h	Balance outstanding at the year end i) Debtors 1. Prime Focus London Plc. ii) Advances to subsidiary 1. Prime Focus London Plc. 2. Flow Post Solutions Private Limited 3. Prime Focus Motion Pictures Limited 4. Prime Focus Technologies Private Limited iii) Loans to subsidiary 1. Prime Focus London Plc. iv) Share application money 1. Prime Focus Investment Limited	5.83 2.30 0.00 0.58 33.60 241.87 Nil	24.45 10.31 0.00 Nil Nil Nil 1,690.35
5	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
a	Rent i) Blooming Bud Coaching Private Limited	21.25	19.05
b	Deposits given i) Blooming Bud Coaching Private Limited	13.20	Nil
c	Balance outstanding at the year end – Deposits i) Blooming Bud Coaching Private Limited	48.00	34.80

Step-down Subsidiaries liquidated during the year:

- i) Clear (Post Production) Limited
- ii) Outpost Post Production Limited

11. Leases:

Office premise is obtained on operating lease. The lease term is for 60 months and further renewable at the option of the Company. In case of Lease Agreement with Maharashtra Film Stage and Culture Development for 180 months, an escalation clause for increase in the lease amount in 4th, 6th and 11th year of Agreement by Rs. 0.50 Million, Rs. 0.50 Million and Rs. 0.60 Million per year respectively exists. There are no restrictions imposed by lease arrangements. There are no sub-leases.

	(INR in Million)	
	2009	2008
Total Lease Payments for the year	31.15	19.05
Lease Payments due within one year	34.76	24.00
Lease Payments due later than one but not later than five years	75.42	60.00
Lease Payments due later than five years	46.52	Nil

12. Earnings per Share (EPS):

	(INR in Million)	
	2009	2008
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	133.47	266.45
Weighted average number of equity shares in calculating basic EPS	12,739,300	12,722,588
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	1,562,205	470,801
Add :Weighted average number of equity shares diluted on merger	Nil	24,658
Weighted average number of equity shares in calculating diluted EPS	14,301,505	13,218,047
Basic EPS (Rs)	10.48	20.94
Diluted EPS (Rs)	9.33	20.16

13. Contingent Liabilities not provided for:

	(INR in Million)	
	2009	2008
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	16.15	Nil
ii. On account of undertakings given by the Company in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Company is confident of meeting its future obligations on such undertakings in the normal course of business.	797.03	596.85
iii. Guarantees given by Banks on behalf of the Company.	36.34	28.79
iv. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made. (Refer Note No. 8)	69.36	Nil
v. On account of Unexpired Letters of Credit.	Nil	109.45
vi. Matters pending with Tax Authorities (TDS Scrutiny)	Nil	0.58
vii. Matters pending with Tax Authorities (Block Assessment). Company has been advised that it has a valid case based on similar decided matters.	1.05	37.56
viii. Matters pending with Customs Authorities for which appeal is pending with Appellate Tribunal. On the basis of legal advice obtained, the Company is confident that no provision is required in respect of this case at this point of time.	2.12	2.12
ix. Guarantee for Lease taken by step-down subsidiary	506.40 (USD 10 Million)	Nil
x. Premium on conversion of FCCB (Refer Note No. 18 (c))	269.14	49.45

xi. Compounding application pending with Reserve Bank of India (Refer Note No. 18 (e))
--

14. Gratuity and other post-employment benefit plans:

a. Define benefit plans:

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

The Company did not make any provision in respect of the gratuity benefit in previous year as amount was not material. In Current year, the Company has adopted Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from April 1, 2007. However, this adoption does not have a material impact on the profit and loss account. Hence, the entire charge of Rs.1.22 Million has been debited to the profit and loss account for the year and accordingly amounts for the previous year have not been furnished.

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	(INR in Million)
	March 31, 2009
	Amount in Rs.
Current service cost	0.55
Interest cost on benefit obligation	0.07
Expected return on plan assets	-
Net actuarial(gain) / loss recognised in the year	0.22
Past service cost	0.38
Net benefit expense	1.22
Actual return on plan assets	Not Applicable

Balance sheet Details of Provision for gratuity	(INR in Million)
	March 31, 2009
	Amount in Rs.
Defined benefit obligation	1.22
Fair value of plan assets	-
Amount recognised in the balance sheet	1.22

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

Particulars	(INR in Million)
	March 31, 2009
	Amount in Rs.
Opening defined benefit obligation	0.38
Interest cost	0.07
Current service cost	0.55
Benefits paid	-
Actuarial (gains) / losses on obligation	0.22
Closing defined benefit obligation	1.22

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

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

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

	March 31, 2009
	%
Discount rate	7.75%
Expected rate of return on assets	Not Applicable
Employee turnover	2 %

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

b. Defined Contributing Plan:

Amount recognized as an expense and included in Schedule – 15 as Contribution to Provident and Other Fund Rs. 1.93 Million (*Previous Year – 1.15 Million*).

15. Directors remuneration:*(INR in Million)*

	March 31, 2009	March 31, 2008
Salaries	6.00	6.00
Perquisites	Nil	Nil
Contribution to Provident Fund	Nil	Nil
TOTAL	6.00	6.00

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of remuneration payable to Directors*(INR in Million)*

	March 31, 2009	March 31, 2008
Profit as per Profit and Loss Account	133.47	266.45
<i>Add:</i>		
Directors' Remuneration	6.00	6.00
(Loss)/Profit on sale of Fixed Assets as per Section 349 of the Companies Act, 1956	(1.56)	(0.29)
Net Profit as per Section 349 of the Companies Act, 1956	137.90	272.15
Maximum remuneration allowed to Managing and Whole time Directors at 10% of the net profits as calculated above	13.79	27.22
Remuneration Paid to Directors	6.00	6.00

16. Details of loans given to subsidiaries and associates and firms/companies in which directors are interested:**1. Prime Focus London Plc :**

Balance as at March 31, 2009 : Rs. 12.97 Million.

Maximum Amount outstanding during the year Rs.251.32 Million (*Previous Year Rs.491.94 Million*)
The amount will be due for payment by end of March 2010.

2. Post Logic Studios, Inc. :

Balance as at March 31, 2009 : Rs. Nil

Maximum Amount outstanding during the year Rs. 150.54 Million (*Previous Year Rs. 104.19 Million*)

3. Prime Focus Technologies Private Limited :

Balance as at March 31, 2009 : Rs. 33.60 Million

Maximum Amount outstanding during the year Rs. 35.68 Million (*Previous Year Rs. Nil*)

17. Derivative Instruments and Unhedged Foreign Currency Exposure:

(INR in Million)

	Value (March 31, 2009)	Value (March 31, 2008)	Purpose
Particulars of Derivatives			
Currency Swap			
USD – JPY	USD 1.53Million (JPY 191.13 Million)	USD 2.43 Million (JPY 303.13 Million)	Hedge against exposure to foreign currency fluctuations.
INR – USD	Nil	10.62 (USD 0.23 Million)	
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer’s Credit (Liability)	608.98 (USD 11.97 Million @ Closing Rate of 1 USD = Rs. 50.88)	429.64 (USD 10.72 Million @ Closing Rate of 1 USD=Rs.40.10)	For import of equipments
	38.44 (EUR 0.57 Million @ Closing Rate of 1 EUR = Rs.67.46)	127.86 (EUR 2.02 Million @ Closing Rate of 1 EUR = Rs.63.53)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162.70 (USD 55.00 Million)	2,162.70 (USD 55.00 Million)	For strategic acquisitions and / or strategic alliances outside of India
Sundry Debtors (Assets)	20.78 (USD 0.41 Million)	24.45 (GBP 0.31 Million)	Amount receivable for services rendered
Loans and Advances (Assets)	234.05 (USD 4.60 Million)	344.17 (USD 8.60 Million)	Advances given to Overseas Subsidiary and others
Investment in Foreign Subsidiary – Prime Focus London (Assets)	610.70 (GBP 7.52 Million)	515.40 (GBP 6.39 Million)	Investment in Subsidiary
Investment in Foreign Subsidiary – Prime Focus Investment Limited (Assets)	1,690.35 (USD 43.00 Million)	Nil	Investment in Subsidiary

18. Foreign Currency Convertible Bonds (FCCB):

- On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of USD 0.10 Million each, aggregating to USD 55.00 Million (equivalent – Rs. 2,162.70 Million). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future

acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.

- b. As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per USD subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2008, no bonds have been converted into equity shares of Rs. 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".
- c. The FCCB's as detailed above are hybrid instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to Rs. 269.14 Million (*Previous Year Rs. 49.45 Million*). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.
- d. The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/ loss on translation of FCCB liability in the event of redemption have not been recognized.
- e. Subsequent to year-end, the Company has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds ('FCCB') of USD 55 Million under External commercial borrowings (ECB) guidelines. The Company has obtained legal opinion confirming its eligibility and is in process of filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

19. Miscellaneous Income:

Miscellaneous Income includes income from production of TV Programme and distribution of films of Rs. 11.55 Million (*Previous Year Rs. 34.60 Million*) against which cost of Rs. 10.60 Million (*Previous Year Rs. 28.01 Million*) is incurred.

20. Earnings in Foreign Currency – On receipt basis:

(INR in Million)

	2009	2008
Technical Service receipts	47.02	62.08

21. Expenditure in Foreign Currency – On payment basis:

(INR in Million)

	2009	2008
a. Professional Fees	-	6.46
b. Payment on other accounts	15.89	5.79
	15.89	12.25

22. C I F Value of imports:

(INR in Million)

	2009	2008
Capital Goods	188.31	224.95

23. Previous year's figures have been regrouped where necessary to confirm to this year's classification. The figures of previous year were audited by a firm of Chartered accountants other than S.R. BATLIBOI & ASSOCIATES.

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

Schedule forming part of Reformatted Financial Statement for the Financial Year 2007-08

Schedule 17 - Notes to Accounts

1. Nature of Operations:

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

2. Significant Accounting Policies

a. Basis of Preparation

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

b. Use of Estimates

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

c. Fixed Assets

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

d. Depreciation

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

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

e. Impairment of Assets

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

f. Investments

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

g. Intangible Assets

Goodwill

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

Film Rights

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

h. Leases

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

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

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

i. Revenue Recognition

Technical services receipts

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

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

Interest

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

Dividends

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

Fee for providing and undertaking

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

j. Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

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

k. Income Taxes

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

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

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

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

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

1. Segment Reporting

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

m. Earnings Per Share

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

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

n. Provisions & Contingent Liabilities

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

o. Miscellaneous Expenditure

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

p. Cash & Cash Equivalents

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

3. Change in Accounting Policy

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

Had the Company continued to use the earlier basis of providing depreciation, the charge to the Profit and Loss Account for the current period would have been lower by Rs.37.99 Million and the net block of fixed assets would correspondingly be higher by Rs. 37.99 Million. The net charge of Rs.26.08 Million arising out of retrospective re-computation has been recognized in the current year's Profit and Loss Account. The effect of deferred tax on the above Rs.7.43 Million has been included in the deferred tax liability for the year.

- (b) During the year, the Company changed its accounting policy on treatment of Miscellaneous Expenditure. The Company now adjusts the same against Securities Premium Account instead of charging the same to the Profit and Loss Account over a period of ten years. The Company has adjusted Rs.65.62 Million, being the amount of Share Issue Expenses against the Securities Premium.

Had the Company continued to use the earlier basis of amortization of Miscellaneous Expenditure, the charge to the Profit and Loss Account for the current period would have been higher by Rs.7.29 Million.

The Company has recognized Deferred Tax Credit of Rs.14.87 Million on the above and adjusted the same to Profit and Loss Reserve.

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

- (a) All the assets and liabilities recorded in the books of the Transferor Company (the Subsidiary) amounting to Rs.145.50 Million are transferred to and vested in the Transferee Company (the Company) pursuant to the Scheme have been recorded by the Transferee Company at their book values;

- (b) 1,00,000 equity shares of Rs.10/- each at par of the Company aggregating to Rs 1.00 Million will be allotted to the shareholders of STPL in the ratio of 100 equity shares of the Company for every 45 Shares of STPL, pending which, this has been disclosed as Shares Pending Allotment.
- (c) The investments in the subsidiary Company amounting to Rs.73.68 Million appearing in the books of accounts of the Company, stands cancelled;
- (d) The inter-company balances amounting to Rs.0.84 Million stands cancelled; and
- (e) The difference between the amount of net assets taken over by the Company over the value of investments / loan and advances in its books along with, any alignment of the value of assets of the Transferee Company, whether fixed or current, to fair value of such assets in accordance with prudent accounting principles, as considered necessary by the Board of Directors of the Company with effect from the appointed date amounting to Rs.70.93 Million has been considered under Business Restructuring Reserve of the Company.

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

5. Pursuant to the Scheme of Amalgamation, the Company was entitled to draw an amount not exceeding Rs 250.00 Million from the balance in the Securities Premium Account / Other Reserves appearing in the books of accounts of either of the subsidiaries, the Company or both, and transfer the same to Business Restructuring Reserve mentioned above.

Consequently the Company has withdrawn an amount of Rs.179.07 Million from the Share Premium Account and transferred the same to the Business Restructuring Reserve. Against the aforesaid available Business Restructuring Reserve totaling to Rs.250.00 Million, the Company has written off Sundry Debtors, Loans and Advances, Other Current Assets and Miscellaneous Expenditure amounting to Rs.250.00 Million as provided in the Scheme of Amalgamation. The Company, therefore, has utilized the balance lying in the Business Restructuring Reserve and offset the same against difference in respect of the adjustments referred above in the Profit and Loss Account as envisaged under the Scheme. Had the Company followed the accounting treatment prescribed by AS 14 'Accounting for Amalgamation – Generally Accepted Accounting Principles in India', the above amount would have been debited to the Profit and Loss Account instead of the Business Restructuring Reserve. Consequently, the profit for year would have been lower by Rs.250.00 Million.

6. Detail of charges provided for Secured Loans:

Nature	Security
Term Loan	<ul style="list-style-type: none"> i. First Charge against the Property Financed ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company iii. Personal Guarantee of the Promoter Director.
Buyers Credit	<ul style="list-style-type: none"> i. Letter of Credit ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. iii. First Charge on the Fixed Assets of the Company, both present and future. iv. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	<ul style="list-style-type: none"> i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	<ul style="list-style-type: none"> i. First Charge on Current Asset and Personal Guarantee of Director. ii. Post Dated Cheques of the Company
Vehicle Loan	<ul style="list-style-type: none"> i. First Charge on the Vehicles Financed

7. Foreign Currency Convertible Bonds (FCCB)

- (a) On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of US\$ 0.10 Million each, aggregating to US\$ 55.00 Million (equivalent – Rs.2,162.70 Million). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.
- (b) As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per US\$ subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012.

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

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

8. The Company has not received any intimation from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year and together with interest paid / payable as required under this Act have not been given.
9. As per legal advice received, the Company has continued with its accounting policy to adjust foreign exchange fluctuation on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956, which is at a variance to the treatment prescribed in Accounting Standard (AS-11) "Effect of Changes in Foreign Exchange Rates" notified in the Companies (Accounting Standard) Rules 2006 dated December 7, 2006.

The Company capitalized Mark to Market (MTM) losses aggregating to Rs. 45.17 Million relating to fixed assets purchased, which is not in compliance with Accounting Standard Rules, 2006. Had the Company written off those losses the Profit for the year and fixed assets as at 31st March 2008 would have been lower by Rs. 45.17 Million.

10. During the year, the Company has acquired the Post Production Business of M/S. UTV Software Communications Ltd. for a total consideration of Rs. 120.00 Million.

11. Investments purchased and sold during the year

In Units					
Particulars	Face Value	As at 31 Mar 07	Purchased During the Year	Redeemed During the Year	As at 31 Mar 08
Quoted Cinemax India Limited - Equity Shares	Rs. 10	9,170	-	-	9,170
Unquoted - fully paid up The Shamrao Vithal Co-operative Bank Limited - Equity Shares	Rs. 25	4,000	-	-	4,000
Other than Trade Unquoted units of Mutual Fund - Units					
HSBC Cash Fund - Institutional Plus	Rs. 10	7,500,838	6,415,946	13,916,785	-
HSBC Liquid Plus - Inst.	Rs. 10	-	1,523,643	1,523,643	-
ICICI Prudential FMP Series 34 - 15 Months Plan	Rs. 10	3,000,000	-	-	3,000,000
Birla Fixed Term Plan	Rs. 10	2,000,000	28,224	2,028,224	-
Kotak FMP 3M Series 13 - Dividend	Rs. 10	2,000,000	28,047	2,028,047	-
Other Investments – Units DSP Merrill Lynch - Principal Protected Debenture	Rs. 1,000,000	-	5	-	5
Long Term Investments (At Cost) - Other than Trade In Subsidiary Companies					
<u>Quoted, fully paid up</u> VTR Plc, U.K. – Equity Shares	5 pence	14,716,051	2,325,700	-	17,041,751
<u>Unquoted, fully paid up</u> Prime Focus Technologies Pvt. Ltd.- Equity Shares	Rs. 10	-	5,100	-	5,100
Flow Post Solutions Pvt. Ltd.- Equity Shares	Rs. 10	-	5,100	-	5,100
Prime Focus Investment Ltd., U.K - Equity Shares	1 Pence	-	1	-	1

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

Consequent to the above, the Company has made a provision for the equivalent value of the undertaking amounting to Rs.20.71 Million in the books based on reliable estimate that there exists a potential liability which may arise in the coming period and may require an outflow of resources towards meeting the amount of the obligation. The difference between the value of investment and the provision amount of Rs.18.54 Million has been considered under Other Income.

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

13. Share Application pending allotment

- a. The Company during the year incorporated a wholly owned subsidiary, Prime Focus Investments Ltd.,(PFIL), U.K., a Company incorporated in United Kingdom. PFIL is managing and controlling the investments in the new acquisitions viz., Post Logic Studios, U.S.A and Frantic Films, Canada. Further, the Company has subscribed to the enhanced equity share capital of PFIL amounting to Rs.1,690.35 Million. The same are pending allotment as on the balance sheet date.
 - b. The Company during the year advanced an amount of Rs.78.34 Million (equivalent USD 2 millions) towards subscription for the proposed enhanced capital of its subsidiary VTR Plc UK. The same are pending allotment as on the balance sheet date. The Company was subsequently allotted on June 8, 2008, 2,020,202 equity shares of 5 pence each at a premium of 44.50 pence of VTR Plc., UK.
14. The Company is presently operating an integrated post production setup. The entire operations are governed by the same set of risks and returns and hence have been considered as representing a single segment. The said treatment is in accordance with the guiding principles enunciated in the Accounting Standard on Segment Reporting (AS-17).

Geographical Segment

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

Income from Operations by Geographical Area

(INR in Million)

	2008	2007
India	774.48	551.56
United Kingdom	82.73	Nil
	857.21	551.56

Segment Assets by Geographical Area

INR in Million

	2008	2007
India	2,907.75	2,029.76
United Kingdom	24.45	Nil
	2,932.20	2,029.76

15. Related party disclosures :

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

i) **Subsidiary Company**

VTR Plc – UK
 Prime Focus Technologies Pvt. Ltd.
 Flow Post Solutions Pvt. Ltd.,
 Prime Focus Investments, U.K.,

ii) **Key Management Personnel**

Mr. Naresh Malhotra - Chairman
 Mr. Namit Malhotra – Managing Director

iii) **Relatives of Key Management Personnel**

Mrs. Neeta Malhotra
 Ms. Neha Malhotra
 Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

b. **Particulars of Related Party Transactions**

(INR in Million)

	2008	2007
Key Management Personnel		
Salary	6.00	4.80
Rent	-	0.12
	6.00	4.92
Relatives of Key management Personnel		
Remuneration	0.84	0.83
Rent	-	0.06
	0.84	0.89
Subsidiaries		
Sales		
1. VTR Plc	82.73	-
Investment in Equity Shares (including shares received for consideration other than cash)	99.01	405.58
Share Application		
1. VTR Plc	78.34	-
2. Prime Focus Investment Limited	1,690.35	-
Loans and Advances - Given		
1. VTR Plc	743.73	15.43
Loans and Advances - Repaid		
1. VTR Plc	(505.42)	-
Balance Outstanding at the year end		
1. VTR Plc	356.53	15.43
2. Prime Focus Investment Limited	1,690.35	-
Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
Rent		
1. Blooming Bud Coaching Private Limited	19.05	10.15

16. Leases

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

INR in Million

	2008	2007
Total Lease Payments at the Year end	19.05	11.60
Lease Payments due within one year	24.00	17.40
Lease Payments due later than one but not later than five years	60.00	58.00

17. Earnings Per Share (EPS)

INR in Million

	2008	2007
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	266.45	200.78
Weighted average number of equity shares in calculating basic EPS	12,722,588	12,190,410
Weighted average number of equity shares in calculating diluted EPS	13,218,047	12,190,410
Basic EPS	20.94	16.47
Diluted EPS	20.16	16.47

18. The Company during the year gave a loan of Rs.243.70 Million (equivalent USD 6 Million) to its subsidiary VTR Plc, UK, bearing interest at the rate of 6% p.a. The Loan was outstanding at the balance sheet date. The above loan was repaid on August 19, 2008.

19. a. Contingent Liabilities

(INR in Million)

	2008	2007
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	Nil	Nil
ii. Claims against the Company not acknowledged as debts:	Nil	Nil
iii. On account of undertakings given by the Company in favour of Customs authorities	596.85	391.21
iv. On account of Corporate guarantee	Nil	5.61
v. On account of undertaking given on behalf of Subsidiary Company	Nil	45.27
vi. On account of Unexpired Letters of Credit	109.45	59.80
vii. Matters pending with Tax Authorities	0.58	0.58
viii. Matters pending with Customs Authorities	2.12	Nil

- b. The Company was subject to a search operation conducted by the Income-tax authorities on 25th June, 2003. Pursuant to the said search and subsequent assessments under Section 156 of the Income-tax Act, 1961, the Income Tax Authorities raised demands under the Income - Tax Act, 1961, aggregating to Rs.37.56 Million pertaining to the Assessment Years 2001- 2002 to 2004 – 2005 . The Income Tax Appellate Tribunal, decided the matter in favour of the Company, and awarded substantial relief. The Income Tax Department may move to the Honourable High Court against the orders of the Tribunal. Based on the favorable decisions in similar cases, opinion taken by the Company, discussions with legal experts etc., the Company believes that there is a good chance of decision going in its favour in respect of the above demands and hence no provision is considered necessary against the same.

The Company had paid an amount of Rs.13.77 Million under protest as on date against the said demand.

20. Managerial remuneration under Section 198 of the Companies Act, 1956 for the Chairman / Managing Director was Rs. 6.00 Million (previous year Rs. 4.80 Million).

(INR in Million)

Directors' Remuneration

	31st March 2008	31st March 2007
Salaries	6.00	4.80
Perquisites	Nil	Nil
Contribution to Provident Fund	Nil	Nil
TOTAL	6.00	4.80

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

	31st March 2008	31st March 2007
Profit as per Profit and Loss Account	250.55	200.78
<i>Add:</i>		
Directors' Remuneration	6.00	4.80
(Loss)/Profit on sale of Fixed Assets as per Section 349 of the Companies Act, 1956	(0.29)	25.19
Provision for doubtful debts and advances	Nil	Nil
<i>Less:</i>		
Profit on sale of Fixed Assets (net) as per Profit and Loss Account	Nil	Nil
Net Profit as per Section 349 of the Companies Act, 1956	256.84	180.39
Commission to Managing and Whole time Directors at 10% of the net profits as calculated above	25.68	18.04
Remuneration Paid to Directors	6.00	4.80

21. Derivative Instruments and Un hedged Foreign Currency Exposure

(INR in Million)

(INR in Million)

	Value	Purpose
Particulars of Derivatives		
Currency Swap		
INR – US\$	Rs.10.62 (US\$ 0.23 Million)	Hedge against exposure to foreign currency fluctuations.
US\$ – JPY	US\$ 2.43 Million (JPY 303.13 Million)	
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date		
Buyer’s Credit	Rs.429.64 (US\$ 10.72 Million @ Closing Rate of 1 US\$ = Rs.40.10)	For import of equipments
	Rs.127.86 (EUR 2.02 Million @ Closing Rate of 1 EUR = Rs.63.53)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds	US\$ 55.00 Million	For strategic acquisitions and / or strategic alliances outside of India
Sundry Debtors	GBP 0.31 Million	Amount receivable for services rendered
Loans and Advances	US\$ 8.60 Million	Advances given to Overseas Subsidiary and others
Provision for Undertaking	GBP 0.26 Million	Undertaking given by the Company

23. Earnings in Foreign Currency – On receipt basis:

(INR in Million)

	2008	2007
Technical Service receipts	62.08	8.86

24. Expenditure in Foreign Currency – On payment basis:

(INR in Million)

	2008	2007
a. Professional Fees	6.46	2.95
b. Payment on other accounts	5.79	3.68
	12.25	6.63

25. C I F Value of imports

(INR in Million)

	2008	2007
Capital Goods	224.95	191.19

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

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

**REPORT OF S.R. BATLIBOI & ASSOCIATES ON THE REFORMATTED CONSOLIDATED
FINANCIAL STATEMENTS OF PRIME FOCUS LIMITED AS AT AND FOR EACH OF THE YEARS
ENDED MARCH 31, 2010, MARCH 31, 2009 AND MARCH 31, 2008.**

To
The Board of Directors,
Prime Focus Limited
2nd Floor, Main Frame IT Park,
Building – H, Royal Palms,
Near Aarey Colony,
Goregaon (East),
Mumbai - 400065

Dear Sirs,

1. We have examined the Reformatted Consolidated Financial Statements (the ‘reformatted consolidated statements’) of Prime Focus Limited (‘PFL’ or ‘the Company’) and its subsidiaries (hereinafter collectively referred to as ‘the Group’), annexed to this report for the purposes of inclusion in the Preliminary Placement Document and Placement Document (hereinafter collectively referred to as the ‘Placement Documents’) prepared by the Company in connection with the Qualified Institutions Placement (‘QIP’) of its equity shares in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (‘the ICDR Regulations’) (‘the Proposed QIP’). The preparation of such reformatted consolidated statements is the responsibility of the Company’s management. Our responsibility is to report on such statements based on our procedures.
2. We have examined such reformatted consolidated statements taking into consideration:
 - a. the terms of reference dated October 21, 2010, received from the Company, requesting us to carry out the assignment, in connection with the Placement Document being issued by the Company for the QIP of its equity shares; and
 - b. the Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India
3. We report that the figures disclosed in such reformatted consolidated statements of the Group have been extracted by the management from the consolidated financial statements of the Group for each of the years ended March 31, 2010, March 31, 2009 and March 31, 2008 and approved by the Board of Directors. The consolidated financial statements of the Group for the years ended March 31, 2010 and March 31, 2009 have been audited by us and in respect of which we have issued audit opinions dated August 27, 2010 and June 30, 2009 respectively to the Board of Directors of the Company. The financial statements for the year ended 31 March 2008 were audited by V. Shivkumar & Associates who have issued their report dated December 6, 2008 thereon and accordingly reliance has been placed on the financial statements audited by them for the said year.
4. As indicated in our audit reports for the years ended March 31, 2010 and 2009 dated August 27, 2010 and June 30, 2009 we did not audit the financial statements of and placed reliance on the financial statements of certain subsidiaries which have been audited and reported upon by other auditors and which include total assets of Rs 2,069 million and Rs 4,085 million as at March 31, 2010 and March 31, 2009 respectively, total revenue (excluding other income) of Rs 1,929 million and Rs 2,641 million, respectively and net cash flows amounting to and of Rs 97 million and Rs 58 million, respectively for the years ended March 31, 2010 and March 31, 2009.
5. In the presentation of the reformatted consolidated statements based on audited financial statements as referred to in paragraphs 3 and 4 above, no adjustments have been made for any events occurring subsequent to the dates of the audit reports specified herein.
6. We did not audit the financial statements of the subsidiary companies Prime Focus London Plc. (‘PF London group’), Prime Focus Technologies Private Limited (‘PFTL’), Flow Post Solutions Pvt. Limited (‘Flow Post’), GVS Software Private Limited (‘GVS’) and Prime Focus Motion Pictures Limited (‘PFMP’), as at and for the year ended March 31, 2010 whose financial statements include total assets of Rs 2,068.92 million

as at March 31, 2010, and total revenue of Rs Rs 1,928.87 million for the year ended March 31, 2010 and the net cash outflows of Rs 96.70 million for the year ended March 31, 2010. The financial statements of PF London group, have been audited by other firms of Chartered Accountants, MZS & Associates and the financial statements of PFTL, Flow Post, GVS and PFMP for the year ended March 31, 2010 and the year ended March 31, 2009 by V. Shivkumar & Associates, whose reports for the respective years/period have been furnished to us and our opinion in so far as it relates to the amounts included in the consolidated financial statements are based solely on the report of the other auditors.

7. We did not audit the financial statements of the subsidiary companies Prime Focus Investments Limited and its subsidiaries ("PFIL group"), Prime Focus London Plc. and its subsidiaries ("PF London group"), Prime Focus Technologies Private Limited ("PFTL"), Flow Post Solutions Pvt. Limited ("Flow Post"), GVS Software Private Limited ("GVS") and Prime Focus Motion Pictures Limited ("PFMP"), as at and for the year ended March 31, 2010 whose financial statements include total assets of Rs 4,085.49 million as at March 31, 2009, and total revenue of Rs 2,641.48 million for the year ended March 31, 2009 and the net cash outflows of Rs 58.15 million for the year ended March 31, 2009. The financial statements of PF London group and PFIL group, have been audited by other firms of Chartered Accountants, MZS & Associates and the financial statements of PFTL, Flow Post, GVS and PFMP for the year ended March 31, 2009 by V. Shivkumar & Associates, whose reports for the respective years/period have been furnished to us and our opinion in so far as it relates to the amounts included in the consolidated financial statements are based solely on the report of the other auditors.

8. *Our audit report on the consolidated financial statements for the year ended March 31, 2010 was qualified for the following matters:*

The Group has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at March 31, 2010, March 31, 2009 and March 31, 2008, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Company revalued the bonds as at March 31, 2010, the profit for the year ended March 31, 2010 and the reserves as at that date would have been lower by Rs 46.12 million and Rs 265.06 million respectively and Foreign Currency Monetary Item Translation Difference account would have been Rs 46.12 million. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2010 would have been lower by Rs 420.38 million. Consequent to the above, the FCCB balance at March 31, 2010 would have been higher by Rs 731.57 million. This had caused us to qualify our audit opinion on the financial statements relating to the year ended March 31, 2009.

9. *Our audit report on the consolidated financial statements for the year ended March 31, 2009 was qualified for the following matters:*

the Group has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at March 31, 2009 and March 31, 2008, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Company revalued the bonds as at March 31, 2009, the profit for the year ended March 31, 2009 and the reserves as at that date would have been lower by Rs 208.3 million and Rs 219.0 million respectively and Foreign Currency Monetary Item Translation Difference account would have been Rs 416.7 million. Further, had the Company provided for the premium on redemption, the securities premium as at March 31, 2009 would have been lower by Rs 269.1 million. Consequent to the above, the FCCB balance at March 31, 2009 would have been higher by Rs 904.8 million.

10. Our audit report for the year ended March 31, 2009 included an emphasis of matter as follows
The Group had in the year 2008 issued Foreign Currency Convertible Bonds (FCCB) aggregating to US\$ 55 million. Subsequent to year ended March 31, 2009, the Group has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds under External commercial borrowings (ECB) guidelines. The Group has obtained legal opinion confirming its eligibility and is in process of considering various options, including filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements for the year ended March 31, 2009.

11. As stated in our audit reports referred to in paragraph 3 above, we conducted our audits in accordance with the auditing standards generally accepted in India to enable us to issue an opinion on the General Purpose Financial Statements. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.
12. Our audits referred to in paragraph 3 above were carried out for the purpose of reporting on the General Purpose Financial Statements. For none of the periods referred to in paragraph 3 above, did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions, and accordingly, we express no such opinion thereon.
13. We have not audited any financial statements of the Company or its subsidiaries as of any date or for any period subsequent to March 31, 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company or its subsidiaries as of any date or for any period subsequent to March 31, 2010.
14. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of Chartered Accountants nor should this report be construed as a new opinion on any of the financial statements referred to herein.
15. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
16. This report is intended solely for your information and for inclusion in the Placement Document in connection with the proposed QIP by the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. BATLIBOI ASSOCIATES
Firm Registration No: 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place: Mumbai, India
Date: November 1, 2010

REFORMATTED CONSOLIDATED BALANCE SHEET AS AT
(INR In Million)

		For The Year Ended		
PARTICULARS	Sch No	31.03.2010	31.03.2009	31.03.2008
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	128.23	128.23	127.23
Shares Pending Allotment		-	-	1.00
Reserves and Surplus	2	1,797.83	1,623.67	1,758.75
		1,926.06	1,751.90	1,886.98
LOAN FUNDS				
Secured Loans	3	2,471.65	2,583.01	1,339.66
Unsecured Loans	4	2,162.70	2,162.70	2,162.70
		4,634.35	4,745.71	3,502.36
MINORITY INTEREST		283.73	242.22	374.38
DEFERRED TAX LIABILITY (NET)	5	165.24	162.33	105.02
		7,009.38	6,902.16	5,868.74
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	6	7,431.56	7,339.56	4,761.77
Less: Accumulated Depreciation / Amortisation		2,615.52	2,810.68	2,346.60
Net Block		4,816.04	4,528.88	2,415.17
Add : Capital Work in Progress (including Capital Advances)		740.64	452.08	550.44
		5,556.68	4,980.96	2,965.61
INVESTMENTS	7	2.01	17.61	69.85
DEFERRED TAX ASSET (NET) (Refer Note 19 to Schedule 18 of FY 09-10)		67.07	86.24	-
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories (Stores and Spares) - at lower cost or net realisable value		20.21	37.34	2.41
Sundry Debtors (Including Service Tax)	8	1,230.44	1,032.61	893.73
Cash and Bank Balances	9	212.37	613.59	408.16
Other Current Assets (Unbilled Revenue)		62.19	-	-
Loans and Advances	10	898.38	850.96	2,190.91
		2,423.59	2,534.50	3,495.21
Less : CURRENT LIABILITIES & PROVISIONS				
Current Liabilities	11	1,039.15	716.62	641.22
Provisions	12	1.50	1.22	20.71
		1,040.65	717.84	661.93
NET CURRENT ASSETS		1,382.94	1,816.66	2,833.28
MISCELLANEOUSEXPENDITURE	13	0.68	0.68	-
<i>(To the extent not written off or adjusted)</i>		7,009.38	6,902.16	5,868.74
NOTES TO ACCOUNTS	18			

Amounts less than Rs. 0.01 million have been indicated by way of *
The Schedules Referred to notes to Accounts form an integral part of the Balance Sheet and Profit and Loss Account.

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

REFORMATTED CONSOLIDATED PROFIT & LOSS ACCOUNT
(INR In Million)

PARTICULARS	SCH NO	For The Year Ended		
		31.03.2010	31.03.2009	31.03.2008
INCOME				
Income from Operations		4,527.84	3,543.73	2,221.34
Other Income	14	87.89	126.77	94.28
		4,615.73	3,670.50	2,315.62
EXPENDITURE				
Operating Costs	15	3,331.43	3,002.73	1,538.99
Exceptional Item	16	137.37	(67.47)	57.92
Interest	17	218.34	210.02	109.74
Depreciation	6	425.87	379.10	289.21
		4,113.01	3,524.38	1,995.86
PROFIT BEFORE TAX		502.72	146.12	319.75
PROVISION FOR TAX				
Current Tax		85.37	21.63	0.62
Less : MAT Credit Entitlement		(0.14)	(21.52)	(3.60)
		85.23	0.11	(2.98)
Fringe Benefit Tax		-	1.71	1.97
Deferred Tax		23.56	(13.35)	3.18
Total Tax Expense		108.79	(11.53)	2.17
PROFIT AFTER TAX (Before adjustment of Minority Interest)		393.93	157.64	317.58
Less Minority Interest		59.69	11.80	22.23
PROFIT AFTER TAX		334.24	145.84	295.35
Balance brought forward from previous year		750.95	779.63	519.29
Add : Adjustment pursuant to the court permission received by subsidiary (Refer note 17 to Schedule 18 for FY 08-09)		-	(174.52)	-
Add : Adjustments for Effect of Overseas Subsidiary Transition to IFRS		-	-	(44.45)
Less : Minority Interest in respect of above		-	-	(19.29)
Less : Cost of Equity		-	-	(10.99)
Add: Deferred Tax Credited on Share Issue Expense		-	-	14.87
		750.95	605.11	520.00
PROFIT AVAILABLE FOR APPROPRIATION		1,085.19	750.95	815.35
Appropriations				
Interim Dividend		-	-	19.08
Dividend Distribution Tax		-	-	3.24
Transfer to General Reserve		-	-	13.40
SURPLUS CARRIED TO BALANCE SHEET		1,085.19	750.95	779.63

PARTICULARS	SCH NO	For The Year Ended		
		31.03.2010	31.03.2009	31.03.2008
EARNINGS PER SHARE				
Basic - Nominal Value of Shares Rs.10/-		30.72	11.45	23.22
Diluted - Nominal Value of Shares Rs.10/-		27.39	10.20	22.35
NOTES TO ACCOUNTS	18			

Amounts less than Rs. 0.01 million have been indicated by way of *

The Schedules Referred to notes to Accounts form an integral part of the Balance Sheet and Profit and Loss Account.

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

REFORMATTED CONSOLIDATED CASH FLOW STATEMENT

(INR In Million)

	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Cash flow from Operating activities			
Net Profit before taxation	502.35	146.11	319.76
Adjustments for :			
Depreciation	425.88	379.10	289.21
(Profit)/ Loss on sale of Fixed Assets	(6.29)	(39.06)	(8.74)
(Profit)/ Loss on sale of Investments	(2.03)	(3.40)	0.45
Foreign exchange (Gain)/Loss (net)	(18.74)	(38.75)	(8.63)
Tax Written Off	0.85	-	-
Interest Income	(42.87)	(25.33)	(29.91)
Dividend Income	(0.02)	(0.03)	(2.02)
Interest Expense	210.90	210.02	103.36
Bad debts Written Off	80.50	64.36	-
Provision for Doubtful Debts	31.00	-	-
Undertaking Fees	(11.31)	(8.57)	(18.54)
Sundry Credit Balances Written Back	(1.93)	(1.59)	-
Provision for Share Based payment	7.21	-	-
Provision for Gratuity	0.27	1.22	-
Excess Provision Written Back	-	(1.30)	-
Miscellaneous Expenditure Written Off	-	-	9.24
Provision for Doubtful Debts	0.27	6.28	-
Impairment of Investment Adjustment	(0.53)	-	-
Operating profit before working capital changes	1,175.51	689.06	654.18
Movements in Working Capital :			
Decrease / (Increase) in Sundry Debtors	(267.09)	15.50	(186.76)
Decrease / (Increase) in Inventories	16.44	(182.21)	(0.29)
Decrease / (Increase) in Loans and Advances	(125.12)	992.30	(1,769.25)
Increase/(Decrease) in Current Liabilities	245.19	604.84	35.29
Cash generated from operations	1,044.93	2,119.49	(1,266.83)
Direct Taxes paid (Net of Refunds)	(60.82)	(92.59)	(75.70)
Fringe Benefit Tax Paid	(0.21)	(1.57)	(2.23)
Exchange Rate Difference	13.57	27.29	1.40
Net Cash from Operating activities	997.47	2,052.62	(1,343.36)
Cash flow from investing activities			
Purchase of Fixed Assets	(768.40)	(608.08)	(1,144.15)
Proceeds from Sale of Fixed Assets	6.31	57.71	31.07
Purchase of Current Investments	(569.90)	-	(83.00)
Purchase of Investment in Subsidiaries	-	(1,698.91)	(59.66)
Sale of Current Investments	140.96	33.95	193.00
Inter- Corporate Deposits given	(1.00)	(74.50)	-
Inter- Corporate Deposits received back	1.00	101.06	-
Margin money and Fixed Deposits under lien	114.23	(62.90)	128.89
Interest Received	35.76	59.85	30.10
Dividends Received	0.03	0.03	2.02
Expense incurred for increase in Capital of Subsidiary	-	(0.59)	-
Net Cash from Investing activities	(1,041.01)	(2,192.37)	(901.73)

	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Cash flow from Financing activities			
Redemption of Preference shares	-	(479.93)	-
Proceeds from long term borrowings	394.68	1,358.87	132.43
Repayment of long term borrowings	(358.86)	(333.39)	(55.78)
Proceeds from short term borrowings	395.03	934.68	935.36
Repayment of short term borrowings	(405.25)	(962.70)	(483.34)
Loans borrowed (net)	-	-	(102.50)
Proceeds from Issuance of FCCB	-	-	2,162.70
Proceeds from Issuance of Shares to Minorities	-	-	39.07
Interest paid	(257.78)	(240.78)	(103.36)
Dividends Paid	(0.00)*	(0.00)*	(19.07)
Foreign exchange Gain/(Loss) (net)	(0.05)	-	-
Tax on Dividend paid	-	-	(3.24)
Expenses on Issuance of Securities	-	-	(58.25)
Net Cash from Financing activities	(232.23)	276.75	2,444.03
Effect of exchange differences on translation	(23.12)	(5.66)	(2.14)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(298.91)	131.35	196.80
Cash and Cash Equivalents at the Beginning of the year	389.47	239.43	36.02
Translation adjustment on Opening Cash and Cash equivalents	6.08	(1.76)	(0.82)
Cash and Cash Equivalents Acquired on Merger	-	-	0.19
Cash and Cash Equivalents received pursuant to purchase of Subsidiary	-	12.05	-
Unrealised Gain/(Loss) on Foreign Currency Cash and Cash equivalents	0.12	0.02	7.24
Cash and cash equivalents at the end of the year	96.77	381.08	239.43
Components of Cash and Cash equivalents, as at March 31			
Cash	2.04	1.37	2.27
With Banks:			
- On Current Accounts	92.01	376.65	237.16
- On Fixed Deposits	2.72	3.06	-
Cash and Cash Equivalents at the End of the year	96.77	381.08	239.43
Bank deposits having maturity of more than 90days	114.57	228.80	165.90
Interest Accrued on bank deposits	1.03	3.71	2.83
Cash and Bank Balance (Refer Schedule 9)	212.37	613.59	408.16

Amounts less than Rs. 0.01 million have been indicated by way of *

The Schedules Referred to notes to Accounts form an integral part of the Balance Sheet and Profit and Loss Account.

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

	<i>(INR In Million)</i>		
	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Schedule 1			
SHARE CAPITAL			
Authorised :			
15,000,000 (2009 - 15,000,000 : 2008 - 15,000,000) Shares of Rs.10 each	150.00	150.00	150.00
Issued, Subscribed and Paid-Up:			
12,822,588 (2009 - 12,822,588 : 2008 - 12,722,588) Shares of Rs.10 each	128.23	128.23	127.23
Of the above :			
i. 3,600,000 (2009 - 3,600,000 : 2008 - 3,500,000) Equity Shares of Rs.10 each were allotted as fullypaid up pursuant to scheme of arrangement for consideration other than cash			
ii. 4,000,000 (2009 - 4,000,000 : 2008 - 4,000,000) Equity Shares of Rs.10 each were allotted as fully paid up bonus shares by capitalisation of Reserves			
	128.23	128.23	127.23
Schedule 2			
RESERVES AND SURPLUS			
Securities Premium at the beginning of the year	964.86	964.86	1,265.67
Add : Consolidation Adjustments	-	-	2.12
Less : Issue Expenses Pertaining to IPO	-	-	65.62
Less : FCCB Issue Expenses	-	-	58.24
Less : Drawal as per proposed Scheme of Merger	-	-	179.07
Securities Premium at the end of the year	964.86	964.86	964.86
General Reserve at the beginning of the year	13.40	13.40	-
Add : Transferred during the year	-	-	13.40
General Reserve at the end of the year	13.40	13.40	13.40
Business Restructuring Reserve at the beginning of the year			
Add : Transfer pursuant to Arrangement	-	-	70.93
Add : Transfer from Share Premium pursuant to Scheme of Merger	-	-	179.07
Less : Drawal as per proposed Scheme of Merger	-	-	250.00
Business Restructuring Reserve at the end of the year	-	-	-
Capital Redemption Reserve at the beginning of the year	-	-	1.53
Add Consolidation Adjustment	-	-	(1.53)
	-	-	-
Fair Value Reserve	-	4.35	-
Foreign Currency Translation Reserve	(265.62)	(109.89)	0.86
Profit and Loss Account	1,085.19	750.95	779.63
	1,797.83	1,623.67	1,758.75

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

(INR In Million)

For The Year Ended		
31.03.2010	31.03.2009	31.03.2008

Schedule 3

SECURED LOANS

Loans from Banks (Refer Note 3 to Schedule 18 and Refer Note 3 to Schedule 18 for FY 08-09)

Term Loans	1,334.38	1,236.60	129.91
<i>(Amount repayable within one year Rs. 214.09 Million (2009 - Rs. 84.66 Million; 2008 - Rs. 12.69 Million))</i>			
Buyers Credit	443.30	725.21	557.50
<i>(Amount repayable within one year Rs.264.74 Million (2009 - Rs. 257.55 Million : 2008 - Rs. 274.85 Million))</i>			
Cash Credit/Over Draft	295.72	499.86	66.97
Short Term Demand Loan	250.00	25.00	380.00
Other Secured Liability	-	20.24	101.53
Hire Purchase Obligation	135.01	48.38	91.86

Loans from Others

Vehicle Finance	13.24	27.72	11.89
<i>(Amount repayable within one year Rs. 4.73 Million (2009 - Rs. 5.83 Million : 2008 - Rs. 3.88 Million))</i>			

2,471.65	2,583.01	1,339.66
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Schedule 4

UNSECURED LOANS

Zero Coupon Foreign Currency Convertible Bonds (Refer Note 14 to Schedule 18)

550 (2009 - 550 : 2008 - 550) Bonds @ USD 0.10 Million each aggregating to USD 55.00 Million (2009 - USD 55.00 Million : 2008 - USD 55.00 Million)	2,162.70	2,162.70	2,162.70
--	----------	----------	----------

2,162.70	2,162.70	2,162.70
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Schedule 5

DEFERRED TAX LIABILITY

Difference in depreciation and other differences in block of assets as per tax books and financial books

	177.72	178.70	147.31
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Effect of Expenditure debited to Profit and Loss Account in the Current Year but allowed for tax purposes in following years

-	-	(9.09)
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Gross Deferred Tax Liability

177.72	178.70	138.22
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DEFERRED TAX ASSET

Unabsorbed Depreciation	-	5.26	18.08
Provision for Doubtful Debts	10.54	-	-

**SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS
AT**

	<i>(INR In Million)</i>		
	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Differences due to accelerated amortisation of intangibles under Income Tax Act	0.14	0.19	0.25
Difference on Derivative Losses	-	7.32	-
Share Issue Expenses	1.80	3.60	14.87
Gross Deferred Tax Asset	12.48	16.37	33.20
Net Deferred Tax Liability	165.24	162.33	105.02

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

**Schedule 6
FIXED ASSETS**

(INR In Million)

	Description of asset	Gross Block						Depreciation						Net Block	Net Block		
		As on 01.04.2009	Consolidation Adjustments	Additions on Acquisition	Additions	Deductions	As on 31.03.2010	As on 01.04.2009	Consolidation Adjustments	Depreciation on Assets taken over	Adjustments	Deductions	For the Year	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009	
(A)	TANGIBLE ASSETS																
	Land and Building	1,625.91	(143.54)	-	0.37	-	1,482.74	224.09	(2.60)	-	(1.91)	-	20.84	240.42	1,242.32	1,401.82	
	Leasehold Improvement	197.30	(41.63)	-	14.47	60.64	109.50	147.07	(27.75)	-	(3.19)	59.89	32.93	89.17	20.33	50.23	
	Plant & Machinery	4,354.97	(201.45)	-	572.09	456.73	4,268.88	2,103.50	(134.30)	-	(14.85)	213.15	332.61	2,073.81	2,195.07	2,251.47	
	Furniture & Fixtures	503.35	(28.32)	-	11.27	201.85	284.45	305.15	(20.47)	-	(1.51)	137.79	24.17	169.55	114.90	198.20	
	Office Equipments	20.08	0.20	-	5.49	0.02	25.75	7.52	0.12	-	(0.04)	-	3.29	10.89	14.86	12.56	
	Vehicles	41.36	(0.47)	-	6.06	0.04	46.91	8.18	(0.22)	-	(0.07)	0.02	4.20	12.07	34.84	33.18	
	Total (A)	6,742.97	(415.21)	-	609.75	719.28	6,218.23	2,795.51	(185.23)	-	(21.58)	410.86	418.05	2,595.91	3,622.32	3,947.46	
	(B)	INTANGIBLE ASSETS															
		Goodwill	134.25	(7.90)	-	13.93	14.70	125.58	5.32	-	-	-	-	-	5.32	120.26	128.92
Goodwill on Consolidation		398.13	(16.93)	-	96.45	-	477.65	-	-	-	-	-	-	-	477.65	398.13	
Rights		30.00	-	-	515.17	-	545.17	-	-	-	-	-	-	-	545.17	30.00	
Software		34.21	1.41	-	33.84	4.53	64.93	9.85	0.61	-	(0.33)	3.66	7.82	14.29	50.64	24.37	
Total (B)		596.59	(23.42)	-	659.39	19.23	1,213.33	15.17	0.61	-	(0.33)	3.66	7.82	19.61	1,193.72	581.42	

	Total (A + B)	7,339.56	(438.63)	-	1,269.14	738.51	7,431.56	2,810.68	(184.61)	-	(21.91)	414.52	425.87	2,615.52	4,816.04	4,528.88
	Previous Year	4,761.78	(262.06)	2,945.03	1,146.76	1,251.95	7,339.56	2,346.62	(164.80)	1,082.29	(9.16)	832.52	388.25	2,810.68	4,528.88	
	Capital Work In Progress *	-	-	-	-	-	-	-	-	-	-	-	-	-	740.64	452.08

(INR In Million)

	Description of asset	Gross Block						Depreciation							Net Block	Net Block
		As on 01.04.2008	Consolidation Adjustments	Additions on Acquisition	Additions	Deductions	As on 31.03.2009	As on 01.04.2008	Consolidation Adjustments	Depreciation on Assets taken over	Adjustments	Deductions	For the Year	As on 31.03.2009	As on 31.03.2009	As on 31.03.2008
(A)	TANGIBLE ASSETS															
	Land and Building	419.19	(30.12)	1,236.56	0.28	-	1,625.91	201.04	(16.39)	2.27	-	-	37.18	224.09	1,401.82	218.16
	Leasehold Improvement			195.68	1.62	-	197.30		1.74	126.01	-	-	19.32	147.07	50.23	-
	Plant & Machinery	3,472.64	(175.45)	1,425.18	746.60	1,114.01	4,354.97	1,888.53	(128.98)	889.05	(8.46)	831.46	294.82	2,103.50	2,251.47	1,584.11
	Furniture & Fixtures	436.35	(31.42)	73.72	24.70	-	503.35	242.18	(21.01)	58.43	(0.71)	-	26.26	305.15	198.20	194.17
	Office Equipments	12.90	-	2.16	5.02	-	20.08	3.97	(0.00)*	0.95	0.02	-	2.58	7.52	12.56	8.93
	Vehicles	28.13	(0.36)	2.13	15.16	3.70	41.36	5.20	(0.16)	0.63	(0.01)	1.05	3.56	8.18	33.18	22.93
	Total (A)	4,369.22	(237.35)	2,935.44	793.38	1,117.71	6,742.97	2,340.92	(164.80)	1,077.34	(9.16)	832.52	383.72	2,795.51	3,947.46	2,028.30
	INTANGIBLE ASSETS															
	Goodwill	258.62	(21.74)	-	-	102.64	134.24	5.32	-	-	-	-	-	5.32	128.92	253.30
(B)	Goodwill on Consolidation	53.82			344.31		398.13		-	-	-	-	-	-	398.13	53.82

	Rights	64.57	(2.97)		-	31.60	30.00	-				-	-	-	30.00	64.57
	Software	15.55		9.60	9.07	-	34.22	0.37	(0.01)	4.95		-	4.53	9.85	24.37	15.18
	Total (B)	392.56	(24.71)	9.60	353.38	134.24	596.59	5.69	(0.01)	4.95	-	-	4.53	15.17	581.42	386.87
	Total (A + B)	4,761.78	(262.06)	2,945.03	1,146.76	1,251.95	7,339.56	2,346.62	(164.80)	1,082.29	(9.16)	832.52	388.25	2,810.68	4,528.88	2,415.17
	Previous Year	3,945.73	(200.87)	-	1,059.58	42.66	4,761.78	2,229.92	(131.70)	-	-	14.74	263.14	2,346.62	2,415.17	
	Capital Work In Progress *	-	-	-	-	-	-	-	-	-	-	-	-	-	444.26	550.44

(INR In Million)

	Description of asset	Gross Block						Depreciation						Net Block		Net Block
		As on 01.04.2007	Consolidation Adjustments	Additions on Acquisition	Additions	Deductions	As on 31.03.2008	As on 01.04.2007	Consolidation Adjustments	Depreciation on Assets taken over	Adjustments	Deductions	For the Year	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
(A)	TANGIBLE ASSETS															
	Land and Building	444.00	(24.98)	-	0.17	-	419.19	199.01	(13.00)	-	(4.31)	-	19.34	201.04	218.15	244.98
	Leasehold Improvement			-	-	-	-	-	-	-	-	-	-	-	-	-
	Plant & Machinery	2,920.64	(142.08)	-	715.30	21.22	3,472.64	1,760.39	(103.74)	-	37.67	12.52	206.72	1,888.52	1,584.12	1,160.25
	Furniture & Fixtures	405.11	(24.54)	-	56.51	0.73	436.35	227.78	(14.91)	-	(1.78)	0.17	31.26	242.18	194.17	177.32
	Office Equipments	7.45	-	-	5.45	-	12.90	1.96	-	-	0.68	-	1.33	3.97	8.93	5.50
	Vehicles	27.17	(0.22)	-	16.20	15.02	28.13	10.49	(0.05)	-	(6.17)	2.06	2.99	5.20	22.93	16.68
	Total (A)	3,804.37	(191.82)	-	793.63	36.97	4,369.21	2,199.63	(131.70)	-	26.08	14.74	261.64	2,340.91	2,028.30	1,604.73

(B)	INTANGIBLE ASSETS															
	Goodwill	124.31	(7.90)		147.91	5.70	258.62	4.20	-		-	1.12	5.32	253.30	253.30	
	Goodwill on Consolidation	-	-		53.82	-	53.82	-	-	-	-	-	-	53.82	53.82	
	Rights	17.05	(1.13)		48.65	-	64.57	-			-	-	-	64.57	64.57	
	Software	-	-	-	15.55	-	15.55	-	-	-	-	0.37	0.37	15.18	15.18	
	Total (B)	141.37	(9.03)	-	265.93	5.70	392.56	4.20	-	-	-	-	1.49	5.69	386.87	386.87
	Total (A + B)	3,945.73	(200.85)	-	1,059.56	42.66	4,761.77	2,203.84	(131.70)	-	26.08	14.74	263.13	2,346.60	2,415.17	1,991.60
	Previous Year	3,361.40	-	-	612.03	27.70	3,945.73	1,980.84	-	-	-	9.50	232.49	2,203.84	1,741.90	
	Capital Work In Progress *	-	-	-	-	-	-	-	-	-	-	-	-	-	550.44	292.24

* Note: Borrowing Cost included in Capital Work In Progress - Rs.93.76 Mn (2009 - Rs.48.84 Mn : 2008 - Rs.12.42 Mn)

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

	<i>(INR In Million)</i>		
	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Schedule 7			
INVESTMENTS			
Other than trade			
Unquoted - fully paid up			
The Shamrao Vithal Co-operative Bank Limited	0.10	0.10	0.10
4,000 (2009 - 4,000 : 2008 - 4,000) shares of Rs 25/- each			
Mainframe Premises Co-Operative Society Ltd	0.00 *	-	-
Current Investments (at lower of cost and market value)			
Other than Trade Quoted			
Cinemax India Limited	0.41	0.41	0.97
9,172 (2009 - 9,172 : 2008 - 9,172) equity shares of Rs.10/- each			
<i>Market Value Rs. 0.58 Mn (2009 - Rs. 0.41 Mn : 2008 - Rs. 0.97 Mn)</i>			
Conexion Media Group Plc	1.50	12.10	33.78
1,750,000 (2009 - 1,750,000 : 2008 - 1,750,000) Ordinary shares of £1.00 each			
<i>(Market Value Rs. 1.49 Mn (GBP 0.02 Mn) (2009 - Rs. 12.10 Mn (GBP 0.17 Mn) : 2008 - Rs. 33.78 Mn (GBP 0.42 Mn)</i>			
Other than Trade Unquoted units of Mutual Fund			
ICICI Prudential FMP Series 34 - Fifteen Months Plan	-	-	30.00
30,00,000 (2009 - 3,000,000 : 2008 - 3,000,000) Units of Rs. 10 Each			
Other Investments			
DSP Merrill Lynch - Principal Protected Debenture	-	5.00	5.00
Nil (2009 - 5 : 2008 - 5) Units of Rs. 1 Mn each			
	2.01	17.61	69.85
Aggregate amount of quoted Investments	1.91	12.51	34.75
<i>Market Value Rs. 1.91 Mn (2009 - Rs. 12.51 Mn : 2008 - Rs. 34.75 Mn)</i>			
Aggregate amount of Unquoted Investments	0.10	5.10	35.10
Schedule 8			
SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Unsecured, considered good	191.97	290.89	216.27
Considered Doubtful	31.00	16.92	11.79
Other debts	222.97	307.81	228.06
Unsecured, considered good	1,038.47	741.72	677.46
	1,261.44	1,049.53	905.52
Less: Provision for Doubtful Debts	31.00	16.92	11.79
Included in Sundry Debtors are :	1,230.44	1,032.61	893.73
<i>i. Service Tax amount of Rs. 80.84 Mn (2009 - Rs. 69.62 Mn : 2008 - Rs.59.51 Mn), which is payable upon collection</i>			

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

(INR In Million)

	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Schedule 9			
CASH AND BANK BALANCES			
Cash on hand	2.04	1.37	2.27
Balances with Scheduled banks			
In Current Accounts	92.01	376.65	237.16
In Fixed Deposit Accounts (Refer Note below)	118.32	235.57	168.73
	212.37	613.59	408.16

Note :

i. As margin for Letter of Credit / Buyers Credit - Rs. 42.83 Mn (2009 - Rs. 192.29 Mn : 2008 - Rs. 137.18 Mn)

ii. Lien on Fixed Deposit against Bank Guarantee availed -Rs. 33.37 Mn (2009 - Rs. 36.51 Mn : 2008 - Rs. 28.72 Mn)

iii. As margin for Term Loan - Rs.37.50 Mn (2009 - Rs. Nil : 2008 - Rs. Nil)

iii. Accrued interest on Fixed Deposits - Rs. 1.03 Mn (2009 - Rs.3.71 Mn : 2008 - Rs.2.83 Mn)

Schedule 10

LOANS AND ADVANCES

Unsecured - considered good

Advances recoverable in Cash or in Kind or for value to be received

	350.46	493.83	1,976.46
Deposits	82.24	87.41	39.86
Inter Company Deposits	94.93	90.42	80.96
Interest Receivable	-	1.18	-
MAT Credit Entitlement	0.14	24.99	3.60
Advance Payment of Taxes	370.61	153.13	90.03
<i>(Net of Provision for Tax - Rs. 90.01 Mn (2009 - Rs. 169.83 Mn : 2008 - Rs. 148.45 Mn)</i>			

898.38 850.96 2,190.91

Schedule 11

CURRENT LIABILITIES

Sundry creditors

Total Outstanding dues to Micro and Small Enterprises (Refer Note 4 to Schedule 18)

	-	-	-
Dues of creditors other than Micro and Small Enterprises	586.91	249.31	346.36
Other Liabilities	230.09	360.84	278.95
Bank Book Overdraft	2.89	0.98	-
Deferred Revenue Income	61.86	60.07	-
Owed to Group Company	0.02	-	-

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

(INR In Million)

PARTICULARS	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Interest Accrued but not due	8.75	10.70	-
Advances from Customers	148.62	34.71	15.89
Unclaimed Dividend *	0.01	0.01	0.02
	1,039.15	716.62	641.22

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

Schedule 12

PROVISIONS

Provision for Gratuity (Refer Note 12(a) to Schedule 18)	1.50	1.22	-
	1.50	1.22	-
Provision for Undertaking			
Beginning of the year	-	20.71	-
Add : Provision for the year	-	-	20.71
Less : Settled during the year	-	20.71	-
End of the year	-	-	20.71
	1.50	1.22	20.71

Schedule 13

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary expenses	0.68	-	-
As per last balance sheet	-	-	87.01
Add: incurred during the year	-	0.68	-
Less : Share issue expenses adjusted against Security Premium	-	-	65.62
Less : Other Adjustments	-	-	12.15
Less : Amortised / Written off during the year	-	-	9.24
	0.68	0.68	-

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

(INR In Million)

PARTICULARS	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Schedule 14			
OTHER INCOME			
Dividend	0.03	0.03	0.01
<i>Long Term Investments - Non Trade</i>	-	-	2.00
<i>Current Investments</i>			
Interest Income			
<i>Bank Deposits</i>			
(TDS :- 2010 - Rs.2.03 Mn : 2009 - Rs.2.86 Mn : 2008 - Rs. 1.95 Mn)	30.03	20.48	22.19
<i>Others</i>			
(TDS :- 2010 - Rs. Nil : 2009 - Rs. Nil : 2008 - Rs. Nil)	12.82	4.84	7.72
Profit / (Loss) on Sale of Investment	2.03	3.40	-
Profit / (Loss) on Sale of Asset	6.31	39.06	8.74
Exchange Gain (net)	18.73	38.75	8.63
Undertaking Fee (Refer Note 6 to Schedule 18 for FY 09-10)	11.31	8.57	18.54
Excess Provision Write Back	1.93	1.59	-
Insurance Claim Received	-	6.37	6.31
Miscellaneous Income (Refer Note 15 to Schedule 18)	4.70	3.68	20.14
	87.89	126.77	94.28

Schedule 15

OPERATING AND OTHER EXPENSES

Personnel Expenses			
Salaries, Staff Remuneration and Bonus	1,025.42	1,023.26	768.64
Contribution to Provident and Other Fund (Refer Note 12(b) to Schedule 18)	60.82	71.03	59.09
Gratuity (Refer Note 12(a) to Schedule 18)	0.27	1.22	-
Staff Welfare	10.61	14.48	7.08
Technician Fees	903.42	892.25	150.63
Technical Services Payments	385.38	125.11	157.10
Communication Cost	35.21	35.81	14.28
Consumables Stores	83.29	72.56	19.97
Director's Sitting Fees	0.18	0.32	0.22
Electricity Charges	93.18	101.28	49.22
Insurance Cost	48.38	49.24	17.29

SCHEDULES FORMING PART OF REFORMATTED CONSOLIDATED BALANCE SHEET AS AT

(INR In Million)

PARTICULARS	For The Year Ended		
	31.03.2010	31.03.2009	31.03.2008
Legal and Professional Fees	41.51	41.51	8.63
Loss on sale of Assets (net)	0.01	-	-
Rates and Taxes	14.67	18.53	1.29
Rebates and Discount	24.67	8.96	10.12
Rent	176.18	210.60	169.96
Traveling and Conveyance	85.25	68.73	31.15
Miscellaneous Expenses	157.75	126.01	47.86
Repairs & Maintenance			
Repairs and Maintenance-Equipment	58.43	58.45	11.74
Repairs and Maintenance-Studio/Office Premises	4.81	4.39	3.96
Bad Debts Written Off	80.50	64.36	3.11
Provision for Doubtful Debts	31.27	6.28	-
Auditor's Remuneration			
Audit Fees	9.72	7.84	5.40
Other Matters	0.50	0.51	2.25
	3,331.43	3,002.73	1,538.99

Schedule 16

EXCEPTIONAL ITEM

(Refer Note 16 to Schedule 18)

VAT Claim	(33.89)	(122.18)	-
Liquidation Income	(111.89)	-	-
Share Based Payments	7.21	-	-
Goodwill W/off	19.30	-	-
Damages for Loss of Employment	0.20	-	35.44
Legal Fees	101.42	-	13.24
(Write Back) / Written off during the year	155.02	54.71	9.24
	137.37	(67.47)	57.92

Schedule 17

FINANCIAL EXPENSES

Interest on Bank Overdraft	69.00	54.68	35.53
Interest on Term Loan	90.66	59.07	54.55
Interest on Buyer's Credit	36.37	62.00	-
Interest on Others	7.31	23.82	6.43
Bank Charges	15.00	10.45	13.23
	218.34	210.02	109.74

Schedule forming part of Reformatted Consolidated Financial Statement for FY 2009-10
Schedule 18 - Notes to Accounts

1. Nature of Operations:

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

2. Statement of Significant Accounting Policies:

a. Basis of Preparation

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

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company namely March 31, 2010. The financial statements are presented in the general format specified in Schedule VI to the Act.

b. Principles of Consolidation

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

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

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

- e. Goodwill on consolidation
- f. Intangible assets
- g. Revenue recognition

v. Goodwill arising on consolidation

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

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

Goodwill of PF London is Rs. 120.26 million (Previous year Rs. 139.98 million).

Goodwill arising on consolidation is evaluated for impairment annually.

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

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc.	Post Production and VFX services	England & Wales	59.96%
Prime Focus Investments Ltd.	Media and other Investments	England & Wales	100%
Prime Focus Technologies Pvt. Ltd.	Digital Asset Management	India	51%
Flow Post Solutions Pvt. Ltd.	Post Production services	India	51%
GVS Software Pvt Ltd.	No activity as of date	India	100%
Prime Focus Motion Pictures Ltd.	No activity as of date	India	100%
Subsidiary undertakings of Prime Focus London Plc.			
Prime Focus Visual Entertainment Services Limited (Formerly Blue Post Production Limited)	Broadcast Post Production	England & Wales	100%
VTR Media Investments Limited	Media Investments	England & Wales	100%
Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Amazing Spectacles Limited (Formerly The Hive Animation Limited)	Post Production Service	England & Wales	100%
Clipstream Limited	Digital Content Management	England & Wales	100%
Meanwhile Content Limited (Formerly United Sound & Vision Limited)	Post Production of Television Commercials	England & Wales	100%
Machine Effects Limited	Graphics for Feature Films	England & Wales	100%
37 Dean Street Limited	Dormant	England & Wales	100%
Associates of Prime Focus London Plc.			
VTR North Limited	Post Production of Television Commercials	England & Wales	20%
Busy Buses Limited	Dormant	England & Wales	33%

Subsidiary undertakings of Prime Focus Investments Ltd.			
Prime Focus VFX Services I Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Services II Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Technology Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Pacific Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX USA Inc	Post Production and VFX services	USA	100%
Prime Focus VFX Australia Pty Ltd	Post Production and VFX services	Australia	100%
Prime Focus North America Inc (formerly Post Logic Studios Inc)	Post Production and VFX services	USA	100%
Subsidiary undertakings of Prime Focus North America Inc.			
1800 Vine Street LLC	NA	USA	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the year			
PF (Post Production) Limited	Post Production	England & Wales	100%
K Post Limited	Post Production of Television Commercials	England & Wales	100%
The Machine Room Limited	Film Transfer, Video Mastering & DVD	England & Wales	100%
Subsidiary undertakings of Prime Focus London Plc. – Liquidated during the previous year			
Clear (Post Production) Limited	Post Production of TV commercials.	England & Wales	100%
Outpost Post Production Limited	Post Production of TV commercials	England & Wales	100%

d. Use of Estimates

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

e. Fixed Assets

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

f. Depreciation

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

Asset Group	Rates (SLM)	Schedule XIV Rates (SLM)
Land and Building	1.63%	1.63%
Plant & Machinery - Computer Based Assets	16.21%	16.21%
Plant & Machinery - Non Computer Based Assets	7.07% - 14.29%	7.07%
Furniture & Fixtures and Electrical Fittings	10.00%	6.33%

Office Equipments	16.21%	13.91%
Vehicles	9.50%	9.50%

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

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

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

Gross book value of assets of PF London is Rs.1,784.48 Million (Previous year Rs. 1,680.88 Million) Net book value of assets is Rs 1,074.55 Million (Previous year Rs. 700.80 Million) and depreciation charge for the year is Rs. 92.30 Million (Previous Year Rs. 98.08 Million)

Impairment

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

g. Intangible Assets

Film Rights

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

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

Value of films rights of PF London is Rs. 515.17 Million (Previous Year Rs. Nil)

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

Software

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

h. Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are

apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

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

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

i. Stocks

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

j. Investments

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

In case of one of the subsidiary Prime Focus London Plc., quoted investments are revalued at each period end according to the movement in the share price at the time. The change in value of the investment is charged or credited to the fair value reserve in the balance sheet until its disposal or is impaired, at which time the cumulative gain or loss previously recognised in fair value reserve is included in the profit and loss account.

Value of Current Investments of PF London Group is Rs. 1.49 Million (Previous Year Rs. 2.04 Million)

k. Revenue Recognition

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

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

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

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

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

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

Interest Income recognised of PF London Group is Rs.Nil (Previous year Rs. Nil)

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

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

l. Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011

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

However, in case of one of the subsidiary, Prime Focus London Plc, UK, all differences are charged to the profit and loss account. This is in variance with the policy adopted by the Group.

Total Exchange (gain) / loss of PF London Group recognised in Profit and loss account is Rs.40.21 million (Previous Year Rs. Nil). The said Exchange loss is included in Exceptional item.

m. Income Taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be

available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

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

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

n. Segment Reporting

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

o. Earnings Per Share

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

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

p. Provisions

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

q. Cash & Cash Equivalents

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

r. Derivative Instruments

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

s. Retirement and other Employee Benefits

Post employment benefits and other long term benefits :

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

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

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

t. Stock based compensation

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

3. Detail of charges provided for Secured Loans:

Nature	Value (INR in Million)	Security
Term Loan	Rs. 105.43	i. Subservient Charge on the movable Fixed Assets and Receivables of the Company ii. Personal Guarantee of the Promoter Director. iii. Pledge of Shares by Promoters iv. Escrow of rent payment receivable by Promoters.
Term Loan	Rs. 179.71	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.
Term Loan	Rs. 327.77	i. First Charge against the Property Financed & Project Assets. ii. Personal Guarantees of the Promoter Director.
Term Loan	Rs. 8.00	i. First Charge against the equipment financed.

Nature	Value (INR in Million)	Security
Buyers Credit	Rs. 443.31	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. ii. First Charge on the Fixed Assets of the Company, both present and future.(except Royal Palms property) iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	Rs. 173.57	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	Rs. 17.69	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Short Term Demand Loan	Rs. 250.00	i. First Charge on Current Asset ii. Personal Guarantee of Director. iii. Pledge of shares by Promoters
Vehicle Loan	Rs. 13.24	i. First Charge on the Vehicles Financed
Bank Loans of subsidiary (Prime Focus London Plc.)	Rs. 145.59	i. Secured by a fixed and floating charge over the assets of the Prime Focus London Plc Subsidiaries and PF London Group.
Hire Purchase Creditors (Prime Focus London Plc.)	Rs. 133.83	i. Secured against respective movable assets.
Term Loan (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 567.88	i. Secured against property and other equipments.
Cash Credit/ Over Draft (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 76.10	i. Secured against book debts.
Vehicle Finance (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 1.18	i. Secured against vehicle financed.

4. The Group does not have suppliers who are registered as micro, small or medium enterprise under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2009. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

5. Geographical Segment

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

Income from Operations by Geographical Area

	<i>(INR in Million)</i>	
	2010	2009
India	857.67	889.75
United Kingdom	1,560.04	1,223.01
U.S.	988.85	801.99

Canada	754.96	514.70
Other Countries	366.32	114.27
	4,527.84	3,543.72

Segment Assets by Geographical Area and additions to Segment Assets

(INR in Million)

	Segments Assets		Additions to Fixed Assets and intangibles	
	2010	2009	2010	2009
India	3,214.45	3,217.05	61.88	603.03
United Kingdom	2,079.15	1,451.29	602.77	91.64
U.S.	2,110.05	1,957.76	516.80	35.32
Canada	469.58	587.13	154.62	35.41
Other Countries	4.17	5.62	Nil	Nil
	7,877.40	7,218.85	1,336.07	765.40

6. During the FY 2008-09 the parent company was allotted 505,050 ordinary shares of 5 pence each in Prime Focus London Plc, a subsidiary of the Group, as fully paid up for consideration other than cash for providing an undertaking on certain future obligations, to the vendors under the Share Purchase Agreement entered by Prime Focus London Plc. to acquire Machine Effects Limited.

The outcome of these obligations is dependent on uncertain future events for which no reliable estimate can be made. Hence no provision is considered necessary (Refer Note No. 12 (ii)). Subsequent to year end, the parties to whom the undertaking was provided have asked the Group to confirm that it will honor the guarantee provided by the Group. The Group has filed a suit in Mumbai High Court alleging that the terms of the undertaking are not tenable and hence no liability is expected to crystallize on the Group.

7. Related party disclosures:

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

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman

Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Ms. Neha Malhotra

Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

Particulars of Related Party Transactions

(INR in Million)

S.No		2010	2009
1 a	Key Management Personnel*		
	Remuneration		
	Namit Malhotra	3.00	3.00
	Naresh Malhotra	3.00	3.00
		6.00	6.00
b	Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	0.17	0.24

S.No		2010	2009
	Naresh Malhotra	0.17	0.24
		0.34	0.48
2	Relatives of Key management Personnel		
	Professional Fees		
	Neha Malhotra	Nil	0.45
	Premnath Malhotra	0.14	0.22
		0.14	0.67
3	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
A	Rent		
	i) Blooming Bud Coaching Private Limited	24.00	21.25
B	Deposits given	Nil	13.20
	i) Blooming Bud Coaching Private Limited		
C	Balance receivable at the year end – Deposits	48.00	48.00
	i) Blooming Bud Coaching Private Limited		

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

8. Leases:

a. Operating Leases:

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

	<i>(INR in Million)</i>	
	2010	2009
Lease Payments due within one year	74.45	78.05
Lease Payments due later than one but not later than five years	291.31	274.82
Lease Payments due later than five years	172.69	249.13

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

Amount of lease rental charged to the Profit and loss account in respect of operating leases is Rs.176.18 Million (previous year Rs.210.60 Million).

b. Finance Leases:

Plant and machinery includes machinery obtained on finance lease. The lease term is for 3 years after which the legal title is passed to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

	<i>(INR in Million)</i>	
	2010	2009
Total Lease Payments for the year	30.66	8.67
Less : amount representing finance charges	7.02	1.61
Present value of minimum lease payments (Rate of interest: 17% p.a.)	23.64	7.06
Lease Payments due within one year [Present Value Rs. 26.48 Million as on 31.03.2010 (Rs. 26.74 Million as on 31.03.2009)]	30.66	34.68

Lease Payments due later than one but not later than five years [Present Value Rs. 21.94 Million as on 31.03.2010 (Rs. 54.78 Million as on 31.03.2009)]	22.99	60.70
Lease Payments due later than five years	Nil	Nil

9. Earnings Per Share (EPS):

	(INR in Million)	
	2010	2009
Net profit as per consolidated profit and loss account including exceptional items for calculation of basic and diluted EPS	334.24	145.84
Weighted average number of equity shares in calculating basic EPS	12,822,588	12,739,300
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	1,952,760	1,562,205
Weighted average number of equity shares in calculating diluted EPS	14,775,348	14,301,505
Basic EPS	30.72	11.45
Diluted EPS	27.39	10.20

10. Capital Commitment

	(INR in Million)	
	2010	2009
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	176.02	16.15

11. Contingent Liabilities not provided for:

	(INR in Million)	
	2010	2009
i. On account of undertakings given by the Group in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Group is confident of meeting its future obligations on such undertakings in the normal course of business.	748.59	797.03
ii. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made by Prime Focus London Plc. to vendors of Machine Effects Ltd. U.K.	61.08	69.36
iii. Matters pending with Tax Authorities (Block Assessment). The Group has been advised that it has a valid case based on similar decided matters.	0.11	1.05
iv. Company has made payment of taxes under protest towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals)	5.27	Nil
v. Premium on conversion of FCCB	420.38	269.14

12. Gratuity and other post-employment benefit plans:

a. Define benefit plans:

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

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

	(INR in Million)	
Particulars	March 31, 2010	March 31, 2009

	Amount	Amount
Current service cost	0.73	0.55
Interest cost on benefit obligation	0.09	0.07
Expected return on plan assets	Nil	Nil
Net actuarial(gain) / loss recognised in the year	(0.54)	0.22
Past service cost	Nil	0.38
Net benefit expense	0.28	1.22
Actual return on plan assets	Not Applicable	Not Applicable

Balance sheet	(INR in Million)	
Details of Provision for gratuity	March 31, 2010	March 31, 2009
	Amount	Amount
Defined benefit obligation	1.50	1.22
Fair value of plan assets..	Nil	Nil
Amount recognised in the balance sheet	1.50	1.22

Changes in the present value of the defined benefit obligation are as follows:	(INR in Million)	
Particulars	March 31, 2010	March 31, 2009
	Amount	Amount
Opening defined benefit obligation	1.22	0.38
Interest cost	0.09	0.07
Current service cost	0.73	0.55
Benefits paid	Nil	Nil
Actuarial (gains) / losses on obligation	(0.54)	0.22
Closing defined benefit obligation	1.50	1.22

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

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

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

	March 31, 2010	March 31, 2009
	%	%
Discount rate	7.75%	7.75%
Expected rate of return on assets	Not Applicable	Not Applicable
Employee turnover	2 %	2 %

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

Amounts for the current and previous year are as follows: [AS15 Para 120(n)]	(INR in Million)	
Particulars	March 31, 2010	March 31, 2009
	Amount	Amount
Defined benefit obligation	1.50	1.22
Plan assets		
Surplus / (deficit)	(1.50)	(1.22)
Experience adjustment on plan liabilities (gain) / loss	(0.32)	
Experience adjustment on plan asses	-	-

b. Defined Contributing Plan:

Amount recognized as an expense and included in Schedule – 15 as Contribution to Provident and Other Fund Rs. 60.81 Million (Previous Year – Rs.71.03 Million)

13. Derivative Instruments and Unhedged Foreign Currency Exposure:

(INR in Million)

	Value (March 31, 2010)	Value (March 31, 2009)	Purpose
Particulars of Derivatives			
Currency Swap			
US\$ – JPY	Nil	USD 1.53 Million (JPY 191.13 Million)	Hedge against exposure to foreign currency fluctuations.
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer's Credit (Liability)	439.77 (USD 9.78 Million @ Closing Rate of 1 USD = Rs. 44.98)	608.98 (USD 11.97 Million @ Closing Rate of 1 USD = Rs. 50.88)	For import of equipments
	3.54 (EUR 0.06 Million @ Closing Rate of 1 EUR = Rs.60.84)	38.44 (EUR 0.57 Million @ Closing Rate of 1 EUR = Rs.67.46)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162.70 (USD 55.00 Million)	2,162.70 (USD 55.00Million)	For strategic acquisitions and / or strategic alliances outside of India

14. Foreign Currency Convertible Bonds (FCCB):

- On December 12, 2007, the Group issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of US\$ 0.10 Million each, aggregating to US\$ 55.00 Million (equivalent – Rs. 2,162.70 Million). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.
- As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per USD subject to certain adjustments as per the terms of the issue. In terms of condition of issue, the conversion price has been reset to Rs. 1,109 per equity share. Further, under certain conditions, the Group has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Group will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2010, no bonds have been converted into equity shares of Rs. 10 each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".
- The FCCB's as detailed above are compound instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium amounting to Rs. 420.38 Million (Previous Year Rs. 269.14 Million). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.
- The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/ loss on translation of FCCB liability in the event of redemption have not been recognized.
- Had the Company revalued the bonds as at March 31, 2010 considering it as a long term monetary liability, the profit for the year ended March 31, 2010 would have been lower by Rs. 46.12 Million (Previous Year: Rs.208.36 Million). The reserves as on that date would have been lower by Rs. 265.06 Million (Previous Year: Rs. 218.94

Million) and foreign currency monetary item would have been Rs. 46.12 Million (Previous Year: Rs. 416.72 Million).

15. Miscellaneous Income:

As the Company is engaged in providing post production services, net income of Rs. 1.96 Million (Previous Year Rs.0.95 Million) from production of TV Programme (gross Rs. 27.10 Million (Previous Year Rs. 11.55 Million) less: direct cost of Rs. 25.14 Million (Previous Year Rs. 10.60 Million)) is disclosed under other income as Miscellaneous Income of the Group for the year (including revenue from TV production income) is Rs. 4,554.93 Million (Previous Year: Rs. 3,555.27 Million).

16. Exceptional Items:

During the previous year, there were two judgments by the High Court of Justice in London. Under these rulings the Court had approved reclaiming VAT on several expenses (like Staff entertainment and subsistence, stock exchange listing costs, petty cash expenses, etc.) which were excluded previously.

Based on the same and as advised by accountancy experts, Prime Focus London Plc. and its subsidiaries have filed for VAT refund for the current year also and has recognised Rs. 33.89 Million (GBP 0.45 Million) as an exceptional income for the year ended March 31, 2010.

During the year, Prime Focus London Plc. has liquidated 3 of its subsidiaries named 'PF (Post Production) Limited', 'K Post Limited' and 'The Machine Room Limited' as per the restructuring plan. On liquidation of the above subsidiaries, Prime Focus London Plc. has booked an exception income of Rs. 111.89 Million (GBP 1.48 Million) relating to excess liabilities not payable by the Group.

In addition to the above Prime Focus London Plc. has also booked an exceptional expense towards write off on account of old unrecoverable balances amounting to Rs. 114.82 Million (GBP 1.52 Million), License fee cost paid towards use of View D software amounting to Rs. 101.42 Million (GBP 1.34 Million) and Foreign exchange loss of Rs. 40.21 Million (GBP 0.53 Million) towards revaluation of USD 6 million loan with Standard Chartered. In addition to above, PF London has also booked expense towards share based payments of Rs.7.21 Million (GBP 0.09 Million), goodwill/ branding written off of Rs 19.30 Million (GBP 0.26 Million).

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

18. During the year Prime Focus London Plc., one of the subsidiary has implemented a stock option scheme for all employees of PF London Group who participated in a salary reduction scheme. Pursuant to ESOP Scheme approved by the members of PF London Group On September 30, 2009, Board of Directors and had approved stock option scheme to grant up to 1,236,965 share. The options were granted on October 1, 2009. The options have vesting period of one year and can be exercised up to a period of 10 years and are subject to continuing employment with PF London group. The employees pays the exercise price upon exercise of option. The Consolidated Income statement charged for the year recognised in respect of equity-settled, share based payment is Rs.7.21 Million (GBP 0.09 Million) (Previous year Rs. Nil (GBP Nil)). There were no stock options outstanding at the beginning of the year. During the year Prime Focus London Plc. granted 1,185,911 options with a weighted average exercise price of 7 Pence per option. There were no options forfeited during the year. There were no options exercised during the year. The options outstanding as at March 31, 2010 was 1,185,911 at the weighted average exercise price of 7 Pence per option.

The fair value of share options is estimated at the date of grant using the Black-Scholes option pricing model. The following table gives the assumptions applied to the options granted in the respective periods shown.

	2010	2009
Expected dividend yield	0%	-

Expected volatility	36%	-
Risk-free interest rate	4.5%	-
Expected life of options	5 years	-
Weighted average fair value of options granted (pence)	16.08	-
Probability of forfeiture	0%	-
Share price (pence)	21.5	-
Weighted average exercise price (pence)	7	-

19. Deferred Tax Assets

Deferred tax asset has arisen mainly due to brought forward losses of two of the subsidiaries of the Group, Prime Focus London Plc and its Subsidiaries ('PF London group') and Prime Focus Investments Limited and its subsidiaries ('PFIL group'). Both PF London group and PFIL group has recorded Profit of Rs. 158.92 Million (before Minority Interest) and Rs. 106.80 Million respectively in year ended March 31, 2010. Also, they have recorded profits till August 2010. They have received confirmed order to be executed in the period April 2010 to November 2010. Considering the confirmed orders on hand, performance achieved till date and projected revenue, management believes it will generate taxable profits to set-off the unabsorbed depreciation and carry-forward losses and other timing differences resulting into deferred tax assets. Hence, both these Companies has recognised deferred tax asset as at March 31, 2010 on carry-forward losses and unabsorbed depreciation.

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

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

Schedule forming part of Reformatted Consolidated Financial Statement for FY 2008-09
Schedule 18 - Notes to Accounts

1. Nature of Operations:

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

2. Statement of Significant Accounting Policies:

a. Basis of Preparation

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

The financial statements of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the holding company namely March 31, 2009.

b. Principles of Consolidation

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

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

- i. The financial statements of the parent and the subsidiary have been combined on a line-by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. An unrealised loss resulting from intra-group transactions has also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.
- ii. The Assets & Liabilities of Subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as of the Balance sheet date. Revenue and Expenses are translated into Indian Rupees at an average closing rate.
- iii. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.
- iv. The consolidated financial statements are prepared using uniform accounting policies to the extent practicable across the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by Group, except in case of the accounting policies mentioned below, where there exists variance between Parent and the subsidiary:
 - a. Fixed Assets
 - b. Depreciation
 - c. Foreign Currency Translation
 - d. Current Investments
- v. Goodwill arising on consolidation
The excess of cost to the parent, of its investment in subsidiary over its portion of equity in the subsidiary at the respective dates on which investment in the subsidiary was made, is recognized in the financial statements as goodwill and in the case where equity exceeds the cost; the same is being adjusted in the said goodwill. The parent's portion of equity in the subsidiary is determined on the basis

of the value of assets and liabilities as per the financial statements of the subsidiary as on the date of investment.

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

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Prime Focus London Plc. (formerly known as VTR Plc, UK)	Post Production and VFX services	England & Wales	59.96%
Prime Focus Investments Ltd.	Media and other Investments	England & Wales	100%
Prime Focus Technologies Pvt. Ltd.	Digital Asset Management	India	51%
Flow Post Solutions Pvt. Ltd.	Post Production services	India	51%
GVS Software Pvt Ltd.	No activity as of date	India	100%
Prime Focus Motion Pictures Ltd.	No activity as of date	India	100%
Subsidiary undertakings of Prime Focus London Plc. (formerly known as VTR Plc, UK)			
Blue Post Production Limited	Broadcast Post Production	England & Wales	100%
The Machine Room Limited	Film Transfer, Video Mastering & DVD	England & Wales	100%
VTR Media Investments Limited	Media Investments	England & Wales	100%
The Hive Animation Limited	Post Production Service	England & Wales	100%
Clipstream Limited	Digital Content Management	England & Wales	100%
K Post Limited	Post Production of Television Commercials	England & Wales	100%
United Sound & Vision Limited	Post Production of Television Commercials	England & Wales	100%
Machine Effects Limited	Graphics for Feature Films	England & Wales	100%
PF (Post Production) Limited	Post Production	England & Wales	100%
Associates of Prime Focus London Plc. (formerly known as VTR Plc., UK)			
VTR North Limited	Post Production of Television Commercials	England & Wales	20%
Petrol Digital Media Limited	DVD Mastering & Authorising	England & Wales	49%

Name of Subsidiary	Principal Activity	Country of Incorporation	Percentage of Holding
Subsidiary undertakings of Prime Focus Investments Ltd. w.e.f. April 1, 2008			
Prime Focus VFX Services I Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Services II Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Technology Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX Pacific Inc	Post Production and VFX services	Canada	100%
Prime Focus VFX USA Inc	Post Production and VFX services	USA	100%
Prime Focus VFX Australia Pty Ltd	Post Production and VFX services	Australia	100%
Post Logic Studios, Inc	Post Production and VFX services	USA	100%
Subsidiary undertakings of Post Logic Studios, Plc.			
1800 Vine Street LLC	NA	USA	100%

Subsidiary undertakings of Prime Focus London Plc. (formerly known as VTR Plc, UK) – Liquidated during the year			
Clear (Post Production) Limited	Post Production of TV commercials.	England & Wales	100%
Outpost Post Production Limited	Post Production of TV commercials	England & Wales	100%

During the year consequent to Prime Focus Investments Limited, acquiring the above mentioned subsidiaries there is an increase in net assets by Rs. 464.72 Million and decrease in profit before tax by Rs. 62.40 Million and decrease in profit after tax by Rs. 5.12 Million

d. Use of Estimates

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

e. Fixed Assets

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

f. Depreciation

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

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

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

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

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

Impairment

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

g. Intangible Assets

Film Rights

The Group amortises film costs using the individual-film-forecast method. Under the individual-film-forecast method, such costs are amortised for each film in the ratio that current period revenue for such films bears to management's estimate of remaining unrecognised ultimate revenue as at the beginning of the current fiscal year. Management regularly reviews and revises, where necessary, its total estimates on a film-by-film basis, which may result in a change in the rate of amortisation and/or a write down of the intangible asset to fair value. No amortization has been done in the current year as the rights are not exercisable in the current year.

h. Leases

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

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

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

i. Stocks

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

j. Investments

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

In case of one of the subsidiary Prime Focus London Plc., quoted investments are revalued at each period end according to the movement in the share price at the time. The change in value of the investment is charged or credited to the fair value reserve in the balance sheet.

k. Revenue Recognition

Technical services receipts

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

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

Interest

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

Dividends

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

Fee for providing undertaking

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

1. Foreign Currency Transactions

Initial Recognition

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

Conversion

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

Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of long-term foreign currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset, and in other cases, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortized over the balance period of such long-term asset/liability but not beyond accounting period ending on or before March 31, 2011

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

However, in case of one of the subsidiary, Prime Focus London Plc, UK, all differences are charged to the profit and loss account. This is in variance with the policy adopted by the Group.

m. Income Taxes

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

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

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

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

n. Segment Reporting

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

o. Earnings Per Share

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

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

p. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate

required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

q. Cash & Cash Equivalents

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

r. Derivative Instruments

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

s. Retirement and other Employee Benefits

i) Post employment benefits and other long term benefits :

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

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

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

ii) Short term employee benefits:

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

3. Detail of charges provided for Secured Loans:

Nature	Value (INR in Million)	Security
Term Loan	Rs. 357.05	i. First Charge against the Property Financed ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company iii. Personal Guarantee of the Promoter Director. iv. Pledge of Shares by Promoters
Buyers Credit	Rs. 745.45	i. Letter of Credit ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future and Term Deposits. iii. First Charge on the Fixed Assets of the Company, both present and future. iv. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	Rs. 477.49	i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future.

		ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	Rs. 25.00	First Charge on Current Asset and Personal Guarantee of Director. Post Dated Cheques of the Company
Vehicle Loan	Rs.17.95	i. First Charge on the Vehicles Financed
Bank Loans of subsidiary (Prime Focus London Plc.)	Rs. 270.31	i. Secured by a fixed and floating charge over the assets of the Subsidiary and Group.
Hire Purchase Creditors (Prime Focus London Plc.)	Rs. 48.38	i. Secured against respective movable assets.
Term Loan (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 612.40	i. Secured against property and other equipments.
Cash Credit/ Over Draft (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 19.21	i. Secured against book debts.
Vehicle Finance (Subsidiaries of Prime Focus Investments Ltd.)	Rs. 9.77	i. Secured against vehicle financed.

4. The Group does not have suppliers who are registered as micro, small or medium enterprise under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2009. The information regarding micro, small and medium enterprises has been determined on the basis of information available with the management.

5. Changes in Accounting Policy:

During the previous year, the Company had adjusted Mark-to-Market losses on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956 as per legal advice received. Consequent to recent amendment to AS-11, the company has debited the foreign exchange fluctuation including Mark-to-Market loss on loans/liability on derivative contract aggregating to Rs.45.16 million as at March 31, 2008 to Profit and Loss Account.

In the current year, four subsidiaries of the group has changed (with retrospective effect) its method of providing Depreciation on fixed assets from the Written Down Value (WDV) method at the rates based on technical estimates of useful life, to the Straight Line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956 or technical estimates of the useful life whichever is higher.

Had those companies continued to use the earlier basis of providing depreciation, the charge to the Profit and Loss Account for the current year would have been higher by Rs. 13.31 Million (GBP 0.17 Million) and the net block of fixed assets would correspondingly be lower by the said amount. The net charge of GBP 0.17 Million (CAD 0.31 Million) arising out of retrospective re-computation has been recognized in the current year's Profit and Loss Account.

6. Changes in Accounting Estimates:

During the year ended March 31, 2009, the Group has changed the useful life of certain Plant & Machinery items prospectively from April 1, 2008. Consequent to such change, the unamortised depreciable amount will be charged over the revised remaining useful life of those assets. This change in estimate has resulted in profit after tax being higher by Rs. 29.04 Million.

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

Geographical Segment

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

Income from Operations by Geographical Area

(INR in Million)

	2009	2008
India	889.75	774.48
United Kingdom	1,223.01	1,371.51
U.S.	801.99	Nil
Canada	514.70	Nil
Other Countries	114.27	75.34
	3,543.72	2,221.33

Segment Assets by Geographical Area and additions to Segment Assets

(INR in Million)

	Segments Assets		Additions to Fixed Assets and intangibles	
	2009	2008	2009	2008
India	3,217.05	2,907.75	603.03	746.90
United Kingdom	1,451.29	856.02	91.64	258.85
U.S.	1,957.76	Nil	35.32	Nil
Canada	587.13	Nil	35.41	Nil
Other Countries	5.62	7.72	Nil	Nil
	7,218.85	3,771.49	765.40	1,005.75

8. Related party disclosures:

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

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman

Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Ms. Neha Malhotra

Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

b. Particulars of Related Party Transactions

(INR in Million)

S.No		2009	2008
1	Key Management Personnel		
a	Remuneration		
	Namit Malhotra	3.00	3.00

S.No		2009	2008
	Naresh Malhotra	3.00	3.00
		6.00	6.00
b	Balance Outstanding at the year end – Remuneration Payable		
	Namit Malhotra	0.24	Nil
	Naresh Malhotra	0.24	Nil
		0.48	Nil
2	Relatives of Key management Personnel		
	Professional Fees		
	Neha Malhotra	0.45	0.60
	Premnath Malhotra	0.22	0.24
		0.67	0.84
3	Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
A	Rent		
	i) Blooming Bud Coaching Private Limited	21.25	19.05
B	Deposits given		
	i) Blooming Bud Coaching Private Limited	13.20	Nil
C	Balance receivable at the year end – Deposits		
	i) Blooming Bud Coaching Private Limited	48.00	34.80

9. Leases:

a. Operating Leases:

Office premise is obtained on operating lease. The lease term is for 60 months and further renewable at the option of the Group. In case of Lease Agreement with Maharashtra Film Stage and Culture Development for 180 months, an escalation clause for increase in the lease amount in 4th, 6th and 11th year of Agreement by Rs. 0.50 Million ; Rs. 0.50 Million and Rs. 0.60 Million per year respectively exists. There are no restrictions imposed by lease arrangements. There are no sub-leases.

<i>(INR in Million)</i>		
	2009	2008
Total Lease Payments for the year	117.16	114.29
Lease Payments due within one year	101.59	136.02
Lease Payments due later than one but not later than five years	342.73	460.00
Lease Payments due later than five years	294.50	379.68

b. Finance Leases:

Plant and machinery includes machinery obtained on finance lease. The lease term is for 3 years after which the legal title is passed to the lessee. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

<i>(INR in Million)</i>		
	2009	2008
Total Lease Payments for the year	8.67	Nil
Less : amount representing finance charges	1.61	Nil
Present value of minimum lease payments (Rate of interest: 17% p.a.)	7.06	Nil
Lease Payments due within one year [Present Value Rs. 26.74 Million as	34.68	Nil

on 31.03.2009 (Rs. Nil as on 31.03.2008)]		
Lease Payments due later than one but not later than five years [Present Value Rs. 54.78 Million as on 31.03.2009 (Rs. Nil as on 31.03.2008)]	60.70	Nil
Lease Payments due later than five years	Nil	Nil

10. Earnings Per Share (EPS):

(INR in Million)

	2009	2008
Net profit as per consolidated profit and loss account including exceptional items for calculation of basic and diluted EPS	145.84	295.36
Weighted average number of equity shares in calculating basic EPS	12,739,300	12,722,588
Add : Weighted average number of equity shares which would be issued on conversion of FCCB.	1,562,205	470,801
Add :Weighted average number of equity shares diluted on merger	Nil	24,658
Weighted average number of equity shares in calculating diluted EPS	14,301,505	13,218,047
Basic EPS (Rs)	11.45	23.22
Diluted EPS (Rs)	10.20	22.35

11. Contingent Liabilities not provided for:

(INR in Million)

	2009	2008
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	16.15	Nil
ii. On account of undertakings given by the Group in favour of Customs authorities at the time of import of capital goods under EPCG Scheme. The Group is confident of meeting its future obligations on such undertakings in the normal course of business.	797.03	596.85
iii. Guarantees given by Banks on behalf of the Group.	36.34	28.79
iv. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made by Prime Focus London Plc. to vendors of Machine Effects Ltd. U.K.	69.36	Nil
v. On account of Unexpired Letters of Credit.	Nil	109.45
vi. Matters pending with Tax Authorities (TDS Scrutiny)	Nil	0.58
vii. Matters pending with Tax Authorities (Block Assessment). The Group has been advised that it has a valid case based on similar decided matters.	1.05	37.56
viii. Matters pending with Customs Authorities for which appeal is pending with Appellate Tribunal. On the basis of legal advice obtained, the Group is confident that no provision is required in respect of this case at this point of time.	2.12	2.12
ix. Premium on conversion of FCCB	269.14	49.45
x. Compounding application pending with Reserve Bank of India		

12. Gratuity and other post-employment benefit plans:

a. Define benefit plans:

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

The parent company did not make any provision in respect of the gratuity benefit in previous year as amount was not material. In Current year, it has adopted Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from April 1, 2007. However, this adoption does not have a material impact on the profit and loss account. Hence, the entire charge of Rs.1.22 Million has been debited to the profit and loss account for the year and accordingly amounts for the previous year have not been furnished.

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

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	<i>(INR in Million)</i>	
	March 31, 2009	
	Amount	
Current service cost		0.55
Interest cost on benefit obligation		0.07
Expected return on plan assets		-
Net actuarial(gain) / loss recognised in the year		0.22
Past service cost		0.38
Net benefit expense		1.22
Actual return on plan assets	Not Applicable	

Balance sheet Details of Provision for gratuity	<i>(INR in Million)</i>	
	March 31, 2009	
	Amount	
Defined benefit obligation		1.22
Fair value of plan assets		-
Amount recognised in the balance sheet		1.22

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

Particulars	<i>(INR in Million)</i>	
	March 31, 2009	
	Amount	
Opening defined benefit obligation		0.38
Interest cost		0.07
Current service cost		0.55
Benefits paid		-
Actuarial (gains) / losses on obligation		0.22
Closing defined benefit obligation		1.22

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

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

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the parent company's plans are shown below:

	March 31, 2009
	%
Discount rate	7.75%
Expected rate of return on assets	Not Applicable
Employee turnover	2 %

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

b. Defined Contributing Plan:

Amount recognized as an expense and included in Schedule – 15 as Contribution to Provident and Other Fund Rs. 71.03 Million (Previous Year – 59.09 Million)

13. Derivative Instruments and Unhedged Foreign Currency Exposure:

(INR in Million)

	Value (March 31, 2009)	Value (March 31, 2008)	Purpose
Particulars of Derivatives			
Currency Swap			
US\$ – JPY	USD 1.53 Million (JPY 191.13 Million)	USD 2.43Million (JPY 303.13 Million)	Hedge against exposure to foreign currency fluctuations.
INR – USD	Nil	10.62 (USD 0.23 Million)	
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date			
Buyer’s Credit (Liability)	608.98 (USD 11.97 Million @ Closing Rate of 1 USD = Rs. 50.88)	429.64 (USD 10.72 Million @ Closing Rate of 1 USD=Rs.40.10)	For import of equipments
	38.44 (EUR 0.57 Million @ Closing Rate of 1 EUR = Rs.67.46)	127.86 (EUR 2.02 Million@ Closing Rate of 1 EUR = Rs.63.53)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds (Liability)	2,162.70 (USD 55.00 Million)	2,162.70 (USD 55.00 Million)	For strategic acquisitions and / or strategic alliances outside of India

14. Foreign Currency Convertible Bonds (FCCB):

- On December 12, 2007, the Group issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of US\$ 0.10 Million each, aggregating to US\$ 55.00 Million (equivalent – Rs. 2,162.70 Million). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.
- As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per US\$ subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Group has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Group will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012. As at March 31, 2009, no bonds have been converted into equity shares of Rs. 10/- each and the entire balance of 550 bonds have been included and disclosed in the Schedule of "Unsecured Loans".
- The FCCB's as detailed above are hybrid instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. The bonds are redeemable only if there is no conversion of bonds earlier. The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence no provision is considered necessary nor has been made in the accounts in respect of such premium

amounting to Rs. 269.14 Million (Previous Year Rs. 49.45 Million). However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.

- d. The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/ loss on translation of FCCB liability in the event of redemption have not been recognized.
- e. Subsequent to year-end, the Group has received a letter from the Reserve Bank of India ('RBI') stating that it is not an eligible borrower to issue the Foreign Currency Convertible Bonds ('FCCB') of USD 55 million under External commercial borrowings (ECB) guidelines. The Group has obtained legal opinion confirming its eligibility and is in process of filing for compounding application with the RBI for the above mentioned matter and resultant compliances. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

15. Miscellaneous Income:

Miscellaneous Income includes income from production of TV Programme and distribution of films of Rs. 11.55 Million (Previous Year Rs. 34.60 Million) against which cost of Rs. 10.60 Million (Previous Year Rs. 28.01 Million) is incurred.

16. Exceptional Items:

During the year under review i.e. April 1, 2008 to March 31, 2009, there were two judgments by the High Court of Justice in London. Under these rulings the Court had approved reclaiming VAT on several expenses (like Staff entertainment and subsistence, stock exchange listing costs, petty cash expenses, etc.) which were excluded previously. Further the Court has now allowed for this reclaim to be calculated from 1996 onwards.

Based on above and as advised by accountancy experts, Prime Focus London Plc. and its subsidiaries have filed for VAT refund and has recognised Rs. 122.18 million (GBP 1.56 million) as an exceptional income for the year ended March 31, 2009.

Prime Focus London Plc. has written off Rs. 54.71 Million (GBP 0.70 Million) being old unrecoverable balances.

17. Corporate Restructuring of Prime Focus London Plc.

During the year, Outpost Post Production Limited (erstwhile Video Tape Recording Limited), subsidiary of Prime Focus London Plc., was liquidated as per restructuring plan. In terms of Court permission received by the Prime Focus London Plc. to adjust the liquidation loss against the share premium, it has adjusted the loss of GBP 3.68 million arising out of liquidation to its Share Premium account and accordingly an amount of Rs. 174.52 Million (GBP 2.40 Million) being share of the parent company is shown as reduction from opening balance in the Profit and Loss Account.

18. Previous year's figures have been regrouped where necessary to confirm to this year's classification. The previous year's figures are not strictly comparable as current year's figure includes results of new acquisitions made by the parent company. The figures of previous year were audited by a firm of Chartered accountants other than S.R. Batliboi & Associates.

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

Schedule forming part of Reformatted Consolidated Financial Statement for FY 2007-08
Schedule 18 - Notes to Accounts

1. Nature of Operations:

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

2. Significant Accounting Policies

a. Basis of Preparation

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

b. Principles of Consolidation

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

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

- i. The financial statements of the parent and the subsidiary have been combined on a line-by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. An unrealised loss resulting from intra-group transactions has also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.
- ii. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.
- iii. The consolidated financial statements are prepared using uniform accounting policies to the extent practicable across the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by Group, except in case of the accounting policies mentioned below, where there exists variance between Parent and the subsidiary:
 - a. Fixed Assets
 - b. Depreciation
 - c. Foreign Currency Translation

iv. Goodwill arising on consolidation

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

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

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

d. Use of Estimates

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

e. Fixed Assets

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

f. Depreciation

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

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

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

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

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

The fixed assets net block of VTR Plc., as at balance sheet date stood at rupee equivalent of Rs.1,109.67 Million. It was not practicable to quantify the effects of the variance in the policy adopted for depreciation by the subsidiary in the consolidated financial statements.

g. Impairment of Assets

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

h. Investments

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

i. Intangible Assets

Goodwill

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

Film Rights

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

j. Leases

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

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

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

k. Stocks

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

l. Revenue Recognition**Technical services receipts**

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

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

Interest

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

Dividends

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

Fee for providing and undertaking

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

m. Foreign Currency Transactions**Initial Recognition**

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

Conversion

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

Exchange Differences

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

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

n. Income Taxes

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

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

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

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

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

o. Retirement Benefits

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

p. Segment Reporting

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

q. Earnings Per Share

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

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

r. Provisions & Contingent Liabilities

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

s. Miscellaneous Expenditure

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

t. Cash & Cash Equivalents

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

3. Change in Accounting Policy

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

Had the Company continued to use the earlier basis of providing depreciation, the charge to the Profit and Loss Account for the current period would have been lower by Rs.37.99 Million and the net block of fixed assets would correspondingly be higher by Rs. 37.99 Million. The net charge of Rs.26.08 Million arising

out of retrospective re-computation has been recognized in the current year's Profit and Loss Account. The effect of deferred tax on the above Rs.7.43 Million has been included in the deferred tax liability for the year.

- (b) During the year, the Company changed its accounting policy on treatment of Miscellaneous Expenditure. The Company now adjusts the same against Securities Premium Account instead of charging the same to the Profit and Loss Account over a period of ten years. The Company has adjusted Rs.65.62 Million, being the amount of Share Issue Expenses against the Securities Premium.

Had the Company continued to use the earlier basis of amortization of Miscellaneous Expenditure, the charge to the Profit and Loss Account for the current period would have been higher by Rs.7.29 Million.

The Company has recognized Deferred Tax Credit of Rs.14.87 Million on the above and adjusted the same to Profit and Loss Reserve.

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

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

IFRS 3: Goodwill

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

IAS 39: Fair Value

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

IAS 19: Employee Benefits

Under UK GAAP, the Group did not take account of the short term compensated absence such as holiday pay accrued to employees. IAS 19 requires holiday pay to be accrued for when the corresponding services have been received from employees. This results in the recognition of a provision of GBP 0.20 Million (INR 16.11 Million) in the year ended 31st August 2006 and GBP 0.40 Million (INR 32.22 Million) in the year ended 31st March 2007.

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

- (a) All the assets and liabilities recorded in the books of the Transferor Company (the Subsidiary) amounting to Rs.145.50 Million are transferred to and vested in the Transferee Company (the Company) pursuant to the Scheme have been recorded by the Transferee Company at their book values;

- (b) 100,000 equity shares of Rs.10/- each at par of the Company aggregating to Rs 1.00 Million will be allotted to the shareholders of STPL in the ratio of 100 equity shares of the Company for every 45 Shares of STPL, pending which, this has been disclosed as Shares Pending Allotment.
- (c) The investments in the subsidiary Company amounting to Rs.73.68 Million appearing in the books of accounts of the Company, stands cancelled;
- (d) The inter-Company balances amounting to Rs.0.84 Million stands cancelled; and
- (e) The difference between the amount of net assets taken over by the Company over the value of investments / loan and advances in its books along with, any alignment of the value of assets of the Transferee Company, whether fixed or current, to fair value of such assets in accordance with prudent accounting principles, as considered necessary by the Board of Directors of the Company with effect from the appointed date amounting to Rs.70.93 Million has been considered under Business Restructuring Reserve of the Company.

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

5. Pursuant to the Scheme of Amalgamation, the Company was entitled to draw an amount not exceeding Rs 250.00 Million from the balance in the Securities Premium Account / Other Reserves appearing in the books of accounts of either of the subsidiaries, the Company or both, and transfer the same to Business Restructuring Reserve mentioned above.

Consequently the Company has withdrawn an amount of Rs.179.07 Million from the Share Premium Account and transferred the same to the Business Restructuring Reserve. Against the aforesaid available Business Restructuring Reserve totaling to Rs.250.00 Million, the Company has written off Sundry Debtors, Loans and Advances, Other Current Assets and Miscellaneous Expenditure amounting to Rs.250.00 Million as provided in the Scheme of Amalgamation. The Company, therefore, has utilized the balance lying in the Business Restructuring Reserve and offset the same against difference in respect of the adjustments referred above in the Profit and Loss Account as envisaged under the Scheme. Had the Company followed the accounting treatment prescribed by AS 14 'Accounting for Amalgamation – Generally Accepted Accounting Principles in India', the above amount would have been debited to the Profit and Loss Account instead of the Business Restructuring Reserve. Consequently, the profit for year would have been lower by Rs.250.00 Million.

6. Detail of charges provided for Secured Loans:

Nature	Security
Term Loan	<ul style="list-style-type: none"> i. First Charge against the Property Financed ii. Subservient Charge on the movable Fixed Assets and Receivables of the Company iii. Personal Guarantee of the Promoter Director.
Buyers Credit	<ul style="list-style-type: none"> i. Letter of Credit ii. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and future. iii. First Charge on the Fixed Assets of the Company, both present and future. iv. Personal Guarantees of the Promoter Director.
Cash Credit / Over Draft	<ul style="list-style-type: none"> i. First Charge on the Company's entire Book Debts, Bills whether documentary or clean, outstanding monies, receivables, both present and

	future. ii. First Charge on the Fixed Assets of the Company, both present and future. iii. Personal Guarantees of the Promoter Director.
Short Term Demand Loan	i. First Charge on Current Asset and Personal Guarantee of Director. ii. Post Dated Cheques of the Company
Vehicle Loan	i. First Charge on the Vehicles Financed
Bank Loans of subsidiary (VTR Plc., UK)	i. Secured by a fixed and floating charge over the assets of the Subsidiary.

7. Foreign Currency Convertible Bonds (FCCB)

- (a) On December 12, 2007, the Company issued 550 Foreign Currency Convertible Bonds (FCCB's) of a face value of US\$ 0.10 Million each, aggregating to US\$ 55.00 Million (equivalent – Rs.2,162.70 Million). The net proceeds from the issue of the Bonds are to be used for strategic acquisitions and/or strategic alliances outside of India, for investment into wholly owned subsidiaries and/or joint ventures outside of India, for announced and future acquisitions, for foreign currency capital expenditure or for any other use, as may be permitted under applicable laws or regulations from time to time.
- (b) As per the terms of the issue, the holders have an option to convert FCCB into Equity Shares at an initial conversion rate of Rs. 1,386.79 per equity share at a fixed exchange rate of Rs. 39.39 per US\$ subject to certain adjustments as per the terms of the issue. Further, under certain conditions, the Company has the option to redeem the bonds on or after December 12, 2010. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds, at 143.66% at the end of the five years from the date of issue i.e. on December 13, 2012.

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

- (c) The FCCB's as detailed above are hybrid instruments with an option of conversion into specified number of shares and an underlying foreign currency liability with the redemption at a premium in the event of non conversion at the end of the period. A number of factors would influence the conversion decision including the quoted price of the Company's shares, rate of exchange, interest rates in the market, etc. The Company expects that the Bond holders would continue to opt for conversion rather than redemption and consequently no premium is expected to be payable and in that basis the same is not provided for. However, in the event of redemption, the premium payable would be adjusted against the balance in the Securities Premium Account.
- (d) The management is of the opinion that the bonds are a non monetary liability and hence, the exchange gain/loss on translation of FCCB liability in the event of redemption has not been recognized.
8. The Group have not received any intimation from ‘suppliers’ regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year and together with interest paid / payable as required under this Act have not been given.
9. As per legal advice received, the Group has continued with its accounting policy to adjust foreign exchange fluctuation on loans/liabilities for fixed assets as per the requirement of Schedule VI of the Companies Act, 1956, which is at a variance to the treatment prescribed in Accounting Standard (AS-11) “Effect of Changes in Foreign Exchange Rates” notified in the Companies (Accounting Standard) Rules 2006 dated December 7, 2006.
- The Company capitalized Mark to Market (MTM) losses aggregating to Rs.45.17 Million relating to fixed assets purchased, which is not in compliance with Accounting Standard Rules, 2006. Had the Company written off those losses the Profit for the year and fixed assets as at 31 March 2008 would have been lower by Rs.45.17 Million.
10. During the year, the Company has acquired the Post Production Business of M/S. UTV Software Communications Ltd. for a total consideration of Rs. 120.00 Million.

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

Geographical Segment

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

Income from Operations by Geographical Area *(INR in Million)*

	2008	2007
India	774.48	551.56
United Kingdom	1,371.51	1,350.32
Europe	11.35	47.13
Rest of World	63.98	6.38
	2,221.32	1,955.39

Segment Assets by Geographical Area *(INR in Million)*

	2008	2007
India	2,907.75	2,029.76
United Kingdom	856.02	730.76
Europe	0.30	4.46
Rest of World	7.43	8.63
	3,771.50	2,773.61

12. Related party disclosures :

a. List of Parties:

i) Key Management Personnel

Mr. Naresh Malhotra - Chairman
Mr. Namit Malhotra – Managing Director

ii) Relatives of Key Management Personnel

Mrs. Neeta Malhotra
Ms. Neha Malhotra
Mr. Premnath Malhotra

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

Blooming Bud Coaching Private Limited

b. Particulars of Related Party Transactions *(INR in Million)*

	2008	2007
Key Management Personnel		
Salary	6.00	4.80
Rent	-	0.12
	6.00	4.92
Relatives of Key Management Personnel		
Remuneration	0.84	0.83

Rent	-	0.06
	0.84	0.89
Enterprises owned or significantly influenced by Key Management Personnel or their relatives		
Rent		
1. Blooming Bud Coaching Private Limited	19.05	10.15

13. **Leases** (INR in Million)

Operating Leases	2008	2007
Total Lease Payments at the Year end	114.29	69.35
Lease Payments due within one year	136.02	26.39
Lease Payments due later than one but not later than five years	460.00	67.50
Lease Payments due later than five years	379.68	89.70

Hire Purchase Obligations	2008	2007
Repayable within one year	38.80	58.92
Repayable between one and two years	26.53	13.44
Repayable between two and five years	26.53	Nil

14. **Earnings per share (EPS)** (INR in Million)

	2008	2007
Net profit as per profit and loss account including exceptional items for calculation of basic and diluted EPS	295.36	213.71
Weighted average number of equity shares in calculating basic EPS	12,722,588	12,190,410
Weighted average number of equity shares in calculating diluted EPS	13,218,047	12,190,410
Basic EPS	23.22	17.53
Diluted EPS	22.35	17.53

15. **a. Contingent liabilities** (INR in Million)

	2008	2007
i. Estimated amount of contracts remaining to be executed on capital account and not provided for:	Nil	Nil
ii. Claims against the Company not acknowledged as debts:	Nil	Nil
iii. On account of undertakings given by the Company in favour of Customs authorities	596.85	391.21
iv. On account of Corporate guarantee	Nil	145.66
v. On account of undertaking given on behalf of subsidiary Company	Nil	45.27
vi. On account of Unexpired letters of credit	109.45	59.80
vii. Matters pending with Tax authorities	0.58	0.58
viii. Matters pending with customs authorities	2.12	Nil
ix. Cross Guarantee given between Group Companies for bank loans of Group undertakings.	101.53	130.81

b. The Company was subject to a search operation conducted by the Income-tax authorities on 25th June, 2003. Pursuant to the said search and subsequent assessments under Section 156 of the Income-tax Act, 1961, the Income tax authorities raised demands under the Income - Tax Act, 1961, aggregating to Rs.37.56 Million pertaining to the assessment years 2001- 2002 to 2004 – 2005 . The Income Tax Appellate Tribunal, decided the matter in favour of the Company, and awarded substantial relief. The Income Tax Department may move the Honourable High Court against the orders of the Tribunal. Based on the favorable decisions in similar cases, opinion taken by the Company, discussions with legal experts etc., the Company believes that there is a good chance of decision going in its favour in respect of the above demands and hence no provision is considered necessary against the same. The Company had paid an amount of Rs.13.77 Million under protest as on date against the said demand.

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

	Value	Purpose
Particulars of Derivatives		
Currency Swap INR – USD USD – JPY	Rs.10.62 Million (US\$ 0.23 Million) US\$ 2.43 Million (JPY 303.13 Million)	Hedge against exposure to foreign currency fluctuations.
Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet Date		
Buyer's Credit	Rs.429.64 Million (US\$ 10.72 Million @ Closing Rate of 1 US\$ = Rs.40.10)	For import of equipments
	Rs.127.86 Million (EUR 2.02 Million @ Closing Rate of 1 EUR = Rs.63.53)	For import of equipments
Zero Coupon Foreign Currency Convertible Bonds	US\$ 55.00 Million	For strategic acquisitions and / or strategic alliances outside of India
Provision for Undertaking	GBP 1.30 Million	

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

For and on behalf of the Board of Directors

Place: Mumbai
Date: November 1, 2010

Naresh Malhotra
(Chairman)

Rivkaran Chadha
(Director)

Navin Agarwal
(Company Secretary)

Limited Review Report

To
The Board of Directors
Prime Focus Limited

- 1) We have reviewed the accompanying condensed balance sheet of Prime Focus Limited ('the Company') as at June 30, 2010, and the related condensed statements of profit & loss and cash flows for the quarter then ended (hereinafter referred to as 'the condensed financial statements'). Management is responsible for preparation of the condensed financial statements and these have been approved by the Board of directors of the Company. Our responsibility is to issue a report on the condensed financial statements based on our review.
- 2) We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and an analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
- 3) *The Company has not revalued the FCCB of USD 55 million at the exchange rate prevailing as at June 30, 2010, March 31, 2010, March 31, 2009 and March 31, 2008, which in our opinion is not in accordance with Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates" and not provided for the premium payable on redemption of these FCCB. Had the Company revalued the bonds as at June 30, 2010, the profit for the quarter ended June 30, 2010 and the reserves as at that date would have been lower by Rs 32.72 million and Rs 297.78 million respectively and Foreign Currency Monetary Item Translation Difference account would have been Rs 98.16 million. Further, had the Company provided for the premium on redemption, the securities premium as at June 30, 2010 would have been lower by Rs 481.83 million. Consequent to the above, the FCCB balance at June 30, 2010 would have been higher by Rs 877.78 million. This had caused us to qualify our audit opinion on the financial statements for the year ended March 31, 2010, for the year ended March 31, 2009 and the limited review reports on the financial results for the quarters ended June 30, 2009, September 30, 2009, December 31, 2009 and March 31, 2010.*
- 4) *Subject to the effect of the matter referred to in paragraph 3 above, based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting", notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).*
- 5) This report is furnished solely at the request of the Board of Directors for the purpose of inclusion in the Placement Document for the Company's proposed Qualified Institutions Placement ('QIP') of its equity shares in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the ICDR Regulations') and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

For S.R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48966
Place: Mumbai
Date: November 1, 2010

STANDALONE CONDENSED BALANCE SHEET AS AT JUNE 30, 2010

(Rs. in Million)

	Unaudited	Audited
	As at 30 June 2010	As at 31 Mar 2010
<u>I. Sources of Funds:</u>		
<u>Shareholders Funds</u>		
Share capital	128.23	128.23
Reserves and Surplus	2,020.31	1,990.95
	2,148.54	2,119.18
<u>Loan Funds:</u>		
a) Secured Loans	1,452.75	1,518.72
b) Unsecured Loans	2,162.70	2,162.70
	3,615.45	3,681.41
Deferred Tax Liability (Net)	165.22	164.52
Total	5,929.21	5,965.11
<u>II. Application of Funds:</u>		
<u>Fixed Assets</u>		
Gross Block	2,209.47	2,183.59
Less: Accumulated Depreciation	831.52	776.51
Net Block	1,377.95	1,407.09
Add: Capital Work-In-Progress (including Capital Advances)	687.68	600.69
	2,065.63	2,007.78
Investments	2,302.27	2,302.27
Current Assets, Loans and Advances		
a) Sundry Debtors	658.11	757.48
b) Cash and Bank Balances	168.45	151.81
c) Other Current Assets	160.01	62.19
d) Loans and Advances	803.47	888.99
	1,790.04	1,860.46
Less: Current Liabilities and Provisions		
a) Liabilities	227.08	203.90
b) Provisions	1.65	1.50
	228.73	205.40
Net Current Assets	1,561.31	1,655.06
Total	5,929.21	5,965.11

Condensed notes attached herein form an integral part of the condensed balance sheet.

For Prime Focus Limited

Place: Mumbai

Date: November 1, 2010

Director

**STANDALONE CONDENSED STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED JUNE 30, 2010**

(Rs. in Million)

	Unaudited	
	For the Quarter ended 30 June 2010	For the Quarter ended 30 June 2009
Income:		
a) Income From Operations	253.61	215.90
b) Other Income	9.06	14.01
Total	262.67	229.91
Expenditure:		
Operating costs	139.79	127.95
Interest	32.01	34.94
Depreciation	52.83	50.19
Profit Before Taxation	38.04	16.83
Provision for Current Tax	7.98	0.58
Provision for Deferred Tax	0.70	5.13
Provision for Fringe Benefit Tax	-	0.33
Profit After Taxation	29.36	10.78
Add : Profit Brought Forward From previous Year	1,012.69	885.43
Profit Carried to Balance Sheet	1,042.05	896.20
Earnings per Share (not annualised and face value Rs.10 per share)		
1. Basic Earnings Per Share	2.29	0.84
2. Diluted Earnings Per Share	2.04	0.75

Condensed notes attached herein form an integral part of the condensed profit and loss account

For Prime Focus Limited

Place: Mumbai

Date: November 1, 2010

Director

**STANDALONE CONDENSED CASH FLOW STATEMENT FOR THE QUARTER
ENDED JUNE 30, 2010**

(Rs. in Million)

		Unaudited
		For the Quarter ended June 30, 2010
1	Cash Flows From Operating activities	205.09
2	Cash Flows From Investing activities	(52.70)
3	Cash Flows From Financing activities	(125.69)
4	Net increase/(decrease) in cash and cash equivalents	26.70
5	Cash and cash equivalents at beginning of the Period	36.20
6	Cash and cash equivalents at end of the Period	62.90

Condensed notes attached herein form an integral part of the condensed cash flow

Note: Cash and cash equivalents comprise of cash at bank and in hand, fixed deposits with bank kept under lien for the Debt Servicing Reserve Account for secured loan and does not include fixed deposit representing margin money against bank guarantee

For Prime Focus Limited

Place: Mumbai

Date: November 1, 2010

Director

Notes forming part of the unaudited condensed financial statements for the three months ended June 30, 2010

1. Background

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

2. Basis of Preparation

The condensed financial statements have been prepared in accordance with Accounting Standard (AS-25) on Interim Financial Reporting to comply in all material respects with the notified accounting standards by Companies Accounting Standard Rules, 2006. The condensed financial statements have been prepared under the historical cost convention on an accrual basis.

The Company has followed the same accounting policies in preparing the condensed financial statements as were followed for the year ended March 31, 2010, except for provision for employee benefits which is estimated based on the actuarial valuation of these benefits for the year ended March 31, 2010 and the estimate of costs expected to be incurred during the year ending March 31, 2011.

3. Segment Reporting

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

4. Foreign Currency Convertible Bonds

The Company has not revalued the Foreign Currency Convertible Bonds (FCCBs) of USD 55 million as these are considered as non monetary liability. Had the Company revalued the bonds as at June 30, 2010 considering it as a long term monetary liability, the profit for the quarter ended June 30, 2010 would have been lower by Rs. 32.72 million. The reserves as on that date would have been lower by Rs. 297.78 million. This is the subject matter of qualification in the Auditors Report for the financial year ended March 31, 2009, the limited review reports for the quarter ended June 30, 2010 and quarter March 31, 2010 and quarter December 31, 2009 and quarter September 30, 2009 and quarter ended June 30, 2009.

5. Contingent Liabilities not provided for:

(INR in Million)

	30.06.2010
i. On account of undertakings given by the Company in favor of Customs authorities at the time of import of capital goods under EPCG Scheme. The Company is confident of meeting its future obligations on such undertakings in the normal course of business.	748.59
ii. On account of undertaking given on future probable obligation on behalf of subsidiary company in the course of acquisitions made.	61.08
iii. Matters pending with Tax Authorities (Block Assessment). Company has been advised that it has a valid case based on similar decided matters.	0.11
iv. Matters pending with Tax Authorities towards addition made by the tax authorities for the AY 2007-08. Company has gone for an appeal to CIT (Appeals) and has made full payment of demand under protest.	5.27
v. Guarantee for Lease taken by step-down subsidiary	46.52 (USD 1 Million)
vi. Premium on conversion of FCCB	481.83

6. Subsequent events to the end of the three month period ended June 30, 2010

Issue of warrants

Pursuant to the Board approval dated August 27, 2010 and shareholders' approval dated September 30, 2010, the Company has allotted 1,000,000 warrants convertible into Equity Shares on October 15, 2010 to Mr. Namit Malhotra, a member of the Promoters and Promoter Group carrying an option/ entitlement to subscribe to equivalent number of Equity Shares on a future date not exceeding 18 months from the date of allotment of such warrants. Each warrant shall be convertible into one equity share of nominal value of Rs. 10/- each at a price not less than the minimum price determined in accordance with the provision of Chapter VII of SEBI (ICDR) Regulations. The Company has received from Mr. Namit Malhotra, a sum equivalent to 25% of the price of the Equity Share to be issued in surrender/ exchange of each of such warrant. Each of the said warrant shall carry a right, entitling Mr. Namit Malhotra or any other registered owner in the event such warrants are transferred, to apply for at his/ her option, and seek allotment of one equity share upon surrendering/ exchanging of such warrant to the Company along with the balance 75% of the issue price of the Equity Share.

Stock Split/Sub-Division of Equity Shares

Pursuant to the Board approval dated August 27, 2010 and Shareholders' approval dated September 30, 2010 and pursuant to section 94(1)(d) and all other applicable provisions of the Companies Act, 1956 and subject to the provisions of the Articles of Association of the Company and the Listing Agreements with the Stock Exchanges, the Company has issued and has sub-divided each of the existing 1,28,22,588 Equity Shares of Rs. 10/- each in the capital of the Company on which the sum of Rs. 10/- is credited as fully paid up into 12,82,25,880 equity shares of Re. 1/- each of which the sum of Re. 1/- shall be credited as fully paid up.

7. The condensed financial statements have been prepared for inclusion in the Placement Document for the Company's proposed Qualified Institutions Placement ('QIP') of its equity shares in accordance with in accordance with the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the ICDR Regulations').

8. Prior period comparatives

The Company has prepared condensed financial statements for the three month period ended June 30, 2010 for the first time and accordingly, the prior period comparatives are not presented for the cash flow statement for the period then ended.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Placement Document is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Placement Document are true and correct.

Signed by:

Mr. Naresh Malhotra
Chairman and Whole-Time Director

Date: November 9, 2010

Place: Mumbai

OUR REGISTERED OFFICE

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

BOOK RUNNERS

Intensive Fiscal Services Private Limited

131, C-Wing, Mittal Tower, 13th Floor,
Nariman Point
Mumbai – 400 021

Centrum Capital Limited*

Centrum House, Vidya Nagari Marg,
CST Road, Kalina, Santacruz (East),
Mumbai 400 098

** Centrum Capital Limited and the Company have a common director, hence Centrum Capital Limited shall be involved only in marketing of the issue.*

DOMESTIC LEGAL ADVISOR TO THE COMPANY

Oasis Counsel & Advisory

Udyog Bhavan, 1st floor,
29, Walchand Hirachand Marg,
Ballard Estate,
Mumbai - 400038

AUDITORS TO THE COMPANY

S. R. Batliboi & Associates

6th Floor, Express Towers,
Nariman Point,
Mumbai 400021