

Prime Focus London plc

STATUTORY ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

Prime Focus London plc
Audited financial information

Contents

	Page No
Directors, Advisers and Registered office	3
Chairman's Statement	4 - 5
Managing Director's Review	6 - 8
Directors' Report	9 - 11
Directors' Responsibilities Statement	12
Statement of Corporate Governance	13 - 14
AIM Rules Compliance Report	15
Report of the Remuneration Committee	16
Report of the Auditors	17 - 18
Consolidated Income Statement	19
Consolidated Balance Sheet	20
Company Balance Sheet	21
Consolidated Cash flow Statement	22
Shareholders' Funds and Statement of Changes in Shareholders' Equity	23
Notes to the Accounts	24 - 49
AGM Notice	50 - 53

Prime Focus London plc
Audited financial information

Directors, Advisers and Registered office

Directors

Namit Malhotra (Chairman)
Anshul Doshi (Managing and Finance Director)
Christopher Mills (Non-Executive Director)
Naresh Malhotra (Non-Executive Director)
Riv Karan Singh Chadha (Non-Executive Director)
Marie Louise Windeler (Non-Executive Director – appointed 20 August 2008)

Secretary

Derringtons Limited
Erico House
93 – 99 Upper Richmond Road
London SW15 2TG

Registered office

64 Dean Street
London W1D 4QQ

Company Registration Number

01694613

Nominated Adviser

Charles Stanley Securities Limited
25 Luke Street
London EC2A 4AR

Auditors

Sterling Associates
Chartered Accountants & Registered Auditors
5 Theobald Court
Theobald Street
Elstree
Herts WD6 4RN

Bankers

National Westminster Bank
plc 19 Shaftesbury Avenue
London W1A 4QQ

Solicitors

Farrer & Co. LLP
66 Lincoln's Inn Fields
London WC2A 4LH

Charles Russell
7600 The Quorum
Oxford Business Park North
Oxford OX4 2JZ

Registrar and transfer office

Capita IRG plc
Bourne House
34 Beckenham
Road Beckenham
Kent BR3 4TU

Prime Focus London plc

Audited financial information

Chairman's Statement

The Board of Prime Focus London plc (formerly VTR plc) (the Group) is pleased to announce the results for year ending 31 March 2009 presented according to International Financial Reporting Standards (IFRS).

This past year has been a difficult trading year with the effects of the 'credit crunch' filtering through the global economy. Business conditions have been difficult in all sectors and Media and Entertainment services have been no exception. According to PricewaterhouseCoopers, Global Entertainment and Media (E&M) Outlook 2009-2013 report, growth in the UK E&M market slowed to 1.5% in 2008 and it is expected that the market will experience a cumulative 7.2% decline in revenue from 2008-2010, from USD 92 billion to USD 85 billion.

Advertising spends were reduced impacting TV and print sectors which depend on advertising revenues. Film production spend was also down, by 23% to GBP 578million, in 2008 according to the World Film Market Trends Focus 2009 report. This was compounded by the US writer's strike and actor's dispute in the US.

In line with the above, the year to 31 March 2009 the Group made a profit before tax of £ 216,913 on a turnover of £15,895,832 compared to a profit before tax of £472,538 on a turnover of £17,964,406 for the year ended 31 March 2008. Earnings per share were 1.48 pence per ordinary share based on share capital as at 31 March 2009 compared with earnings per share of 2.11 pence for the year ended 31 March 2008.

Net debt was £4,158,205 at 31 March 2009 compared to £4,049,010 as at 31 March 2008 and gearing at the year end was 50.67% compared to 37.32% as at 31 March 2008.

The integration with other acquisitions made by the Prime Focus Limited, a company incorporated in India ("Parent Company"), over the last few years in North America (Frantic Films VFX Inc. and Post Logic Studios Inc.) is now complete giving the Parent Company a strong presence in every major market in India, North America and Europe. This will enable us to build a platform for strong growth in the years to come. Our worldsourcing™ model allows us to leverage the Group, using the Parent company's global network, to provide unique access to the best global talent and the most cost effective solutions to clients across the world, without compromising on quality, timing or accountability.

Corporate Restructuring

As at the end of the last financial year, we were keen to streamline the UK group structure to get clear identifiable trading businesses which are distinct from each other and offer greater visibility to all stakeholders. During the year, as a result of the restructuring, Outpost Post Production Limited (formerly known as Video Tape Recording Limited) and Clear (Post Production) Limited were placed in administration and liquidation respectively.

Our challenge this year was to marry this aim with the Parent Company's global strategy to use the same brand names for all the Group businesses to allow for better integration and clarity.

Consequently, we are in the process of structuring all our Soho based businesses into distinct business lines which will operate within a single company Prime Focus London Plc. The business lines are;

- *Commercials post production* – a high-end post production arm.
- *Broadcast post production* – consisting of the trading activities of Blue Post Production Limited and The Machine Room Limited.
- *Feature Film Visual Effects* – consisting of the trading activities of Machine Effects Limited which provide cutting edge visual effects services for feature films.

In addition to the above, the Group has separate companies for joint ventures partnerships and non post-production related businesses such as K-POST, which is with JWT based out of Knightsbridge.

The remaining dormant companies whose activities have already ceased or have been merged into one of our five new business units will be liquidated.

Prime Focus London plc

Audited financial information

Management

I had mentioned in the previous year annual report that Anshul Doshi (member of the Board) took over the role of Group Managing Director, but would still retain his prior role as Finance Director until such time as a suitable replacement was identified for the role of either Group Managing Director or Finance Director.

I am pleased to announce that Neil Barnett joined in January 2009 as the Group Chief Financial Officer. Neil is a member of the Chartered Institute of Management Accountants and his previous experience includes 10 years as Chief Financial Officer and Company Secretary of Cinesite, where he oversaw its growth into one of the world's largest and leading companies providing film services.

Effective from February 2009, Michael Constantine has joined as the Director of Global Marketing. Michael has over 25 years experience in marketing and is a former agency leader at the prestigious Leo Burnett agency. Michael is to be instrumental in the development of the company's market and brand positioning, helping to build the group's business and reputation worldwide and oversee partner and supplier relationships

Strategic appointments were made into the commercials, broadcast and Digital Asset Management areas of the UK business. Daniel Sapiano (Commercial Director) and Beth Vander (Head of Production) were recruited from respected commercial post house, The Mill whilst Tareq Kubaisi returned to Prime Focus. His appointment was a major statement of intent to the industry as he is one of the top colourists and creative talents in the UK today.

Outlook

The current year has seen a difficult start as confidence in the economy remains fragile. However, despite operating in trying times, I feel that we have made strategic moves which will put us in prime position to take advantage of the imminent recovery. As per the above mentioned PricewaterhouseCoopers report, the global E&M market is estimated to grow at 2.7% annually to reach a size of USD 1.6 trillion in 2013.

In particular, we are excited by the roll out of our above mentioned worldsourcingTM model and the positive impact it will have on all aspects of the business. The coming year should see the strength of Prime Focus as a global brand fuel our recovery and put us in a position of strength going forward.

Namit Malhotra

Chairman

4 September 2009

Prime Focus London plc

Audited financial information

Managing Director's Review

Leading on from the chairman's comments, I would like to begin by echoing his sentiments pertaining to this being a difficult trading year as a consequence of the prevalent economic conditions. This has impacted our financial performance this year; however, a strong sales drive and important cost reduction steps, including salary reductions for staff, will mitigate the negative impact going forward. Looking at the individual elements of our business:

Commercials division offers high-end visual effects (VFX), colour grading, and full post-production services to the international commercials, music video and feature film industries.

The year saw a major restructure of the commercials business with a revitalisation of the operational and technical infrastructure of the division and a renewed commercial strategy that saw brand development and market awareness increase immeasurably.

An aggressive sales initiative on the commercials side of the business led to us winning work on major brands such as Herbal Essences, Citroën, Macleans, Kenco, Nike, Givenchy and McDonalds for some of the world's biggest agencies including JWT, M&C Saatchi, DDB and Euro RSCG.

We have recently won prestigious accounts for 118118 and AVIVA, and concluded successful projects such as the 'Rubberduckzilla' used in the Oasis advertising campaign and a series of indents for the rebranding of UKTV style channel amongst others.

On the music side, work was completed over the year on promos for Prince, Kanye West, Girls Aloud and U2 as well as the full HD post production and effects on the concert film of Madonna's worldwide 2008/2009 tour.

Broadcast division offers the top-end broadcast post-production – from short-form titles sequences, idents and on-air promos to long-form television programming such as documentaries, sitcoms, dramas and factual series.

The broadcast division continued to reinforce its already strong reputation in the industry by providing full picture and sound post production services on major projects such as *Great British Menu*, EMMY Award winning – *The Beckoning Silence*, *The Hottest Place on Earth*, *Criminal Justice*, *The American Future*, *Jamie Oliver's Ministry of Food* and *Piers Morgan series*.

These were delivered to a variety of broadcasters including Discovery Channel, National Geographic, Sky, BBC, BBC HD, ITV and five.

Feature Film Visual Effects (VFX) division offers a full range of services to film and broadcast including pre-production, pre-visualisation and design, VFX supervision, 3D animation, matte paintings, digital grading and title design.

Machine Fx will move into the Group's headquarters on 64 Dean Street. They have continued their work to position themselves in the international and local markets, leveraging on the scale of the Parent Company. Recent films they have worked on include the, the British film "*Franklyn*" which involved completing 45 shots in just six weeks. They have now completed their work on films, such as *10,000 BC*, *Fred Clause* and the latest James Bond flick "*Quantum of Solace*."

Outside facilities - K<post, the in-house facility based at advertising agency JWT London in Knightsbridge, specialises in TV commercials, vox pops and pitches for new business. With the slowdown in the advertisement business it is expected that this facility will close in the coming year and the work will be brought into the main commercial facility in Soho.

Prime Focus London plc

Audited financial information

Key hires

As has been mentioned in the Chairman's report, Neil Barnett was appointed as Chief Financial Officer and Michael Constantine is now our Director of Global Marketing.

Daniel Sapiano (Commercial Director) and Beth Vander (Head of Production) were recruited from respected commercial post house, The Mill whilst Tareq Kubaisi returned to Prime Focus.

Paul Willey was appointed into a senior sales role in the broadcast business, joining from rival post house Pepper whilst Dafydd Upsdell joined from Beam TV to head up the UK sales arm of the technology business.

Share Option Scheme

On 12 August 2009, the Company announced its plan and received Board Approval to setup a share option scheme for all employees of the Group who participated in the salary reduction scheme. The options have not yet been granted and are pending the submission of the final accounts for the year ending 31 March 2009. Please refer to note 33 to the accounts for more detail.

Financial Highlights

The group turnover for the year was £15,895,832 and the gross profit for the year was 89.34%. The net profit before tax of £216,913 reflects exceptional and extraordinary income of £1,601,917.

Key Performance Indicators

Sales

Following a slowdown in the previous year, there has been a concerted effort to boost sales this year; in particular, on the commercials side of the business. Despite the fall in overall market activity due to poor economic conditions, we are now starting to see an increase in the projects won as a direct result of this strong sales drive and hence increasing our market share. A survey of the top London post production houses in a recent Televisual magazine article puts us at fourth position in terms of size and quality (as per producer votes).

Gross Margin

The gross margin increased to 89.34% as compared to 86.05% for the previous period. The main reason being reduced cost of sales.

Operating Profit

The profit for the year was a direct result of exceptional and extra ordinary income which included profit on the sale of software, the liquidation of Outpost Post Production Limited and Clear (Post Production) Limited.

Principal Risks

Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company. The directors consider the following to be the principal risks faced by the Group

Key Creative Staff

The Group's performance depends largely on the retention of key creative staff. The group has successfully retained its key staff by ensuring that it gives them the necessary tools and working atmosphere such that they can maximize their creative energies and output.

Competition

The Group operates in highly competitive markets with several companies, small and large, competing for the same market share. Investment in the latest technology and a reputation of consistently delivering high quality services are a prime asset in the market. The Group continues to operate a programme for investment in the latest technology to bring the Group up to speed and ahead of competition in terms of technology

Prime Focus London plc
Audited financial information

Business Environment

Business environment risks considered by the Group include a downturn in film production activity in the UK, potential delay in revenue generation from the Group's media asset management business, the timing of television production and the cut in advertising spend by blue chip clients.

The Company's policy in relation to the use of financial instruments and its exposure to price risk, liquidity risk and cash flow risk is given in Note 3 to the financial statements.

Anshul Doshi

Director

4 September 2009

Prime Focus London plc

Audited financial information

Directors' report

The directors present their report and the financial statements for the Group and Company for the year ended 31 March 2009.

On 16 October 2008, the Company changed its name to Prime Focus London plc from VTR plc. This change has been made in accordance with the planned corporate restructuring to ensure brand name consistency with the Parent company.

Results and dividends

The Group profit before tax for the year amounted to £216,913 (2008: £472,538).

The directors do not recommend the payment of a dividend.

Principal activities and review of the business

The principal activity of the Group continues to be that of the provision of technology based creative services for the media and entertainment industry.

A full operational review of the business is dealt with in the Chairman's Statement and Managing Director's review.

Directors

The following directors have held office since 31 March 2008:

Namit Malhotra (Chairman)
Anshul Doshi (Managing and Finance Director)
Christopher Mills (Non-Executive Director)
Naresh Malhotra (Non-Executive Director)
Riv Karan Singh Chadha (Non-Executive Director)
Marie Louise Windeler (Non-Executive Director – appointed 20 August 2008)

Neil Lane resigned as a director on 30 April 2008.

Directors' interests and other substantial shareholdings

The interests in the shares of the Company of the directors who served during the year were:

	At 31 March 2009		At 31 March 2008	
	Ordinary shares	Options	Ordinary shares	Option
Namit Malhotra	-	-	-	-
Neil Lane (Resigned on 30 April 2008)	-	-	-	-
Anshul Doshi	-	-	-	-
Christopher Mills	-	-	-	-
Naresh Malhotra	-	-	-	-
Riv Karan Chada	-	-	-	-
Marie Louise Windeler	-	-	-	-

Director's interests in the shares of the parent undertaking, Prime Focus Limited are disclosed in the accounts of the Parent Company.

Christopher Mills and Marie Louise Windeler were re-appointed to the Board at the Annual General Meeting on 17 September 2008.

On 26 August 2009 the Company had been notified of the following holdings of 3% or more of the total voting rights attaching to its issued share capital:

Prime Focus London plc

Audited financial information

	Number of ordinary shares held	Percentage held
Prime Focus Limited	19,567,003	59.96%
Mrs. Diana Dixon	3,110,000	9.53%
Oryx International Growth Fund Limited	1,800,000	5.51%
Chase Nominees Limited	1,117,000	3.42%

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 March 2009, the Group had an average of 77 days (As at 31 March 2008: 96 days).

Charitable and political donations

No charitable or political donations were made in the year. The policy of the directors is to leave the decision to make such contributions at the discretion of the individual shareholders.

Going concern

After making enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

Exceptional income

The Company has a net exceptional income for the year which is due to a net balance on liquidation of subsidiaries relating to excess liabilities not payable by the Group upon liquidation of the subsidiaries. Refer note on exceptional income 11(a)

Extraordinary income

Extraordinary income relates to profit on sale of eTITLE a software IPR sold by the Company to My Info-Tech Pvt. Limited. Refer note on extraordinary income 11(b)

Close Company status

The Company is not a close Company within the meaning of Schedule 19 of the Income and Corporation Taxes Act 1988.

Employee involvement

The Group's policy is to encourage employee involvement at all levels as it believes this is essential for the success of the business. The directors have adopted an open management style and encourage communication to give employees the opportunity to contribute on business issues.

The Group does not discriminate against anyone on any grounds. Criteria for selection and promotion are based on the suitability of an applicant for the job. Applicants for employment by disabled persons are always fully considered, bearing in mind the respective aptitude of the applicant concerned.

Financial Risk Management

The Board regularly reviews the financial requirement of the Group and the risks associated therewith. The Group does not use complicated financial instruments and where financial instruments are used it is for the reduced interest or exchange rate risk. The Group does not trade in financial instruments. Group operations are primarily financed from retained earnings, bank borrowings (including overdraft facilities) and advances from Parent Company. In addition to these primary financial instruments, the Group also has other financial instruments such as debtors, prepayments, trade creditors and accruals that arise directly from the Group's operations. Further information is provided in Note 3 to the financial statements.

Statement of disclosure to auditor

So far as each of the directors at the time of this report are aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Prime Focus London plc
Audited financial information

Auditors

On 10 May 2009, Sterling Chartered Accountants confirmed their resignation as the company's auditors. At the same time Sterling Associates were appointed as the replacement auditors.

In accordance with Section 485 of the Companies Act 2006, a resolution proposing that Sterling Associate will be re-appointed as Auditors will be put to the Annual General Meeting.

On behalf of the Board

Anshul Doshi

Director

4 September 2009

Prime Focus London plc

Audited financial information

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the Company financial statements in accordance with UK Accounting Standards.

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Prime Focus London plc

Audited financial information

Statement of Corporate Governance

Although AIM listed companies are not required to report on the Combined Code, the directors are obliged to follow proper standards of corporate governance and will continue to keep procedures under review. The following provides an outline of the principal policies and procedures established by the Board.

Board and Board Committees

There have been a total of six board meetings during the year.

The attendance record of the directors was as follows:

29 May 2008	Namit Malhotra, Anshul Doshi, Christopher Mills
29 July 2008	Christopher Mills, Anshul Doshi
7 October 2008	Christopher Mills, Marie Louise Windeler, Anshul Doshi
18 December 2008	Christopher Mills, Marie Louise Windeler, Anshul Doshi
9 January 2009	Christopher Mills, Marie Louise Windeler, Anshul Doshi
10 March 2009	Christopher Mills, Marie Louise Windeler

In view of the small size of the Board, the Remuneration Committee, composed of Christopher Mills and Marie Louise Windeler, has met once during the year.

The Audit Committee is composed of Christopher Mills and Marie Louise Windeler and normally meets at least twice. The Committee has met twice during the year under review.

Relationship with shareholders:

The Board places considerable importance on creating and maintaining a strong relationship with its shareholders.

Accountability and financial control:

The Board has overall responsibility for the systems of financial control. Implementation and maintenance of the financial control systems is the responsibility of executive management. It should be understood, that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. The Company has an established framework of internal financial controls which reflect the current scale of Group activities, the key features of which are as follows:-

Control environment

There are clearly defined organizational responsibilities and the Board is committed to employing suitably qualified staff so that the appropriate level of authority can be delegated with regard to accountability and acceptable levels of risk.

Information systems

The Group's Information Systems spend is not material.

Identification and evaluation of business risks and controls

Management control is exercised at all levels of the Group and is regulated by appropriate limits of authority. The directors have considered various areas of business risks and have developed appropriate policies to manage and diffuse those risks. These policies are reviewed in the light of known and perceived changes to the risks.

Quality and integrity of personnel

The Group attaches high importance to the values of trust, honesty and integrity of personnel in responsible positions and operates a policy of recruitment and promoting suitably experienced personnel with clearly defined accountabilities.

Investment appraisal

Capital investment being a significant element of the Group's operations, all major expenditure is included in the annual budget and reported quarterly to the Board. In addition, all potential and actual acquisition opportunities are regularly reviewed by the Board, both in meetings and by ad hoc reports.

Prime Focus London plc
Audited financial information

Monitoring

Given the size of the Group and the close day-to-day involvement of the executive directors no formal internal audit is considered necessary.

Anshul Doshi

Group Managing Director
4 September 2009

Prime Focus London plc

Audited financial information

AIM Rules Compliance Report

Prime Focus London plc (formerly VTR plc) is traded on AIM and, as such under AIM Rule 31 the Company is required to:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its nominated adviser (“Nomad”) regarding its compliance with the AIM Rules whenever appropriate and take that advice into account;
- Provide the Company’s Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
- Ensure that each of the Company’s Directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules; and
- Ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director.

In order to ensure that these obligations are being discharged, the Board is now considering establishing a committee of the Board (“the AIM Committee”).

Prime Focus London plc

Audited financial information

Report of the Remuneration Committee

The policy of the Group is to offer competitive remuneration packages that will attract, retain and motivate experienced and talented individuals who will enhance the value of the Group. The remuneration packages of the executive directors are reviewed and approved by the Remuneration Committee on an annual basis.

The remuneration of the executive directors is determined by the remuneration committee all of whom are non-executive directors: Christopher Mills (Chairman) and Marie Louise Windeler.

Directors' service agreements

Only Mr Neil Lane, executive director had a permanent rolling service agreement with the Company. This agreement ended on 30 April 2008.

The non-executive directors do not have a service agreement and their remuneration continues to be determined by the Board with the non-executive directors abstaining. In accordance with Regulation 82 to 84 of the Companies Articles of association, one third of the non-executive retire each year and are eligible for re-election at the Company's Annual general Meeting.

	Salary £	Severance Payment £	Pension Contribution £	Benefit in kind £	2009 Total £	Salary £	Severance Payment £	Pension Contribution £	Benefit in kind £	2008 Total £
NF Lane AG	9,000	30,000	4,349	-	43,439	110,000	-	16,500	1,544	128,044
Doshi** CHB	15,000		-	-	15,000	15,000	-	-	-	15,000
Mills M L	12,000		-	-	12,000	8,000	-	-	-	8,000
Windeller	8,750				8,750	-	-	-	-	-
	44,750	30,000	4,349	-	79,099	133,000	-	16,500	1,544	151,044

** Emoluments for Mr A G Doshi are in respect of his holding the position of Board of Director. Mr Doshi did not receive any emoluments for his executive duties.

Mr Namit Malhotra, Mr Naresh Malhotra and Mr Riv Karan Singh did not receive any emoluments during the year.

Remuneration of the directors

The main components of the executive directors' remuneration are:

Salary – the basic salary of each director is determined by taking into account the director's experience, responsibility, value to the organization and market value. There is no bonus scheme.

Benefit in kind – benefits include medical and life assurance, company car and travel allowances where applicable

Pension costs – pension contribution for the directors are based on a percentage of their total remuneration.

None of the current directors at the date of this report have any interest in the shares of the Company.

At 31 March 2009, there were no outstanding directors share options.

The mid market price of the Company's shares at the end of the financial year was 7p. During the year, the share price ranged from 40.5p to 7p.

CHB Mills

Chairman
Remuneration Committee
4 September 2009

Prime Focus London plc

Audited financial information

Independent Auditors' report to the shareholders of Prime Focus London plc

We have audited the Group and Company financial statements ("the financial statements") for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Group and Company Statement of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes.

These financial statements have been prepared under the accounting policies set out therein. We have also audited the information regarding the directors' remuneration in the Remuneration Committee Report that is described as having been audited.

This report is made solely to the members, as a body, in accordance with the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Committee Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements and the part of the Remuneration Committee Report to be audited give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the Directors' Report is consistent with the financial statements. In addition we report to you if in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, the Directors' Report, Corporate Governance Statement, AIM Rule Compliance Report and Report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report of the Remuneration Committee to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report of the Remuneration Committee to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report of the Remuneration Committee to be audited.

Prime Focus London plc
Audited financial information

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Parent Company's affairs as at 31 March 2009 for the year then ended;
- the financial statements and the part of the Report of the Remuneration Committee to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Continuity of trading of certain subsidiary business divisions

In forming our opinion on the financial statements we have considered the adequacy of disclosures made in note 3 of the financial statements concerning the dependency of certain subsidiary companies on the parent company. Due to the current uncertain economic climate, if certain loss making business divisions do not have significant project wins, the Group may not continue funding such losses and the loss making business divisions of the subsidiaries may have to cease trading. The financial statements do not include the adjustments that would result from the closure of the operations of any of the subsidiary companies

Sterling Associates

Chartered Accountants & Registered Auditors

5 Theobald Court
Theobald Street
Elstree
Herts WD6 4RN
4 September 2009

Prime Focus London plc
Audited financial information

Consolidated Income Statement for the year ended 31 March 2009

	Notes	2009 £	2008 £
Revenue	5	15,895,832	17,964,406
Cost of sales		(1,694,689)	(2,506,228)
Gross profit		14,201,143	15,458,178
Net operating charges		(15,625,182)	(14,124,734)
Operating (loss)/profit	6	(1,424,039)	1,333,444
Other Income	8	399,057	120,349
Finance income	9	-	3,480
Finance costs	10	(360,022)	(380,274)
Exceptional income	11(a)	960,111	(604,461)
Extraordinary income	11 (b)	641,806	-
Profit before tax		216,913	472,538
Corporation tax on profit	12	264,757	163,792
Profit for the year		481,670	636,330
Basic and diluted profit per share	13	1.48	2.11

The above results are derived from continuing activities.

The Company has elected to take exemption under Section 230 of the Companies Act 1985 not to present the Company's profit and loss account. The loss for the Company for the year was 2,175,282 (2008 loss: 294,152)

Prime Focus London plc
Audited financial information

Consolidated Balance Sheet at 31 March 2009

	Notes	2009 £	2008 £
ASSETS			
Non-current assets			
Intangible Assets	15	1,975,919	3,182,546
Property, plant and equipment	16	7,916,315	10,325,350
Other receivables	17	1,922,000	120,000
Available for sale investments	18	28,875	858,750
		11,843,109	14,486,646
Current assets			
Inventories	19	32,164	30,341
Trade and other receivables	20	9,355,625	5,415,994
Deferred tax assets	21	401,564	20,149
Cash and cash equivalents		1,501,861	2,392,840
		11,291,214	7,859,324
Total assets		23,134,323	22,345,970
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital	22	1,631,577	1,505,314
Share premium account	23	6,498,787	9,383,624
Capital redemption reserve	23	270,000	270,000
Fair Value Reserve	23	-	365,395
Retained earnings	23	(193,952)	(675,622)
Total equity		8,206,412	10,848,711
LIABILITIES			
Current liabilities			
Borrowings	24	4,225,582	5,775,186
Trade and other payables	25	6,993,317	5,028,909
Current income tax liabilities	26	1,475	26,500
		11,220,374	10,830,595
Non-current liabilities			
Borrowings	27	3,707,537	666,664
		3,707,537	666,664
Total liabilities		14,927,911	11,497,259
Total equity and liabilities		23,134,323	22,345,970

Anshul Doshi
 Director

The accounts were approved by the Board of Directors and authorised for issue on 4 September 2009.
 The notes on pages 24 to 49 form part of these accounts.

Prime Focus London plc
Audited financial information

Company Balance Sheet at 31 March 2009

	Notes	2009 £	2008 £
ASSETS			
Non-current assets			
Intangible Assets	15	44,550	49,500
Property, plant and equipment	16	4,608,367	4,096,153
Investments	18	2,311,099	4,105,192
		<u>6,964,016</u>	<u>8,250,845</u>
Current assets			
Inventories	19	32,164	-
Trade and other receivables	20	11,073,681	24,092,595
Deferred Tax	21	497,565	-
Cash and cash equivalents		1,349,126	2,066,745
		<u>12,952,536</u>	<u>26,159,340</u>
Total assets		<u>19,916,552</u>	<u>34,410,185</u>
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital	22	1,631,577	1,505,314
Share premium account	23	6,498,787	9,383,624
Capital redemption reserve	23	270,000	270,000
Merger Reserve	23	729,160	729,160
Retained earnings	23	(1,286,624)	888,658
Total equity		<u>7,842,900</u>	<u>12,776,756</u>
LIABILITIES			
Current liabilities			
Borrowings	24	4,188,466	5,473,915
Trade and other payables	25	4,177,649	15,490,255
		<u>8,366,115</u>	<u>20,964,170</u>
Non-current liabilities			
Borrowings	27	3,707,537	666,664
Deferred tax liabilities		-	2,595
		<u>3,707,537</u>	<u>669,259</u>
Total liabilities		<u>12,073,652</u>	<u>21,633,429</u>
Total equities and liabilities		<u>19,916,552</u>	<u>34,410,185</u>

Anshul Doshi
 Director

The accounts were approved by the Board of Directors and authorised for issue on 4 September 2009.
 The notes on pages 24 to 49 form part of these accounts.

Prime Focus London plc
Audited financial information

Consolidated Cash Flow Statement for the year ended 31 March 2009

	Notes	12 months 31-Mar 2009 £	12 months 31-Mar 2008 £
Cash Flows from operating activities			
Cash generated from operations	28	(863,716)	1,801,276
Net Interest Paid		(360,022)	(376,794)
Tax Recovered/(paid)		-	25,559
Net cash generated from operating activities		(1,223,738)	1,450,040
Cash flows from investing activities			
Purchases of equipments & subsidiaries		(415,663)	(3,110,456)
Proceeds from Sale of Assets		520,102	224,907
Net cash absorbed from investing activities		104,439	(2,885,549)
Cash flows from financing activities			
Issue of shares		1,010,102	944,500
Net cash used in financing activities		1,010,102	944,500
Increase in cash & cash equivalents		(109,197)	(491,009)
Cash and cash equivalents at the beginning of the year		(4,049,008)	(3,557,999)
Cash and cash equivalents at the end of the year		(4,158,205)	(4,049,008)

Analysis of net debt

	At 31 March 2008 £	Cash flow £	At 31 March 2009 £
Cash in hand, at bank	2,392,840	(890,978)	1,501,862
Net Parent & Associate Company Loans	(4,012,000)	3,023,490	(988,510)
Bank and other loans	(1,275,671)	1,014,406	(261,266)
Long Term Bank Loans	-	(3,069,074)	(3,069,074)
Hire Purchase obligations (more than 1 year)	(666,664)	28,201	(638,463)
Hire purchase obligations (less than 1 year)	(487,513)	(215,241)	(702,754)
	(4,049,008)	(109,197)	(4,158,205)

Prime Focus London plc
Audited financial information

Shareholders' funds and statement of changes in shareholders' equity

Group	Share capital £	Share premium £	Capital Redemption Reserve £	Fair Value Reserve £	Special Reserve £	Retained earnings £	Total Equity £
At 1 April 2008	1,505,314	9,383,624	270,000	365,395		(675,622)	10,848,711
Shares Issued (Note 22)	126,2643	883,838					1,010,101
Creation of special reserve following court application for reduction in share capital					3,768,675		3,768,675
Revaluation of financial assets				(365,395)			(365,395)
Retained profit for the year						481,670	481,670
Adjustment for capital reduction		(3,768,675)			(3,768,675)		(7,537,350)
At 31 March 2009	1,631,578	6,498,787	270,000	-	-	(193,952)	8,206,412

The retained earnings reserve represents the cumulative profit of the Group.

Company	Share capital £	Share premium £	Capital Redemption Reserve £	Merger Reserve £	Special Reserve £	Retained earnings £	Total Equity £
At 1 April 2008	1,505,314	9,383,624	270,000	729,160		888,658	12,776,756
Share Issued	126,263	883,838					1,010,101
Creation of special reserve following court application for reduction in share capital					3,768,675		3,768,675
Revaluation of financial assets							
Retained profit for the year						(2,175,282)	(2,175,282)
Adjustment for capital reduction		(3,768,675)			(3,768,675)		(7,537,350)
At 31 March 2009	1,631,578	6,498,787	270,000	729,160	-	(1,286,624)	7,842,900

Capital Reduction

On 25 March 2009, the Company obtained court approval for reducing its share premium account by a sum of £3,768,675. This reflects a reduction of £1,410,590.53 in the carrying value of the Company's investment in Clear (Post Production) Limited, Outpost Post Production Limited (previously known as Prime Focus London Limited and before that Video Tape Recording Limited), The Hive Animation Limited, a reduction of £2,148,768 in the carrying value of the debt owed to the Company by its subsidiary Outpost Post Production Limited and a sum of £209,316.49 being the amount owed by the Company to Soho Estates Limited in connection with the surrender of certain leases relating to 54-58 Wardour Street, London and 74-76 Old Compton Street, London.

Prime Focus London plc

Audited financial information

Notes to the Accounts

1. General information

Prime Focus London plc (“the Company”) and its subsidiaries (together “the Group”) are technology based creative service providers to the media and entertainment industry.

On 16 October 2008 the Company changed its name to Prime Focus London plc from VTR plc. This change has been made in accordance with the above mentioned corporate restructuring to ensure brand name consistency with the Parent company.

The Company is a limited liability company incorporated and domiciled in England whose registered office address and principal place of business is 64 Dean Street, London W1D 4QQ.

The financial statements are prepared in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

These financial statements were authorised for issue on 4 September 2009.

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these statements were in issue but not yet effective.

		Application date (periods commencing on or after)
IAS 1 Revised	Presentation of financial statements	1 January 2009
IAS 23 Revised	Borrowing costs	1 January 2009
IAS 27 Amendment	Consolidated and separate financial statements	1 July 2009
IAS 32 and IAS 1 Amendment	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 39 Financial Instruments	Recognition and measurement – Amendments for eligible hedged items	1 July 2009
IFRS 1 and IAS 27 Amendment	Cost of an investment on first-time adoption	1 January 2009
IFRS 2 Amendment	Vesting conditions and cancellations	1 January 2009
IFRS 3 Amendment	Business combinations and consequential Amendments	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 15	Agreements for the construction of real estate	1 January 2009

In addition a further 15 Standards were amended in May 2008 with application dates on or after 1 January 2009.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on segment results when the relevant Standards come into effect..

2. Significant accounting policies

Basis of accounting

The consolidated financial information 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2009. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Prime Focus London plc

Audited financial information

The results of subsidiaries incorporated during the year are included in the consolidated income statement from the effective date of acquisition.

The results of subsidiaries that were either placed in administration or liquidation during the year are included in the consolidated Income Statement from 1 April 2008 to the date that the administration or liquidation became effective.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, Goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which Goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any Goodwill allocated to the unit and then to any other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for Goodwill is not reversed in a subsequent period.

Revenue recognition

Turnover represents the fair value of services provided during the year on all broadcast, commercial and feature film assignments as well as non post production activities. Turnover is recognised as contract activity progresses and the right to consideration is earned. Fair value reflects the amounts expected to be recoverable from customers and is based on usage of facilities, time spent and costs incurred to date as a percentage of total anticipated production costs. Unbilled turnover is included as other within receivables. Other turnover in respect of subsequent sales of completed productions is recognised at the date the sale is agreed and the product is shipped.

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.

Prime Focus London plc

Audited financial information

Leasehold improvements, equipment, motor vehicles, fixtures and fitting

Leasehold property, equipment, motor vehicles, fixtures and fittings are stated at cost less accumulated depreciation and any provision for impairment. Cost comprises all costs that are directly attributable to bringing the asset into working condition for its intended use. Depreciation is calculated to write down the cost of fixed assets to their residual values on a reducing balance basis over the following estimated useful economic lives:

Equipment	13.91%
Fixtures and fittings	18.10%
Motor vehicles	25.89%

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

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives at the rates set out above. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are operating leases which have annual rentals charged to the profit and loss on a straight line over the lease term.

Foreign currency translation

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit and loss for the year.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity.

Taxation

Corporation tax expense represents the sum of corporation tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Prime Focus London plc

Audited financial information

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Retirement benefits

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured less provision for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Prime Focus London plc

Audited financial information

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Group's financial information in the period in which the dividends are approved by the Company's shareholders.

Going concern

The Group has net current liabilities. The directors, having reviewed the Group's budget for the year to 31 March 2010, are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future. The directors have, therefore, continued to adopt the going concern basis in preparing these accounts. Furthermore, the ultimate Parent Company has confirmed that it will continue to support the company for a period of at least twelve months.

Impairment

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (less disposal costs) and value in use.

Value in use is based on the present value of the future cash flows relating to the asset.

Investments

Long term investments are classified as investments available for sale and non current assets.

All non-quoted investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

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.

Stock

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

3. Capital management and financial instruments

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. At present the Group is unable to pay dividends or return equity to shareholders.

The Group currently has a debt of £11,990,874 (2008: £11,496,549). The current assets of the Group at 31 March 2009 was £11,291,214 (2008 : £7,859,324).

The Group sets the amounts of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital comprises all components of equity – share capital, other reserves and the retained deficit in earnings. At 31 March 2009, the Group had net funds of £8,206,412 (2008: £10,849,422).

During the year ended 31 March 2009 the Group's strategy, which was unchanged from the previous year, was to monitor and manage the use of funds whilst developing business strategies and marketing.

Prime Focus London plc

Audited financial information

The Group's financial instruments comprise cash and cash equivalents and trade and other receivables and payables and that arise directly from its operations. It is, and has been throughout the year of review, the Group's policy that financial derivatives shall not be used.

Credit risk

The Group has a low credit risk in respect of its trade receivables, its principal customers being national broadcasters and major organisations. The highest credit risk exposure to a single customer at 31 March 2009 was £ 713,256 (2008: £ 761,978).

The Group is also exposed to credit risk in respect of its bank balances and seeks to minimize this risk by holding funds on deposit with a major United Kingdom bank.

Liquidity risk and going concern

The ability of the operating subsidiary companies to continue trading will each depend on whether there is a significant fall in the current sales turnover levels within the next twelve months. If there is a fall then each company is likely to require the injection of further funds to finance operating overheads. The current market for advertising, film production and television programmes is difficult and companies are not only commissioning fewer advertising campaigns, but also taking longer to make decisions before confirming orders.

The directors have carefully considered the Group working capital position and concluded that if sales fall significantly there is a risk that it will have insufficient resources to finance the continuation of the activities of some or all of the division of the subsidiary companies. The situation continues to be carefully monitored and a strategy has been put in place for each operating subsidiary such that operating activities will be terminated if required as a result of the market trading conditions

If it were necessary to close the operations of any of the divisions of the subsidiary companies provisions may be required for costs arising on closure, against the carrying value of goodwill in the Group accounts, and the carrying value of investments and subsidiary company debt in the accounts of the parent company.

Cash and cash equivalents

For the purpose of preparation of the cash flow statement, cash and cash equivalents include cash at bank and in hand and short-term deposits with a maturity period of less than 12 months.

The carrying value of Cash and Cash Deposits approximates their fair value because of the short maturity of those instruments.

Financial instruments held for trading purposes

The Group does not trade in financial instruments

The Group's financial instruments comprise cash, liquid resources and various items, such as debtors and creditors that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that financial derivatives shall not be used. As a result, the Group has not used interest rate hedges and currency swaps during the year.

The main risk arising from the Group's financial instruments is interest rate risk. The Group seeks to maximize returns on surplus cash by placing this on treasury deposits.

Foreign currency risk

Some equipment is purchased in US Dollars. Management has continued to monitor the foreign exchange risk so that appropriate action can be taken if required.

The table below shows the extent to which the Group have monetary assets and liabilities in currencies other than Sterling. Foreign exchange differences on re-translation of these assets and liabilities are taken to the income statement of the Group.

Prime Focus London plc
Audited financial information

<i>Functional currency of Group operation</i>	US Dollars	GB pounds	Euro	2009 Total
	£	£	£	£
Assets - GBP	874,594	12,305,356	1,100	13,181,050
Liabilities - GBP	3,293,225	7,973,193	-	11,266,418

<i>Functional currency of Group operation</i>	US Dollars	GB pounds	Euro	2008 Total
	£	£	£	£
Assets - GBP	-	7,932,184	16,798	7,948,982
Liabilities - GBP	4,012,000	5,320,961	-	9,332,961

All company financial assets and liabilities are denominated in Sterling.

Financial instruments held for trading purposes

The Group does not trade in financial instruments.

Credit risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the Group's financial assets and liabilities were:

	2009	2008
	£	£
Cash balances	1,501,862	2,392,840
Bank overdrafts and loans	3,330,341	1,275,672
Net Parent & Associate Company Loans	988,510	4,012,000

Fair value of financial instruments

Financial instruments, which are summarised below, are carried at historical cost, which is also considered to be equivalent to their fair value. Financial assets and liabilities are recognised in the balance sheet from when the Group or Company becomes a party to the contractual provisions of the instrument.

Group

Financial assets (all of which are loans and receivables)

	2009	2008
	£	£
Trade receivables	4,669,003	4,671,837
Other receivables	-	184,986
Cash and cash equivalents	1,501,861	2,392,840

Other receivables does not include deferred tax asset, prepayments and amounts owed from associates totaling £3,979,118 (2008: £699,319).

Prime Focus London plc
Audited financial information

Financial liabilities (at amortised cost)

	2009	2008
	£	£
Trade payables	1,273,581	1,499,826
Other payables	799,781	504,322
Overdrafts	3,330,341	1,275,672

Other payables does not include amounts in respect of taxation, social security, deferred income and owed to parent company of £8,182,990 (2008: £7,062,550).

COMPANY

Financial assets (all of which are loans and receivables)

	2009	2008
	£	£
Trade receivables	924,628	260,397
Other receivables	-	-
Cash and cash equivalents	1,349,126	2,066,745

Other receivables does not include deferred tax, prepayments and amounts owed from associates totaling £10,646,617 (2008: £23,832,199).

Financial liabilities (at amortised cost)

	2009	2008
	£	£
Trade payables	940,370	721,614
Other payables	238,121	31,415
Loans/Overdrafts	3,293,225	974,401

Other payables does not include amounts in respect of taxation, social security, deferred income and owed to parent company of £6,260,717 (2008: £18,751,820).

4. Critical accounting estimates and judgements

In preparing the Consolidated Financial Statements the directors have to make judgements on how to apply the Group's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the Consolidated Financial Statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

Income recognition

As set out in the accounting policy note turnover is recognised as contract activity progresses and the right to consideration is earned, reflecting time and cost incurred as a percentage of total anticipated costs.

Goodwill impairment

Goodwill is tested annually for impairment. This test requires estimates and judgements to be made in respect of future net revenues and discount rates as explained in note 15.

Prime Focus London plc

Audited financial information

Acquisitions

When acquiring a business the directors have to make judgements and best estimates about the fair value allocation of the purchase price. They seek appropriate competent and professional advice before making such allocations. They test the valuation of Goodwill at each financial period and whenever such events or changes to circumstances indicate that the carrying amounts may not be recoverable. These tests require the use of estimates.

Impairment reviews

The Group tests at each financial period whether Goodwill has suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Provisions

From time to time the directors have to make provisions based on present obligations as a result of past events. The directors have to make judgements and best estimates and, where applicable, seek appropriate competent and professional advice before making such provisions. These provisions require the use of estimates.

Corporation tax

The Group is subject to corporation tax. Judgement is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of the matters is different from the amounts initially recorded, such amounts can materially impact the corporation tax and deferred tax provisions in the period in which the determination is made.

Deferred tax asset

A deferred tax asset has been recognised in respect of unutilised trading losses of all subsidiary companies because in the directors' opinion, based on results for the year and forecasts, it is probable that these losses will be utilised in the future. The deferred tax asset recognised is £1,169,648 (2008: £20,149).

Investments in subsidiary undertakings

Investments have been tested for impairment. This test requires estimates and judgements to be made in respect of net revenues and discount rates. The same assumptions have been used as in the goodwill impairment review.

Prime Focus London plc
Audited financial information

5. Segmental Reporting

Turnover

The revenue of the Group is all attributable to the one principal activity, that of the post production and related services.

An analysis of turnover, profits before taxation and net assets of the Group by geographical market is shown below:

Turnover by geographical markets

	2009	2008
	£	£
United Kingdom	14,341,016	17,028,991
Europe	46,349	140,973
Rest of the world	1,508,467	794,442
	15,895,832	17,964,406

Profit before taxation by geographical markets

	2009	2008
	£	£
United Kingdom	171,661	447,933
Europe	-	3,708
Rest of the world	45,252	20,897
	216,913	472,538

Net asset by geographical market

	2009	2008
	£	£
United Kingdom	8,171,891	10,755,369
Europe	-	-
Rest of the world	39,226	93,342
	8,211,117	10,849,423

6. Operating (loss)/profit before interest and taxation

	2009	2008
	£	£
Operating(loss) / profit is stated after charging/(crediting):		
Depreciation Charge for the period		
Owned Assets	1,118,274	1,174,752
Leased Assets	266,199	424,390
Total Depreciation	1,384,473	1,599,102
(Profit) / loss on disposal of property, plant and equipment	(520,102)	(108,481)
Operation lease rentals:		
Plant and Machinery	-	-
Others	1,021,200	1,182,500

Prime Focus London plc
Audited financial information

Auditors' remuneration

	2009	2008
	£	£
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of Company	35,000	35,000
Audit of financial statement of subsidiaries pursuant to legislation	10,000	10,000
All other services	30,000	25,000

Other fees paid to auditors relate to advice in connection with taxation, capital reduction implementation and compliance matters. The directors do not consider that the level of fees paid to the auditors for non-audit services threatens their independence. The auditors have confirmed they agree with the conclusion.

7. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year was:

	Group		Company	
	2009	2008	2009	2008
	No.	No.	No.	No.
Production and sales	215	259	-	-
Management and administration	64	36	19	19
	279	295	19	19

The total staff cost incurred by the Company was:

	2009	2008
	£	£
Wages and salaries	9,553,718	8,610,103
Social security costs	957,890	702,933
Other pension costs	4,349	16,500
	10,515,957	9,329,536

The aggregate payroll costs of these persons were as follows:

Directors' emoluments were £79,099 (2008: £151,044), of which the highest paid directors received £43,349 (2008: £128,044).

Contributions were paid on behalf of the directors to money purchase pension schemes amounting to £4,349 (2008: £16,500).

Number of directors to whom retirement benefits are accruing under the defined contribution pension scheme is 1 (2008: 1)

Key management remuneration (including directors):

	2009	2008
	£	£
Wages and salaries	1,828,288	2,018,000
Social security costs	394,528	258,304
Other pension costs	4,349	16,500
	2,227,165	2,292,804

Prime Focus London plc
Audited financial information

Key management is defined as being the directors of the Group and other senior management with the authority and responsibility for planning, directing and controlling the Group's activities.

8. Other income

	2009 £	2008 £
Rental income	58,333	42,033
Insurance claim	-	78,316
Sundry Income **	340,724	-
	399,057	120,349

** Sundry income relates to recharge of rent and salaries to Petrol Digital Media Limited. Refer to related party note 32

9. Finance income

	2009 £	2008 £
Interest receivable		
Interest on bank deposits	-	3,480
	-	3,480

10. Finance costs

	2009 £	2008 £
Interest payable		
Other interest payable	329,061	293,968
Bank interest payable	30,961	86,306
	360,022	380,274

11

(a) Exceptional income

	2009 £	2008 £
Legal Fees relating to Employment dispute	-	164,406
Legal Fees relating to abortive property purchase	53,441	-
Professional Fees in respect of administration and liquidation of subsidiaries	82,390	-
Net Balance on liquidation of subsidiaries	(1,386,610)	
Damages for loss of employment	102,073	440,055
Dilapidations on surrender of leasehold properties	188,595	-
	(960,111)	604,461

Net balance on liquidation of subsidiaries relate to excess liabilities not payable by the Group upon liquidation of the subsidiaries

Prime Focus London plc
Audited financial information

(b) Extraordinary Income

	2009	2008
	£	£
Profit on sale of eTITLE	<u>(641,806)</u>	-
	<u>(641,806)</u>	-

During the year the Company entered into a software acquisition agreement with My Info-Tech Pvt. Limited, a company incorporated in India for the sale of the Company's software 'e-TITLE' to be used as an integral component of My Info-Tech's workflow, archival management and live Video on Delivery tool. The Company had developed 'e- TITLe' as a consortium of 5 pan-European companies funded initially by an European Union grants. As per the software acquisition agreement, the Company will own 19.99% of the enlarged equity of My-InfoTech Limited; however such equity stake can only be issued after My-InfoTech Pvt. Limited receives approval from the Foreign Investment Promotion Board of India. The agreement provides for payment of £1,822,000 over a period of 60 months. The valuation carried out by K. Venkatachalam & Associates, Chartered Accountants, values the Company's stake in My Info- Tech Pvt. Limited at £1,822,000 and is based on discounted cashflow method on projections of My Info-Tech Pvt. Limited for the following five years. As at 31 March 2009, My Info-Tech Pvt. Limited has not received the approval of the foreign investment promotion board.

12. Tax expense

There is no charge to corporation tax due to the availability of capital allowances and tax losses brought forward. The Group has tax losses available to carry forward against future taxable income and profits of approximately £4,177,313 (2008 : £1,610,000).

Where it is anticipated that future taxable profits will be available against which these losses will be utilised a deferred tax asset is recognised.

	2009	2008
	£	£
Current tax		
UK Corporation tax	-	-
Adjustments in respect of prior years	<u>(22,659)</u>	<u>(37,048)</u>
	(22,659)	(37,048)
Deferred tax		
Origination and reversal of timing differences	<u>(242,098)</u>	<u>(126,744)</u>
Total tax on profit on ordinary activities	<u>(264,757)</u>	<u>(163,792)</u>

Prime Focus London plc
Audited financial information

The difference between the current tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is shown below.

	2009 £	2008 £
Group profit on ordinary activities before tax	<u>216,995</u>	472,538
Tax on Group profit on ordinary activities at the standard UK corporation tax Rate of 28% (2008: 28%)	90,430	141,762
Effects of:		
Expenses Not Deductible for tax purposes		
- Ordinary Activities	28,824	40,225
Capital allowances in excess of Depreciation	(39,775)	(210,646)
Losses utilised	(212,819)	45,481
Exceptional item adjustment	133,340	-
Adjustment to tax charge in respect of prior periods	<u>(22,659)</u>	(53,870)
Tax charge for the year	<u>(22,659)</u>	<u>(37,048)</u>

13. Profit per share

The profit per share is based on a profit for the year attributable to equity holders of the parent of £481,670 (2008: £636,330) and the weighted average of the ordinary shares in issue for the year of 32,631,528 (2008: 30,106,276)

At 31 March 2009, there were no outstanding share options.

14. Dividends

No dividend has been declared for the current year (2008: £nil).

15. Goodwill

GROUP	£
Cost	
At 1 April 2008	3,182,546
Arising from business acquisition	<u>175,000</u>
At 31 March 2009	<u>3,357,546</u>
Impairment	
At 1 April 2008	-
Impairment of goodwill	9,325
Write off upon liquidation of subsidiary	1,372,302
At 31 March 2009	<u>1,381,627</u>
Net Book Value	
At 31 March 2009	<u>1,975,919</u>
At 31 March 2008	<u>3,254,121</u>

Prime Focus London plc
Audited financial information

	£
Machine Effects Limited	1,760,744
Clarke Associates London Limited	44,550
Prime Focus Post Production Limited	170,625
	<hr/>

The Group tests goodwill annually for impairment or more frequently if there are implications that goodwill might be impaired.

COMPANY	£
Cost	
At 1 April 2008	49,500
Arising from business combination	-
	<hr/>
At 31 March 2009	49,500
	<hr/>
Impairment	
At 1 April 2008	-
Impairment of goodwill	4,950
	<hr/>
At 31 March 2009	4,950
	<hr/>
Net Book Value	
At 31 March 2009	44,550
	<hr/>
At 31 March 2008	49,500
	<hr/>

16. Property, plant and equipment

GROUP	Short leasehold premises £	Motor Vehicles £	Equipment, fixtures and fittings £	Total £
COST				
At 1 April 2008	4,409,639	52,294	30,282,466	34,744,399
Additions	-	-	2,267,845	2,267,845
Disposals	(768)	-	(15,260,920)	(15,261,688)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	4,408,871	52,294	17,289,391	21,750,556
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 April 2008	2,483,560	17,997	21,917,492	24,419,049
Charge for the year	225,818	8,880	857,827	1,092,525
Disposals	-	-	(11,677,333)	(11,677,333)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	2,709,378	26,877	11,097,986	13,834,241
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value At 31 March 2009	1,699,493	25,417	6,191,405	7,916,315
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value at 31 March 2008	1,926,079	34,297	8,364,974	10,325,350
	<hr/>	<hr/>	<hr/>	<hr/>

Prime Focus London plc
Audited financial information

The net book value of equipment, fixtures & fittings includes an amount of £1,643,880 (2008:£2,633,866) in respect of assets held under hire purchase agreements. The charge for depreciation for the year on these assets was £266,199 (2008 - £424,390).

Disposal of equipment, furniture and fittings include £14,760,920 relating to assets held in Outpost post production limited (in liquidation) and Clear (post production) limited (in liquidation). Similarly adjustments of disposal under depreciation assets amount to £11,177,333.

COMPANY	Short leasehold premises £	Motor Vehicles £	Equipment, fixtures and fittings £	Total £
COST				
At 1 April 2008	4,409,639	52,294	3,415,142	7,877,076
Additions	-	-	1,160,463	1,160,463
Disposals	(768)	-	-	(768)
At 31 March 2009	4,408,871	52,294	4,575,605	9,036,770
DEPRECIATION				
At 1 April 2008	2,483,560	17,997	1,279,366	3,780,923
Charge for the year	225,818	8,880	412,783	647,480
Disposals	-	-	-	-
At 31 March 2009	2,709,378	26,877	1,692,148	4,428,403
Net Book Value At 31 March 2009	1,699,493	25,417	2,883,457	4,608,367
Net Book Value at 31 March 2008	1,926,079	34,297	2,135,776	4,096,153

The net book value of equipment, fixtures & fittings includes an amount of £822,416 (2008 - £955,297) in respect of assets held under hire purchase agreements. The charge for depreciation for the year on these assets was £132,882 (2008 - £154,352).

17. Other receivables

	2009 £	Group 2008 £	2009 £	Company 2008 £
Amounts falling after more than one year:				
Other receivables	1,922,000	120,000	-	-
	1,922,000	120,000	-	-

Other receivable relates to debts due from a client which is repayable by monthly instalments and will be repaid by end of 31 March 2012. The total sum due from the client is £100,000 together with the sum of £1,822,000 due from My Info-Tech Pvt Limited. Refer note 11(b). The amount of £100,000 is secured by way of a deed of guarantee and indemnity from Soho Screening Rooms Limited. There is no interest due from the client under this deed.

Prime Focus London plc
Audited financial information

18. Investments

GROUP	Listed Investments £	Other investments £	Total £
Cost			
At 1 April 2008	446,480	434,375	880,855
Fair value adjustment	(324,308)	-	(324,308)
At 31 March 2009	122,172	434,375	556,547
Provision			
At 1 April 2008	22,105	-	22,105
Fair value provision	71,192	-	71,192
Write off upon liquidation of subsidiary	-	434,375	434,375
At 31 March 2009	93,297	434,375	527,672
Net Book Value			
At 31 March 2009	28,875	-	28,875
At 31 March 2008	424,375	434,375	858,750

The Company through its wholly owned subsidiary, VTR Media Investments Limited, owns 1,750,000 ordinary shares of £1 each in Connexions Media Group Plc (formerly known as Music Copyrights Solutions plc), a company incorporated in England and Wales. This company is listed on the Alternative Investment Market (AIM). The market value of these shares at 31 March 2009 was £ 28,875 (2008: £424,375).

COMPANY	Investment in subsidiary undertakings £	Investment in associated undertaking £	Other investments £	Total £
Cost				
At 1 April 2008	3,670,798	19	434,375	4,105,192
Additions during the year	-	-	-	-
Transfer to inter company balances	-	-	(434,375)	(434,375)
At 31 March 2009	3,670,798	19	-	3,670,817
Provision				
At 1 April 2008	-	-	-	-
Write off upon court approval in respect of capital reduction	1,359,718	-	-	1,359,718
Provisions for impairment	-	-	-	-
At 31 March 2009	1,359,718	-	-	1,359,718
Net Book Value				
At 31 March 2009	2,311,080	19	-	2,311,099
At 31 March 2008	3,670,798	19	434,375	4,105,192

Prime Focus London plc
Audited financial information

In the opinion of the directors, the aggregate value of the investment in subsidiary and associate undertakings is not less than the amount at which it is stated in the balance sheet.

The principal undertakings in which the Group's interest at the year end is more than 20% are as follows:

	Principal activity at 31 March 2009	Country of incorporation	Percentage of ordinary shares held
Subsidiary undertakings:			
PF Post Production Limited (formerly Restoration Media Content Limited) *	Post production of television 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 services	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:			
VTR North Limited **	Post production of television commercials	Great Britain	20%
Busy Buses Limited**	Dormant	Great Britain	33%

* Held by Prime Focus London plc

** Held by VTR Media Investments Limited

The Company accounts for its investments in subsidiaries using the cost model.

VTR North Limited is not considered to be a subsidiary of the Company. The Company does not exercise control over the board of directors of this company.

The Group's associates are accounted for using the equity method of accounting. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and as a movement in the Group's share of associates' net assets in the balance sheet. Its share of any post-acquisition movements in reserves is recognised directly in reserves. Losses of the associates in excess of the Group's interest in those associates are not recognised. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate

19. Inventories

	2009	2008
	£	£
Tapes and cassettes	32,164	30,341

Prime Focus London plc
Audited financial information

20. Trade and other receivables

	2009	Group	2009	Company
	£	2008	£	2008
	£	£	£	£
Amounts falling due within one year:				
Trade receivables	5,112,136	4,819,942	1,122,628	260,397
Less: Provision for impairment of trade receivables	(443,133)	(148,105)	(198,000)	-
	4,669,003	4,671,837	924,628	260,397
Other receivables	-	64,986	-	-
Corporation tax recoverable	-	-	-	9,500
Amounts owed from associates	2,937,037	-	2,937,037	-
Amounts owed from group	-	-	6,733,448	23,414,545
Prepayments and accrued income	1,749,585	679,171	478,568	408,153
	9,355,625	5,415,994	11,271,681	24,092,595

The average credit period for trade receivables at the end of the year is 100 days. (2008: 90 days).

As of 31 March 2009, trade receivables of £4,669,003 (2008: £4,671,837) were neither past due nor impaired.

Trade receivables that are less than 3 months past due are not considered impaired. As of 31 March 2009, trade receivables of £1,258,553 (2008: £679,813) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of all trade receivables is as follows:

	2009	2008
	£	£
Up to 3 months	3,410,450	3,992,024
3 to 6 months	370,379	81,690
Over 6 months	888,174	598,123
	4,669,003	4,671,837

As of 31 March 2009 trade receivables of £245,133 (2008: £148,105) were impaired and provided for.

The carrying amounts of the Group's trade and other receivables are denominated in sterling.

During the year, the Company incurred £130,000 worth of branding costs which, at the year end, is included in prepayments and accrued income. It is anticipated that the overall working relating to branding will be completed by 31 March 2010 when the entire cost will be released to profit and loss account.

Prime Focus London plc

Audited financial information

21. Deferred tax

The movement for the year in the Group's net deferred tax asset provided at the UK company rate of corporation tax of 28% (2008: 28%) was as follows:

GROUP	2009	2008
	£	£
At 1 April 2008	20,149	(106,595)
Adjustment relating to liquidation of subsidiary transferred to exceptional items	139,317	-
Credit to income for the year	242,098	126,744
At 31 March 2009	401,564	20,149
The non-current asset / (provision) comprises of:		
Accelerated capital allowances	(768,084)	430,625
Unutilised losses	1,169,648	450,774
	401,564	20,149
COMPANY	2009	2008
	£	£
At 1 April 2008	(2,595)	(225,617)
(Charge) credit to income for the year	500,160	223,022
At 31 March 2009	497,565	(2,595)
The non-current asset / (provision) comprises of:		
Accelerated capital allowances	(614,899)	(89,054)
Unutilised losses	1,112,464	86,459
	497,565	(2,595)

22. Called Up Equity Share Capital

The Company has issued the following shares during the year:

	2009		2008	
	£	Number	£	Number
Authorised				
Ordinary shares of 5p each	2,500,000	50,000,000	2,500,000	50,000,000
Allotted				
Allotted and fully paid				
Ordinary shares of 5p each At 1 April 2008	1,505,314	30,106,276	1,505,314	30,106,276
Issued during the year				
Issue of Shares to Prime Focus Limited (8 th June 2008)	126,263	2,525,252	-	-
Ordinary shares of 5p each at 31 March 2009	1,631,577	32,631,528	1,505,314	30,106,276

On 8 June 2008, the Company allotted 2,020,202 ordinary shares of 5p each to Prime Focus Limited for providing a loan facility of £1,000,000 to facilitate the acquisition of the entire issued share capital of Machine Effects Limited. The loan was satisfied by the issue of this allotment and conditional upon obtaining the requisite shareholder approval which was obtained on 28 April 2008. On the same date, the Company allotted a further 505,050 ordinary shares of 5p each to Prime Focus Limited for providing a guarantee under the same share purchase agreement. The guarantee of the closing price bid has been provided by Prime Focus Limited to John Lockwood and Steve Street without recourse to the Company. The allotment of further shares was also requisite to shareholder approval which was obtained on 28 April 2008.

Prime Focus London plc
Audited financial information

Options

At the year end, the Company have no share options which remain exercisable.

23. Reserves

Movement of reserves are set out in the statement of changes in equity on page 23.

24. Borrowings

Due within one year	2009	Group	2009	Company
	£	2008	£	2008
		£		£
Bank loan and overdraft	261,267	1,275,672	224,151	974,401
Hire Purchase Obligation	702,755	487,514	702,755	487,514
Loan from Parent Company	3,261,560	4,012,000	3,261,560	4,012,000
	4,225,582	5,775,186	4,188,466	5,473,915

25. Trade and other payables

	2009	Group	2009	Company
	£	2008	£	2008
		£		£
Trade payables	1,273,581	1,499,826	940,370	721,614
Other payables	799,781	504,322	238,121	31,415
Amounts due to Parent Company	109,648	484,278	109,648	484,278
Amounts due to subsidiary undertakings	-	-	2,324,596	12,949,323
Accruals and deferred income	1,150,290	403,395	502,518	263,823
Social security and other taxes	3,660,017	2,137,088	62,396	1,039,802
	6,993,317	5,028,909	4,177,649	15,490,255

The average credit period taken for trade payable at the end of the year is 77 days (2008: 96 days).

Prime Focus London plc
Audited financial information

26. Income tax liabilities

Amounts falling within one year:	2009	Group 2008	2009	Company 2008
	£	£	£	£
Corporation tax payable	1,475	26,500	-	-
	1,475	26,500	-	-

27. Borrowings

Due after more than one year	2009	Group 2008	2009	Company 2008
	£	£	£	£
Bank loan	3,069,074	-	3,069,074	-
Hire purchase obligation	638,463	666,664	638,463	666,664
	3,707,537	666,664	3,707,537	666,664

Analysis of debt maturity:	2009	Group 2008	2009	Company 2008
	£	£	£	£

Repayable within one year

Bank loans and overdrafts	261,267	1,275,672	224,151	974,401
Hire purchase obligations	702,755	487,514	702,755	487,514
Loan from Parent Company	3,261,560	4,012,000	3,261,560	4,012,000
	4,225,582	5,775,186	4,188,466	5,473,915

Repayable between one and two years

Bank loan	3,069,074	-	3,069,074	-
Hire purchase obligations	319,231	333,332	319,231	333,332

Repayable between two and five years

Bank loan	-	-	-	-
Hire purchase obligations	319,232	333,332	319,232	333,332
	3,707,537	666,664	3,707,537	666,664

Bank loans are secured by a fixed and floating charge over the assets of the Group.

The maximum facility available as per the RBS Invoice discounting loan is £1 million (2008: £nil). Interest is charged at 1.6% (2008: 1.6%) above the Bank of England base rate.

The maximum facility available under the Standard Chartered Bank Dubai Working Capital Loan is up to a limit of \$6 million (2008: £nil). Interest is charged at a floating rate of 4.5% above Libor (2008: nil). The company has taken a hedge against the entire balance outstanding as at 31 March 2009 at \$2 : £1. The hedge has been provided by Asia Exchange Bank a currency and foreign exchange trading house. The loan is secured via a standby letter of credit issued by Standard Chartered Bank, India (secured against the balance sheet of the Parent Company) to Standard Chartered Bank, Dubai.

Prime Focus London plc
Audited financial information

New Parent Company loan is unsecured. Interest rate is accrued at a rate of 8%. The new loan relates to advance made to Post Logic Studios Inc, an associate company in USA, being a subsidiary of the Parent Company. The Company has received a guarantee from the Parent Company for the full recoverability of the loan to Post Logic Studios Inc and for any foreign exchange loss.

28. Reconciliation of profit before income tax to net cash flows from operating activities

	2009 £	2008
Profit/(loss) on ordinary activities before income tax	576,935	849,338
Depreciation of property, plant and equipment	1,092,525	1,599,102
(Profit)/loss on disposal of fixed assets	(520,102)	(108,481)
Operating cash flows before movements in working capital	1,149,358	2,339,959
Increase in inventories	(1,823)	(3,709)
(Increase)/decrease in receivables	(3,610,263)	948,450
Increase/(decrease) in payables	1,964,407	(1,462,030)
Impairment adjustment	(365,395)	(21,394)
Cash flows from operating activities	(863,716)	1,801,276

29. Acquisitions

During the year, the Group acquired the business interest and goodwill of Outpost Post Production Limited (in Liquidation). The book and fair values at date of acquisition were as follows:

	Book value £	Adjustments £	Fair value £
Tangible fixed assets	775,000	-	775,000
Goodwill	175,000		175,000
Consideration	950,000	-	950,000
Considering satisfied by:			950,000
Cash consideration			950,000

The income and expenditure of the trading activities of Outpost Post Production Limited post-acquisition forms part of the Group accounts.

30. Operating Lease Commitments

- (a) There were no capital commitments that had not been provided for at the end of the financial year.
- (b) Total commitments under non-cancellable operating leases, together with the obligations by maturity, are as follows:

	2009 £	Group 2008 £	2009 £	Company 2008 £
Commitments under non-cancellable operating leases:				
Within one year	918,500	1,407,512	918,500	1,407,512
Later than one year and less than five years	3,674,000	5,025,763	3,674,000	5,025,763
After five years	3,408,250	4,770,475	3,408,250	4,770,475
	8,000,750	11,203,750	8,000,750	11,203,750

Prime Focus London plc

Audited financial information

31. Pensions

The Group's principle pension plans comprise a defined contribution pension scheme. The pension charge for the year represents contributions payable by the Group which amounted to £4,349 (2008: £16,500).

There were no outstanding or prepaid contributions at either the beginning or end of each financial year.

32. Related party transactions

The Company has taken advantage of the exemption conferred in FRS8 not to disclose related party transactions with subsidiary undertakings of 90% or more of whose voting rights are controlled within the Group.

The following transactions with associated companies occurred during the year:

- In the year to 31 December 2007, the Company rendered a fee note to VTR Beirut SAL ("VTRBS"), a company incorporated in Lebanon, in which Prime Focus London plc ("PFLPLC"), via its subsidiary VTR Media Investments Limited, owns 1% of the issued share capital. The balance outstanding at the end of the year from VTRBS was £25,000.
- PFLPLC provided payroll financing facilities to Petrol Digital Media Limited ("PDML"), a company registered in England and Wales, in which PFLPLC, via its subsidiary VTR Media Investments Limited, owned 49% of the issued share capital, which was disposed off during the year.. The total sum paid to PDML's members of staff by PFLPLC on behalf of PDML was £205,810 (2008: £208,091). Furthermore, PFLPLC charged a fee of £45,313 (2008 : £39,583) for provision of the services to PDML. The balance outstanding at the end of the year from PDML was £38,557 (2008: £63,580).
- Post Logic Studios Inc, as associate company in USA, being a subsidiary of the Parent Company paid a sum of \$306,109 (2008: \$nil) on behalf of PFLPLC to third parties in respect of operational and capital expenditures. At 31 March 2009 the balance due from Post Logic Studios Inc was a sum of £2,736,886 (2008: £nil)
- PFLPLC paid a sum of £202,043 (2008: £nil) to third parties in respect of capital expenditures by Frantic Film VFX Inc, an associate company in Canada, being a subsidiary of Parent Company. At 31 March 2009 the balance due from Frantic Films VFX Inc was a sum of £200,151 (2008: £nil)

The following transactions with Parent Company occurred during the year:

- Parent Company charged PFLPLC for travelling expenditure relating to PFLPLC's activities in sum of £3,088 (2008 : £46,711);
- PFLPLC charged Parent Company for travelling expenditure relating to Parent Company's activities in the sum of £2,033 (2008: £nil)
- Parent Company charged PFLPLC for salaries for members of staff seconded to PFLPLC. The total sum for the year was £238 (2008: £13,283);
- PFLPLC charged Parent Company for salaries for members of staff seconded to Parent Company. The total sum for the year was £13,885 (2008: £nil);
- PFLPLC charged Parent Company for expenses incurred in respect of the acquisition of businesses by the Parent Company in North America in sum of £nil (2008: £50,000);
- PFLPLC received a sum of £nil (2008: £59,852) from third party on behalf of the Parent Company;

Prime Focus London plc

Audited financial information

- Parent Company paid a sum of £11,929 (2008: £nil) to third party on behalf of the PFLPLC;
- PFLPLC paid a sum of £159,356 (2008: £89,592) to third party on behalf of Parent Company;
- Parent Company carried out post production work on PFLPLC client in respect of "*King Lear*". The total fees paid by PFLPLC to Parent Company was £37,500 (2008: £814,025). This fee was on an arms length basis.
- PFLPLC carried out post production work on behalf of Parent Company clients in respect of '*Sony Bravia*' and '*Land Gold Women*'. The total fees paid by PFLPLC to Parent Company was £57,000 (2008: £nil). This fee was on an arms length basis.
- On 8 June 2008, the Company allotted 2,020,202 ordinary shares of 5p each to Prime Focus Limited for providing a loan facility of £1,000,000 to facilitate the acquisition of the entire issued share capital of Machine Effects Limited. The loan was satisfied by the issue of this allotment and conditional upon obtaining the requisite shareholder approval which was obtained on 28 April 2008. On the same date, the Company allotted a further 505,050 ordinary shares of 5p each to Prime Focus Limited for providing a guarantee under the same share purchase agreement. The guarantee of the closing price bid has been provided by Prime Focus Limited to John Lockwood and Steve Street without recourse to the Company. The allotment of further shares was also requisite to shareholder approval which was obtained on 28 April 2008.
- On 2 March 2008, Parent Company advanced a further sum of \$6,000,000 for a fixed period of 180 days at interest rate of 6% per annum payable in arrears. This loan was repaid in full on 18 August 2008.
- On 31 March 2009, Parent Company advanced a further sum of \$4,500,000 at interest rate of 8% per annum payable in arrears. PFLPLC further advanced a sum of \$4,210,000 to Post Logic Studios Inc, an associate company incorporated in USA, being subsidiary of Parent Company, on the same terms. PFLPLC has received a guarantee from the Parent Company for the full recoverability of the loan to Post Logic Studios Inc and as to any foreign exchange loss.
- As at 31 March 2009, PFLPLC has net interest payable to the Parent Company in the sum of £184,153 (2008: £25,000) in respect of the above advances.
- The balance outstanding at the end of the year payable to Parent Company was £3,371,208 (2008: £4,496,278).

As reported in previous year's accounts under related party balances, certain equipment owned by the Company is retained in India for the use of the Group's trading activities. No charge has been made by the Parent Company for rent, maintenance and operation of the equipment.

33. Share Option Scheme

On 12 August 2009, the Company announced its plan and received Board Approval to setup a share option scheme for all employees of the Group who participated in the salary reduction scheme. The options have not yet been granted and are pending the submission of the final accounts for the year ending 31 March 2009. The salient features of the Option Scheme 2009 are as below:

- Share Options will have a 1 year vesting period and can be exercised for up to ten years;
- Any employee who leaves the Company before exercising the option will not be entitled to the shares;
- The grant price is 7p being the market price as on the date of salary reduction scheme;
- Each employee will be granted 1 share for every pound of salary reduction;

Prime Focus London plc
Audited financial information

- The total number of shares granted to employees at 31 March 2009 was nil.

34. Contingent assets & liabilities

The bank loans of the Group undertakings are secured by cross guarantee between Group companies. At 31 March 2009, the liability of the bank was borne by the Company at a value of £3,330,341 (2008: £1,275,672)

The Company is a member of a Group VAT registration and is jointly and severally liable for any debts by member of the registration as at the year ended 31 March 2009. The total Group liability amounted to £1,432,589.

35. Ultimate controlling party

The directors believe Prime Focus Limited, a company incorporated in India to be the ultimate controlling party.

Prime Focus London plc
Audited financial information

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Prime Focus London plc (the "Company") will be held at 37 Dean Street, London W1D 4PT on Wednesday 30th September 2009 at 10.00am for the transaction of the following business:

Ordinary Business

1. To receive and adopt the Director's Report, the Report of the Remuneration Committee and the Audited Accounts for the year ended 31 March 2009, together with the auditors' report on the Audited Accounts and on the auditable part of the Report of the Remuneration Committee.
2. To re-elect Naresh Malhotra as a Director of the Company in accordance with Articles 82 to 84 of the Company's Articles of Association.
3. To re-elect Riv Karan Singh Chadha as a Director of the Company in accordance with Articles 82 to 84 of the Company's Articles of Association.
4. To re-appoint Sterling Associates, Chartered Accountants and Registered Auditors as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company.
5. To authorise the Directors to fix the remuneration of the auditors.

Special Business

To consider and, if thought fit, to pass the following Resolutions:

Ordinary Resolutions

6. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of relevant securities (as defined in Section 80(2) of the Act) of the Company provided that this authority shall:
 - (a) be limited to:
 - (i) the allotment of up to 1,086,190 ordinary shares of 5 pence each in the capital of the Company pursuant to the Company's Share Option Plan 2009; and
 - (ii) the allotment (other than pursuant to paragraph (i) above) of relevant securities of the Company up to an aggregate nominal value of £163,157.60;
 - (b) unless previously revoked or varied by the Company, expire on the date of the next Annual General Meeting of the Company or 30th September 2010, whichever is the earlier, but so that the Company may any time before the authority shall expire make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

This authority is in substitution for all previous authorities conferred upon the directors pursuant to Section 80 of the Act, but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

Special Resolution

7. That, subject to and conditional upon the passing of Resolution 6 above, and in substitution for all previous authorities conferred on the Directors pursuant to Section 95 of the Act, the Directors be and

Prime Focus London plc
Audited financial information

they are empowered, pursuant to Section 95 of the Act and in accordance with the Articles of Association of the Company, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 6 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of up to 1,086,190 ordinary shares of 5 pence each in the capital of the Company pursuant to the Company's Share Option Plan 2009; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £163,157.60,

and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or 30th September 2010 except that the Company may, before the expiry of such period, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

By Order of the Board

64 Dean Street
London W1D 4QQ
4 September 2009

J Muir
for Derringtons Limited
Secretary

Prime Focus London plc

Audited financial information

NOTES

1. Riv Karan Singh Chadha and Naresh Malhotra retire by rotation and offer themselves for re-election pursuant to Articles 82 to 84 of the Company's Articles of Association.
2. The Company's auditors, Sterling Chartered Accountants ("SCA"), resigned as auditors to the Company with effect from 10 May 2009. The reason for the resignation was that the audit partner at SCA commenced practising on his own account as Sterling Associates, Chartered Accountants and Registered Auditors ("Sterling Associates"). On 17 August 2009 SCA confirmed that there were no circumstances connected with their resignation should be brought to the attention of the members or the creditors of the Company.

The Directors appointed Sterling Associates to fill the vacancy following the resignation of SCA. The Ordinary Resolution numbered 5 will be proposed to seek the members' approval to the re-appointment of Sterling Associates as the auditors of the Company until the conclusion of the next meeting at which accounts are laid before the Company.

3. The Ordinary Resolution numbered 6 will be proposed to renew the authority of the Directors in relation to the allotment of unissued and uncommitted shares in the capital of the Company. Other than the allotment of up to 1,086,190 ordinary shares pursuant to the Company's Share Option Plan 2009, the authority is limited to 3,263,152 ordinary shares in the Company (with a nominal value of £163,157.60) being 10% of the total issued or otherwise committed share capital of the Company as at the date of this notice. The authority will expire upon the earlier of the date of the next Annual General Meeting of the Company or 30th September 2010. The Directors have no present intention to exercise the authority proposed in the Resolution.
4. The Directors may only allot shares for cash to persons who are not already shareholders in the Company if authorised to do so by the shareholders in general meeting. The Special Resolution numbered 7 seeks authority for the Directors to allot shares for cash without first offering them to existing members up to 1,086,190 ordinary shares pursuant to the Company's Share Option Plan 2009 and additionally up to an aggregate nominal amount of £163,157.60. This sum represents 3,263,152 ordinary shares of 5p each, being equivalent to approximately 10% of the current issued share capital. The Resolution enables the Directors to modify the strict requirement for a rights issue in circumstances where they consider it necessary or expedient. The authority will expire upon the earlier of the date of the next Annual General Meeting of the Company or 30 September 2010.
5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 10.00am on 28th September 2009 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.
6. If you are a member of the Company at the time set out in note 5 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
7. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
8. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to a different share or shares. You may not appoint more than one proxy to exercise rights attached to any one share. Failure to specify the number of shares to which the proxy appointment relates or specifying more shares than you hold on the record date will result in the proxy appointment being invalid. To appoint more than one proxy please contact the Company Secretary at the Company's registered office at 64 Dean Street, London, W1D 4QQ for details.

Prime Focus London plc

Audited financial information

- 9 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
10. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
11. To appoint a proxy using the proxy form, the form must be:
completed and signed;
sent or delivered to the Company Secretary at the Company's registered offices at 64 Dean Street, London, W1D 4QQ; and
received not later than 48 hours before the time fixed for the Meeting at which the proxy is to vote.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an agent lawfully authorised in writing.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

12. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
13. To change your proxy instructions please contact the Company Secretary at 64 Dean Street, London, W1D 4QQ to request another proxy form and then repeat the steps set out in Note 11 above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
14. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company Secretary at the Company's registered offices at 64 Dean Street, London, W1D 4QQ for details. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an agent lawfully authorised in writing. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company Secretary at the Company's registered offices at 64 Dean Street, London, W1D 4QQ no later than 48 hours before the time fixed for the Meeting at which the proxy is to vote.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

15. If you are a corporate shareholder, you are entitled to authorise one or more corporate representatives to exercise, on your behalf, all your powers as a shareholder provided that no more than one corporate representative exercises powers over the same share. If you authorise more than one representative, on a show of hands, each representative has the same voting rights as you would have, so that each representative will have one vote. On a poll, if you appoint more than one representative, each representative can exercise the votes attaching to the relevant shares in different ways, provided each representative is exercising the power in respect of different shares. However, if more than one representative purports to exercise the corporate shareholder's powers in respect of the *same* shares, if they purport to exercise the power in the same way it will be treated as exercised, but if they purport to exercise the power in different ways, it will be treated as not exercised and the votes of the relevant representatives will not be counted.