

## **Prime Focus London Plc**

### **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**

#### **AND REVIEW OF AIM ADMISSION**

The Board of Prime Focus London plc, the visual entertainment services group, is pleased to announce its unaudited interim results for the six months to 30 September 2011. An overview of the financial statements is set out below and full version is available on the Company's website at [www.primefocusworld.com](http://www.primefocusworld.com).

#### **Overview**

- Profit before tax of £1.795m on turnover of £20.348m (6 months to 30 September 2010: £2.673m on turnover of £18.495m)
- Basic EPS at 5.46p (6 months to 30 September 2010: 8.19p)
- Borrowings increased in the period to £9.369m from £8.277m at 31 March 2011.
- Review of decision to cancel AIM admission commissioned. Further announcement to be made by 31 January 2012

For further information, please contact

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## Chairman's Statement

The Board of Prime Focus London Plc, the visual entertainment services group, is pleased to announce its unaudited interim results for the six months to 30 September 2011.

### Overview

In the 6 months to 30 September 2011, Prime Focus London Plc and its subsidiaries (together "the Group") made a profit before tax of £1.795 million on turnover of £20.348 million, compared to a profit before tax of £2.673 million on turnover of £18.495 million for the 6 months to 30 September 2010. Basic earnings per share were 5.46p (6 months to 30 September 2010: 8.194p).

Borrowings increased to £9.369m from £8.277m at the March 2011 year end.

Sales in the period increased by almost £2m to £20.348m and cost of sales reduced by £.770m compared to the same period last year. In the 6 months to 30 September 2010, cost of sales included £1.6m in respect of the cost of outside facilities required for the post production on 3 Hindi films. Additionally, the previous period figures include £2.029m charged in respect of the 2D to 3D conversion of a major feature film. Use of outside facilities has been much reduced in the current period.

However, administration expenses continued to rise in the period primarily due to the costs associated with the View-D™ business (referred to below). Total administration expenses rose by £4.546m to £14.585m from £10.039m in the equivalent period of the prior year. Of this increase £4.5m relates to £3.7m of salaries and £0.8m of rent incurred in connection with the View-D™ business, increasing the losses incurred on this former part of the Group's activities.

The Group generated an exceptional gain on the disposal of the View-D™ business, referred to below.

A nonrecurring exceptional charge of £0.485m was incurred in respect of professional fees and other costs related to an aborted corporate transaction and prior period write off.

### Sale of View-D™ Business

Since the period under review, in October 2011 the Company announced the sale of its View-D™ 2D to 3D film conversion business to Prime Focus International Services (UK) Limited, a wholly owned subsidiary of the Company's majority shareholder, Prime Focus Limited for a total consideration of approximately £2.1 million.

As was announced at that time, the Company's View-D™ Division made losses, in part due to the cost of the license to the View-D™ software, and the board did not believe that the division would become profitable in the foreseeable future. Since the disposal of the View-D™ business these losses are no longer being incurred.

The Company generated an exceptional gain on the disposal of this part of the Company's activities of £1.799m (this includes USD 0.5m reported earlier and an adjustments of USD 3.8m for the operating performance between 1 April 2011 till 30 September 2011). Intercompany debt of USD2.8m (£1.8m) due to the Indian holding company has been written off as part of this transaction.

**Review of AIM Admission**

I am aware that there has been some concern among shareholders following the announcement at the Annual General Meeting on 1 November 2011 of the board's decision to seek a cancellation of your Company's admission to AIM. The board has been considering a number of options and now proposes to conduct a review, in conjunction with its advisers, the purpose of which will be to assess what changes to the Company may need to be made in the best interest of all shareholders and stakeholders.

One outcome of this review may, or may not, be that the Company will continue to be listed on AIM.

There will be a further announcement to shareholders on the progress of this review by 31 January 2012.

Ramakrishnan Sankaranarayanan  
Chairman and Managing Director  
29 December 2011

## Consolidated income statement

For the six months ended 30 September 2011

	<b>Unaudited 6 months ended 30 Sept. 2011 £'000</b>	Unaudited 6 months ended 30 Sept. 2010 £'000	Audited 12 months Ended 31 Mar. 2011 £'000
<b>Revenue</b>	<b>20,348</b>	18,495	30,608
Less: Cost of sales	<b>(4,978)</b>	(5,748)	(11,890)
<b>Gross Profit</b>	<b>15,370</b>	12,747	18,718
Administration expenses	<b>(14,585)</b>	(10,039)	(15,842)
<b>Group operating profit</b>	<b>785</b>	2,708	2,876
Other Income	<b>93</b>	175	1,159
Finance Income	<b>175</b>	173	464
Finance costs	<b>(572)</b>	(383)	(594)
Exceptional Income	<b>1,799</b>	-	5
Exceptional Charges	<b>(485)</b>	-	-
<b>Profit before taxation</b>	<b>1,795</b>	2,673	3,910
Taxation – Corporation Tax	-	-	-
Deferred tax	-	-	(108)
<b>Profit on ordinary activities after taxation</b>	<b>1,795</b>	2,673	3,802
<b>Basic earnings per share</b>	<b>5.46p</b>	8.19p	11.65p
<b>Diluted earnings per share</b>	<b>5.42p</b>	8.11p	11.53p

## Consolidated balance sheet

As at 30 September 2011

	Unaudited As at 30 Sept. 2011 £'000	Unaudited As at 30 Sept. 2010 £'000	Audited As at 31 Mar. 2011 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible Assets	907	9,393	707
Property, plant and equipment	6,486	8,470	7,997
Deferred Tax Assets	-	-	-
Other Receivables	-	-	-
Available for sale investments	32	42	32
	<b>7,425</b>	<b>17,905</b>	<b>8,736</b>
<b>Current assets</b>			
Inventory	38	38	38
Trade and other receivables	28,554	14,896	21,563
Cash and cash equivalents	1,612	782	1,300
	<b>30,204</b>	<b>15,716</b>	<b>22,901</b>
Total Assets	<b>37,629</b>	<b>33,621</b>	<b>31,637</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders</b>			
Share capital	1,642	1,632	1,632
Share premium	6,515	6,498	6,498
Capital redemption reserve	270	270	270
Fair value reserve	(10)	-	(10)
Retained earnings	985	1,566	(810)
Total equity	<b>9,402</b>	<b>9,966</b>	<b>7,580</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	7,793	7,650	6,247
Trade and other payables	18,766	15,658	15,690
Current tax liabilities	-	-	-
	<b>26,559</b>	<b>23,308</b>	<b>21,937</b>
<b>Non-current liabilities</b>			
Borrowings	1,576	-	2030
Other payables	-	-	-
Deferred tax liability	92	347	90
	<b>1,668</b>	<b>347</b>	<b>2,120</b>
<b>Total equity and liabilities</b>	<b>37,629</b>	<b>33,621</b>	<b>31,637</b>

## Consolidated cash flow statement

for the six months ended 30 September 2011

	<b>Unaudited 6 months ended 30 Sept. 2011 £'000</b>	Unaudited 6 months ended 30 Sept.2010 £'000	Audited 12 months ended 31 Mar. 2011 £'000
<b>Cashflow from operating activities</b>			
Operating profit before taxation	1,795	2,673	3,910
Net Finance Cost	397	210	130
Depreciation	570	521	1,111
Share based payment	-	-	-
Prior period adjustments	-	-	(3,462)
(increase) in trade and other receivables	(6,966)	(3,553)	(10,299)
Increase in trade and other payables	3,077	(226)	2,631
(Increase) / decrease in inventories	-	(7)	(8)
<b>Net cash inflow from operations</b>	<b>(1,127)</b>	<b>(382)</b>	<b>(5,987)</b>
Net interest paid	(397)	(210)	(130)
<b>Net cash inflow/(outflow) from operations</b>	<b>(1,524)</b>	<b>(592)</b>	<b>(6,117)</b>
<b>Taxation</b>	-	365	-
<b>Cashflow from investing activities</b>			
Purchase of tangible fixed assets	(1,829)	(1,636)	(2,361)
Purchase of investments available for sale	(200)	(20)	-
Proceeds from sale of property, plant and equipment	2,745	-	9,116
Purchase of intangible assets	-	-	(498)
Purchase of subsidiaries (net of cash acquired)	-	-	-
<b>Net cash inflow from investing activities</b>	<b>716</b>	<b>(1,883)</b>	<b>6,257</b>
<b>Cashflow from financing activities</b>			
Cash flow from decrease in debt and lease financing	(367)	(1,722)	(276)
Net receipts / (repayment) in respect of net parent & associate Loan	(417)	3,163	(2,461)
Receipts of Bank and other loans	1,877	-	2,673
Cashflow from issue of shares at premium	27	-	-
<b>Net cash inflow from financing activities</b>	<b>1,120</b>	<b>1,441</b>	<b>(64)</b>
<b>Net cash inflow</b>	<b>312</b>	<b>(442)</b>	<b>76</b>
Cash and cash equivalents at the start of the period	1,300	1,224	1,224
<b>Cash and cash equivalents at the end of the period</b>	<b>1,612</b>	<b>782</b>	<b>1,300</b>

## Consolidated statement of changes in equity

for the six months ended 30 September 2011

	Share capital £'000	Share premium £'000	Capital redemption Reserve £'000	Fair Value Reserve £'000	Retained earnings £'000	Total equity £'000
At 01 April 2011	1,632	6,498	270	(10)	(810)	7,580
Total recognised income for the period	-	-	-	-	1,795	1,795
Shares Issued during the period	10	17	-	-	-	27
<b>At 30 Sept 2011</b>	<b>1,642</b>	<b>6,515</b>	<b>270</b>	<b>(10)</b>	<b>985</b>	<b>9,402</b>

### Notes to the interim results

#### 1. GENERAL INFORMATION

Prime Focus London Plc (the "Company") is a company domiciled in England whose registered office address is 64 Dean Street, London W1D 4QQ. The condensed consolidated half-yearly financial statements of the Company for the six months ended 30 September 2011 comprise the Company and its subsidiaries (together referred to as "the Group").

The condensed consolidated half-yearly financial statements were authorised for issue on 29 December 2011.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Preparation

The interim financial report comprises the results and balances of the Company and its subsidiaries (the Group) for the six month period ended 30 September 2011. They are unaudited and do not comprise statutory accounts in accordance with Section 434 of the Companies Act 2006.

The comparative period for the six months ended 30 September 2010 are also unaudited.

This set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. As required, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 March 2011 and should be read in conjunction with those annual financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

### 3. EARNINGS PER SHARE

	<b>Unaudited 6 months ended 30 Sept. 2011 No.</b>	Unaudited 6 months ended 30 Sept. 2010 No.	Audited 12 months ended 31 Mar. 2011 No.
Weighted average number of 5p ordinary shares in issue during the period	<b>32,847,881</b>	32,631,528	32,631,528
For basic earnings per share			
Share Option	<b>256,647</b>	348,000	348,000
Weighted diluted average number of 5p ordinary shares	<b>33,104,528</b>	32,979,528	32,979,528
<b>Profit for the financial period</b>			
Profit for the period ended	<b>1,795,112</b>	2,673,269	3,801,814
<b>Profit for earnings per share</b>	<b>1,795,112</b>	2,673,269	3,801,814
Basic earnings per share	<b>5.46p</b>	8.19p	11.65p
Diluted earnings per share	<b>5.42p</b>	8.11p	11.53p

### 4. AVAILABILITY OF ACCOUNTS

A copy is available on the Company's website at [www.primefocusworld.com](http://www.primefocusworld.com).