pvp CINEMA

FIRST OF ALL

PICTUREHOUSE MEDIA LIMITED | ANNUAL REPORT 2012-13

Inside the report

The Indian film industry is where the Indian automobile sector was in the early-Eighties and the country's housing sector was in the early-Nineties.

At an inflection point.

From this point onwards, the growth of the industry is expected to be faster than usual. This higher-than-average growth is expected to translate into enhanced value for all industry players - actors, film-makers, distributors, infrastructure owners and financiers.

The one company that is most comprehensively equipped to capitalize on this inflection is South India's only listed and organized media financing company.

Picturehouse Media Limited.

Picturehouse Media Limited.

South India's first and only organized film media capital provider in a country which is one of the largest producer of films in the world.

VISION

TO BE A GAME CHANGER IN THE MEDIA AND ENTERTAINMENT SECTOR

MISSION

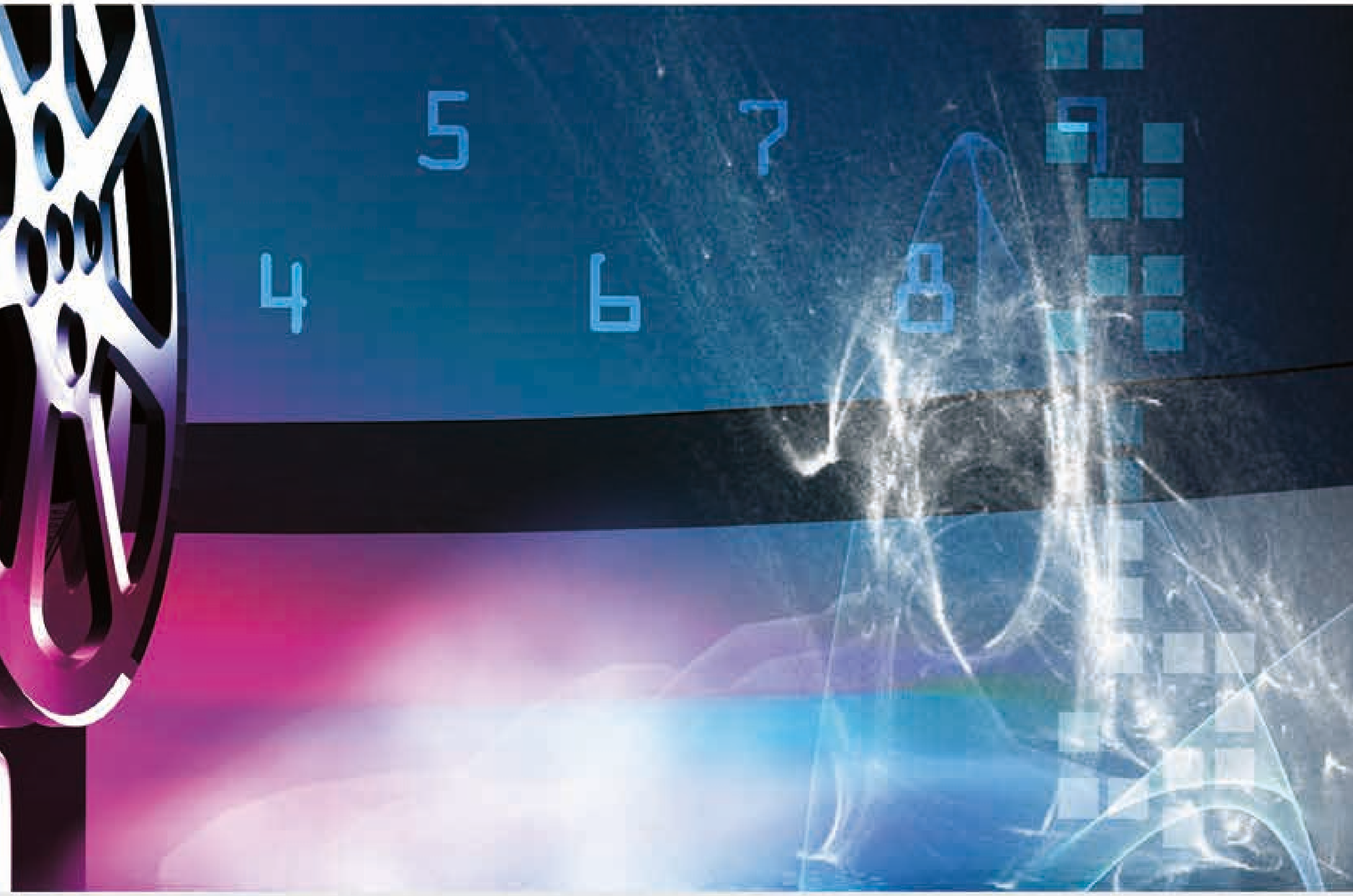
DELIVER TRENDSETTING SOLUTIONS FOR CAPITAL REQUIREMENTS OF THE MEDIA AND ENTERTAINMENT SECTOR AND CREATE A VALUE CHAIN THAT BENEFITS EVERY STAKEHOLDER.

LEGACY

- Picturehouse Media was acquired in 2007 by Mr Potluri V. Prasad, a serial global entrepreneur. One of the youngest first generation serial Indian entrepreneurs to have built and sold three companies the world over - Procon, Albion Orion LLC and Irevna - before he was 35
- The earlier name of the Company was Telephoto Entertainments Ltd.
- Following a comprehensive market survey, the Company identified film media financing as an attractive niche, marked by the absence of organized financiers

BUSINESS

- As a media capital house, Picturehouse Media finances the end-to-end process in film-making – from film idea germination to its successful completion
- Within just three years, the Company has evolved into a dependable one-stop-shop for film financing through PVP Capital (100 percent subsidiary) as well as film production under the banner of PVP Cinema



PRESENCE

- Picturehouse Media enjoys an extensive presence in the financing of Tamil and Telugu cinema
- The Company has produced and financed over 50 films since inception
- The Company was engaged in the financing of the prominent Kamal Haasan-starrer *Vishwaroopam* and produced blockbuster films like *Naan-E* (released as *Makkhi* in Hindi), and a family entertainer in Telugu titled as *Balupu*

2012-13 OPERATIONAL HIGHLIGHTS

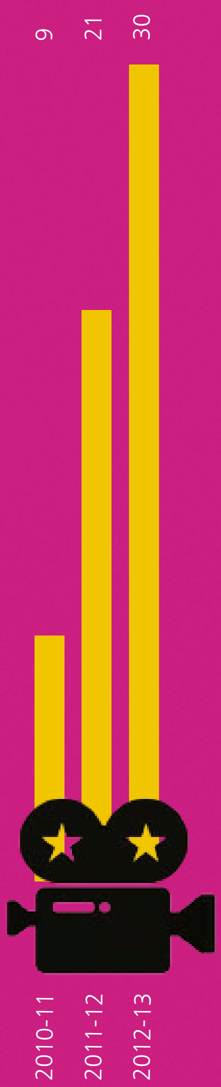
- Financed 30 films including *Vishwaroopam, Thuppaki, Nayak, and Paradesi*
- Acquired PVP Capital (company operating as a film financing NBFC arm of Picturehouse Media)

LISTING

- PHML shares are listed on the BSE
- The promoters held 69.67 percent of the Company's equity as on 31 March 2013.
- The market capitalization of the Company was ₹207.43 crore as on 31 March 2013.

Financial highlights

PORTFOLIO
(NUMBER OF
FILMS FINANCED
AND PRODUCED)



Growing engagement with films...

LOAN BOOK
(₹ CRORE)

... has resulted in an enlarging loan book...

TURNOVER
(₹ CRORE)

... contributing to a rising turnover...

OPERATING
PROFIT
(₹ CRORE)

... leading to a surging operating profit...

CASH PROFIT
(₹ CRORE)

... and rising cash profit...

POST-TAX PROFIT
(₹ CRORE)

...also contributing to a growing post-tax profit

NETWORTH
(₹ CRORE)

Our growing ability to earn and prudently plough-back surpluses...

BOOK VALUE PER SHARE
(₹)

... has enhanced our per share book value

From the
Managing Director's desk

Dear shareholder,

INDIA IS POSSIBLY THE MOST ATTRACTIVE FILM MEDIA COUNTRY IN THE WORLD.

The country is special for an interesting reason. When it comes to the film sector, it possesses a characteristic unique perhaps only to itself: it reconciles the magic of scale on the one hand and under-penetration on the other. So even as the country's film industry could well be considered mature for its sheer scale - 4.4 billion cinema visits per year (highest in the world), more than 1,000 films produced annually and 14 million Indians watching a film every day – there is a case that the sector is still fundamentally nascent because of its under-penetration.

The point that deserves a serious consideration is this: even as India accounts for one of the largest film markets in the world, there are only about 900 multiplex screens in the country *(Source: Multiplex Association of India)*, which translates into a mere 10 screens per million individuals, a twelfth of the US average *(Source: Business Today, May 2012)*. On the other hand, the number of single-screen cinemas in India has declined from 13,700 a decade ago to about 10,500 single-screens on account of the growing clout of digital cinema.

So while on the one hand, we have evidence of extensive digital under-penetration, there is a growing excitement that the country has

THE SHARP RISE IN THE BUDGET FOR FILMS IN INDIA HAS, INTERESTINGLY, CREATED AN UNPRECEDENTED OPPORTUNITY: WHILE EARLIER, PRIVATE UNORGANIZED FINANCIERS WOULD POOL THEIR RESOURCES TOGETHER AND FINANCE A FILM TO COMPLETION, THERE IS A GROWING NEED FOR LARGE, ORGANIZED AND CORPORATIZED FINANCIERS TO PROVIDE STABLE FILM FINANCING TODAY.

arrived at an inflection point. After nearly a century of near-linear growth, the industry has embarked on an exciting transition from conventional to digital media, translating into attractive economics and a completely new way of doing business. What makes this story compelling is that following this point, growth will be higher-than-average, progressively graduating India into the film hub of the world.

A momentum of modern infrastructure creation is driving this excitement. Until 2010, there were around 800 multiplex screens in India; in the last three years, the number of multiplex screens in India has grown to around 1,200. Every year, India is adding around 100 multiplex screens. This pace of modern cinema-watching infrastructure growth is clearly one of the fastest in the world.

Interestingly, this attractive annual increment has a dramatic impact on the economics of the overall Indian film industry. Clearly, the new kid on the block has a remarkable downstream impact: an increasing number of films are being made around a superior audio-visual experience compatible with the modern film-watching infrastructure being created; this has translated into higher ticket prices and footfalls; this increased income in the hands of infrastructure owners has extended to higher distributor collections, higher producer revenues and higher incomes for performers-cum-technicians. In short, this single reality – modern film-watching infrastructure - has done more for the Indian film industry in the short space of a decade than all the other industry changes put together in the previous nine decades.

In turn, this development has had a significant impact on the cost of film-making. Film-making budgets – across languages and regions – have risen substantially over the last decade to around USD 2-3 million. A film was once considered expensive if it was made with ₹10 crore; the most expensive film made in India today costs ₹100 crore and most films fall in the ₹25-50 crore range today.

The sharp rise in the budget for films in India has, interestingly, created an unprecedented opportunity: while earlier, private unorganized financiers would pool their resources together to finance a film to completion, there is a growing need for large, organized and corporatized financiers to provide stable film financing today.

Picturehouse Media is the right company in the right sector at the right time.

The Company is one of the listed media capital providers in South India and among a handful in the organized film financing space in the country. What makes the Company special is that even as companies may even be considering an entry in this challenging sector, Picturehouse Media has already demonstrated an extensive track record in having financed more than 50 films since inception. More than just financing films, Picturehouse Media has already demonstrated a capability in financing and closing transactions with no non-performing assets on its books. As a natural extension to this successful track record, Picturehouse Media has already emerged as a market leader in the South Indian film financing space, having engaged with prominent banners and films.

The time has come for Picturehouse Media to leverage its fundamentals and graduate into the next league.

The Company possesses the visibility to make it part of a prominent deal flow, the intellectual capital to grow its book without compromising its liquidity, considerable borrowing room on its books to double its business over the next two years and in doing so extend our focus from South India to the Mumbai film industry.

With my very best regards,

Prasad V. Potluri
Managing Director

The Indian film financing business is unorganized and individual-driven. Picturehouse Media is the first organized professional initiative in the South Indian film industry.

Picturehouse Media is not just South India's largest listed media capital provider in the organized space; it is a thought leader in having drawn professionals to a space largely occupied by unstructured capital for decades.

The Company comprises some of the most experienced professionals with a collective exposure to the film industry for more than two decades.

The result is a process-driven discipline that comprises the financing of only those film projects that pass its stringent criteria (appraised across producer credentials, completion track record, distributor-pull and timely release).

This discipline is organic, progressively enriched and updated so that it is always relevant and contemporary.

This discipline is simple for managers to comprehend, making the business scalable across different banners, individuals and locations.

This discipline has been structured with the character of the film industry - marked by personalities, emotion and glamour – in mind, enabling rational and objective decisions to be taken.

THE RESULT IS THAT PICTUREHOUSE MEDIA HAS FINANCED AN INCREASING NUMBER OF FILMS EACH YEAR (CUMULATIVE 50 OVER THE THREE YEARS LEADING TO 2012-13).

The film financing business is considered risky. Picturehouse Media's de-risked approach has translated into an absence of NPAs in its existence.

The most important contribution of Picturehouse Media is that in a business considered risky, it has demonstrated that it is possible to create a relatively de-risked business model translating into sustainably attractive returns.

The foundation of this de-risking is a financial structure wherein the Company has selected to grow out of accruals and captive resources with attractive yields, helping create a corpus that can be subsequently leveraged to accelerate growth.

A number of other initiatives have helped strengthen the Company's operational discipline. The Company has invested in direct access and market intelligence to track a financed film's progress and likely completion leading to the timely deployment of financial resources.

The Company secures its interest with a comprehensive lien on film negatives as its effective collateral, which is released only after all its loans have been repaid.

The Company possesses the capability to complete and release the film and recover its dues in the rare event that the producer fails to meet commitments.

THE RESULT IS THAT EVEN AS THE COMPANY'S DISBURSEMENTS INCREASED FROM ₹30.52 CRORE IN 2010-11 TO ₹118.65 CRORE IN 2012-13, THE BOOK WAS MARKED BY A COMPLETE ABSENCE OF NPAs, A RARE PHENOMENON IN THE COUNTRY'S FINANCING SECTOR.

The broad financing business is marked by declining margins. Picturehouse Media's focused approach has translated into profitability which is higher than the industry standard.

Picturehouse Media is not just special on account of its organized presence in a completely unorganized space; it is special on account of the way the business is run.

The Company is a remarkable instance of how sustained operational discipline can translate into attractive, predictable and sustainable margins.

This attractive profitability is the result of an overriding priority to finance only those films where the Company can generate a healthy pre-determined IRR.

Over the years, the Company has focused on generating an IRR that balances the need for principal safety on the one hand and the need for a sustainable return attractively higher than the prevailing cost of capital on the other.

Our business model

Ten things that our shareholders need to know about how we have emerged as one of the most exciting media capital providers in the South Indian film industry.

Objective

- Our core purpose is to be an attractively profitable company with industry-leading IRRs in a typically unorganized space marked by detrimental practices.

Niche

- The Company has selected to be present in the Tamil Nadu and Andhra Pradesh film financing segments.

Structured capital deployment

- The Company works only with AAA-rated producers who in turn work with top-rated artistes and technicians.

Capital

- The Company finances prospective films using low-cost accruals. A growing net worth has helped grow the Company's business.

Discipline

- The Company's structured three-tier verification and documentation process appraises producer creditworthiness, project viability, security collateral and the quantum of funds release. All funding proposals are appraised as projects, which are carefully analyzed by a credit committee headed by the Managing Director. The result is a willingness to finance one of an average 10 film proposals.

Robust intellectual capital

- The senior management is passionate about the business with an appraisal of over 1,000 films across various genres. The Company possesses a team of experienced professionals who possess in-depth knowledge and experience in project financing coupled with vast experience in the film industry.

NPAs

- The Company's robust film appraisal and financing/producing capabilities are validated through zero non-performing assets following more than 50 films being financed in the last three years.

Exposure

- The Company finances only 60-65 percent of the total film budget; the rest is mobilized by the producer to ensure continued commitment.

Collateral

- The Company charges a lien on the film negatives/digital media, which is released only after its dues have been completely liquidated. In instances, the Company also charges land banks/other assets as security collateral to secure its lending.

Extension

- The Company extended to film production to strengthen the quality of its brand, ensure a stronger market understanding and diversify income streams.
- The Company has produced blockbuster films like *Naan E* (in Tamil) and *Balupu* (in Telugu).

1
Industry risks
The Indian media and entertainment industry may cease to grow.

Mitigation
The Indian media and entertainment industry has outperformed the Indian economy with one of the fastest growing sectors in the country today. As a growing population pool has access to larger disposable incomes, the industry has grown faster. A KPMG-FICCI Frames 2012 report states that the Indian media and entertainment industry registered a 12 percent growth over 2010 to reach ₹728 billon. This growth trajectory was backed by strong consumption in Tier II and III cities, continued growth of regional media, and a fast increasing new media business. Overall, these trends are expected to push the industry to register a CAGR of 15 percent to an estimated ₹1,457 billion by 2016. Moreover, the same report states that the Indian film industry is projected to grow at a CAGR of 10.1 percent to touch ₹150 billion by 2016 from its size of ₹93 billion in 2011 indicating a growth of 11.5 percent vis-à-vis 2010.

2
Competition risks
The competitive Indian film financing industry may trend towards thinning margins.

Mitigation
Picturehouse Media is the largest and only listed player in the South Indian film financing space. By virtue of its sheer scale, the Company has embraced the larger vision of organizing the industry, typically characterized by unorganized moneylenders. The Company has carved out a unique space for itself; the Company is a selective financier with a rejection rate of 90 percent. This reality notwithstanding, the Company has been able to grow its loan book to ₹118.65 crore at the end of 2012-13.

3
Perception risks
The Indian film financing and production industry is considered to be a high risk proposition.

Mitigation
The film financing and production industry is fraught with risks. However, the business becomes attractive for players like Picturehouse Media who operate in the organized space, backed with 100 percent compliance with processes with a view to remove arbitrariness in decision-making. The Company finances films following a comprehensive study of creditworthiness and track record of film producers/directors/actors/ technicians. The Company has selected to work only with AAA-rated producers and prominent artistes and technicians. Moreover, the Company's role as a financier is independent of the commercial performance of the film as it recovers its outstandings well before film release.

Managing risks

4

Project completion risks

The film project might be delayed or might not be completed at all, impacting the portfolio adversely.

Mitigation

The Company monitors film progress. In certain cases, it checks with film processing labs/digital film storage companies to refer to the quantum of film shot on reel besides deputing staff to periodically visit studios and other on-site locations to ascertain shooting progress. Based on this understanding, it releases milestone funds or undertakes course corrections. In the rare event of a film not likely to be completed, the Company assumes the role of a producer (as was the case in the film *Rajapattai*, which was successfully released and funds recovered). The Company intends to leverage this experience and produce around five films in 2013-14.

5

Collateral risks

The Company's loan book might be exposed to losses in the event of the film being postponed or shelved.

Mitigation

The Company charges a lien on the film negatives/ digital media and even land bank and other assets in extreme cases to cover its loans. Besides, it issues NOCs for film release only once all the outstandings are paid by the producer. A strong recovery system backed by robust loan collaterals has resulted in the Company reporting zero NPAs on its books over the last three years with a track record of financing/producing over 50 films during this period.

6

Piracy risks

Piracy might dampen the prospects for legitimate revenue generation.

Mitigation

The Company is independent of this risk as it closes its entire lending transaction before the film is released.

7

Financing risks

The Company may not be able to mobilize funds for onward deployment.

Mitigation

In fact, the Company mostly depends on internal sources and to an extent on external agencies to generate funds for deployment into film financing.

8

Capital deployment risks

The Company might not be able to get the right opportunity to deploy funds.

Mitigation

On an average, the Company refuses to finance nine out of the 10 films that come its way, reflecting the high quality of its loan book of ₹118.65 crore (2012-13). On an average, the Company keeps a pipeline of around 10 films at all times with a view to ensure limited idling of deployable capital, which is otherwise put into liquid assets.

Key projects portfolio at a glance

Film Produced Financed	Producer	Director	Verdict
Naan E	PVP	SS Rajamouli	Hit
Vishwaroopam	RKFI	Kamal Haasan	Hit
Thuppaki	V Creation and Gemini	A R Murugadoss	Hit
Kumki	Thiruppathi Brothers	Prabhu Solomon	Hit
Paradesi	B-Studio	Bala	Hit
Vazhakku Enn 18/9	Thiruppathi Brothers	Balaji Sakthivel	Hit
Cameraman Gangatho Rambabu	Universal Media	Puri Jagannadh	Hit
Julayi	Universal Media	Trivikram Srinivas	Hit
Nayak	Universal Media	V.V. Vinayak	Hit
Dhamarukam	R.R. Movie Makers	Srinivasa Reddy	Hit

Glossary

Action: "Action" is called during filming to indicate the start of the current take.

Actor/actress: The individuals (often celebrity stars) who play the role of characters. Historically, the term actor referred exclusively to males, but in modern times the term is used for both genders.

Blockbuster: A movie which is a huge financial success at the box office (BO). Some Indian films are declared blockbusters when their BO collections exceeding ₹100 crore.

Box office: A measure of the total amount of money paid by cinema-goers to view a movie.

Cast: A collective term for the actors appearing in a particular film.

Censorship: Changes required of a movie by a regulatory body other than the studio or the filmmakers, usually a national or regional film classification board.

Co-producer: An individual who performs a substantial portion of a creative producing function or who is primarily responsible for one or more managerial producing functions.

Cut: A change in either camera angle or placement, location or time. "Cut" is called during filming to indicate that the current take is over.

Digital editing: Editing a portion of a film by digitizing one or more frames and altering them electronically or combining them with other digitized images and then printing the modified frame.

Director: The principal creative artist on a movie set. A director is usually is the driving artistic source behind the filming process and communicates to actors the way he/she would like a particular scene played. A director's duties might also include casting, script editing, shot selection, shot composition and editing.

Dubbing: The technique of combining multiple sound components into one. The term is also used to refer to automatic dialogue replacement of a new language.

Executive producer: A producer who is not involved in any technical aspects of the film-making process, but who is still responsible for the overall production. Typically, an executive producer handles business and legal issues.

Exhibitor: An organization which represents cinemas.

Feature film: A movie at least 40-45 minutes (two reels) long intended for theatrical release.

Financier: An individual/ entity which normally funds part/whole of the film budget. The financier covers his risks by issuing a NOC to producers for film release only if his funds are secured.

Post-production: Work performed on a film after the end of principal photography and usually involves editing and visual effects.

Producer: The chief-of-staff of a movie production in all matters, except the creative efforts of the director, who is head of the line. A producer is responsible for raising funding, hiring key personnel and arranging distributors.

Production: This term refers to the phase of movie-making during which principal photography occurs for the entire movie project.

Production schedule: A detailed plan of the timing of activities associated with the making of a movie.

Reel: A strip of film wound on a metal wheel. Typical reels hold 15-25 minutes of film.

Release: When a movie is shipped to exhibitors by the distributor, it is deemed to have been released for public viewing.

Screenplay: A script written to be produced as a movie.

Shooting script: The script from which a movie is made. It usually contains numbered scenes and technical notes.

Take: A single continuous recorded performance of a scene.

(Source:www.imdb.com/glossary)

Statutory section

Corporate Information

Board of Directors

Mr. N S Kumar

Mr. R Nagarajan

Mr. Prasad V. Potluri (Managing Director)

Board Committees

Audit Committee:

Mr. R Nagarajan

Mr. N S Kumar

Mr. Prasad V. Potluri

Shareholders/Investors' Grievance Committee:

Mr. R Nagarajan

Mr. N S Kumar

Mr. Prasad V. Potluri

Remuneration Committee:

Mr. R Nagarajan

Mr. N S Kumar

Mr. Prasad V. Potluri

Company Secretary & Compliance Officer:

Mr. Adalat Srikanth

Statutory Auditors:

M/s. CNGSN & Associates,
Chartered Accountants, No.2,
Vijayaraghava Road, T Nagar
Chennai – 17.

Principal Bankers:

Kotak Mahindra Bank Limited
HDFC Bank Limited
Indian Overseas Bank

Registered Office:

KRM Centre, 9th Floor, Door No.2
Harrington Road, Chetpet
Chennai – 600 031.
Telephone: +91-44-30285570
Fax: +91-44-30285571
Email: ir.telephoto@pvpglobal.com

Corporate Office:

4th Floor, Punnaiah Plaza,
Plot No.83 & 84, Road No.2
Banjara Hills, Hyderabad – 34.
Telephone: +91-40-67309999
Fax: +91-40-67309988
Email: ir.telephoto@pvpglobal.com

Stock Exchanges where Company's Securities are listed:

Bombay Stock Exchange Limited

Registrar & Transfer Agents:

Cameo Corporate Services Limited
"Subramanyam Building"
1, Club House Road, Chennai – 002.
Telephone: +91-44-28460390
Fax: +91-44-28460129
Email: cameo@cameoindia.com

Notice

NOTICE is hereby given that the 14th Annual General Meeting of the members of Picturehouse Media Limited (formerly known as Telephoto Entertainments Limited) will be held on Thursday, the September 26, 2013 at 11.30 A.M. at "Kamaraj Arangam", No. 492, (Old No.574-A), Anna Salai, Teynampet, Chennai–600006, to transact the following Ordinary Businesses:

1. To consider and adopt the audited Balance Sheet as at March 31, 2013, Statement of Profit & Loss for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. N.S. Kumar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint M/s. CNGSN & Associates, Chartered Accountants, Chennai as the statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be decided by the Board of Directors.

By order and on behalf of the Board

Sd/-

Place: Hyderabad — Adalat Srikanth

Date: August 09, 2013 — Company Secretary

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting ("the Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before commencement of the Meeting.**
2. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting. Members are requested to bring their attendance slips along with their copy of Annual Report to the Meeting.
4. In case of joint holders attending the Meeting, only such joint holder who is first in the order of names will be entitled to vote.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, September 23, 2013 to Thursday, September 26, 2013 (both days inclusive) for the purpose of Annual General Meeting.
6. Members are requested to quote their Registered Folio Number/Client ID on all correspondence with the Company/ RTA and notify the Company's RTA, or the Depository Participants, in case of shares in dematerialized form, immediately of change, if any, in their registered address.
7. Non-Resident Indian Members are requested to inform the Company's RTA immediately of:

   (i) Change in their Residential status on return to India for permanent settlement.

(ii) Particulars of their Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank with Pin Code Number, if not furnished earlier.

8. The Company has designated an exclusive email ID viz. ir.telephoto@pvpglobal.com, which would enable the investors/shareholders to post their grievances and monitor its redressal. Any member having any grievances can post the same to this email ID for the quick redressal.

9. Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the meeting.

10. The Annual Report of the Company for the year 2012-13 circulated to the Members of the Company is available on the Company's website, viz. www.pvpcinema.com

11. Details of Directors seeking appointment/re-appointment at the forthcoming AGM (pursuant to clause 49 of the Listing Agreement)

At the ensuing AGM, Mr. N.S. Kumar is retiring by rotation and being eligible, offers himself for reappointment as director. In terms of clause 49 of the Listing Agreement, following is the profile of Mr. N S Kumar:

Name of Director	Mr. N.S. Kumar
DIN	00552519
Date of birth	January 06, 1947
Date of appointment on the Board	March 19, 2001
Qualifications	MS in Computer Science Operations from Ohio University, USA and BE from Guindy College of Engineering, Chennai.
Brief Resume & Expertise in specific functional areas	Over 40 years of experience in information technology and project management. He has been actively involved in multiple international assignments and managed several initiatives in development, project and quality assurances.
Directorships held in other public companies	PVP Ventures Limited Electro Scan India Limited
List of the Committees of other Companies in which chairmanship/ Membership held	Member of Audit Committee; and Chairman of Shareholders & Investors Grievance Committee and Remuneration Committee of PVP Ventures Limited.
Chairman/Member of the Committees of the Company	Member of Audit Committee; Shareholders & Investors Grievance Committee and Remuneration Committee.
No. of shares held in the Company	NIL
Relationship with other directors of the Company	NIL

Directors' Report

Dear Shareholders

Your Directors have pleasure in presenting the 14th Annual Report on the business and operations of the Company together with audited annual accounts for the financial year ended March 31, 2013.

Financial Results (Consolidated)

(₹ in lakhs)

Particulars	2012-2013	2011-2012
Total Income	5038.39	4645.18
Operational, Administration and other expenses	2110.05	3128.12
Profit/(Loss) before Depreciation, Interest and Tax	2928.34	1517.06
Depreciation	17.08	2.05
Interest and Finance Charges	1341.66	279.68
Profit / (Loss) before Tax	1569.60	1235.33
Exceptional Items	(12.69)	(27.19)
Provision for taxation	520.37	411.41
Profit/ (Loss) after tax	1061.92	851.11

Review of Operations

The Company has continued its growth path from the previous year (2011-12) and achieved a total consolidated revenue of ₹50.38 crore compared to ₹46.45 crore during the previous financial year, thereby registering a growth of 8.5%. The consolidated PAT increased from ₹8.51 crore during the previous year to ₹10.62 crore for the year under report, thereby registering a growth of 25%.

Even the year 2012-13 continued to be a tremendous year for the Company. During the year, the Company produced its first feature film in Telugu language under the banner of PVP Cinema "Balupu" starring Raviteja and Shruti Hassan & Anjali which was directed by a successful director Mr. Gopichand Malineni. This feature film released on June 28, 2013 and running successfully.

During the year, by implementing various cost reduction & cost control measures, the Company could able to reduce its operational and administrative expenses substantially. However, the high interest and finance costs have impacted the profitability of the Company and the Management is taking all possible steps to rationalize the interest and finance charges.

Taking advantage of the experience gained in the previous years, the Company is aggressively moving ahead in its area of operations and the Management is confident that in the years to come, your Company is all set to occupy a "niche" position in Telugu and Tamil film industry and the professional management of the Company is all set to take the growth story to the next level.

Dividend

In order to preserve the resources for future plan of actions and also to reduce the dependence on outside lenders, the Board of Directors did not recommend any dividend for the financial year 2012-13.

Capital Structure

During the year, there is no change in the capital structure of the Company. Pursuant to the Members approval in the Annual General Meeting held on September 26, 2012, the Preference Capital of ₹27,00,00,000 has been re-classified as Equity Share Capital.

Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, the audited Consolidated Financial Statements are provided in the Annual Report.

Subsidiary Companies

As on March 31, 2013, PVP Cinema Private Limited and PVP Capital Limited are the wholly owned subsidiary companies of the Company. In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies. A statement pursuant to section 212(1)(e) read with 212(3) of the Companies Act, 1956, relating to Company's Interest in its subsidiary companies for the financial year under review is forming part of this Annual Report.

Public Deposits

The Company has not accepted/renewed any fixed deposits during the year under review.

Insurance

All the properties of your Company have been adequately insured.

Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

Auditors' report

The Auditors' Report for the financial year 2012-13 is an "Un-qualified" report and the said Report together with the Audited Accounts for the financial year ended March 31, 2013 read with the Notes on Accounts are self-explanatory and therefore do not call for any further comments.

Statutory Auditors

M/s. CNGSN & Associates (FRN: 004915S), the statutory auditors, holds office up to the conclusion of ensuing Annual General Meeting (AGM). The Company has received requisite certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.

The Board of Directors therefore recommends reappointment of M/s. CNGSN & Associates as the statutory auditors of the Company for the year 2013-14. Necessary resolution for their reappointment is incorporated in the Notice calling the AGM.

Directors

As on the date of this Report, the Board of Directors comprises of Mr. Prasad V. Potluri, Mr. R. Nagarajan and Mr. N.S. Kumar.

As per the Articles of Association, Mr. N. S. Kumar retires by rotation at the ensuing AGM and being eligible offers himself for reappointment. Brief profile of Mr. N. S. Kumar, as stipulated under Clause 49 of the Listing Agreements, is provided in the notes attached to the Notice calling the AGM and necessary resolution for his re-appointment is incorporated in the Notice calling the AGM.

Stock Exchange Listing

Presently, the Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE). The Company confirms that it has paid Annual Listing Fees due to the Stock Exchange for the year 2013-14.

Directors' Responsibility Statement

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956, the Directors of the Company, in respect of the financial year ended March 31, 2013, confirm that:

(i) In the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;

(ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended March 31, 2013 and of the profit of the Company for the year ended on that date;

(iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) They have prepared the annual accounts on a going concern basis.

Corporate Governance

The Company is committed to maintain the prescribed standards of Corporate Governance. The Directors adhere to the requirements set out by the Securities and Exchange Board of India's Corporate Governance practices and have implemented all the mandatory stipulations prescribed. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The requisite Certificate from a firm of Practicing Company Secretaries confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is forming part of the Report on Corporate Governance.

Managing Director and Chief Financial Officer Certification

As required under the SEBI Guidelines, the Managing Director and the Head of the Finance Function Certification is attached to this Report.

Employees

The Company appointed Mr. S.M. Sundaram as Chief Financial Officer with effect from May 20, 2013 and Mr. Adalat Srikanth as Company Secretary & Compliance Officer with effect from April 01, 2013.

Particulars of employees

The provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company for the year under review.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo

Particulars regarding technology absorption, conservation of energy and foreign exchange earnings and outgo required under section 217 (1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 to the extent applicable are as under:

A. **CONSERVATION OF ENERGY:** The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.

B. **TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:** The Company continues to use the latest technologies for improving the quality of its operations.

C. **FOREIGN EXCHANGE EARNINGS AND OUTGO:**

(₹ in Lakhs)

Particulars	2012-2013	2011-2012
Foreign exchange earnings	Nil	Nil
Foreign exchange outgo:		
Travel related Expenses	Nil	Nil
Other Expenses (Film Production)	555.68	52.74
Total	**555.68**	**52.74**

Acknowledgements

Your Directors acknowledge with gratitude the co-operation and assistance received from the bankers, producers, actors, technicians, directors, production houses, shareholders, government agencies and other business associates. Your Directors wish to place on record their deep sense of appreciation for the committed services rendered by the employees of the Company.

For and on behalf of the Board of Directors

	Sd/-	Sd/-
Place: Hyderabad	**R. Nagarajan**	**Prasad V. Potluri**
Date: August 09, 2013	*Director*	*Managing Director*

Management's Discussion and Analysis

Industry Structure & Development:

The overall Indian economy slowed down in 2012 due to both domestic and external factors. Domestically, the monetary and fiscal stimulus provided by the Government of India post financial-crisis led to strong growth in demand and consumption in 2009-10 and 2010-11. However, this resulted in higher inflation and a powerful monetary response that slowed consumption demand. Moreover, corporate and infrastructure investment were also pulled down by the tightened monetary policy as well as the policy bottlenecks. Externally, a slowing global economy weighed down by the continued crisis in the Euro area and uncertainty in the US fiscal policy also increased risks to growth. The Central Statistical Organization's (CSO's) estimates indicate a 5 percent growth in real GDP in 2012-13, as compared to a growth of 6.2 percent posted in 2011-12. These factors resulted in a challenging year for the M&E industry, with reductions in advertising budgets across sectors.

As per the FICCI-KPMG Report on Media & Entertainment (M&E) Industry, 2013, this Industry had witnessed a growth of 12.6% during the year 2012, from INR 728 billion during the FY 2011 to INR 820 billion in the FY 2012. Further, it is also estimated that due to the factors like digitization, growth of regional media, upcoming elections, continued strength in the film sector, fast increasing new media business, M&E Industry is estimated to achieve a growth rate of 11.8% in 2013 to touch INR 917 billions. Going forward, this Sector is projected to grow at a healthy CAGR of 15.2% to reach INR 1661 billion by 2017.

The Indian Film Industry has been one of the oldest segments of the Indian entertainment industry. The Lumiere Brothers brought motion pictures to India in 1896, and since then there has been no looking back. Today, India has the world's biggest movie industry that churns out around one thousand movies each year. The Indian Film Industry is witnessing mark improvements on all spheres - from the technology used in making films to the themes of the movies, exhibition, finance and marketing and even in its business environment. There is no doubt that the Indian Film Industry is finally getting corporatised in that sense. Indian Film Producers are also looking overseas for co-production. And the future looks immensely bright with a number of theatres poised to go digital.

Professionally-run production houses are competing with the family-run banners to bring in greater sophistication and efficiency across the value chain. The approach has shifted from producing pure star driven films to experimenting with content and providing a platform to newer talent. Although production costs have escalated by 15-20 percent in 2012, these have been more than offset by strong box office performance. While the cost structure varies based on the budget and star cast, artist fees continue to form a major component of film's budget for most large productions.

Further, the growing middle class with higher disposable income has become the strength of the Media and Entertainment (M&E) industry. On the other side, the M&E industry in India is highly fragmented and lack of cohesive production & distribution infrastructure and lack of efforts for media penetration in lower socio-economic classes are some of the bottlenecks that the Industry is facing.

Opportunities & Threats:

Concept of crossover movies, emergence of new distribution channels, rapid de-regulation, rise in viewership and technological innovations like animations, etc. are some of the opportunities that the Industry may foresee in the times to come. Once the Industry is able to tap the opportunities, there will not be any looking back for the Indian M&E Industry.

Sourcing of film financing has been largely unorganized due to high risk nature of the business. However, with scaling up of revenues, Indian films are increasingly attracting private equity / venture capital funding from institutions directly. This indicates the growth of organized film financing for the film industry, and is expected to sustain and grow in the years ahead.

On the other hand, this Industry is facing threats like Piracy, lack of quality content and insufficient number of big corporate houses in Production, Distribution and Financing for the Movies and lack of transparent data. As per an estimate, the country's film industry continues to lose around ₹50 billion in revenues every year due to piracy. India is one of the top countries witnessing peer-to-peer file sharing infringement worldwide. Large foreign studios or investors indicate that they are reluctant to invest in the Indian film industry because there is no way of verifying or validating the data made available in the public domain about the amount a film has grossed and its profitability.

Financial Performance:

A. Capital Structure: There is no change in the capital structure during the period under report. Pursuant to the Members approval in the Annual General Meeting held on September 26, 2012, the Preference Capital of ₹27,00,00,000 has been re-classified as Equity Share Capital.

B. Reserves & Surplus: The increase in Reserves & Surplus has been contributed by the profit for the year under report.

C. Borrowings: The Long term and short term Borrowings as at the end of the financial year 2013 stood at ₹109.169 crore as against ₹125.32 lakhs.

D. Fixed Assets: The increase in fixed assets was on account of purchase of certain office equipment coupled with purchase of vehicles for use by the executives of the Company.

E. Non-current Investment: It is the amount invested by the Company in PVP Capital Limited and subsequent to this investment, PVP Capital Limited has become a wholly owned subsidiary of the Company.

F. Long term loans & advances: This indicates various loans and advances made by the Company towards film production and film financing as part of its business operations.

G. Inventories: Inventory at the year end consists of film production work in progress(WIP).

H. Revenue from Operations: The consolidated revenue increased to ₹50.24 crore from ₹46.44 crore in the previous year. Though the operations of the Company have not gained full momentum, this increase in revenues is considered to be a satisfactory increase.

I. Movie production expenses: The consolidated movie production expenses have come down by almost 50%. This was due to the efficient planning and selection of low budget and high yielding projects by the Management.

J. Employee cost: The marginal increase in employee cost was due to recruitment of talented executives in the senior cadre of the Company.

K. Net Profit: The consolidated net profit for the year was ₹10.62 crore and has registered a growth of around 25% when compared to the consolidated net profit generated during the previous year.

Outlook:

There is a steady rise in the dynamism and confidence in India's film sector. Increasing consumption in tier II & III cities, growing importance of regional markets, greater focus on market research, innovation in content and evolution of marketing and delivery platforms to serve different niches – all point towards a very positive future for the Indian film industry.

Risks & Concerns:

In the talent driven M&E Industry, the ability to attract and retain right people has always been a concern for most of the Companies operating in this Industry.

The issue of piracy remains a critical issue for the Indian film industry. However, there are some changes that have helped the industry battle this issue aggressively. A few years ago, a film reached television and home video only after six months of its theatrical release. Pirates could take advantage of this delay, and would flood the market with pirated DVDs/VCDs. Currently the theatre-to-television window has been reduced to less than 3 months. Motion Pictures Distributors Association (MPDA) estimates that the loss due to piracy in 2012 was US$1.1 billion, an increase of 15.79 percent from that in 2008. In this context, it is important that industries collaborate and create efficient mechanisms for content protection. With cooperation from the government and internet service providers, site-blocking measures can combat online piracy.

While India leads world averages in terms of the number of films produced each year and attendance, the under penetration of theatre screens in India remains the biggest challenge for the industry. There are just 8 screens per million people, unlike in the United States, where there are 117 per million.

High entertainment tax acts as a major impediment to the growth of M&E industry, as the overall tax implication is as high as 40-50 percent in states like Maharashtra, Uttar Pradesh, Bihar and Karnataka. Such high rates of entertainment tax on box office admissions seem irrational considering that films are available on other platforms like television and Internet platforms for free or very little cost. Such regulations have also led to many corrupt trade practices. Separately, it will be useful to provide tax holiday benefits for infrastructural development on setting up Cineplexes in tier II and tier III cities to incentivize the sector and boost growth and development of such cities.

Ticket pricing in many states is regulated by state governments. In Tamil Nadu, single screen theatres are allowed to charge a maximum of INR 50 per ticket and multiplexes can charge a maximum of INR 120 per ticket depending on the set of facilities. In Andhra Pradesh, a proposal to hike cinema ticket rates in single screens from INR 10 to INR 25 and INR 60 to INR 75 has currently been put on hold. The industry expects the governments to relax regulations on fixed number of shows and cap on ticket pricing and let the exhibitors decide on the admission rates according to demand. Flexible pricing will also help to reduce black-marketing of tickets since theatre owners will have freedom to revise the rates according to the audience inflow.

Internal Control System and their adequacy:

The internal audit and other internal checks implemented in the Company are adequate and commensurate with the size and nature of operations providing sufficient assurance and safe guarding all assets, authorizing transactions and its recording and timely reporting.

Human Resources & Industrial Relations:

Industrial relations are harmonious. The Company recognizes the importance and contribution of the human resources for its growth and development.

As on 31st March 2013 the Company had total strength of 26 employees.

Cautionary Statements

Statements in this Management Discussion and Analysis may contain forward-looking statements, which may be identified by their use of words like ‘plans’, ‘expects’, ‘will’, ‘anticipates’, ‘believes’, ‘intends’, ‘projects’, ‘estimates’ or other words of similar meaning. These statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company’s actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Important developments that could affect the Company’s operations include a downtrend in media and entertainment sector, significant changes in political and economic environment in India or key financial markets abroad, tax laws, litigations, exchange rate fluctuations, interest and other costs.

Report on Corporate Governance

Picturehouse Media Limited believes in the system of accountability, transparency and business ethics as prescribed in Clause 49 of the Listing Agreement with the stock exchanges.

Board Composition, its meetings and procedure

The Board of Directors of the Company, as on the date of this Report, comprises of three (3) directors. Mr. Prasad V. Potluri is the Managing Director and Promoter Director and Mr. R. Nagarajan and Mr. N.S. Kumar are Non-Executive & Independent Directors.

During the financial year, Five (5) board meetings were held i.e. on April 25, 2012, May 30, 2012, August 10, 2012, November 07, 2012 and February 07, 2013.

Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships and Chairmanships/Memberships of Committees of each Director in various companies are as follows:

Name of the Director	DIN	Attendance		No. of Directorships and Committee Memberships/ Chairmanships including Picturehouse Media Limited		
		Board Meetings*	Last AGM	Other Directorships#	Committee Memberships@	Committee Chairmanships@
Mr. Prasad V. Potluri	00179175	4	Yes	2	3	Nil
Mr. R. Nagarajan	00443963	5	Yes	2	2	4
Mr. N. S. Kumar	00552519	5	Yes	3	4	2

* Includes meetings attended through tele-conference.

\# Other directorships exclude directorships in Indian private limited companies, section 25 companies, foreign companies, and alternate directorships.

@ Represents Memberships/Chairmanships of Audit Committee & Shareholders/Investors Grievance Committee.

The Board of the Company is regularly presented with all information, in specific, the information stipulated under Clause 49 of the Listing Agreement to ensure adequate disclosure and a transparent decision-making. Detailed agenda with explanatory notes and information is circulated among the members of the Board, in advance of each meeting. However, urgent matters are also considered and adopted by passing resolutions through circulation, which are noted at the next meeting of the Board.

Code of Conduct for Directors & Senior Management

A code of conduct as applicable to the Directors and the designated senior management of the Company had been approved by the Board, which is being abided by them. A declaration to this effect from the Managing Director of the Company is forming part of this report.

Committees of the Board:

i) Audit Committee

- *Brief description of Terms of Reference*

  The Audit Committee of the Board is responsible for oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, adequate and credible; and reviewing with management the annual financial statements before submission to the Board. The Committee periodically reviews with the management the adequacy of internal control systems.

  The Committee periodically interacts with the internal auditors to review the manner in which they are performing their responsibilities. The Committee holds discussion with external auditors before the commencement of statutory audit on the nature and scope of audit and ascertains any areas of concern and reviews their written comments. The Committee reviews the financial and risk management policies of the Company. The Committee has full access to financial data and to the Company's staff. The Committee also reviews the quarterly (un-audited) and annual financial statements before they are submitted to the Board.

- *Composition, name of members and Chairman*

Mr. R Nagarajan	Chairman	Independent Non-Executive Director
Mr. N S Kumar	Member	Independent Non-Executive Director
Mr. Prasad V. Potluri*	Member	Managing Director

** Inducted as Member with effect from February 07, 2013.*

- The Committee held four meetings during the period ended March 31, 2013, i.e. on (i) May 30, 2012, (ii) August 10, 2012, (iii) November 07, 2012, and (iv) February 07, 2013. All the Members of the Committee have attended all the Meetings.

ii) Shareholders /Investors' Grievance Committee

As on March 31, 2013, this Committee comprised of Mr. R. Nagarajan (Chairman), Mr. N. S. Kumar and Mr. Prasad V. Potluri*. It approves/ratifies the transfer and transmission of securities; issuance of duplicate share certificates, redressal of investors' grievances. It also suggests and monitors measures to improve investor relations.

** Inducted as Member with effect from February 07, 2013.*

During the year, there was no meeting of the Shareholders'/ Investors' Grievance Committee held as there were no complaints/grievances received from any shareholder of the Company and no complaint was pending either at the beginning or at the end of the year.

iii) Remuneration Committee

Though it is not mandatory to constitute the Remuneration Committee as per the Listing Agreement, the Company has voluntarily constituted this Remuneration Committee. The brief description of terms of reference to the remuneration committee is, inter alia, to recommend compensation terms for Executive Directors and as on March 31, 2013, this Committee comprised of Mr. R. Nagarajan (Chairman), Mr. N. S. Kumar and Mr. Prasad V. Potluri*. However, during the year, no meeting of the Remuneration Committee was held.

** Inducted as Member with effect from February 07, 2013.*

Remuneration paid to the Directors during the year 2012-13:

The Company has not paid any remuneration to its Non-Executive Directors, except the sitting fees paid for attending the meetings of the Board and Audit Committee @ ₹5,000 per meeting. The Company does not have any employee stock option scheme in force.

The details of sitting fees paid to the Directors are as follows:

Mr. Prasad V. Potluri	Nil
Mr. R. Nagarajan	₹45,000
Mr. N. S. Kumar	₹45,000

The Company Secretary of the Company acts as the Secretary of all the Committees of the Board.

Details of equity shares of the Company held by Directors as on March 31, 2013

Director	No. of shares@ ₹10 each
Mr. Prasad V. Potluri	NIL
Mr. R. Nagarajan	NIL
Mr. N.S. Kumar	NIL

General Body Meetings

A. Annual General Meetings

Location, date and time of the Annual General Meetings held during the preceding 3 years and the Special Resolutions passed there at are as follows:

Year	Venue	Date & Time	Special resolutions passed
2009-10	Kamaraj Arangam, No.492, (Old No.574-A), Anna Salai, Teynampet, Chennai - 600006	September 30, 2010 11:30 A.M	NIL
2010 -11	Rani Seethai Hall, No. 603, Anna Salai, Chennai - 600 006	September 28, 2011 11:30 A.M	NIL
2011-12	Kamaraj Arangam, No.492, (Old No.574-A), Anna Salai, Teynampet, Chennai - 600006	September 26, 2012 11.30 A.M.	Alteration of Capital Clause of Articles of Association

B. Extraordinary General Meetings

No Extraordinary General Meeting held during the year.

C. Postal Ballot

During the year, there were no resolutions passed through Postal Ballot for obtaining approval of the shareholders through postal ballot and no special resolution is proposed to be conducted through postal ballot.

Disclosures

(i) There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their subsidiaries or relatives etc. during the year, that may have potential conflict with the interests of the Company at large. The Company's related party transactions are generally with its subsidiaries and associate companies. The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, legal requirements and capital requirements of these subsidiaries and associate companies. All related party transactions are intended to further the business interests of the Company.

(ii) There were no instances of non-compliance by the Company, no penalties were imposed or strictures passed against the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

(iii) Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement. The Company has also fulfilled the following non mandatory requirements as prescribed in Annexure ID to the Clause 49 of the Listing Agreement:

a. The Company has set up a Remuneration Committee, details of which have been given earlier in this Report, and

b. The Statutory financial statements of the Company are unqualified.

(iv) The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and there are no statutory audit qualifications in this regard.

(v) At every Board Meeting, a statement of compliance with all laws and regulations as certified by the Managing Director is placed before the Board for its review. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.

(vi) In terms of Clause 49(V) of the Listing Agreement, the Managing Director and the General Manager (Finance & Accounts) submitted a certificate to the Board of Directors in the prescribed format for the year under review, which has been reviewed by the Audit Committee and taken on record by the Board.

(vii) The Company has adopted an Insider Trading Code as per the model code prescribed under the SEBI (Insider Trading) Regulations as amended upto date. All Directors/designated employees are required to disclose related information periodically as defined in the Code. The Company Secretary has been designated as the Compliance Officer under the Code. The code is available on the Company's website: www.pvpcinema.com.

(viii) The Board regularly discusses the significant business risks identified by the Management and the mitigation process being taken up.

(ix) The Company did not raise any funds during the year under preferential issue mode/rights issue/public issue.

Means of Communication

The Company announced the quarterly/half-yearly/annual results within the prescribed period and published the same in Trinity Mirror (in English) and in Makkal Kural (in Tamil).

Annual Report containing inter-alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Management Discussion and Analysis Report and Corporate Governance Report including information for the Shareholders and other important information is circulated to the members and others entitled thereto.

General Shareholders Information

i) **Annual General Meeting** will be held on Thursday, September 26, 2013 at 11.30 AM at "Kamaraj Arangam", No.492, (Old No.574-A), Anna Salai, Teynampet, Chennai–600006

ii) **Financial Year** of the Company is 1st April to 31st March.

iii) **Financial Reporting** for the quarter ending 30th September, 2013, 31st December, 2013, 31st March, 2014 and 30th June, 2014 will be within forty five days from the closure of the quarter.

iv) **Dates of Book Closure** will be from 23rd September to 26th September, 2013 (both days inclusive).

v) **Company's shares are listed** on the Bombay Stock Exchange

vi) **Stock Code** of the Company's scrip is 532355

vii) **ISIN Code** is INE448B01029

viii) **High & Low Market Price** during each month in the accounting year was as follows:

Year	BSE	
	High	Low
April, 2012	25.30	17.95
May, 2012	18.30	14.70
June, 2012	19.10	14.75
July, 2012	28.20	16.60
August, 2012	23.65	17.00
September, 2012	22.20	17.20
October, 2012	20.75	17.15
November, 2012	32.90	20.00
December, 2012	38.25	31.50
January, 2013	37.40	23.10
February, 2013	25.45	21.60
March, 2013	42.00	21.80

ix) **Registrar & Share Transfer Agents** of the Company is Cameo Corporate Services Limited, "Subramanyam Building", 1, Club House Road, Chennai-600 002; Phone: 91-44-28460390; Fax: 91-44-28460129 E-mail: cameo@cameoindia.com

x) **Share Transfer System:** The Registrar and Share Transfer Agents, Cameo Corporate Services Limited, handle share transfers under the overall supervision of the Investors' Grievance & Share Transfer Committee.

xi) **Shareholding Pattern as on 31st March, 2013** was as follows:

Category	No. of shares	% to share capital
Promoters	3,64,02,689	69.67
FIIs & Financial Institutions/Banks	47,50,028	9.09
Private Corporate Bodies	75,19,353	14.39
Indian Public	35,15,269	6.73
NRIs / HUFs/Clearing Members	62,661	0.12
Grand Total	**5,22,50,000**	**100.00**

xii) **Dematerialization of Shares & Liquidity:** To facilitate trading in dematerialized form, the Company has entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shares of the Company are actively traded on the Bombay Stock Exchange Limited. As on 31st March, 2013, 86.05% shares were held in dematerialized form.

xiii) **Compliance Officer:** Mr. Adalat Srikanth, Company Secretary
Phone: +91-44-30285570, Fax:+91-44-30285571
Email: ir.telephoto@pvpglobal.com

xiv) **Address for correspondence:** Picturehouse Media Limited, 4th Floor, Punnaiah Plaza, Plot No.83 & 84, Road No.2, Banjara Hills, Hyderabad – 34. Telephone: +91-40-67309999; Fax: +91-40-67309988.
E-mail: ir.telephoto@pvpglobal.com

xv) **Investor Relations:** The Company generally replies to the queries within a week of their receipt.

xvi) **Nomination Facility:** Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to contact the Company's Share Transfer Agents, Cameo Corporate Services Limited, "Subramanyam Building", 1, Club House Road, Chennai-600 002; Phone: 91-44-28460390; Fax: 91-44-28460129
E-mail: cameo@cameoindia.com.

Distribution of Shareholding as at March 31, 2013

The distribution of shareholding as at March 31, 2013 was as follows:

Shareholding in ₹	No. of shareholders	% of shareholders	No. of shares	% of shareholdings
10-5000	4,431	92.70	2,79,235	0.53
5001-10000	151	3.16	1,17,506	0.22
10001-20000	78	1.63	1,18,981	0.23
20001-30000	33	0.69	83,086	0.16
30001-40000	14	0.29	49,869	0.09
40001-50000	17	0.36	79,128	0.16
50001-100000	23	0.48	1,70,053	0.32
100001-15495788	33	0.69	5,13,52,142	98.29
Total	**4,780**	**100.00**	**5,22,50,000**	**100.00**

Corporate Governance Certificate

A Certificate obtained from a firm of Practicing Company Secretaries confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 is attached to the Directors' Report.

Reconciliation of Share Capital Audit Report

The Audit Report, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with National Securities Depository Limited and Central Depository Services (India) Limited, is placed before the Board on a quarterly basis. A copy of the Audit Report is submitted to the Bombay Stock Exchange Limited every quarter.

Certification in terms of Clause 49(V) of the listing agreement

We, Prasad V. Potluri, Managing Director and A. Praveen Kumar, General Manager (Finance & Accounts) of Picturehouse Media Limited, responsible for the finance function, certify that:

(a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2013 and that to the best of our knowledge and belief, we state that:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;

(ii) these statements give a true and fair view of the Company's affairs and of the results of operations and cash flow. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have not noticed any deficiency that need to be rectified or disclosed to the Auditors and the Audit Committee.

(d) During the year under reference -

(i) there were no significant changes in the internal controls or overall financial reporting;

(ii) no significant changes in accounting policies were made that require disclosure in the notes to the financial statements; and

(iii) no instance of significant fraud and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting, has come to our notice.

	Sd/-	Sd/-
Place: Hyderabad	**Prasad V. Potluri**	**A. Praveen Kumar**
Date: May 27, 2013	*Managing Director*	*GM (Finance & Accounts)*

Code of conduct

As the Managing Director of Picturehouse Media Limited and as required by Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliance with the Company's Code of Conduct for the Financial Year 2012-13.

	Sd/-
Place: Hyderabad	**Prasad V. Potluri**
Date: August 09, 2013	*Managing Director*

Certificate on Corporate Governance

To the Members of
M/s. Picturehouse Media Limited

We have examined the compliance of conditions of Corporate Governance by Picturehouse Media Limited ("the Company") for the year ended March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the Company entered into with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

Sd/-
Datla Hanumanta Raju
C.P.No.1709
Partner

Place: Hyderabad
Date: August 09, 2013

D. Hanumanta Raju & Co.
Company Secretaries

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in Subsidiary Companies for the financial year 2012-13

Amount (₹)

S. No.	Particulars	Name of the Subsidiary Company	
		PVP Cinema Pvt. Ltd.	PVP Capital Ltd.
1	The financial year for the subsidiary company ended on	31.03.2013	31.03.2013
2	Shares of the subsidiary company held by holding company as on the above date		
	(i) Number	30,000	2,50,00,000
	(ii) Extent of holding	100%	100%
3	Date from which it became a subsidiary	4.03.2006	27.04.2012
4	The net aggregate amount of Profits / (Losses) of the Subsidiary so far as they concern the member of the Holding Company.		
	a) Dealt within the Holding Company's accounts		
	i) for the financial year of the subsidiary	(88,493)	2,93,77,715
	ii) for the previous financial years of the subsidiary since it became the Holding Company's subsidiary	(1,48,983)	1,65,546
	b) Not dealt within the Holding Company's accounts		
	i) for the financial year of the subsidiary	N A	N A
	ii) for the previous financial years of the subsidiary since it became the Holding Company's subsidiary	N A	N A
5	Issued, Subscribed & Paid-up Capital	3,00,000	25,00,00,000
6	Reserves & Surplus	(4,77,18,444)	3,16,17,653
7	Liabilities	4,76,55,992	32,14,87,642
8	Total Liabilities	2,37,548	60,31,05,295
9	Total Assets	2,37,548	60,31,05,295
10	Investments	Nil	Nil
11	Turnover	Nil	6,83,51,983
12	Profit before Tax	(88,493)	4,35,67,708
13	Provision for Taxation	Nil	1,41,90,000
14	Profit after Tax	(88,493)	2,93,77,715
15	Proposed Dividend	Nil	Nil

Standalone financial statements

INDEPENDENT AUDITOR'S REPORT

To
The Members
Picturehouse Media Limited
Chennai

Report on the Financial Statements

We have audited the accompanying financial statements of Picturehouse Media Limited (the Company), which comprises the Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (the Act). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. These procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of the Balance Sheet, of the State of Affairs of the Company as at March 31, 2013;

b) In the case of Statement of Profit and Loss, of the PROFIT for the year ended on that date; and

c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (the Order), as amended, issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that
   a. We have obtained all the in formation and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow statement comply with the accounting standards referred to sub-section (3C) of Section 211 of the Act;
   e. on the basis of written representation received from the Directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director, in terms of clause (g) of sub-section (1) of section 274 of the Act ;
   f. since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act, nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

for M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm Registration No: 004915S

Sd/-
R. Thirumalmarugan
Partner
Membership No: 200102

Camp: Hyderabad
Date: 27th May, 2013

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements in our Independent Auditors' Report of even date)

1. a. In our opinion and according to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   b. As per the information and explanations provided to us, the Company has physically verified the fixed assets during this year and there is no material discrepancies noticed on such verification.

   c. As per the information and explanation provided to us, substantial part of fixed assets have not been disposed off during the year, which affects the going concern.

2. a. According to the information and explanations given to us, the management has conducted physical verification of inventory (Film Production in Progress - WIP) at reasonable intervals.

   b. According to the information and explanations given to us the procedures of physical verification of inventory (Film Production in Progress - WIP) followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.

   c. According to the information and explanation given to us the Company is maintaining proper records of inventory (Film Production in Progress - WIP) and there are no material discrepancies were noticed on physical verification.

3. a. According to the information and explanations given to us, the Company has granted, unsecured loans to subsidiary company- PVP Cinema Pvt Ltd during earlier years, a party covered in the register maintained under section 301 of the Companies Act, 1956. It is informed that these advances are recoverable on demand, and the entire amount of ₹ 4,75,94,812/- has been provided for. During the year the Company has advanced a sum of ₹ 1,04,392/- to the other Subsidiary company, PVP Capital Limited, which is repayable on demand. The rate of interest, terms and conditions of loans, receipt of principal and overdue amounts are not applicable.

   b. According to the information and explanations given to us, the Company has not taken unsecured loans from the parties covered in the register maintained under section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for purchases of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls systems.

5. According to the information and explanations given to us, there are no contracts or arrangements entered into during this year which are required to be entered in the register maintained under section 301 of the Companies Act.

6. In our opinion and according to the information and explanation given to us the Company has not accepted deposits from public during this year. Therefore the provisions of section 58A, 58AA of the Act and any contravention of these provisions for the year under audit are not applicable.

7. The Company has an internal audit system to commensurate with its size and nature of its business.

8. As per the information and explanations given to us, we are of the opinion that the Company has made and maintained the cost records pursuant to the Rules made by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.

9. a. According to the information and explanation given to us, the Company is depositing undisputed statutory dues with appropriate authorities, like Provident Fund, Investor Education and Protection Fund, Employee's State insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Customs Duty, Excise Duty, Cess, wherever applicable, except few delays in depositing, PF, Income Tax TDS and Service Tax on reverse charge remittances. There are no undisputed Statutory outstanding dues as at the 31st March, 2013

for a period of more than six months from the date they become payable.

b. According to the information and explanation given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited on account of any dispute.

10. There are no accumulated loss of the Company as at the year end. The Company has not incurred cash losses during the financial year covered by our audit and during immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, the Company has not borrowed any money from financial institutions or banks or debenture holders during the year and default in repayment does not arise.

12. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.

13. In our opinion and according to the information and explanation given to us the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provision of clause 4(xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.

14. In our opinion and according to the information and explanation given to us the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.

15. In our opinion and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. In our opinion and according to the information and explanation given to us, the Company has not obtained any term loans during the year.

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

18. According to the information and explanation given to us the Company has made any preferential allotment of shares during the year.

19. According to the information and explanation given to us, the Company has not issued any secured debentures during the year and creation of security for issue of debenture does not arise.

20. According to the information and explanation given to us, the Company has not raised money by public issue during the year and disclosure of end use of public issue does not arise.

21. According to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm Registration No: 004915S

Sd/-
R. Thirumalmarugan
Partner
Membership No: 200102

Camp: Hyderabad
Date: 27th May, 2013

BALANCE SHEET as at 31st March, 2013

(Amount in ₹)

	Note No.	As at 31-03-2013		As at 31-03-2012	
I. EQUITY AND LIABILITIES					
1) Shareholders' Funds:					
a) Share Capital	2	522,500,000		522,500,000	
b) Reserves and Surplus	3	120,333,896		43,430,634	
c) Money Received against Share warrants		–	642,833,896	–	565,930,634
2) Share application money pending allotment			–		–
3) Non-current liabilities:					
a) Long-term borrowings	4	786,954,769		–	
b) Deferred tax liabilities (Net)		–		–	
c) Other Long-term liabilities	5	9,298,492		906,262	
d) Long-term provisions	6	1,959,310	798,212,571	1,000,509	1,906,771
4) Current liabilities:					
a) Short-term borrowings	7	–		948,504,449	
b) Trade payables	8	4,687,674		2,990,958	
c) Other current liabilities	9	5,682,918		3,903,038	
d) Short-term provisions	10	38,720,872	49,091,464	41,162,387	996,560,832
Total			1,490,137,931		1,564,398,237
II. ASSETS:					
1) Non-current assets					
a) Fixed Assets					
i) Tangible assets	11	21,984,881		4,706,704	
ii) Intangible assets		–		–	
iii) Capital work-in-progress		–		631,815	
iv) Intangible assets under development		–		–	
b) Non-current investments	12	252,173,500		–	
c) Deferred tax assets (Net)		–		–	
d) Long-term loans and advances	13	277,475,196		20,123,440	
e) Other non-current assets		–	551,633,577	–	25,461,959
2) Current assets					
a) Current investments		–		–	
b) Inventories	14	477,853,302		–	
c) Trade receivables	15	25,000,000		–	
d) Cash and cash equivalents	16	16,278,305		6,519,876	
e) Short-term loans and advances	17	373,812,065		1,503,984,983	
f) Other current assets	18	45,560,682	938,504,354	28,431,419	1,538,936,278
Total			1,490,137,931		1,564,398,237
See accompanying notes to the financial statements					

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
R. Thirumalmarugan
Partner
Membership No. 200102

Place : Hyderabad
Date : May 27, 2013

Sd/-
Prasad V. Potluri
Managing Director

Sd/-
R. Nagarajan
Director

Sd/-
N.S. Kumar
Director

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Sd/-
Srikanth Adalat
Company Secretary

Place : Hyderabad
Date : May 27, 2013

STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2013

(Amount in ₹)

		Note No.	For the year ended 31-03-2013	For the year ended 31-03-2012
I	Revenue from operations	19	434,018,157	464,484,699
II	Other income	20	1,468,942	33,084
III	**Total Revenue (I + II)**		**435,487,099**	**464,517,783**
IV	**Expenses:**			
	a) Cost of film production expenses	21	143,745,051	284,556,832
	b) Purchases of Stock-in-Trade		–	–
	c) Changes in inventories of finished goods work-in-progress and Stock-in-Trade		–	–
	d) Employee benefit expenses	22	23,595,160	11,321,132
	e) Finance costs		120,631,036	27,967,742
	f) Depreciation and amortization expenses		1,707,945	205,397
	g) Other expenses	23	32,326,856	16,785,583
	Total expenses		**322,006,048**	**340,836,686**
V	**Profit/(Loss) before exceptional and extraordinary items and tax (III - IV)**		**113,481,051**	**123,681,097**
VI	Exceptional items	24	(1,268,862)	(2,718,994)
VII	**Profit/(Loss) before extraordinary items and tax (V - VI)**		**114,749,913**	**126,400,091**
VIII	Extraordinary items		–	–
IX	**Profit/(Loss) before tax (VII - VIII)**		**114,749,913**	**126,400,091**
X	Tax expenses			
	1) Current tax		38,687,556	41,141,030
	2) Deferred Tax Liability		–	–
	Provision no longer required		(840,905)	–
XI	**Profit / (loss) for the year from continuing operations (IX - X)**		**76,903,262**	**85,259,061**
XII	Profit / (loss) from discontinuing operations		–	–
XIII	Tax expenses of discontinuing operations		–	–
XIV	**Profit / (loss) from discontinuing operations (after tax) (XII - XIII)**		–	–
XV	**Profit / (loss) for the year (XI + XIV)**		**76,903,262**	**85,259,061**
XVI	**Earnings per share:**			
	1) Basic		1.47	4.45
	2) Diluted		1.47	4.45
See accompanying notes to the financial statements				

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
Prasad V. Potluri
Managing Director

Sd/-
R. Nagarajan
Director

Sd/-
N.S. Kumar
Director

Sd/-
R. Thirumalmarugan
Partner
Membership No. 200102

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Sd/-
Srikanth Adalat
Company Secretary

Place : Hyderabad
Date : May 27, 2013

Place : Hyderabad
Date : May 27, 2013

CASH FLOW STATEMENT for the year ended 31st March, 2013

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	114,749,913	126,400,091
Adjustments for:		
Depreciation	1,707,945	205,397
Interest Received	(1,707)	(642)
Interest paid	120,631,036	27,967,742
Interest on Staff Advances	(1,156,937)	–
Provision for doubtful advances	2,383,812	–
Provision for employee benefit	1,035,814	–
Dividend Income	–	(32,442)
Excess Provision Written Back	(310,298)	(2,718,994)
Operating Profit Before Working Capital changes	**239,039,578**	**151,821,152**
Adjustments for:		
Increase/(Decrease) in Long/Short Term Provisions	(65,054)	–
Increase/(Decrease) in Trade payable	2,007,014	(700,589)
Increase/(Decrease) in Current Liabilities	1,779,880	(211,579)
(Increase)/Decrease in Inventories	(477,853,302)	–
(Increase)/Decrease in Trade Receivable	(25,000,000)	–
(Increase)/Decrease in Short & Long Term Loans & Advances	870,437,349	(1,150,443,957)
(Increase)/Decrease in Other Current Assets	(17,129,263)	(42,687,339)
Cash Generated from Operations	**593,216,202**	**(1,042,222,312)**
Direct Taxes paid	(40,300,125)	(7,926,754)
Net Cash from Operating Activities	**552,916,077**	**(1,050,149,066)**
B. CASH FROM INVESTING ACTIVITIES		
Interest Received	1,707	642
Interest from Staff advances	1,156,937	–
Addition to Fixed Assets including WIP	(18,354,307)	(5,261,227)
Investment made during the year	(252,173,500)	–
Dividend Income	–	32,442
Net Cash used in Investing Activities	**(269,369,163)**	**(5,228,143)**
C. CASH FROM FINANCING ACTIVITIES		
Interest paid	(120,631,036)	(27,967,742)
Issue of Equity Share Capital	–	92,547,550
Proceeds from Short & Long Term Borrowing (Net)	(161,549,680)	949,410,711
Proceeds from Other Long Term Liabilities (Net)	8,392,230	–
Net Cash from Financing Activities	**(273,788,486)**	**1,013,990,519**
Net increase in cash and cash equivalents	9,758,429	(41,386,690)
Cash and cash equivalents at the beginning of the year	6,519,876	47,906,566
Cash and cash equivalents at the end of the year	**16,278,305**	**6,519,876**

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
Prasad V. Potluri
Managing Director

Sd/-
R. Nagarajan
Director

Sd/-
N.S. Kumar
Director

Sd/-
R. Thirumalmarugan
Partner
Membership No. 200102

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Sd/-
Srikanth Adalat
Company Secretary

Place : Hyderabad
Date : May 27, 2013

Place : Hyderabad
Date : May 27, 2013

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENT

for the year ended 31st March, 2013

Note 1 **SIGNIFICANT ACCOUNTING POLICIES**

1.1 Basis of preparation of financial statements

A. The financial statements of the Company have been prepared under the historical cost convention in accordance with the Accounting Standards specified by Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956, to the extent applicable.

B. All financial transactions have been recognized on accrual basis. The preparation of financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from those estimates.

1.2 Revenue Recognition

Income from movie rights are recognized in accordance with the terms of the agreements on accrual basis. Interest income is recognized on time proportionate basis. Income earned on licensing the copyrights is also recognized on time proportionate basis.

1.3 Use of Estimates

In preparation of financial statements conforming to GAAP requirements certain estimates and assumptions are essentially required to be made with respect to items such as provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful life period of Fixed Assets. Due care and diligence have been exercised by the Management in arriving at such estimates and assumptions since they may directly affect the reported amounts of income and expenses during the year as well as the balances of Assets and Liabilities including those which are contingent in nature as at the date of reporting of the financial statements.

To comply with GAAP requirements relating to impairment of assets, if any, the Management periodically determines such impairment using external and internal resources for such assessment. Loss, if any, arising out of such impairment is expensed as stipulated under the GAAP requirements. Contingencies are recorded when a liability is likely to be incurred and the amount can be reasonably estimated. To this extent the results may differ from such estimates.

1.4 Fixed Assets and Depreciation

Fixed Assets are stated at acquisition cost. Depreciation is charged on a pro-rata basis on a straight-line method as per the rates and in the manner prescribed under the schedule XIV to the Companies Act, 1956, as amended.

1.5 Benefits to employees

Gratuity

The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with Accounting Standard 15 (Revised 2005) on "Employee Benefits" as at the end of the period. Actuarial Gains/Losses are recognized immediately in Statement of Profit & Loss.

Leave Encashment

Leave encashment is paid for in accordance with the rules of the Company and provided based on an actuarial valuation as at the balance sheet date. Actuarial Gains/Losses are recognized immediately in Statement of Profit & Loss.

Other Benefit Plans

Contributions paid under defined contribution plans are recognized in the Statement of Profit and Loss in each year. Contribution plans primarily consist of Provident Fund administered and managed by the Government of India. The Company makes monthly contributions and has no further obligations under the plan beyond its contributions.

1.6 Investments

Long-term investments are stated at cost, less diminution other than temporary in the value of such investments, if any. Current investments are valued at cost or market value whichever is lower.

1.7 Inventory

Inventory at the year end consists of film production Work in progress (WIP). The inventory WIP are valued at cost or net realizable value whichever is less. Cost includes direct and indirect cost relating to film production activity.

1.8 Foreign Currency Transactions

All foreign currency transactions are accounted for at the rates prevailing on the dates of the transaction. Foreign currency assets and liabilities are converted at the year end rates as applicable. The exchange difference on settlement / conversion is adjusted to Profit and Loss account.

1.9 Taxes on Income

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax

Note 1 **SIGNIFICANT ACCOUNTING POLICIES** *(Contd...)*

authorities in accordance with the relevant tax laws. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

1.10 Leases

The assets purchased under hire purchase agreements are included in the Fixed Assets block. The value of the asset purchased is capitalized in the books. A liability for the same amount is created at the time of entering into the agreement. The payments are made to the HP vendors as per the EMI's given in the hire purchase agreements. The finance charges are debited to the profit & loss statement and the principal amount is adjusted against the liability created for the vendor.

Lease rentals in respect of operating lease arrangements are charged to expense on a straight-line basis over the term of the related lease agreement.

1.11 Borrowing Cost

Expenditure on borrowing cost on the loans obtained specifically for acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. Other borrowing costs are charged to revenue over the tenure of the loan.

1.12 Impairment of Assets

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each Balance Sheet date. Impairment loss, if any, is recognized in the year in which the impairment takes place.

1.13 Cash Flow Statement

The Cash flow statement is prepared under the indirect method as per Accounting Standard 3 "Cash Flow Statements".

1.14 Segment Reporting

The Company operates in only one segment viz. movie and related activities. Hence segment reporting is not applicable.

1.15 Earnings per Share

The earnings considered for ascertaining the Company's Earnings Per Share comprises the net profit after tax. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted EPS comprises the weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares that would be issued on the conversion of all dilutive potential equity shares.

1.16 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has an obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

Note 2 **SHARE CAPITAL**

A) Authorized, Issued, Subscribed and Paid-up share capital and par value per share

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Authorized Share Capital		
8,00,00,000 (PY: 5,30,00,000) Equity Shares of ₹ 10/- each	800,000,000	530,000,000
Nil (PY: 2,70,00,000 Preference Shares of ₹ 10/- each)	–	270,000,000
	800,000,000	800,000,000
Issued, Subscribed and Paid Up		
5,22,50,000 (PY: 5,22,50,000) Equity Shares of ₹ 10/- each	522,500,000	522,500,000
	522,500,000	522,500,000

NOTES TO FINANCIAL STATEMENT

Note 2 **SHARE CAPITAL** *(Contd...)*

B) Reconciliation of number of paid up shares outstanding

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Equity Shares		
Number of shares outstanding as at the beginning of the year	52,250,000	15,495,788
Add: Number of Shares allotted during the year	–	36,754,212
Less: Number of Shares bought back	–	–
Number of equity shares outstanding as at the end of the year	**52,250,000**	**52,250,000**
Preference Shares		
Number of shares outstanding as at the beginning of the year	–	25,997,722
Add: Number of Shares allotted during the year	–	–
Less: Number of Shares converted in to equity	–	(25,997,722)
Number of shares outstanding as at the end of the year	–	–

C) Equity Shares in the Company held by each shareholder holding more than 5%:

Name of shareholder	As at 31-03.2013		As at 31-03.2012	
	No. of Shares	%	No. of Shares	%
PVP Ventures Limited	3,353,114	6.42	3,353,114	6.42
Jhansi Sureddi	32,156,899	61.54	32,156,899	61.54
Rayudu Media Projects Private Limited	4,506,490	8.62	4,506,490	8.62
Sparrow Asia Diversified Opportunity Fund	4,750,000	9.09	4,750,000	9.09

D) During the previous year pursuant to the approval of the shareholders and the Foreign Investment Promotion Board (FIPB), the Company allotted 47,50,000 warrants of ₹ 10 each to Sparrow Asia Diversified Opportunities Fund (earlier known as Sparrow India Diversified Opportunities Fund I), a sub-account of an FII. Each of the warrants were convertible, within 12 months, into One (1) equity share of ₹ 10 per share each in terms of SEBI ICDR Pricing guidelines. On February 25, 2012, the Company converted 2,59,97,722 Zero Percent Compulsorily Convertible Preference Shares and 1,07,56,490 Convertible Warrants and allotted 3,67,54,212 equity shares of ₹ 10/- each to the respective holders. Post such allotment, the Issued, subscribed and paid-up share capital of the Company increased to ₹ 52,25,00,000/- divided into 5,22,50,000 equity shares of ₹ 10 each fully paid up in cash.

Note 3 **RESERVES AND SURPLUS**

(Amount in ₹)

	As at 31-03-2012	Additions during the year	Deductions during the year	As at 31-03-2013
Capital Reserve	2,287,500	–	–	2,287,500
Securities Premium Reserve	18,250,000	–	–	18,250,000
Surplus (P&L a/c) as under:	22,893,134	76,903,262	–	99,796,396
	43,430,634	**76,903,262**	–	**120,333,896**
Opening Balance	(62,365,927)			22,893,134
Profit / (Loss) for the year - From P & L	85,259,061	76,903,262	–	76,903,262
Less: Proposed dividends	–	–	–	–
Tax on distributed profits	–	–	–	–
Balance of Profit / (Loss)	22,893,134	76,903,262	–	99,796,396
	22,893,134	**76,903,262**	–	**99,796,396**

NOTES TO FINANCIAL STATEMENT

Note 4 LONG TERM BORROWINGS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
From other parties - Secured (Refer Note No. 25.5)	786,954,769	–
	786,954,769	–

Note 5 OTHER LONG TERM LIABILITIES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
From Banks - Vehicle Loan	9,298,492	906,262
The loans are secured by vehicle purchased on Hire Purchase.		
	9,298,492	906,262

Note 6 LONG TERM PROVISIONS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Employee Benefits (Refer Note No. 25.2)	1,959,310	1,000,509
	1,959,310	1,000,509

Note 7 SHORT TERM BORROWINGS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
From other parties - Secured (Refer Note No. 25.5)	–	948,504,449
	–	948,504,449

Note 8 TRADE PAYABLE

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Sundry Creditors for services	4,687,674	2,990,958
	4,687,674	2,990,958

Note 9 OTHER CURRENT LIABILITIES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Income received in advance	817,390	1,167,390
Statutory Payable	4,865,528	2,735,648
	5,682,918	3,903,038

Note 10 SHORT TERM PROVISIONS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Provision for income tax	38,687,556	41,141,030
Provision for employee benefits (Refer Note No. 25.2)	33,316	21,357
	38,720,872	41,162,387

NOTES TO FINANCIAL STATEMENT

Note 11 FIXED ASSETS - TANGIBLE

(Amount in ₹)

Description	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 1st April, 2012	Addition	Deletion	As at 31st March, 2013	As at 1st April, 2012	Addition	Deletion	As at 31st March, 2013	As at 31st March, 2013	As at 31st March, 2012
Computers & Related Assets	722,144	2,174,350		2,896,494	66,985	273,635		340,620	2,555,874	655,159
Furniture & Fixtures	321,050	1,877,489		2,198,539	38,526	110,941		149,467	2,049,072	282,524
Vehicles	2,979,617	13,633,576		16,613,193	50,200	1,236,895		1,287,095	15,326,098	2,929,417
Office Equipments	902,443	1,300,707		2,203,150	62,839	86,474		149,313	2,053,837	839,604
	4,925,254	18,986,122	–	23,911,376	218,550	1,707,945	–	1,926,495	21,984,881	4,706,704
Previous year	295,842	4,629,412		4,925,254	13,153	205,397		218,550	4,706,704	282,689
Capital Work in Progress	–	–	–	–	–	–	–	–	–	631,815

Note: Vehicle includes ₹ 1,1271,555/- (PY: ₹ 10,41,000/-) purchased on HP Scheme. The title to these vehicles are subject to HP agreement.

Note 12 NON CURRENT INVESTMENTS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Investment in equity instruments - Unquoted		
PVP Cinema Private Limited - 30,000 equity shares of ₹ 10/- each.	300,000	300,000
Investment in PVP Capital Limited - 2,50,00,000 equity shares of ₹ 10/- each.	252,173,500	–
Less: Provision for diminution in value of investment	(300,000)	(300,000)
	252,173,500	–

Note 13 LONG TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Security Deposits - Considered Good	2,940,620	1,827,000
Loans and advances for Film Finance - Considered Good (Refer Note No. 25.6)	274,534,576	18,296,440
Loans and advances to related parties		
Considered doubtful (PVP Cinema Private Limited)	47,594,812	45,211,000
	325,070,008	65,334,440
Less: Provision for doubtful advances	47,594,812	45,211,000
	277,475,196	20,123,440

Note 14 INVENTORIES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
(Valued at cost or net realizable value which ever is less)		
Under Film Production Expenses - WIP	477,853,302	–
	477,853,302	–

Note 15 TRADE RECEIVABLE

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Secured - Considered Good		
Sundry Debtors - Others	25,000,000	–
	25,000,000	–

NOTES TO FINANCIAL STATEMENT

Note 16 CASH AND CASH EQUIVALENTS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Balance with banks	15,805,797	5,351,624
Cash on hand	472,508	1,168,252
	16,278,305	6,519,876

Note 17 SHORT TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Secured - Considered Good		
Loans and advances to related parties	104,392	–
Advances for Film Finance - (Refer Note No. 25.6)	354,525,883	1,165,456,242
Unsecured - Considered Good		
Loans and advances to related parties	–	3,883,812
Advances for Film Production	–	235,809,331
Advances for Film Finance	–	98,685,598
Advances for Staff	12,439,441	100,000
Advances for Capital Works	5,558,353	–
Advances for Others	1,183,996	50,000
	373,812,065	1,503,984,983

Note 18 OTHER CURRENT ASSETS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Advance Income Tax	45,403,082	28,343,580
Prepaid Expenses	157,600	87,839
	45,560,682	28,431,419

Note 19 INCOME

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Income from Movie and Related activities	434,018,157	464,484,699
	434,018,157	464,484,699

Note 20 OTHER INCOME

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Interest income	1,707	642
Interest income on Staff Advances	1,156,937	–
Dividend income from Mutual Funds	–	32,442
Liabilities Written off	310,298	–
	1,468,942	33,084

NOTES TO FINANCIAL STATEMENT

Note 21 COST OF FILM PRODUCTION EXPENSES

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Opening Film Production Expenses	–	–
Add: Current year Film Production Expenses	621,598,353	284,556,832
	621,598,353	284,556,832
Less: Closing Film Production Expenses - WIP	477,853,302	–
	143,745,051	284,556,832

Note 22 EMPLOYEE BENEFIT EXPENSES

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Salaries and wages	22,347,416	10,879,398
Contribution to PF and other funds	146,003	107,206
Staff welfare expenses	1,101,741	334,528
	23,595,160	11,321,132

Note 23 OTHER EXPENSES

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Rent	5,653,361	3,903,068
Insurance	120,422	32,168
Power and Fuel	701,148	437,551
Printing & Stationery	692,949	370,869
Communication Expenses	917,687	628,727
Repairs to machinery	248,976	247,215
Registration Charges	39,556	46,984
Security Charges	225,611	200,765
Rates & taxes	202,513	304,369
Payment to statutory auditors		
as auditors	1,123,600	1,404,500
for tax audit	224,720	445,320
for certification	252,810	160,300
Directors Sitting Fees	92,974	100,000
Legal, Professional and consultancy	6,399,771	2,121,775
Office Maintenance	1,951,523	1,674,260
Advertisement, publicity and sales promotion	1,954,425	1,150,223
Investor related expenses including Listing Fees	551,226	552,783
Travelling Expenses including Conveyance	8,372,155	2,869,188
Provision for Doubtful Advances	2,383,812	–
Miscellaneous expenses	217,617	135,518
	32,326,856	16,785,583

Note 24 EXCEPTIONAL ITEMS

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Provision No Longer Required for Employees Retirement Benefits	–	(2,718,994)
Insurance Claim	(1,268,862)	–
	(1,268,862)	(2,718,994)

NOTES TO FINANCIAL STATEMENT

Note 25 **OTHER ITEMS**

25.1 Provision for Taxation and deferred tax

The provision for deferred tax asset/liability has been made in accordance with AS-22 on Accounting for Taxes on Income.

(Amount in ₹)

Particulars	For the year ended 31-03-2013	For the year ended 31-03-2012
Opening balance of deferred tax assets	1284711	531428
Add: Timing difference on account of gratuity and leave encashment	314963	882178
Total deferred tax assets	1599674	1413606
Less: Timing difference on account of depreciation	668537	128895
Net Deferred tax assets as at the year end	931137	1284711

Considering the principles of prudence, the above deferred tax asset has not been recognized as at 31.03.2013.

The provision for income tax has been made as per the Income Tax Act, 1961.

25.2 Employee Benefits

The following table sets forth the status of the Gratuity Plan of the Company and the amounts recognized in the financial statements

Principal Actuarial assumptions used

	For the year ended 31-03-2013	For the year ended 31-03-2012
Discount rates	8.20%	8.65%
Expected salary increase rates	7.50%	7.50%
Expected rate of return on plan assets	–	–
Expected Average remaining working lives of employees (years)	26 years	28 years

Reconciliation of opening and closing balances of the present value of the obligations *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present Value of Obligation at the beginning of the period	3,05,095	6,93,450
Current service cost	1,84,174	94,085
Interest cost	26,391	55,476
Actuarial loss/(gain)	1,25,037	(5,37,916)
Benefits paid	Nil	Nil
Present Value of obligation at the end of the period	**6,40,697**	**3,05,095**

Actuarial gain/loss recognized *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Actuarial (gain)/loss for the year		
Obligations	(1,25,037)	5,37,916
Assets	Nil	Nil
Total (gain)/loss for the year	**1,25,037**	**(5,37,916)**

Amounts recognized in the balance sheet *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present value of funded obligation	6,40,697	3,05,095
Less: Fair value of assets*	Nil	Nil
Net Liability / (Asset)	**6,40,697**	**3,05,095**

** The Company has not created any Trust for meeting the liability and not funded so far and hence no assets are available for valuation and hence there are no disclosures pertaining to plan assets.*

NOTES TO FINANCIAL STATEMENT

Note 25 **OTHER ITEMS**

25.2 Employee Benefits *(Contd...)*

Expenses recognized in the profit & loss statement

(Amount in ₹)

Particulars	For the year ended 31-03-2013	For the year ended 31-03-2012
Current service cost	1,84,174	94,085
Interest cost	26,391	55,476
Actuarial (gain)/loss	1,25,037	(5,37,916)
Cost recognized	3,35,602	(3,88,355)

The following table sets forth the status of the Leave Encashment Plan of the Company and the amounts recognized in the financial statements

Principal Actuarial assumptions used

(Amount in ₹)

Particulars	For the year ended 31-03-2013	For the year ended 31-03-2012
Discount rates	8.20%	8.65%
Expected salary increase rates	7.50%	7.50%
Expected rate of return on plan assets	–	–
Expected Average remaining working lives of employees (years)	26 years	28 years

Reconciliation of opening and closing balances of the present value of the obligations

(in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present Value of Obligation at the beginning of the year	7,16,771	30,47,410
Current service cost	6,31,158	(23,30,639)
Interest cost	62,001	2,43,793
Actuarial loss/(gain)	3,053	(2,43,793)
Benefits paid	(65,054)	Nil
Projected benefit obligation at the end of the period	**13,51,929**	**7,16,771**

Actuarial gain/loss recognized

(in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Actuarial (gain)/loss for the year		
Obligations	(3,053)	2,43,793
Assets	Nil	Nil
Total (gain)/loss for the year	3,053	**(243793)**

Amounts recognized in the balance sheet

(in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present value of funded obligation	13,51,929	7,16,771
Less: Fair value of assets	–	–
Net Liability / (Asset)	**13,51,929**	**7,16,771**

Expenses recognized in the profit & loss statement

(in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Current service cost	6,35,158	(23,30,639)
Interest cost	62,001	2,43,793
Actuarial (gain)/loss	3,053	(2,43,793)
Cost recognized	7,00,212	(23,30,639)

Note 25 **OTHER ITEMS**

25.2 Employee Benefits *(Contd...)*

Defined contribution plans

In respect of the defined contribution plans, an amount of ₹ 1, 46,003/- (2012: ₹ 1,07,206) has been recognized in the Statement of Profit and Loss during the year.

25.3 The Company has entered into two operating lease agreements for its office premises and one of these agreements are binding on the Company upto May 17, 2013. In case the Company cancels the agreement any time before the end of the contracted period, security deposit of ₹ 10,52,000 shall not be refunded to the Company. The Other Lease agreement is binding for 11 months upto February 05, 2013 renewable after every 11 months till 33 months period. During the year, the Company also entered into a Hire purchase Agreement for purchase of a Vehicle.

The lease rentals paid during the year and the future lease obligations including HP repayment for the agreement in vogue as at March 31, 2013 are as follows:

(in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Due within 1 year from the Balance Sheet date	44,01,528	49,56,340
Due between 1 and 5 years	54,84,163	32,91,644
Due after 5 years	Nil	Nil
Lease rent paid during the year	56,53,361	39,03,068

25.4 On a conservative basis, the Company has, provided for the entire amount of investments and advances to its subsidiary company M/s PVP Cinema (P) Ltd and the management does not expect any further provision on these investments and advances.

25.5 Long Term and Short Term Secured Loans are borrowed for the purpose of advancing film production/film finance. All these borrowings are secured by way of charge on some of the advance to film production/finance and also personally guaranteed by Mr. Prasad V Potluri, Managing Director.

25.6 The Company has advanced loans on the security of hypothecation of assets, mortgage of property, personal guarantee, assignment of rights, lien on film negative, undertaking to create security, etc relating to media finance activities.

25.7 Related party disclosures

List of related parties where control exists and related parties with whom transactions have taken place and relationships are as follows:

Names of the Related party	Relationship
PVP Cinema Private Limited (PCPL)	100% Subsidiary company
PVP Capital Ltd	100% Subsidiary company
Mr. Prasad V. Potluri	Key Managerial Personnel

Summary of transactions and outstanding balances with the above related parties:

(in ₹)

Nature of transactions	Transaction for the year ended		Balance as at	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Loan Given(repaid) to PCPL	(15,00,000)	3,77,52,532	4,75,94,812	4,90,94,812
Loan Adjusted with expenditure on production of a film by PCPL	Nil	(338,68,720)	Nil	Nil
Provision for advances given to PCPL	23,83,812	NIL	4,75,94,812	4,52,11,000
Investment in PVP Capital Ltd	25,21,73,500	Nil	25,21,73,500	
Loan to PVP Capital Ltd	1,04,392	Nil	1,04,392	Nil

NOTES TO FINANCIAL STATEMENT

Note 25 **OTHER ITEMS**

25.8 Earning per Share

(in ₹)

Particulars		For the year ended 31-03-2013	For the year ended 31-03-2012
Profit after Tax (in ₹)	A	7,69,03,262	8,52,59,061
Number of Equity shares outstanding	B	5,22,50,000	5,22,50,000
Weighted average number of equity shares outstanding	C	5,22,50,000	1,91,20,861
Number of weighted average shares outstanding including diluted potential equity shares	D	5,22,50,000	1,91,20,861
Earnings per share – Basic (in ₹)	A/C	1.47	4.45
Earnings per share – Diluted (in ₹)	A/D	1.47	4.45

25.9 Expenditure in Foreign Exchange

During the year the Company has incurred expenditure in foreign exchange of ₹5,55,68,139/- towards Film Production Expenses. (2012- ₹52,74,227).

25.10 The Company has not received any intimation from Suppliers, regarding their status under the Micro, Small Enterprises Development Act, 2006 and hence required disclosures such as amounts unpaid as at the year-end together with interest paid/payable have not been given.

25.11 The Company has not entered into any Derivative transactions during the year. There are no outstanding foreign currency exposures.

25.12 The previous year's figures have been regrouped/rearranged wherever necessary to make it comparable with the current year figures.

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
Prasad V. Potluri
Managing Director

Sd/-
R. Nagarajan
Director

Sd/-
N.S. Kumar
Director

Sd/-
R. Thirumalmarugan
Partner
Membership No. 200102

Place : Hyderabad
Date : May 27, 2013

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Place : Hyderabad
Date : May 27, 2013

Sd/-
Srikanth Adalat
Company Secretary

Consolidated financial statements

INDEPENDENT AUDITOR'S REPORT

To
Board of Directors of
Picturehouse Media Limited,
Chennai

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Picturehouse Media Limited** (the Company), and its subsidiaries, which comprises the Balance Sheet as at March 31, 2013 and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India. This includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the consolidated financial statements. These procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of the consolidated Balance Sheet, of the State of Affairs of Picturehouse Media Limited and its subsidiaries as on March 31,2013;

b) In the case of consolidated Statement of Profit and Loss , of the PROFIT for the year ended on that date; and

c) In the case of consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date

Emphasis of Matter

We draw attention to (a) Note 1.1.E with regard to preparation of financials of the subsidiary company on going concern, (b) Note 24.22 in note to the financial statements, with regard to the doubtful long terms loans and advances and provision made in earlier years; and (c) Note 24.10 with regard to the demands of Income Tax, which describes the uncertainty related to the outcome of the Appeals filed against the Orders of the Authorities. Our opinion is not qualified in respect of these matters.

Other Matter

We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets (net) of ₹60,31,05,295/- as at March 31, 2013, total revenues of ₹6,83,51,983/- and net cash outflows amounting to ₹35,825/- for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

for M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm Registration No: 004915S

Sd/-
R. Thirumalmarugan
Partner
Membership No: 200102

Camp: Hyderabad
Date: 27th May, 2013

CONSOLIDATED BALANCE SHEET as at 31st March, 2013

(Amount in ₹)

	Note No.	As at 31-03-2013		As at 31-03-2012	
I. EQUITY AND LIABILITIES					
1) Shareholders' Funds:					
a) Share Capital	2	522,500,000		522,500,000	
b) Reserves and Surplus	3	150,347,063		41,311,683	
c) Money Received against Share warrants		–	672,847,063	–	563,811,683
2) Share application money pending allotment			–		–
3) Non-current liabilities:					
a) Long-term borrowings	4	786,954,769		–	
b) Deferred tax liabilities (Net)		–		–	
c) Other Long-term liabilities	5	9,298,492		906,262	
d) Long-term provisions	6	1,959,310	798,212,571	1,000,509	1,906,771
4) Current liabilities:					
a) Short-term borrowings	7	304,733,528		948,504,449	
b) Trade payables	8	5,109,594		3,045,593	
c) Other current liabilities	9	6,388,198		3,975,053	
d) Short-term provisions	10	54,304,574	370,535,894	41,162,387	996,687,482
Total			1,841,595,528		1,562,405,936
II. ASSETS:					
1) Non-current assets					
a) Fixed Assets					
i) Tangible assets	11	21,984,881		4,706,704	
ii) Intangible assets		–		–	
iii) Capital advances		39,896,050		631,815	
iv) Intangible assets under development		–		–	
b) Non-current investments		–		–	
c) Deferred tax assets (Net)		–		–	
d) Long-term loans and advances	12	277,475,196		20,123,441	
e) Other non-current assets		–	339,356,127	–	25,461,960
Good Will on Consolidation			392,646		
2) Current assets					
a) Current investments		–		–	
b) Inventories	13	477,853,302		–	
c) Trade receivables	14	25,000,000		–	
d) Cash and cash equivalents	15	20,670,808		8,403,621	
e) Short-term loans and advances	16	931,188,655		1,500,101,171	
f) Other current assets	17	47,133,990	1,501,846,755	28,439,184	1,536,943,976
Total			1,841,595,528		1,562,405,936
See accompanying notes to the financial statements					

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
Prasad V. Potluri
Managing Director

Sd/-
R. Nagarajan
Director

Sd/-
N.S. Kumar
Director

Sd/-
R. Thirumalmarugan
Partner
Membership No. 200102

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Sd/-
Srikanth Adalat
Company Secretary

Place : Hyderabad
Date : May 27, 2013

Place : Hyderabad
Date : May 27, 2013

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended 31st March, 2013

(Amount in ₹)

		Note No.	For the year ended 31-03-2013	For the year ended 31-03-2012
I	Revenue from operations	18	502,370,140	464,484,699
II	Other income	19	1,468,942	33,084
III	**Total Revenue (I + II)**		**503,839,082**	**464,517,783**
IV	**Expenses:**			
	a) Cost of film production expenses	20	143,745,051	284,556,832
	b) Purchases of Stock-in-Trade		–	–
	c) Changes in inventories of finished goods work-in-progress and Stock-in-Trade		–	–
	d) Employee benefit expenses	21	26,783,180	11,321,132
	e) Finance costs		134,166,305	27,967,742
	f) Depreciation and amortization expenses	11	1,707,945	205,397
	g) Other expenses	22	39,082,633	16,934,566
	h) Contingent Provision on Standard Assets		1,393,702	–
	Total expenses		**346,878,816**	**340,985,669**
V	**Profit/(Loss) before exceptional and extraordinary items and tax (III - IV)**		**156,960,266**	**123,532,114**
VI	Exceptional items	23	(1,268,862)	(2,718,994)
VII	**Profit/(Loss) before extraordinary items and tax (V - VI)**		**158,229,128**	**126,251,108**
VIII	Extraordinary items		–	–
IX	**Profit/(Loss) before tax (VII - VIII)**		**158,229,128**	**126,251,108**
X	Tax expenses			
	1) Current tax		52,877,556	41,141,030
	2) Deferred tax		–	–
	Provision no longer required		(840,912)	–
XI	**Profit / (Loss) for the year from continuing operations (IX - X)**		**106,192,484**	**85,110,079**
XII	Profit / (Loss) from discontinuing operations		–	–
XIII	Tax expenses of discontinuing operations		–	–
XIV	Profit / (Loss) from discontinuing operations (after tax) (XII - XIII)		–	–
XV	**Profit / (Loss) for the year (XI + XIV)**		**106,192,484**	**85,110,079**
XVI	Earnings per share:			
	1) Basic		2.03	4.45
	2) Diluted		2.03	4.45
	See accompanying notes to the financial statements			

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
Prasad V. Potluri
Managing Director

Sd/-
R. Nagarajan
Director

Sd/-
N.S. Kumar
Director

Sd/-
R. Thirumalmarugan
Partner
Membership No. 200102

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Sd/-
Srikanth Adalat
Company Secretary

Place : Hyderabad
Date : May 27, 2013

Place : Hyderabad
Date : May 27, 2013

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March, 2013

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	158,229,128	126,251,108
Adjustments for:		
Depreciation	1,707,945	205,397
Interest Received	(1,707)	(642)
Interest paid on Financing Activity	120,631,036	27,967,742
Interest on Staff advances	(1,156,937)	
Dividend Income	–	(32,442)
Provision for doubtful advances	2,383,812	
Provision for employee benefit	1,035,814	
Contingent Provision against standard assets	1,393,702	
Excess Provision Written Back	(310,298)	(2,718,994)
Operating Profit Before Working Capital changes	283,912,495	151,672,169
Adjustments for:		
Increase/(Decrease) in Long/Short Term Provisions	(65,054)	–
Increase/(Decrease) in Trade payables	2,007,014	(695,588)
Increase/(Decrease) in Other Current Liabilities	2,851,217	(146,454)
(Increase)/Decrease in Inventories	(477,853,302)	–
(Increase)/Decrease in Trade Receivables	(25,000,000)	–
(Increase)/Decrease in Long/Short Term Loans & Advances	313,159,552	(1,167,562,783)
(Increase)/Decrease in Other Current Assets	(17,129,263)	(23,615,899)
Cash Generated from Operations	81,882,659	(1,040,348,554)
Direct Taxes paid	(41,893,848)	(7,926,754)
Net Cash from Operating Activities	**39,988,811**	**(1,048,275,308)**
B. CASH FROM INVESTING ACTIVITIES		
Interest Received	1,707	642
Interest from Staff Advances	1,156,937	–
Purchase/addition to Fixed Assets	(58,250,357)	(5,261,227)
Investment made during the year	(4,273,497)	–
Dividend Income	–	32,442
Net Cash used in Investing Activities	**(61,365,210)**	**(5,228,143)**
C. CASH FROM FINANCING ACTIVITIES		
Interest paid	(120,631,036)	(27,967,742)
Issue of Equity Share Capital	–	92,547,550
Proceeds from Short Term Borrowing	141,683,848	948,504,449
Proceeds from Other Long Term Liabilities	8,392,230	906,262
Net Cash from Financing Activities	**29,445,042**	**1,013,990,519**
Net increase in cash and cash equivalents	8,068,643	(39,512,932)
Cash and cash equivalents at the beginning of the year*	12,602,166	47,916,554
*(Includes cash pertaining to PVP Capital Limited)		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20,670,808	8,403,621

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
Prasad V. Potluri
Managing Director

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Partner
Membership No. 200102

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Sd/-
Srikanth Adalat
Company Secretary

Place : Hyderabad
Date : May 27, 2013

Place : Hyderabad
Date : May 27, 2013

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENT
for the year ended 31st March, 2013

Note 1 **SIGNIFICANT ACCOUNTING POLICIES**

1.1 Basis of preparation of financial statements

A. The financial statements of the Group have been prepared under the historical cost convention in accordance with the Accounting standards specified by Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956, to the extent applicable.

B. All financial transactions have been recognized on accrual basis. The preparation of financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The actual results could differ from those estimates. Examples of such estimates include future obligations under employee retirement benefit plans and the useful life of the fixed assets.

C. Principles of Consolidation: The Group's consolidated financial statements include those of Picturehouse Media Limited (formerly Telephoto Entertainments Limited), PVP Cinema Private Limited (Formerly PVP Screens Private Limited), PVP Capital ltd (Formerly Nahar Finance Ltd) its 100% Subsidiary. All significant inter-company transactions and balances have been eliminated in the consolidated statements.

D. List of subsidiaries and proportion of voting power held:

Name of Subsidiary	Country of incorporation/ Residence	Proportion of Ownership interest / Proportion of Voting power held
PVP Cinema Private Limited (Formerly PVP Screens Private Limited)	India	100 % (Wholly owned Subsidiary)
PVP Capital Ltd(Formerly Nahar Finance Ltd)	India	100 % (Wholly owned Subsidiary)

E. Going Concern: During the previous year, PVP Cinema Private Limited is fully dependent upon the financial and administrative support of its holding company Picturehouse Media Limited (formerly Telephoto Entertainments Limited). Hence, the financial statements are prepared on going concern basis.

1.2 Revenue Recognition

Income from movie rights are recognized in accordance with the terms of the agreements on accrual basis. Interest income is recognized on time proportionate basis. Income earned on licensing the copyrights is also recognized on time proportionate basis. Where loans have been classified as non - performing assets the interest is recognized on collection basis as per RBI guidelines.

1.3 Use of Estimates

In preparation of financial statements conforming to GAAP requirements certain estimates and assumptions are essentially required to be made with respect to items such as provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful life period of fixed assets. Due care and diligence have been exercised by the Management in arriving at such estimates and assumptions since they may directly affect the reported amounts of income and expenses during the year as well as the balances of Assets and Liabilities including those which are contingent in nature as at the date of reporting of the financial statements.

To comply with GAAP requirements relating to impairment of assets, if any, the Management periodically determines such impairment using external and internal resources for such assessment. Loss, if any, arising out of such impairment is expensed as stipulated under the GAAP requirements. Contingencies are recorded when a liability is likely to be incurred and the amount can be reasonably estimated. To this extent the results may differ from such estimates.

1.4 Fixed Assets and Depreciation

Fixed Assets are stated at acquisition cost. Depreciation is charged on a pro-rata basis on a straight-line method as per the rates and in the manner prescribed under the Schedule XIV to the Companies Act, 1956, as amended. Expenditure on maintenance, repairs and renewals of minor items are generally charged to revenue as incurred. Upon sale or write off of assets, the cost of the assets and the accumulated depreciation on such assets are eliminated from the Fixed Assets block. The profit / loss on sale of assets are included in the earnings statement.

Note 1 **SIGNIFICANT ACCOUNTING POLICIES** *(Contd...)*

1.5 Inventory

Inventory at the year end consists of film production Work in progress (WIP). The inventory WIP are valued at cost or net realizable value whichever is less. Cost includes direct and indirect cost relating to film production activity.

1.6 Benefits to employees

Gratuity

The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 (Revised 2005) on "Employee Benefits" as at the end of the period. Actuarial Gains/Losses are recognized immediately in Profit & Loss Account.

Leave Encashment

Leave encashment is paid for in accordance with the rules of the Group and provided based on an actuarial valuation as at the balance sheet date. Actuarial Gains/Losses are recognized immediately in Profit & Loss Account.

Other Benefit Plans

Contributions paid/ payable under defined contribution plans are recognized in the Profit and Loss Account in each year. Contribution plans primarily consist of Provident Fund administered and managed by the Government of India. The Group makes monthly contributions and has no further obligations under the plan beyond its contributions.

1.7 Foreign Currency Transactions

All foreign currency transactions are accounted for at the rates prevailing on the dates of the transaction. Foreign currency assets and liabilities are converted at the year end rates as applicable. The exchange difference on settlement / conversion is adjusted to statement of Profit and Loss.

1.8 Taxes

Tax expense comprises current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax laws. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

1.9 Leases

The assets purchased under hire purchase agreements are included in the Fixed Assets block. The value of the asset purchased is capitalized in the books. A liability for the same amount is created at the time of entering into the agreement. The payments are made to the HP vendors as per the EMI's given in the hire purchase agreements. The finance charges are debited to the profit & loss statement and the principal amount is adjusted against the liability created for the vendor.

Lease rental in respect of operating lease arrangements are charged to expense on a straight-line basis over the term of the related lease agreement.

1.10 Borrowing Cost

Expenditure on borrowing cost on the loans obtained specifically for acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. Other borrowing costs are charged to revenue over the tenure of the loan.

1.11 Segment Reporting

The Holding Company, Picturehouse Media Limited (formerly Telephoto Entertainments Limited) operates only in entertainment segment, whereas PVP Cinema Private Limited (formerly PVP Screens Private Limited), the subsidiary, did not have any commercial activity during the year and PVP Capital Ltd is in the media financing business. The group operations made one segment i.e movie and related activities.

Note 1 **SIGNIFICANT ACCOUNTING POLICIES** *(Contd...)*

1.12 Impairment of Assets

The Group reviews the carrying values of tangible and intangible assets for any possible impairment at each Balance Sheet date. Impairment loss, if any, is recognized in the year in which the impairment takes place.

1.13 Cash Flow Statement

The Cash Flow statement is prepared under the indirect method as per Accounting Standard 3 "Cash Flow Statements".

1.14 Earnings per Share

The earnings considered for ascertaining the Group's Earnings Per Share comprises the net profit after tax. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted EPS comprises of the weighted average number of shares considered for deriving Basic EPS and also the weighted average number of equity shares that would be issued on the conversion of all dilutive potential equity shares.

1.15 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has an obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

Note 2 **SHARE CAPITAL**

A) Authorized, Issued, Subscribed and Paid-up share capital and par value per share *(Amount in ₹)*

	As at 31-03-2013	As at 31-03-2012
Authorized Share Capital		
80000000 (PY: 48000000) Equity Shares of ₹ 10/- each	800,000,000	530,000,000
NIL (PY: 27000000) Preference Shares of ₹ 10/- each	–	270,000,000
	800,000,000	800,000,000
Issued, Subscribed and Paid Up		
52250000 (PY: 15495788) Equity Shares of ₹ 10/- each	522,500,000	522,500,000
	522,500,000	522,500,000

B) Reconciliation of number of paid up shares outstanding *(Amount in ₹)*

	As at 31-03-2013	As at 31-03-2012
EQUITY SHARES		
Number of shares outstanding as at the beginning of the year	52,250,000	15,495,788
Add: Number of Shares allotted during the year	–	36,754,212
Less: Number of Shares bought back	–	–
Number of equity shares outstanding as at the end of the year	52,250,000	52,250,000
PREFERENTIAL SHARES		
Number of shares outstanding as at the beginning of the year	–	25,997,722
Add: Number of Shares allotted during the year	–	–
Less: Number of Shares converted in to equity	–	(25,997,722)
Number of shares outstanding as at the end of the year	–	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Note 2 **SHARE CAPITAL** *(Contd...)*

C) Equity Shares in the Company held by each shareholder holding more than 5%:

Name of shareholder	As at 31-03-2013		As at 31-03-2012	
	No. of Shares	%	No. of Shares	%
PVP Ventures Limited	3,353,114	6.42	3,353,114	6.42
Jhansi Sureddi	32,156,899	61.54	32,156,899	61.54
Rayudu Media Projects Private Limited	4,506,490	8.62	4,506,490	8.62
Sparrow Asia Diversified Opportunity Fund	4,750,000	9.09	4,750,000	9.09

D) During the previous year, the Holding Company pursuant to the approval of FIPB, allotted 47,50,000 warrants of ₹ 10 each to Sparrow Asia Diversified Opportunities Fund (earlier known as Sparrow India Diversified Opportunities Fund I), a sub-account of an FII. Each of the warrants were convertible, within 12 months, into One (1) equity share of ₹ 10 per share each in terms of SEBI ICDR Pricing guidelines. On February 25, 2012, the Company converted 2,59,97,722 Zero Percent Compulsorily Convertible Preference Shares and 1,07,56,490 Convertible Warrants and allotted 3,67,54,212 equity shares of ₹ 10/- each to the respective holders. Post such allotment, the Issued, subscribed and paid-up share capital of the Company increased to ₹ 52,25,00,000/- divided into 5,22,50,000 equity shares of ₹ 10 each fully paid up in cash.

Note 3 **RESERVES AND SURPLUS**

(Amount in ₹)

	As at 31-03-2012	Additions during the year	Deductions during the year	As at 31-03-2013
Capital Reserve	2,287,500	–	–	2,287,500
General Reserve	–	86,000	–	86,000
Statutory Reserve	–	6,248,627	–	6,248,627
Securities Premium Reserve	18,250,000	–	–	18,250,000
Surplus (P&L a/c) as under:	20,774,183	102,700,753	–	123,474,936
(Includes PVP Capital Limited)				
	41,311,683	109,035,380	–	150,347,063
Opening Balance	(64,335,895)			20,774,183
Profit / (Loss) for the year - From P & L	85,110,078	106,192,484	–	106,192,484
Add: Adjustment for inter Company elimination	–	2,383,812		2,383,812
Less: Proposed dividends	–	–	–	–
Tax on distributed profits	–	–	–	–
Less: Transfer to Statutory Reserve		(5,875,543)		(5,875,543)
Balance of Profit / (Loss)	**20,774,183**	**102,700,753**	–	**123,474,936**

Note 4 **LONG TERM BORROWINGS**

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
From other parties - Secured (Refer Note No. 24.8)	786,954,769	–
	786,954,769	–

Note 5 **OTHER LONG TERM LIABILITIES**

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
From Banks - Vehicle Loan	9,298,492	906,262
The loans are secured by vehicle purchased on Hire Purchase		
	9,298,492	906,262

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Note 6 LONG TERM PROVISIONS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Employee Benefits (Refer Note No. 24.2)	1,959,310	1,000,509
	1,959,310	**1,000,509**

Note 7 SHORT TERM BORROWINGS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
from other parties - Secured (Refer Note No. 24.8)	304,733,528	948,504,449
	304,733,528	**948,504,449**

Note 8 TRADE PAYABLE

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Sundry Creditors for services	5,109,594	3,045,593
	5,109,594	**3,045,593**

Note 9 OTHER CURRENT LIABILITIES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Income received in advance	823,008	1,167,390
TDS Payable	5,565,190	2,807,663
	6,388,198	**3,975,053**

Note 10 SHORT TERM PROVISIONS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Provision for income tax	52,877,556	41,141,030
Contingent Provision against Standard Assets (Made at @ 0.25% of the outstanding loans)	1,393,702	–
Provision for employee benefits (Refer Note No. 24.2)	33,316	21,357
	54,304,574	**41,162,387**

Note 11 FIXED ASSETS - TANGIBLE

(Amount in ₹)

Description	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 1st April, 2012	Addition	Deletion	As at 31st March, 2013	As at 1st April, 2012	Addition	Deletion	As at 31st March, 2013	As at 31st March, 2013	As at 31st March, 2012
Goodwill on Consolidation										
Computers & Related Assets	722,144	2,174,350		2,896,494	66,985	273,635		340,620	2,555,874	655,159
Furniture & Fixtures	321,050	1,877,489		2,198,539	38,526	110,941		149,467	2,049,072	282,524
Vehicles	2,979,617	13,633,576		16,613,193	50,200	1,236,895		1,287,095	15,326,098	2,929,417
Office Equipments	902,443	1,300,707		2,203,150	62,839	86,474		149,313	2,053,837	839,604
	4,925,254	18,986,122	–	23,911,376	218,550	1,707,945	–	1,926,495	21,984,881	4,706,704
CWIP (PVP Capital)	–	39,896,050		39,896,050	–	–	–	–	39,896,050	631,815
Previous year	295,842	4,629,412		4,925,254	13,153	205,397		218,550	4,706,704	282,689

Note: Vehicle includes ₹1,1271,555/- (PY: ₹ 10,41,000/-) purchased on HP Scheme. The title to these vehicles are subject to HP agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Note 12 LONG TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Security Deposits - Considered Good	2,940,620	1,827,000
Loans and advances - Considered doubtful	62,000,000	62,000,000
Loans and advances for Film Finance (Refer Note No. 24.9)	274,534,576	18,296,441
	339,475,196	82,123,441
Less: Provision for doubtful advances	62,000,000	62,000,000
	277,475,196	20,123,441

Note 13 INVENTORIES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
(Valued at cost or net realizable value which ever is less)		
Under Film Production Expenses - WIP	477,853,302	–
	477,853,302	–

Note 14 TRADE RECEIVABLE

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Secured - Considered Good		
Sundry Debtors - Others	25,000,000	–
	25,000,000	–

Note 15 CASH AND CASH EQUIVALENTS

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Balance with banks	20,192,000	7,181,010
Deposit - CTO	2,500	–
Cash on hand	476,308	1,222,611
	20,670,808	8,403,621

Note 16 SHORT TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Secured - Considered Good		
Loans and advances to related parties	–	–
Advances for Film Finance - (Refer Note No. 24.9)	912,006,865	1,165,456,240
Unsecured - Considered Good		
Loans and advances to related parties	–	–
Advances for Film Production	–	235,809,332
Advances for Film Finance (Refer Note No. 24.9)	–	98,685,599
Advances for Staff	12,439,441	100,000
Advances for Capital Works	5,558,353	–
Advances for Others	1,183,996	50,000
	931,188,655	1,500,101,171

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Note 17 **OTHER CURRENT ASSETS**

(Amount in ₹)

	As at 31-03-2013	As at 31-03-2012
Advance Income Tax	46,976,390	28,351,345
Prepaid Expenses	157,600	87,839
	47,133,990	28,439,184

Note 18 **INCOME**

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Income from Movie Rights & Related Activities	502,370,140	464,484,699
	502,370,140	464,484,699

Note 19 **OTHER INCOME**

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Interest income	1,707	642
Interest income on Staff Advances	1,156,937	–
Dividend income from Mutual Funds	–	32,442
Liabilities Written off	310,298	–
	1,468,942	33,084

Note 20 **COST OF FILM PRODUCTION EXPENSES**

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Opening Film Production Expenses	–	–
Add: Current year Film Production Expenses	621,598,353	284,556,832
	621,598,353	284,556,832
Less: Closing Film Production Expenses - WIP	477,853,302	–
	143,745,051	284,556,832

Note 21 **EMPLOYEE BENEFIT EXPENSES**

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Salaries and wages	25,525,371	10,879,398
Contribution to PF and other funds	146,003	107,206
Staff welfare expenses	1,111,806	334,528
	26,783,180	11,321,132

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Note 22 OTHER EXPENSES

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Rent	5,653,361	3,903,068
Insurance	120,422	32,168
Power and Fuel	701,148	437,551
Printing & Stationery	692,949	370,869
Communication Expenses	949,101	628,727
Repairs to machinery	248,976	247,215
Registration Charges	39,556	46,984
Security Charges	225,611	200,765
Rates & taxes	311,277	305,669
Payment to statutory auditors	–	
as auditors	1,236,990	1,459,650
for tax audit	258,428	445,320
for certification	252,810	160,300
Directors Sitting Fees	92,974	100,000
Legal, Professional and consultancy	10,174,345	2,208,885
Office Maintenance	1,951,523	–
Advertisement, publicity and sales promotion	1,954,425	960,223
Investor related expenses including Listing Fees	3,082,926	552,783
Travelling Expenses including Conveyance	8,428,273	2,869,188
Provision for Doubtful Advances	2,383,812	–
Miscellaneous expenses	323,726	2,005,201
	39,082,633	**16,934,566**

Note 23 EXCEPTIONAL ITEMS

(Amount in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Provision No Longer Required for Employees Retirement Benefits	–	(2,718,994)
Insurance Claim	(1,268,862)	–
	(1,268,862)	**(2,718,994)**

Note 24 OTHER ITEMS

24.1 Provision for Taxation and deferred tax

The provision for deferred tax asset/liability for the year ended March 31, 2013 has been made in accordance with AS-22 on Accounting for Taxes on Income.

(Amount in ₹)

Particulars	For the year ended 31-03-2013	For the year ended 31-03-2012
Opening balance of deferred tax assets	1284711	531428
Add: Timing difference on account of gratuity and leave encashment	314963	882178
Total deferred tax assets	1599674	1413606
Less: Timing difference on account of depreciation	668537	128895
Net Deferred tax assets as at the year end	931137	1284711

Deferred tax assets are not recognized on the consideration of prudence.

The Provision for Tax has been made as per the provisions of the Income Tax Act, 1961 considering the brought forward losses for set off.

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Note 24 **OTHER ITEMS** *(Contd...)*

24.2 Employee Benefits

The following table sets forth the status of the Gratuity Plan of the Group and the amounts recognized in the financial statements

Principal Actuarial assumptions used

	For the year ended 31-03-2013	For the year ended 31-03-2012
Discount rates	8.20%	8.65%
Expected salary increase rates	7.50%	7.50%
Expected rate of return on plan assets	–	–
Expected Average remaining working lives of employees (years)	26 years	28 years

Reconciliation of opening and closing balances of the present value of the obligations *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present Value of Obligation at the beginning of the period	3,05,095	6,93,450
Current service cost	1,84,174	94,085
Interest cost	26,391	55,476
Actuarial loss/(gain)	1,25,037	(5,37,916)
Benefits paid	Nil	Nil
Present Value of obligation at the end of the period	6,40,697	3,05,095

Actuarial gain/loss recognized *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Actuarial (gain)/loss for the year		
Obligations	(1,25,037)	5,37,916
Assets	Nil	Nil
Total (gain)/loss for the year	1,25,037	(5,37,916)

Amounts recognized in the balance sheet *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present value of funded obligation	6,40,697	3,05,095
Less: Fair value of assets*	Nil	Nil
Net Liability / (Asset)	6,40,697	3,05,095

** The Company has not created any Trust for meeting the liability and not funded so far and hence no assets are available for valuation and hence there are no disclosures pertaining to plan assets.*

Expenses recognized in the profit & loss statement *(Amount in ₹)*

Particulars	For the year ended 31-03-2013	For the year ended 31-03-2012
Current service cost	1,84,174	94,085
Interest cost	26,391	55,476
Actuarial (gain)/loss	1,25,037	(5,37,916)
Cost recognized	3,35,602	(3,88,355)

Note 24 **OTHER ITEMS** *(Contd...)*

24.2 Employee Benefits *(Contd...)*

The following table sets forth the status of the Leave Encashment Plan of the Company and the amounts recognized in the financial statements

Principal Actuarial assumptions used *(Amount in ₹)*

Particulars	For the year ended 31-03-2013	For the year ended 31-03-2012
Discount rates	8.20%	8.65%
Expected salary increase rates	7.50%	7.50%
Expected rate of return on plan assets	–	–
Expected Average remaining working lives of employees (years)	26 years	28 years

Reconciliation of opening and closing balances of the present value of the obligations *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present Value of Obligation at the beginning of the year	7,16,771	30,47,410
Current service cost	6,31,158	(23,30,639)
Interest cost	62,001	2,43,793
Actuarial loss/(gain)	3,053	(2,43,793)
Benefits paid	(65,054)	Nil
Projected benefit obligation at the end of the period	**13,51,929**	**7,16,771**

Actuarial gain/loss recognized *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Actuarial (gain)/loss for the year		
Obligations	(3,053)	2,43,793
Assets	Nil	Nil
Total (gain)/loss for the year	**3,053**	**(2,43,793)**

Amounts recognized in the balance sheet *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Present value of funded obligation	13,51,929	7,16,771
Less: Fair value of assets	–	–
Net Liability / (Asset)	**13,51,929**	**7,16,771**

Expenses recognized in the profit & loss statement *(in ₹)*

	For the year ended 31-03-2013	For the year ended 31-03-2012
Current service cost	6,35,158	(23,30,639)
Interest cost	62,001	2,43,793
Actuarial (gain)/loss	3,053	(2,43,793)
Cost recognized	7,00,212	(23,30,639)

Defined contribution plans

In respect of the defined contribution plans, an amount of ₹ 1, 46,003/- (2011: ₹ 1,07,206) has been recognized in the Statement of Profit and Loss during the year.

Note 24 **OTHER ITEMS** *(Contd...)*

24.3 The Group has entered into two operating lease agreements for its office premises and one of these agreements is binding on the Group upto May 17, 2013. In case the Company cancels the agreement any time before the end of the contracted period, security deposit of ₹ 10,52,000 shall not be refunded to the Group. The Other Lease agreement is binding for 11 months upto Feburary 05, 2013 renewable after every 11 months till 33 months period. During the year, the Company has also entered into a Hire purchase Agreement for purchase of Vehicles.

The lease rentals paid during the year and the future lease obligations including HP repayment for the agreement in vogue as at March 31, 2013 are as follows:

(in ₹)

	For the year ended 31-03-2013	For the year ended 31-03-2012
Due within 1 year from the Balance Sheet date	44,01,528	49,56,340
Due between 1 and 5 years	54,84,163	32,91,644
Due after 5 years	Nil	Nil
Lease rent paid during the year	56,53,361	39,03,068

24.4 Expenditure in Foreign Exchange

During the year the Company has incurred expenditure in foreign exchange of ₹5,55,68,139 /- towards Film Production Expenses. (2012- 52,74,227).

24.5 Earning per Share

(in ₹)

Particulars	Ref.	For the year ended 31-03-2013	For the year ended 31-03-2012
Profit after Tax (in ₹)	A	10,61,92,485	8,51,10,078
Number of shares outstanding	B	5,22,50,000	5,22,50,000
Weighted average number of Equity Shares outstanding	C	5,22,50,000	1,91,20,861
Weighted average number of shares outstanding including diluted potential equity shares	D	5,22,50,000	1,91,20,861
Earnings per share – Basic (In ₹)	A/C	2.03	4.45
Earnings per share – Diluted (In ₹)	A/D	2.03	4.45

24.6 The Group has not entered into any derivative contracts during the year under review and also does not have any foreign currency exposure as at March 31, 2013.

24.7 The Company has not received any intimation from Suppliers, regarding their status under the Micro, Small Enterprises Development Act, 2006 and hence required disclosures such as amounts unpaid as at the year-end together with interest paid/payable have not been given.

24.8 Long Term and Short Term Secured Loans are borrowed for the purpose of advancing film production/film finance. All these borrowings are secured by way of charge on some of the advance to film production/finance and also personally guaranteed by Mr. Prasad V Potluri, Managing Director.

24.9 The Company has advanced loans on the security of hypothecation of assets, mortgage of property, personal guarantee, assignment of rights, lien on film negative, undertaking to create security, etc relating to media finance activities.

24.10 Contingent Liabilities

The Income tax assessment for the AY 2009-10 for the subsidiary company, PVP Cinema Limited is completed with a demand of ₹ 146.69 lakhs, which was disputed before ITAT, Chennai. Pending disposal of appeal no provision has been made in the accounts.

24.11 Estimated amounts of contracts remaining to be executed on capital account and not provided for ₹ 10, 31, 23,950/- (P.Y. ₹ Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Note 25 **OTHER ITEMS** *(Contd...)*

24.12 During the earlier years, the Company had advanced a sum of ₹ 620.00 lakhs to certain companies, for which the entire amount has already been provided for in the earlier accounts. The management is not contemplating any further commitment or provisions in excess of the amount of advance made.

24.13 The previous year's figures have been regrouped/rearranged wherever necessary to make it comparable with the current year figures.

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES
Chartered Accountants
Firm. Reg. No. 004915S

Sd/-
Prasad V. Potluri
Managing Director

Sd/-
R. Nagarajan
Director

Sd/-
N.S. Kumar
Director

Sd/-
R. Thirumalmarugan
Partner
Membership No. 200102

Place : Hyderabad
Date : May 27, 2013

Sd/-
A. Praveen Kumar
GM - Finance & Accounts

Place : Hyderabad
Date : May 27, 2013

Sd/-
Srikanth Adalat
Company Secretary

Picturehouse Media Limited

Regd. Office: KRM Centre, 9th Floor, Door No.2, Harrington Road,
Chetpet, Chennai – 600 031

ATTENDANCE SLIP

Regd. Folio/ : ....   Shares held: ....

Client ID/ DPID: ....

I/we hereby record my/our presence at the 14th Annual General Meeting of the Company to be held on Thursday, the September 26, 2013 at 11.30 A.M. at "Kamaraj Arangam", No. 492, (Old No.574-A), Anna Salai, Teynampet, Chennai - 600006.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

Note: (1) To be signed at the time of handing over this slip. (2) Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.

Picturehouse Media Limited

Regd. Office: KRM Centre, 9th Floor, Door No.2, Harrington Road,
Chetpet, Chennai – 600 031

PROXY FORM

I/We .... of

.... being a member/ members of the

above named company hereby appoint ………………………………………………..……………………...……………………......……

……………………………………… of ………………………………………………………………….....……………….. as my/our proxy

to vote for me/us on my/our behalf at the 14th Annual General Meeting of the Company to be held on Thursday, the September 26, 2013 at 11.30 A.M. at "Kamaraj Arangam", No. 492, (Old No.574-A), Anna Salai, Teynampet, Chennai – 600006 and at any adjournment thereof.

Signed this .... day of .... 2013.

Please
Affix ₹1
Revenue
Stamp

NOTE:

A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself. (2) Proxy need not be a member. (3) The proxy form duly completed should be deposited at the registered office of the Company not less than 48 hours before the time fixed for holding the meeting.

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info@trisyscom.com

BOOK POST

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