ANNEXURE 1

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along with Annual Audited Consolidated Financial Results of Picturehouse Media Limited.

Statement on Impact of Audit Qualification on Annual Audited Consolidated Financial Results for the Financial Year ended 31st March 2021			
[See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]			
Sl No	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. in lakhs)	Adjusted Figures (audited figures after adjusting for qualifications) (Rs. in lakhs)
1	Turnover/Total Income	138.79	138.79
2	Total Expenditure	4,942.26	4,942.26
3	Net Profit/(Loss)	-4,803.47	-4,803.47
4	Earnings per share (in Rs.)	-9.19	-9.19
5	Total Assets	10,804.00	10,804.00
6	Total Liabilities	31,357.29	31,357.29
7	Net Worth	-20,553.29	-20,553.29
8	Any other financial item(s) (as felt appropriate by the management)	-	-

Audit Qualification:

S No	Details of Audit Qualification	Type of Qualification	Frequency of Qualification	For Audit Qualification(s) where impact is quantified by the Auditor, Management Views	For Audit Qualification(s) where impact is not quantified by the Auditor: Managements estimation on impact of audit qualification	If management is unable to estimate the impact, reasons for the same	Auditors Comments
1	1. Attention is invited to note no. 1 to the Statement, in relation to advances made for film production (including interest accrued of Rs. 1324.37 lakhs) amounting to Rs. 3632.79 lakhs, whose realisability is significantly dependent on timely completion of production of films and the commercial viability of the films under production etc. The holding company's Board is of the view that advances can be realised at the time of release of the movies and accordingly, the company is confident of realizing the entire amount of loans with interest and does not foresee any erosion in carrying value. We are not provided with any documentary evidence as regards Board's assertion that the carrying amount of loans made have not suffered any erosion as on March 31, 2021. No evidence was adduced regarding the status of production of films. Nor was confirmation produced from the loan debtors. Consequently, we are unable to determine whether any impairment to the carrying amounts of advances were necessary and to this extent, loss for the year ended March 31, 2021 is understated. In respect of an advance of Rs. 262.50 lakhs made to one party during the	Qualified	Third Time	-	NIL	Realisability is signficantly dependent on timely completion of production of films and the commercial viability of the films under production etc.Management is of the view that loans and advances can be realised at the time of release of the movies and accordingly, the company is confident of realizing the entire amount of loans with interest and does not foresee any erosion in carrying value.The management is confident of realising the value at which they are carried notwithstanding the period outstanding.	No further comments
2	2. Attention is invited to note no. 2 to the Statement, in relation to inventory i.e. films production expenses amounting to Rs. 4995.64 lakhs, mainly consists of advances granted to artists and co-producers. As the films have not commenced and / or completed, the advances made continued to be carried as inventory. However, the Board of the holding company states that it is evaluating options for maximum utilization of these payments. In the absence of tangible evidence towards commencement and / or completion of production of films and also in the absence of confirmation of balances from the parties, we are unable to agree with the views of the Board. We are of the opinion that realisation of inventories is doubtful but we are also unable to decide the quantum of loss that may arise on account of write down of inventory.	Qualified	Third Time	-	NIL	The films under production expenses mainly comprising payments to artists and co-producers the company is evaluating options for optimal utilization of these payments in production and release of films. The management does not foresee any erosion in carrying value.	No further comments
3	The independent auditor of subsidiary company viz. PVP Capital Limited has drawn Qualified conclusion. The same is reproduced by us as under: a. Note No. 16.6 in the financial statements which indicates that the Company has not adhered to the repayment schedule for the principal and interest dues to the Bank, consequent to which the Bank has filed for recovery of its dues before the Debt Recovery Tribunal (DRT) and also initiated recovery proceedings under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFESI Act, 2002). Further the Bank has taken over symbolic possession of the immovable property and issued sale notice for e-auction of the property given by the ultimate holding company as corporate guarantee. The outstanding amount is Rs. 20012.67 lakhs as per the books of account as at March 31, 2021. Further the Company is currently pursuing the realization of dues to the Company and other than this the Company is not carrying any business activity. The regulatory authority may cancel the registration to carry the principal business activity as a Non-Banking Finance Company due to non-maintenance of minimum net owned fund of Rs. 2 crores as stated in the said note to the financial statement. The Company`s inability to meets its financial statements, non-payment of statutory dues and in absence of visual cash flows, doubts are cast on the ability of the Company to continue as a going concern to achieve its future business plans. Taking into consideration the pending legal outcomes of the legal proceedings as well as liquidity constraints, we are unable to express our view whether it is appropriate to treat the Company as a going concern. However based on the management`s assertions the Company`s financial statements have been prepared on the basis of going concern and the impact, if any, if it were to be treated as a going concern, is not ascertainable at this stage. b. In relation to the loans for film production amounting to Rs. 171.56 crores, whose realisability is significantly dependent on timely completion of the production of the films and the commercial viability of the films under production etc. The Management has assessed the recoverability of the loan amount and accordingly made a provision of Rs. 147.70 crores as at 31st March, 2021. However, the Management is unable to provide the status of the production of the recoverability of the whole amount. films Hence we are unable to determine whether the said provision is adequate or not.	Qualified	Third Time	-	NIL	PVP Capital Limited ('PVPCL') a Wholly Owned Subsidiary Company, has not adhered to repayment schedule of principal and interest due to a bank consequent to which the bank has filed a case for recovery of the dues before the Debt Recovery Tribunal (DRT) amounting to Rs.16,787.91 lakhs (including interest accrued) as per the books of accounts as on 31st March, 2020. The bank has taken symbolic possession of secured, immovable property of the Group Company under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) and issued an e-auction sale notice. There were no bidders for the aforesaid sale notice and consequently the e-auction sale proceedings have become infructuous. Further, PVPCL has applied for One Time Settlement to the bank and confident to settle the same. Further, PVPCL has received communication letter from the Reserve Bank of India (RBI) letter dated 20th November, 2019, stating that the company has not maintained the mandatory amount of Net Owned Fund of Rs.200 Lakhs. Further, RBI has instructed to furnish an action plan to achieve the mandatory amount of Net Owned Fund of Rs.200 Lakhs on or before 31st March, 2020, failing which RBI would be constrained to initiate strict action including the cancellation of Certificate of Registration. Management has evaluating the action plans to realize the dues to the company and settlement the existing vendors, further company can carry the movie financing business after taking necessary approvals from the RBI. Hence management is of the view that the financial statements shall continue to be prepared on the assumption that the company is a going concern.	No further comments

4	3. Attention is invited to note nos. 5 and 6 to the consolidated financial results, in relation to preparation of consolidated financial results on "Going Concern Basis". While the net worth has completely eroded and the Group not carrying major business activity and the Group incurring continuous losses from business operations, existence of adverse key financial ratios, non-payment of statutory dues and other related factors indicate that there exists material uncertainty that will cast significant doubt on the Group's ability to continue as a going concern. Therefore, we opine that Group may not be able to realize its assets and discharge its liabilities in the normal course of business. Notwithstanding this, the financial results have been prepared as that of going concern and consequently the fair value of various assets and liabilities have not been re-determined, and we are therefore unable to express our view whether the preparation of consolidated financial results on a going concern assumption is appropriate or not.	Qualified	Third Time	-	NIL	As on 31st March, 2020 the company has a negative net worth of Rs.15,752.45 Lakhs. Eventhough the company is incurring continuous losses and negative networth, the group is succeeded in better EBITA Margins. This is entirely aligned with the Group's long range plan, which encompasses a continued development of the Group's revenue generating activities in order to absorb the losses carried forward and generate profit over a period of time. Further, the lenders have extended their confidence by advancing finance and extending the time period of repayment. There is no intention to liquidate and the Company has got future projects to keep improving. The Group has paid advance amounts to the artistes and technicians for the future movies production which is shown under Inventory. Further, during the course of a period, the Group indents to strategically merge with its holding company which will create positive synergy in future. The consolidated financial statements have been prepared on a going concern basis based on cumulative input of the available movie projects in pipe line and risk mitigating factors.	No further comments
5	4. Penalty of Rs. 7.60 lakh levied by the Bombay Stock Exchange recorded in financial statement of 31.03.2021 vide note no. 8 on the holding company to the consolidated financial results. The financial statements pertaining to the year ended March 31, 2020 ought to have been restated to comply with the Ind AS 8.	Qualified	First Time	-	NIL	it is a omission by oversight. Hence the same is rectified now	No further comments
6	The independent auditor of subsidiary company viz. PVP Cinema Private Limited has drawn Qualified conclusion. The same is reproduced by us as under: Interest on unpaid income tax for FY 2008-09 till date aggregating to Rs. 9.50 lakhs is not accounted. The accumulated loss is short by this amount.	Qualified	First Time			The company has to receive refund from the tax department and hence not provided interest on tax payable.	No further comments
7	The independent auditor of both the subsidiaries has drawn a qualified conclusion with respect to internal financial control over financial reporting. The same is reproduced as follows: PVP Capital Limited, Chennai a) The Company needs to strength its documentation relating to loan disbursement. The Company should consider taking tangible immovable property as collateral security from the borrowers. Any life risk to the borrower would put the Company into a great risk of default from the borrower. b) The Company has only 2 employees during the year and all the operations are being carried out by them in conjunction with the employees of the Holding Company. Hence there is no internal control framework in place in the Company. c) The Company has been defaulting in its commitments to bankers, on corporate tax payments, being sluggish on collecting receivables thus signaling a tough liquidity crunch. d) The Company has filed just two legal suits for recovery of its advances given. Considering the duration for which the advances given are due, the Company should be steadfast to file more suits for recovery.	Qualified	First Time			The management decided to strengthen the internal control frame work. As long as point 7a is considered, the management followed the best industry practice. The management is elibile for negative rights of movie funded by the company and hence not obtaining any addtional security. 7 b)Due to Covid Situtation, there were no production of movie which is the main object of the Company. Hence the company reduced the staff and using holding company employee with clear demarcation of duties. 7 c) Management is taking necessary stpes to recover the dues. 7 d) Management is filing necessary suites after exhausting all the other possibilities to recover the money.	No further comments

For **Picturehouse Media Limited**

For Sundaram & Srinivasan.,
Chartered Accountants
Firm Registration No.
004207S

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Prasad V. Potluri
Chairman & Managing Director
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N S Kumar
Audit Committee Chairperson

A. Praveen Kumar
Chief Financial Officer

Venkatasubramanian.S
Partner
Membership number : 219238

Place: Chennai
Date: 22-06-2021