

ANNEXURE 1

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

Statement on Impact of Audit Qualification on Annual Audited Standalone 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	Adjusted Figures
		(as reported before adjusting for qualifications)	(audited figures after adjusting for qualifications)
		(Rs. In lakhs)	(Rs. In lakhs)
1	Turnover/Total Income	138.79	138.79
2	Total Expenditure	224.05	224.05
3	Net Profit/(Loss)	-85.26	-85.26
4	Earnings per share (in Rs.)	-0.16	-0.16
5	Total Assets	11,729.44	11,729.44
6	Total Liabilities	10,620.63	10,620.63
7	Net Worth	1,108.81	1,108.81
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	<p>1. Attention is invited to note no. 3 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 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 year, the company has not produced any documentary evidence including confirmation of balance. Hence, we are not in a position to certify the</p>	Qualified	Third Time	-	NIL	<p>Realisability is significantly 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.</p>	No further comments
2	<p>2. Attention is invited to note no. 4 to the Statement, in relation to inventory i.e. films production expenses amounting to, 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 states that it is evaluating options for maximum utilization of these payments. In the absence of documentary 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.</p>	Qualified	Third Time	-	NIL	<p>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.</p>	No further comments

3	<p>Investment in wholly owned subsidiary viz. PVP Capital Limited, Chennai (PVPCCL) (note no. 5 to the Statement)</p> <p>The subsidiary's networth stands at Rs. 19132.25 lakhs (negative) as at 31.03.2021. The possibility of liberal cash flow is dim. The company has also defaulted in repayment of loans from banks. Even statutory dues are not remitted into the Government. PVPCCL has not maintained minimum net owned funds as per RBI Regulations. Under these circumstances, regulatory authorities may cancel its registration as non-banking finance company. However, the Board of the Picturehouse Media Limited considers there is no need to provide for impairment in investment made. We do not agree with that view. But it is difficult to assess correctly the extent of erosion and the loss arising therefrom.</p>	Qualified	Third Time	-	NIL	<p>PVP Capital Limited ('PVPCCL') 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 has become infructuous. Further, PVPCCL has applied for One Time Settlement to the bank and confident to settle the same.</p> <p>Further, The company 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.</p> <p>Management asserts that no adjustment to the carrying value on investments of Rs.2,521.74 lakhs is required as it is confident, that, by considering the aspects like recovery from the borrowers and other resources to bring in additional cash flows will meet its obligations. The Auditors have drawn qualified opinion in this regard.</p>	No further comments
4	<p>Attention is invited to note nos. 6 & 7 to the Statement, in relation to preparation of financial results on "Going Concern Basis".</p> <p>Without carrying any major business activity, incurring continuous losses from operations, adverse key financial ratios, non-payment of statutory dues, impact of our observations made in preceding paragraph, the impact of outbreak of Coronavirus (COVID -19) on the business operations of the company and other related factors indicate that there is an existence of material uncertainty that will cast significant doubt on the company's ability to continue as a going concern. Notwithstanding this, the financial results have been prepared as that of going concern and consequently the terminal values of various assets and liabilities have not been re-determined. We are, however, unable to express our view whether the preparation of financial results on a going concern basis is correct or not.</p>	Qualified	Third Time		NIL	<p>As on 31st March, 2020, the company has a net worth of Rs.1,192.77 Lakhs. Eventhough, the company is incurring continuous losses, it succeeded in better EBITA Margins. This is entirely aligned with the Company's long range plan, which encompasses a continued development of the Company'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 Company has paid advance amounts to the artistes and technicians for the future movies productions which are shown under inventory. Further, during the course of a period, the company intends to strategically merge with its holding company which will create positive synergy in future. The 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.</p>	No further comments
4	<p>5. Penalty of Rs. 7.60 lakh levied by the Bombay Stock Exchange recorded in financial statement of 31.03.2021 vide note no. 9 to the standalone 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.</p>	Qualified	First Time		NIL	<p>It is an omission by oversight. Hence the same is rectified now</p>	No further comments

For Picturehouse Media Limited

For Sundaram & Srinivasan,,
Chartered Accountants
Firm's Registration Number: 0042075

Prasad V. Potluri
Chairman & Managing Director
DIN: 00179175

Sd/-
N S Kumar
Audit Committee Chairperson

A. Praveen Kumar
Chief Financial Officer

Venkatasubramanian.S
Partner
Membership no.: 219238

Place: Chennai
Date: 22-06-2021