AGC Networks Australia Pty Limited

ACN 110 810 298

Special Purpose Financial Report

For the year ended 31 March 2016

Contents

Directors' Report

The Directors present their report on AGC Networks Australia Pty Ltd ("the Company") for the year ended 31 March 2016.

Directors

The following persons were directors of AGC Networks Australia Pty Ltd during the financial year and up to the date of this report:
Ganesan Iyer
Anthony Charles Heywood

Principal Activities

During the period the principal continuing activities of the Company consisted of:

(a) The marketing, installation, sales and maintenance of voice and data communications systems to enterprise customers; and
(b) Providing support and maintenance for enterprise customers.

Dividends

No dividend was paid during the year (PY15: Nil) and the Directors do not recommend the payment of a final dividend.

Review of operations

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
Revenue	11,638,993	9,421,829
Profit/(loss) for the year	669,245	890,606

Significant changes in the state of affairs

There were no other significant changes to the state of affairs during the financial year.

Matters subsequent to the end of the financial period

No matters or circumstance has arisen since 31 March 2016 that has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in this annual report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Directors' Report (continued)

Environmental regulation

The Company is not subject to any particular or significant environment regulation.

Insurance of officers

During the financial year, the Directors and senior management of AGC Networks Australia Pty Ltd were covered under a worldwide insurance policy of Essar Services Holdings Limited, the ultimate parent entity.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' Signatures

This Directors' report is signed in accordance with a resolution of the Directors.

Anthony Charles Heywood
Director

Place: Sydney
Date: 17 May 2016

Grant Thornton

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Auditor's Independence Declaration
To the Directors of AGC Networks Australia Pty Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of AGC Networks Australia Pty Ltd for the year ended 31 March 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 17 May 2016

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016	Note	Year ended 31/03/2016 $	Year ended 31/03/2015 $
Revenue from continuing operations	3	11,638,993	9,421,829
Raw materials and consumables used		(6,157,544)	(4,492,473)
Employee benefits expense		(3,652,995)	(3,181,348)
Depreciation and amortisation expense	10	(37,609)	(18,766)
Professional services expenses		(121,624)	(150,729)
Travel and entertainment		(243,607)	(216,742)
Other expenses		(469,361)	(504,061)
Profit before income tax		**956,253**	**857,710**
Income tax expense/(benefit)	5	(287,008)	32,896
Profit for the year		**669,245**	**890,606**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**669,245**	**890,606**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 March 2016	Note	As at 31/03/2016 $	As at 31/03/2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,413,833	1,717,379
Trade and other receivables	7	2,911,952	2,943,978
Inventories	8	57,128	55,592
Total Current Assets		**4,382,913**	**4,716,949**
Non-Current Assets			
Intercompany loan	9	2,528,517	2,438,105
Property plant and equipment	10	174,727	83,621
Deferred tax assets		169,538	160,948
Total Non-Current Assets		**2,872,782**	**2,682,674**
Total Assets		**7,255,695**	**7,399,623**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	1,066,060	1,911,348
Current tax liability		203,769	144,205
Deferred income	12	1,575,055	1,643,076
Provisions	13	593,045	551,035
Total Current Liabilities		**3,437,929**	**4,249,664**
Non-Current Liabilities			
Provisions	13	75,541	76,979
Total Liabilities		**3,513,470**	**4,326,643**
Net Assets		**3,742,225**	**3,072,980**
EQUITY			
Contributed equity	14	4,224,993	4,224,993
Accumulated losses	15	(482,768)	(1,152,013)
Total Equity		**3,742,225**	**3,072,980**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 March 2016	Contributed equity $	Accumulated losses $	Total $
Balance at 1 April 2014	4,224,993	(2,042,619)	2,182,374
Profit for the year	-	890,606	890,606
Total comprehensive income for the year	-	890,606	890,606
Balance at 31 March 2015	4,224,993	(1,152,013)	3,072,980
Balance at 1 April 2015	4,224,993	(1,152,013)	3,072,980
Profit for the year	-	669,245	669,245
Total comprehensive income for the year	-	669,245	669,245
Balance at 31 March 2016	4,224,993	(482,768)	3,742,225

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2016	Note	Year ended 31/03/2016 $	Year ended 31/03/2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		12,439,325	9,610,464
Payments to suppliers and employees (inclusive of goods and services tax)		(12,724,114)	(8,612,656)
		(284,789)	997,808
Interest received		199,910	135,405
Net cash inflow from operating activities	21	**(84,879)**	**1,133,213**
Cash flows from investing activities			
Payments for plant and equipment	10	(133,210)	(56,976)
Proceeds on disposal of property, plant and equipment		4,955	200
Net cash outflow from investing activities		**(128,255)**	**(56,776)**
Cash flows from financing activities			
Receipts for intercompany loan		64,466	404,258
Payments for intercompany loan		(154,878)	(2,842,363)
Net cash outflow from investing activities		**(90,412)**	**(2,438,105)**
Net decrease in cash and cash equivalents		(303,546)	(1,361,668)
Cash and cash equivalents at the beginning of the year		1,717,379	3,079,047
Cash and cash equivalents at end of year	6	**1,413,833**	**1,717,379**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

Year Ended 31 March 2016

1. Summary of significant accounting policies

(a) Statement of compliance

In the opinion of the Directors the Company is not reporting entity. The financial report has been drawn up as a special purpose financial report for the distribution to the members for the purpose of fulfilling the requirements of the Corporations Act 2001.

AGC Networks Australia Pty Ltd is a for profit company limited by shares, incorporated and domiciled in Australia.

The special purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001, and the recognition and measurement aspects of all applicable Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB").

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements:

- AASB101 Presentation of Financial Statements
- AASB107 Statement of Cash Flows
- AASB108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB110 Events After the Reporting Period
- AASB1031 Materiality
- AASB1054 Australian Additional Disclosures

(b) Basis of preparation of accounts

Historical cost convention
The financial report is prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Company's operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to Financial Statements (continued)

Year Ended 31 March 2016

1. Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) Sale of telecommunications equipment
Revenue is recognised on customer acceptance pursuant to sales order and when associated risks have passed to the customer.

(ii) Service
Revenue includes installation, ad hoc and maintenance services. Installation and ad hoc revenues are recognised upon certification by the Project Manager that all service deliverables pursuant to the customer's purchase order have been met. Maintenance revenue is recognised on a monthly basis over the life of the service contract and costs are recognised as an expense when incurred.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(f) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classed as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (Note 17). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Notes to Financial Statements (continued)

Year Ended 31 March 2016

1. Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(h) Trade receivables

Trade receivables are recognised initially at the amounts receivable as they are generally due for settlement in no more than 45 days.

Collectability of trade receivable is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision of impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

(i) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to stock on hand at balance date on the basis of actual cost. The cost of imported inventories included invoice price, freight, duty and other landing charges.

(j) Property, plant and equipment

Depreciation is calculated on a straight line basis to write-off the net cost of each item of property over its expected useful life to the Company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

– Furniture and fittings	5 years
– Computer equipment	4 years
– Motor vehicle	4 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit and loss.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

Notes to Financial Statements (continued)

Year Ended 31 March 2016

1. Summary of significant accounting policies (continued)

(l) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(m) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settle.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when employee benefits to which they relate are recognised as liabilities.

(n) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the costs of the acquisition as part of the purchase consideration.

Notes to Financial Statements (continued)

Year Ended 31 March 2016

1. Summary of significant accounting policies (continued)

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 2016 reporting periods. The Directors' assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments (December 2014)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows
b. allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
c. introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments
d. financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases
e. where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
    - the change attributable to changes in credit risk are presented in other comprehensive income (OCI).
    - the remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Notes to Financial Statements (continued)

Year Ended 31 March 2016

1. Summary of significant accounting policies (continued)

(p) New accounting standards and interpretations (continued)

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 31 March 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers

Replaces AASB 118 Revenue, AASB 111

Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 March 2019.

AASB 16 Leases

AASB 16:

- replaces AASB 117 *Leases* and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

Notes to Financial Statements (continued)

Year Ended 31 March 2016

1. Summary of significant accounting policies (continued)

(p) New accounting standards and interpretations (continued)

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on first time adoption of the Standard for the year ending 31 March 2020 includes:

- There will be a significant increase in leased assets and financial liabilities recognised on the balance sheet,
- The reported equity will reduce as the carrying value of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- EBIT in the statement of profit and loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of the finance costs rather than being included in the operating expenses,

Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

Notes to Financial Statements (continued)

Year Ended 31 March 2016

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances assumptions about future developments however may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Recoverability of intercompany loans

The consolidated corporate group (the "Group") to which the Company belongs reported a net working capital deficiency as at 31 March 2015, however this included an at call debt facility which, while classified as current, is expected to be an ongoing facility. Excluding the debt facility, the Group has a net current asset surplus.

The Group has reported profits in FY15, however has reported a loss for the 9 month period to 31 December 2015.

While noting the above, management are of the view that there is no objective evidence of impairment of the intercompany loans receivable disclosed in Note 9 and that the loans are recoverable based on the following assumptions:

- Interest and principal repayments have been received as and when they have become due and payable;
- Confirmation has been received from AGC Networks Inc. and AGC Networks Pte Ltd indicating that they have the ability to fund the loan as and when it is called; and
- The following two key factors which allow the Group to continue to complete its turnaround strategy, which if successful, will allow the loans to be repaid:
    - The Australian company's budget and cash flow forecasts for the next 12 months indicate that they will not need to call upon the loan to fund local operations and therefore can continue to accommodate the loans in the short term; and
    - There is no indication that the Group's financiers will not continue to provide their support to the Group.

Should the above assumptions not continue into the future, the loans receivable may need to be impaired at a future date.

Notes to Financial Statements (continued)

Year Ended 31 March 2016

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
3. Revenue		
From continuing operations		
Sales revenue		
Sales of goods	5,744,224	4,320,032
Service revenue	5,507,472	4,812,749
	11,251,696	9,132,781
Other revenue		
Interest	199,910	135,405
Rebate	186,927	153,443
Profit on Sale of Assets	460	200
	11,638,993	9,421,829

4. Expenses

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
Profit before income tax included the following specific expenses:		
Depreciation		
Furniture and fittings	22,293	7,885
Computer and equipment	15,316	10,881
Total depreciation	37,609	18,766
Rental expense relating to operating leases		
Minimum lease payments	300,133	318,004
Superannuation contribution expense	284,529	241,331

Notes to Financial Statements (continued)

Year Ended 31 March 2016

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
5. Income tax expense		
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	956,253	857,710
Tax at the Australian tax rate of 30% (2015 – 30%)	286,876	257,313
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	123	1,436
Adjustments for current tax of prior periods	9	-
Recognition of carry-forward tax losses previously unrecognised	-	(106,543)
Recognition of DTA on temporary differences previously unrecognised	-	(185,102)
Total income tax expense/(benefit)	287,008	(32,896)
6. Current Assets – Cash and cash equivalents		
Cash at bank and in hand	1,413,833	1,717,379

The deposits are bearing floating interest rates between 2.0% and 3.0% (2015 –2.0% and 3.5%).

7. Current assets – Trade and other receivables		
Trade receivables	2,460,319	2,385,180
Prepayments	451,633	558,798
	2,911,952	2,943,978
8. Current assets – Inventories		
Inventories on hand – at cost	57,128	55,592
	57,128	55,592

Inventories recognised as expense during the year ended 31 March 2016 amounted to $6,157,544 (2015: $4,492,473).

Notes to Financial Statements (continued)

Year Ended 31 March 2016

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
9. Intercompany loan		
Loans receivable from related parties under common control of the parent entity AGC Networks Limited (India)		
AGC Networks Pte Ltd (Singapore)	1,330,674	1,250,310
AGC Networks Inc. (USA)	1,197,843	1,187,795
	2,528,517	2,438,105

The intercompany loans receivable are determined in US dollars, are at call and bear interest at 7%. Refer to Note 2 regarding significant judgements on these loans.

10. Property, Plant & Equipment

	Motor Vehicles $	Furniture & fittings $	Computer equipment $	Total $
Year ended 31 March 2015				
Opening net book amount	-	18,646	26,765	45,411
Additions	-	35,876	21,100	56,976
Depreciation charge	-	(7,885)	(10,881)	(18,766)
Closing net book amount	-	46,637	36,984	83,621
At 31 March 2015				
Cost		342,879	187,658	530,537
Accumulated depreciation		(296,242)	(150,674)	(446,916)
Net book amount	-	46,637	36,984	83,621
Year ended 31 March 2016				
Opening net book amount	-	46,637	36,984	83,621
Additions	-	116,289	16,921	133,210
Disposals		(2,955)	(1,540)	(4,495)
Depreciation charge	-	(22,293)	(15,316)	(37,609)
Closing net book amount	-	137,678	37,049	174,727
At 31 March 2016				
Cost	-	169,579	56,934	226,513
Accumulated depreciation	-	(31,901)	(19,885)	(51,786)
Net book amount	-	137,678	37,049	174,727

Notes to Financial Statements (continued)
Year Ended 31 March 2016

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
11. Current liabilities – Trade and other payables		
Trade payables	428,991	770,599
Other liabilities	637,069	1,140,749
	1,066,060	1,911,348

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
12. Current Liabilities – Deferred income		
Deferred income	1,575,055	1,643,076

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
13. Provisions		
Current employee entitlements	593,045	551,035
Non-current employee entitlements	75,541	76,979

	2016 Shares	2015 Shares	Year ended 31/03/2016 $	Year ended 31/03/2015 $
14. Contributed equity				
(a) Share capital				
Ordinary Shares				
Full paid	4,224,993	4,224,993	4,224,993	4,224,993

(b) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to Financial Statements (continued)
Year Ended 31 March 2016

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
15. Accumulated losses		
Opening accumulated losses	(1,152,013)	(2,042,619)
Net profit for the year	669,245	890,606
Balance at end of year	(482,768)	(1,152,013)

16. Remuneration of auditors
During the year the following fees were paid or payable for services provided by the auditors of the Company:

Audit and other assurance services		
Grant Thornton Audit Pty Ltd (Australia)	40,000	39,000
Affiliated practice of the auditor		
Walker Chandiok & Co LLP (India)	25,000	32,085
Other auditors		
Ernst & Young	-	3,000
Total	65,000	74,085

17. Contingencies
Guarantees

Guarantees given in respect of the Company's leases of premises at North Ryde, Sydney amount to $86,112 (2015: $200,000).

The guarantees may give rise to liabilities if the Company does not meet its obligations under the terms of the leases subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

18. Commitments
The Company leases offices under non-cancellable operating leases expiring within five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	165,471	242,255
Later than one year but not later than five years	621,898	102,456
Commitments not recognised in the financial statements	787,369	344,711

Notes to Financial Statements (continued)

Year Ended 31 March 2016

19. Parent entities

The immediate parent of the entity is AGC Networks Ltd, which owns 100% of the issued ordinary shares of AGC Networks Australia Pty Limited. The ultimate parent of the Company is Essar Services Holdings Limited, incorporated in Mauritius.

20. Events occurring after the balance sheet date

No other significant events have occurred since 31 March 2016 that requires disclosure in this report.

21. Reconciliation of profit after income tax to net cash inflow from operating activities

	Year ended 31/03/2016 $	Year ended 31/03/2015 $
Profit for the period	669,245	890,606
Depreciation and amortisation	37,609	18,766
Net gain on disposal of property, plant & equipment	(460)	(200)
Change in operating asset and liabilities:		
Decrease/(increase) in trade and other receivables	32,026	(1,586,607)
Decrease/(increase) in inventories	(1,536)	118,389
(Increase) in deferred tax assets	(8,590)	(160,948)
(Decrease)/increase in trade and other payables	(845,288)	1,064,017
Increase in current tax liability	59,564	144,205
Increase in employee provision	40,572	151,897
(Decrease)/increase in deferred revenue	(68,021)	493,088
Net cash inflow from operating activities	(84,879)	1,133,213

Directors' Declaration

In accordance with a resolution of the directors of AGC Networks Australia Pty Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes set out on pages 4 to 21a are in accordance with the *Corporations Act 2001*, including:

(i) Complying with Accounting Standards and other mandatory professionals reporting requirements as detailed in Note 1 to the financial statements, and the Corporations Regulations 2001; and

(ii) Giving a true and fair view of the Company's financial position as at 31 March 2016 and of its performance for the financial year ended on that date; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Anthony Charles Heywood
Director

Place: Sydney
Date: 17 May 2016

Grant Thornton

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Independent Auditor's Report

To the Members of AGC Networks Australia Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of AGC Networks Australia Pty Ltd (the "Company"), which comprises the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the accounting policies used and described in Note 1 to the financial report, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and the needs of the members. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of AGC Networks Australia Pty Ltd is in accordance with the Corporations Act 2001, including giving a true and fair view of the Company's financial position as at 31 March 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

b complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 17 May 2016