

**Statement on Impact of Audit Qualifications - Consolidated Annual Audited Financial Results of
AGC Networks Limited FY 2015-16**

I	Sl No.	Particulars	Audit figures (as reported before adjusting for qualifications)	Audit figures (audit figures after adjusting for qualifications)
	1	Turnover / Total income	888.53	888.53
	2	Total Expenditure	923.12	965.89
	3	Net Profit/(Loss)	(34.59)	(77.36)
	4	Earnings Per Share	(12.15)	(27.18)
	5	Total Assets	625.29	582.33
	6	Total Liabilities	556.66	556.47
	7	Net Worth	68.63	25.86
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
II	<p><u>Audit Qualification:</u></p> <p>1. Auditor's qualification on consolidated financial statements</p> <p>a. Details of Audit Qualification: As stated in Note 5 (i) to the Statement, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of Rs. 1.09 crores and profit on such sale amounting to Rs. 46.04 crores (net of incidental selling expenses amounting to Rs. 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by Rs. 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by Rs. 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by Rs. 3.27 crores (March 2015: Rs. 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by Rs 3.27 crores (March 2015: Rs. 3.27 crores) and Rs 1.09 crores (March 2015: Rs. 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by Rs 42.77 crores (March 2015: Rs. 42.77 crores), Rs 47.32 crores (net of Rs. 3.20 crores received during the year) (March 2015: Rs. 50.52 crores) and Rs 0.19 crores (March 2015: Rs. 3.39 crores), respectively. Our audit opinion on the consolidated financial statements for the year ended 31 March 2015 and consolidated review opinion on the results for the quarter ended and nine months ended 31 December 2015 were qualified in respect of this matter.</p> <p>b. Type of Audit Qualification: Qualified opinion c. Frequency of Qualification: has been appearing from the year ended 31 March 2015 d. Management's views:</p>			

Handwritten initials

Handwritten initials



During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of Rs. 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

2. Auditor's qualification on the Internal Financial Controls

a. Details of Audit Qualification:

In our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Holding Company's Internal Financial Control over Financial Reporting (IFCoFR) as at 31 March 2016:

The Holding Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction of sale of properties recorded in the previous year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 financial statements of the Holding Company and the material weakness has affected our opinion on the consolidated financial statements of the Holding Company and we have issued a qualified opinion on the consolidated financial statements

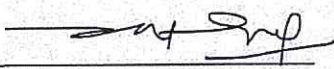
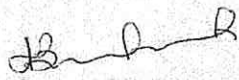
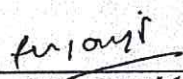

b. Type of Audit Qualification: Qualified opinion

c. Frequency of Qualification: appeared first time during the year ended 31 March 2016

d. Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of Rs. 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March



	<p>2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.</p>
<p>III</p>	<p>Signatories</p> <ul style="list-style-type: none"> • CEO/Managing Director <div style="text-align: right; margin-left: 200px;">  <hr style="width: 150px; margin-left: auto; margin-right: 0;"/> SANJEEV VERMA, WHOLE TIME DIRECTOR </div> • CFO <div style="text-align: right; margin-left: 200px;">  <hr style="width: 150px; margin-left: auto; margin-right: 0;"/> ANGSHU SENGUPTA </div> • AUDIT COMMITTEE CHAIRMAN <div style="text-align: right; margin-left: 200px;">  <hr style="width: 150px; margin-left: auto; margin-right: 0;"/> SUJAY SHETH </div> • STATUTORY AUDITOR <div style="text-align: right; margin-left: 200px;">  <hr style="width: 150px; margin-left: auto; margin-right: 0;"/> per Adi P. Sethna, Partner Membership no.: 108840 </div> <p>Walker Chandiook & Co LLP (Formerly Walker, Chandiook & Co) Chartered Accountants Firm registration number: 001076N/N500013</p> <p>Place: Mumbai Date: 25.07.2016</p>



**Statement on Impact of Audit Qualifications - Standalone Annual Audited Financial Results of
AGC Networks Limited FY 2015-16**

I	Sl No.	Particulars	Audit figures (as reported before adjusting for qualifications)	Audit figures (audit figures after adjusting for qualifications)
	1	Turnover / Total income	321.68	321.68
	2	Total Expenditure	358.39	401.16
	3	Net Profit/(Loss)	(36.71)	(79.48)
	4	Earnings Per Share	(12.90)	(27.92)
	5	Total Assets	373.14	330.18
	6	Total Liabilities	301.13	300.94
	7	Net Worth	72.01	29.24
	8	Any other financial item(s) (as felt appropriate by the management)	-	-
II	<p><u>Audit Qualification:</u></p> <p>1. Auditor's qualification on standalone financial statements</p> <p>a. Details of Audit Qualification: As stated in Note 4 (i) to the Statement, during the year ended 31 March 2015 the Company had recognized sale of properties having aggregate carrying value of Rs. 1.09 crores and profit on such sale amounting to Rs. 46.04 crores (net of incidental selling expenses amounting to Rs. 3.39 crores) under 'exceptional items'. In our opinion, as the significant risks and rewards for the said properties had not been transferred, recognition of such sale was not in accordance with the principles laid under Accounting Standard (AS) 9 Revenue Recognition and the sale should have been reversed during the year ended 31 March 2016. Had the Company followed principles of AS 9 and reversed the sale transaction during the year ended 31 March 2016, the prior period items and loss before tax would have been higher by Rs. 46.04 crores each. (March 2015: Exceptional items and profit before tax would have been lower by Rs. 46.04 crores each). Tax expense for the year ended 31 March 2016 would have been lower by Rs. 3.27 crores (March 2015: Rs. 3.27 crores). Long-term loans and advances and carrying value of tangible assets as at 31 March 2016 would have been higher by Rs 3.27 crores (March 2015: Rs. 3.27 crores) and Rs 1.09 crores (March 2015: Rs. 1.09 crores) respectively; reserves and surplus, other current assets and other current liabilities as at that date would have been lower by Rs 42.77 crores (March 2015: Rs. 42.77 crores), Rs 47.32 crores (net of Rs. 3.20 crores received during the year) (March 2015: Rs. 50.52 crores) and Rs 0.19 crores (March 2015: Rs. 3.39 crores), respectively. Our audit opinion on the standalone financial statements for the year ended 31 March 2015 and standalone review opinion on the results for the quarter ended and nine months ended 31 December 2015 were qualified in respect of this matter.</p> <p>b. Type of Audit Qualification: Qualified opinion</p> <p>c. Frequency of Qualification: has been appearing from the year ended 31 March 2015</p>			



d. Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of Rs. 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.

2. Auditor's qualification on the Internal Financial Controls

a. Details of Audit Qualification:

In our opinion, according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's Internal Financial Control over Financial Reporting (IFCoFR) as at 31 March 2016:

The Company's internal financial control over evaluation of accounting of non-routine transactions was not operating effectively. This has, during the year, resulted in non-reversal of transaction of sale of properties recorded in the previous year due to inappropriate evaluation of timing of transfer of risk and reward. This has led to misstatements of long-term loans and advances, tangible assets, other current assets, other current liabilities, prior period items, tax expense and resultant impact on the loss before tax and the reserves and surplus as at and for the year ended 31 March 2016.

A 'material weakness' is a deficiency or a combination of deficiencies in IFCoFR, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have considered the material weakness identified and reported above in determining the nature, timing and extent of audit test applied in our audit of the 31 March 2016 financial statements of the Company and the material weakness has affected our opinion on the standalone financial statements of the Company and we have issued a qualified opinion on the standalone financial statements.

b. Type of Audit Qualification: Qualified opinion

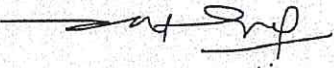
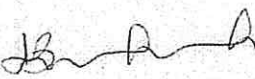
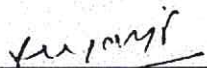
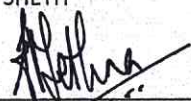
c. Frequency of Qualification: appeared first time during the year ended 31 March 2016

d. Management's views:

During the previous year ended 31 March 2015, the Company entered into deeds of assignment to transfer all the rights, title and obligations of its land and building situated at Gandhinagar to another company for a consideration of Rs. 50.52 Crores. Subsequent to previous year end, the lender to whom these assets were provided as security provided its in-principal approval for the said transfer subject to fulfilment of conditions stated therein. The said transfer is pending

B n



	<p>approval from the relevant government authority and transfer of legal title that are considered to be procedural in nature. Accordingly the Company had recognised profit on sale of Fixed Assets of Rs. 46.04 Crores (net of incidental expenses Rs. 3.39 Crores) during the year ended 31 March 2015. During the year the Company has received approval from the lender for sale of one of the property sold for consideration of Rs. 5.89 crores and also realised part consideration of Rs. 3.20 crores from the buyer. Subsequent to the year ended 31 March 2016, approval from the requisite authorities have also been received and sale deed has been executed between the Company and the buyer for transfer of legal title for one of the property. The Company has applied for requisite approval for the balance properties which are still awaited as of date. Accordingly management believes that the Internal Financial Controls are operating effectively.</p>
<p>III</p>	<p><u>Signatories</u></p> <ul style="list-style-type: none"> • CEO/Managing Director <div style="text-align: right; margin-top: 10px;">  <hr/> SANJEEV VERMA, WHOLE TIME DIRECTOR </div> • CFO <div style="text-align: right; margin-top: 10px;">  <hr/> ANGSHU SENGUPTA </div> • AUDIT COMMITTEE CHAIRMAN <div style="text-align: right; margin-top: 10px;">  <hr/> SUJAY SHETH </div> • STATUTORY AUDITOR <div style="text-align: right; margin-top: 10px;">  <hr/> per Adi P. Sethna, Partner Membership no.: 108840 </div> <p>Walker Chandiook & Co LLP (Formerly Walker, Chandiook & Co) Chartered Accountants Firm registration number: 001076N/N500013</p> <p>Place: Mumbai Date: 25.07.2016</p>

