Cranes Software International Limited

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12th August, 2016

To,
The National Stock Exchange of India Ltd.
Exchange Plaza
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051.

Dear Sir,

Sub: Statement on Impact of Audit Qualifications for Audit Report with modified opinion
Ref: CRANESSOFT – EQ

Please find enclosed the Statement on Impact of Audit Qualifications for Audit Report with modified opinion prepared as per SEBI Circular No. CIR/CFD/CMD/56/2016 dated May 27, 2016.

Since the Company had filed Form B for the Financial Year 2014-15, we are now submitting the Statement on Impact of Audit Qualifications as per the format prescribed in the aforesaid SEBI circular.

Please acknowledge receipt.

Thanking you,

Yours sincerely,

For Cranes Software Software International Ltd.

Authorised Signatory

Encl: as above

Statement of Impact of Audit Qualifications for the Financial Year ended March 31st, 2016

[*See* Regulation 33/52 of SEBI (LODR) (Amendment) Regulations, 2016)

I.

Sl.No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
		Standalone		Consolidated	
1	Turnover/ Total Income	1,338.15	1,338.15	39,499.46	39,499.46
2	Total Expenditure	9,249.03	64,228.76	50,705.37	105,685.10
3	Net Profit / (Loss)	(7,910.88)	(62,890.61)	(11,205.91)	(66,185.64)
4	Earning Per Share	(6.72)	(53.40)	(9.52)	(56.20)
5	Total Assets	124,193.21	69,213.48	125,167.34	70,187.61
6	Total Liabilities	124,193.21	69,213.48	125,167.34	70,187.61
7	Net Worth	(18,155.24)	(73,134.97)	(27,096.60)	(82,076.33)
8	Any other financial item(s) (as felt appropriate by the management)				

II. **Audit Qualification (each audit qualification separately):-Annexure Enclosed**

III. **Signatories**

- CEO/Managing Director
- CFO
- Audit Committee Chairman
- Statutory Auditor

For S. Janardhan & Associates
Chartered Accountants

Partner

Place: Bangalore
Date: 12/8/2016

Annexure

II Audit Qualifcation (each audit qualification separately)

SL. No.	Details of Audit Qualification [a]	Type of Audit Qualification [b]	Frequency of Qualifications [c]	Quantified Audit Report (YES/NO) [d]	Management's Views [e]	Auditors Comments on Management's Views
1	*Redemption of Foreign currency convertible bond amounting to Rs. 31,542 lakhs (42 million Euros) to the holders of the bonds have fallen due during April 2011 and is yet to be redeemed as on the date of Balance Sheet. A winding up petition has been filed by the trustees of the Foreign Currency Convertible Bond holders against the company, before the division bench Hon'ble High Court of Karnataka for non-payment of principal and the accrued interest thereon*	*Qualified Opinon*	*Repetitive*	*No*	*The Company is actively pursuing settlement exchanges with all FCCB holders and has also reached favourable settlements with a substantial number of FCCB holders. With a view to deal with all these related matters on a comprehensive basis, the impact of these favourable settlements has not been put through the books of accounts.*	*Refer para 3 of the Audit Report*
2	*Legal proceedings u/s.138 of the Negotiable Instruments Act has been initiated by the following* *i.* State Bank of Travancore. *ii.* Canara Bank *iii.* Industrial Development Bank of India *iv.State Bank of Mysore* *v.* Bank of India *These Banks have filed cases before the Debt Recovery Tribunal (DRT) / Hon'ble Courts, etc for recovery of dues. These proceedings are in various stages of disposal before the "DRT" and respective Hon'ble Courts. Winding up petitions have been filed by Canara bank and Bank of India against the company, before the Hon'ble High Court of Karnataka for non-payment of principal and the accrued interest thereon.*	*Qualified Opinon*	*Repetitive*	*No*	*The Company is actively defending its position in these cases. It is also in advanced settlement negotiations with both secured & unsecured lenders and while reaching settlements with some, expects to reach favourable settlements with others in due course*	*Refer para 3 of the Audit Report*
3	*In our opinion the securities provided to Banks are not adequate to cover the amounts outstanding to them as on the date of Balance Sheet.*	*Qualified Opinon*	*Repetitive*	*No*		

Software International Limited Cranes Bangalore

Richard H Gell

Software International Limited Cranes Bangalore

For S. Janardhan & Associates
Chartered Accountants

Partner

SL. No.	Details of Audit Qualification [a]	Type of Audit Qualification [b]	Frequency of Qualifications [c]	Quantified Audit Report (YES/NO) [d]	Management's Views [e]	Auditors Comments on Management's Views
4	*SBI Capital, a Creditor, has initiated a winding up petition against the company, before the Hon'ble High Court of Karnataka for non-payment of its dues*	*Qualified Opinon*	*Repetitive*	*No*	*As for the SBI Capital case mentioned in this observation, the case has been completely dismissed in favour of Cranes Software*	*Refer para 3 of the Audit Report*
5	*An advance of Rs. 23,978.83 lakhs is due from a party for an inordinate period and in our opinion recovery of the same is doubtful. However, the company continues to classify such amounts as 'Good'. However, no evidence has been given to us to consider those amounts as recoverable as on the date of Balance Sheet.*	*Qualified Opinon*	*Repetitive*	*YES*	*The Company is in active discussion with the concerned party for the settlement of this transaction*	*Refer para 3 of the Audit Report*
6	*Attention of the members is invited to note 3.10 of the Financial Statements regarding recognition of deferred tax credit on account of unabsorbed losses and allowances aggregating to Rs.31,000.90 lakhs (year ended March 31, 2015 Rs. 26,965.82 lakhs). This does not satisfy the virtual certainty test for recognition of deferred tax credit as laid down in Accounting Standard 22*	*Qualified Opinon*	*Repetitive*	*YES*	*The Company has made significant changes to its business strategy and improvements in its solutions and product offerings. Hence, the Company is confident that we will have future taxable income to take advantage of the deferred tax credit as a 'recognized' asset.*	*Refer para 3 of the Audit Report*
7	*Reference is drawn to note no. 3.31 of the Financial Statements regarding the amounts classified under "Fixed Assets" including "Intangible Assets Under Development" amounting to Rs. 22,458.78 lakhs. No evidence has been produced before us for testing its impairment and in the absence of the same, we are unable to express any opinion on the impairment to such asset. In our opinion, such test of impairment as on the date of Balance Sheet is mandatory, especially in view of the higher degree of the obsolescence of software which is stated to be under various stages of development, though no further developments have been carried out during the recent years.*	*Qualified Opinon*	*Repetitive*	*No*	*As detailed in the annexed Management Discussion and Analysis, the Company has made substantial progress to its Products and Solutions across all subsidiaries. The impact of this change is reflective in our consolidated revenue growth. The Company has engaged and external consultant to re-evaluated the IP assets and the effect, if any, will be reflected in the financial statement*	*Refer para 3 of the Audit Report*

Cranes Software International Limited Bangalore

Richard H. Hall

Cranes Software International Limited Bangalore

For S. Janardhan & Associates
Chartered Accountants

Partner

SL. No.	Details of Audit Qualification [a]	Type of Audit Qualification [b]	Frequency of Qualifications [c]	Quantified Audit Report (YES/NO) [d]	Management's Views [e]	Auditors Comments on Management's Views
	In the light of the above, the appropriateness of the 'Going Concern' concept based on which the accounts have been prepared is interalia dependent on the Company's ability to infuse requisite funds for meeting its obligations, rescheduling of debt and resuming normal operations				*During the year under review, the management has put its efforts toward resumption of normal operations. Hence, we are highly confident that the concept of 'Going Concern' continues to apply without doubt*	*Refer para 3 of the Audit Report*
8	*We draw attention to Note No. 3.35 of the financial statements regarding the investment of Rs. 29,170.06 lakhs (refer point no. 5 of the audit report) made in wholly owned subsidiaries. As explained by the management, it being a long term and strategic investment, there is a reasonable certainty that there will be no diminution in the value of the investment and is confident of recovery of receivables and therefore no provisioning has been considered necessary*	*Emphasis of Matter*	*First Time*	*NO*	*The Management is of the view, that there is no dimuntion in the value of the investment provided to its subsidiaries, as they are generating revenues and the investments being the nature of long term and strategic. The Management is confident to recover the receivables.*	*Refer para 5 of the Audit Report*

For S. Janardhan & Associates
Chartered Accountants

Partner

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