INDEPENDENT AUDITOR'S REPORT

To the members of **CRANES SOFTWARE INTERNATIONAL LIMITED**

1. We have audited the accompanying standaloneInd AS financial statements of Cranes Software International Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2018, the Statement of Profit and Loss including the statement of Other Comprehensive Income, the Statement of Changes in Equity and the statement of Cash Flows for the year then ended and a summary of the significant accounting policies and other explanatory information.

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standard)Rules,2015, as amended, and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Our responsibility is to express an opinion on these standalone Ind AS Financial Statements based on our audit. In conduct of our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

4. We conducted our audit of thestandaloneInd AS Financial Statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standaloneInd AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standaloneInd AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standaloneInd AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standaloneInd AS financial statements.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on thestandaloneInd AS financial statements.

Basis for Qualified Opinion

7. The attached Balance Sheet as at 31stMarch, 2018 is drawn on the basis of the Principle of 'Going Concern'. We opine as follows in this connection :

   7.1 Attention of the members is invited to Note No. 6of the Notes regarding recognition of deferred tax credit on account of unabsorbed losses and allowances aggregating to Rs.35,199.48lakhs (year ended March 31, 2017 Rs. 34,517.47lakhs). This does not satisfy the virtual certainty test for recognition of deferred tax credit as laid down in Indian Accounting Standard 12.

7.2 Reference is drawn to note no. 4 of the Financial Statements regarding the amounts classified under "Fixed Assets" including "Intangible Assets Under Development" amounting to Rs. 5,042.44 lakhs (year ended March 31, 2017 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.

7.3 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.

8 We further report that, except for the effect, if any, of the matters stated in paragraph 7.2 above, whose effect are not ascertainable, had the observation made in paragraph 7.1 above been considered, the loss after tax for the year ended March 31, 2018 would have been higher by Rs. 35,199.48 lakhs.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matters expressed in Basis for Qualified opinion and Emphasis of matter paragraph the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018,its loss and the changes in equity and its cash flows for the year ended on that date.

Emphasis of Matter

1. Redemption of Foreign currency convertible bond amounting to Rs. 29,085 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. On a petition filed by the Foreign currency convertible bond holders, The Hon'ble High Court of Karnataka issued a winding up order against the company, which indicates the existence of material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. The company has obtained a stay against the operation of the winding up order issued by the Hon'ble High Court of Karnataka. However, the accounts have been prepared on a going concern basis.

2. a) Term loans and working capital loans availed by the company from various banks amounting to Rs. 69,535.38 lakhs remain unpaid and are overdue since 2009.

   b) Legal proceedings u/s.138 of the Negotiable Instruments Act has been initiated by the following Banks against the company.

      i. State Bank of India (Formerly State Bank of Travancore).

      ii. Canara Bank

      iii. Industrial Development Bank of India

      iv. State Bank of India (Formerly 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.

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.

4. We would like to draw the attention of the members to note no. 31 of the financial statements regarding default of payments to various statutory authorities.

5. We draw attention to Note No. 39 of the standalone Ind AS Financial Statements regarding the investments (including receivables) 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. The details of investments (including receivables) in subsidiaries are as under :

(Rs in Lakhs)

Sl No.	Name of the Subsidiary	Amount
1	Esqube Communication Solutions	188.76
2	Cranes Software International Pte Limited	1,525.99
3	Systat Software UK Ltd	689.31
4	Proland Software Private Limited	462.81
5	Systat Software Gmbh	224.40
6	Systat Software Inc.(Net of Provision)	11577.22
7	Tilak Auto Tech Private Limited	163.81
8	Caravel Info System Private Limited	1.53
	Total	**14,833.83**

6. The company had invested in the below mentioned wholly owned subsidiaries. Due to the cumulative losses in the subsidiaries, the value of investment is eroded.

(Rs in Lakhs)

Sl No.	Name of the Subsidiary	Investment	Shareholder Funds
1	Esqube Communication Solutions Pvt Ltd	179.78	(12.22)
2	Proland Software Pvt Ltd	318.89	(643.84)
3	Tilak Auto Tech Private Limited	51.62	(144.11)
4	Systat Software Inc. USA	1,851.18	(6,132.39)
5	Cranes Software International Pte Limited	44.31	(575.23)
6	Caravel Info System Private Limited	362.33	(381.48)
	TOTAL	**2,445.78**	**(7,889.27)**

The company has not provided for diminution / impairment in the value of its investments in the above wholly owned subsidiaries, as required by the IND AS-36.

7. The company has provided for doubtful debts of Rs 1,279.80 lakhs during the year, towards due from a subsidiary.

8. Loan availed by the company from ‘UPS Capital Business Credit’ amounting to Rs 601.51 lakhs remains unpaid and is overdue since April 2014.

9. The banks which had extended financial facilities to the company have treated the outstanding from the company as “Non-Performing Assets” since 2009. In order to achieve the desired congruency on this issue, the Company has also not provided for interest amounting to Rs. 10,446.77 lakhs on such outstanding amounts for the year ended 31st March, 2018 due to various banks, though the confirmation of such dues were not made available to us from the respective banks/financial institutions. Had the said interest been provided in the books in the normal course, the present loss for the year ended 31st March 2018 would have been higher by Rs. 10,446.77 lakhs.

10. The management is in negotiation with the Foreign currency convertible bond holders for settling its dues. The management is of the view that the liability of Rs. 38,695 lakhs (including interest amounting to Rs. 9,610 lakhs) reflected in the financial statements will adequately cover its liability on settlement of dues

with the Foreign currency convertible bond holders and therefore no provision for interest is provided for the year ended 31st March 2018. Had such interest been provided in the books in the normal course, the present loss for the year ended 31st March 2018 would have been higher by Rs. 1,625.30 lakhs.

11. In continuation to the point no. 10 above, the company has also discontinued the restatement of the Exchange fluctuation gain / loss on account of the outstanding due towards Foreign currency convertible bond and the interest due thereon, in line with the IND AS-21 “The Effects of Changes in Foreign Exchange Rates”. Had such restatement of liability been made in the books in the normal course, the present loss for the year ended 31st March 2018 would have been higher by Rs. 3,420.52 lakhs.

12. The balances which were available in the dividend accounts of banks were utilized by the company for expenses.

13. The management is of the opinion that the all assets, investments have atleast the value as stated in the Balance Sheet, if realised in the ordinary course of business.

14. We further draw attention on the following non-compliances under the Companies Act, 2013 and rules thereon

    a. Non-appointment of Chief Financial Officer as required under section 203 of the said Act.

    b. The Company has drawn and utilised an amount Rs. 43.77 lakhs from the ‘CSIL Employees Comprehensive Gratuity Trust’ fund for the purpose not intended in terms of‘The Payment of Gratuity Act, 1972’.(See note No. 16 of the Financial Statements).

Our Report is not qualified in respect of the above matter.

Other Matter

Corresponding figures for the year ended 31st March 2017 have been audited by another auditor who expressed a qualified opinion dated 30th May 2017 on the standalone Ind AS financial statements of the Company for the year ended 31 March 2017.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor’s Report) Order 2016 (“the order”), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.

2. As required by Section143 (3) of the Act, we report that:

(a) We havesought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss,the Cash Flow Statement and the statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

(d) In our opinion, except for the matters expressed in paras 7.1 and 7.2 of the Basis for Qualified opinion,the aforesaid standalone Ind AS Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) In our opinion, the qualifications and matters specified in the “Emphasis of Matter” paragraph, may have an adverse effect on the functioning of the Company.

(f) Four Directors out of six Directors of the company are directors of other companies which has not filed its annual return with the Registrar of Companies for a period of more than 3 years as on the date of Balance Sheet, leading to non-compliance and disqualification from being appointed as a Director. The Registrar of the Companies Karnataka had ordered for removal of directors in terms of Section 164(2) of the Companies Act, 2013. However, in case of the rest two directors, on the basis of the written representations received as on 31st March, 2018 taken on record by the Board of Directors, the directors are not disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

(g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in “Annexure B”; and

(h) With respect tothe other matters to be included in the Auditor’s Report in accordance with Rule11 oftheCompanies (AuditandAuditors) Rules,2014,inour opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note No. 31 to the financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material for eseeable losses;

iii. The Company has not transferred an amount of Rs. 7.21 Lakhs, which is required to be transferred to the Investor Education and Protection Fund.

iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018.

For SETHIA PRABHAD HEGDE & CO.
Chartered Accountants
Firm Registration No. 013367S

TIMMAYYA HEGDE
Partner
Membership No.226267

Bengaluru
May 30th, 2018

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

The Annexure referred to in our Independent Auditor's report to the members of **Cranes Software International Limited ('**the Company') on the standalone financial statements for the year ended on 31st March 2018.

We report that:

i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable properties are held in the name of the Company.

ii) In our opinion and according to the information and explanations given to us, the management has conducted the physical verification of inventory at reasonable intervals during the year under review and no material discrepancies were noticed on such physical verification.

iii) The Company has in the past granted interest free loans to its subsidiary companies covered in the register maintained under section 189 of the Companies Act, 2013. However, the Company has not granted any loan, secured or unsecured, to firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(a) The terms and conditions of the grant of such loans are not prejudicial to the company's interest.

(b) In the case of the loans granted to the bodies corporate listed in the register maintained under section 189 of the Act, the terms of arrangements do not stipulate any repayment schedule and the loans are repayable on demand. Accordingly, paragraph 3(iii)(b) of the Order is not applicable to the Company in respect of repayment of the principal amount.

(c) There are no overdue amounts of more than ninety days in respect of the loans granted to the bodies corporate listed in the register maintained under section 189 of the Act.

iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loan and investments made.

v) The Company has not raised any deposits from public as covered by provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under.

vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.

vii) (a) On Examination of the books of accounts and other records of the Company we report that the company has defaulted in depositing its undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' state Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Customs duty, and Cess with the appropriate authorities. The following statutory liabilities are pending for payment for a period of more than six months from the date they became payable:

(Rs. In Lakhs)

Name of the Statute	Nature of dues	Amount to be paid
Employee's Provident Fund & Miscellaneous Provision Act	Provident Fund	20.65
Commercial Taxes Act	Professional Tax	1.35
Employees State Insurance Act	ESI	6.97
Income Tax Act	Withholding Taxes	280.51
Service Tax	Service Tax	260.07
Commercial Taxes Act	Sales Tax/Value Added Tax	84.25
Goods & Service Tax	Goods & Service Tax	18.78
Income Tax Act	Self Assessment Tax	522.23
Wealth Tax Act	Wealth Tax	0.45
Income Tax Act	Dividend Distribution Tax	273.88
Investor Education Protection Fund	Unclaimed Dividend	7.21

(b) According to the information and explanations given to us, there are no disputed amounts as at 31st March 2018 in respect ofProvident Fund, Employees' state Insurance, Income Tax, Sales Tax, Service Tax, Goods and Service Tax, Wealth Tax, Customs duty, and Cess and other applicable statutory dues with the exception of the following:

(Rs. In Lakhs)

Name of the statute	Nature of dues	Amount	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	9,325.46	2009-10	Income Tax Appellate Tribunal
Chapter V of the Finance Act, 1994	ServiceTax	756.02	2004-05 to 2007-08	Customs, Excise and Service Tax Appellate Tribunal
Chapter V of the Finance Act, 1994	ServiceTax 2012-13	1,261.00	2008-09 to	Commissioner, Service Tax, Bangalore
The Employees Provident Fund and Miscellaneous Provisions Act, 1972	Employer and Employee Provident Fund	77.26	1996-1997 to 2014-15	Assistant / Regional Provident Fund Commissioner
The Foreign Exchange Regulation Act, 1999	Penalty for contravention of section 42(1) of the FEMA, 1999	50.00	2006	Director, Directorate of Enforcement.

viii) There are defaults in repayment of dues to various financial institutions and banks as at the balance sheet date. The amount of defaults and the period are tabulated below

(Rs. In Lakhs)

Name of the Banks &financial institutions	Amount of default (including accrued interest)	Period of Default
Bank of India	41,602.00	From 2009 to Till Date
Canara Bank	9,203.58	From 2009 to Till Date
Industrial Development Bank of India	6,281.23	From 2009 to Till Date
State Bank of India (Formerly State Bank of Mysore)	5,429.96	From 2009 to Till Date
State Bank of India (Formerly State Bank of Travancore)	7,018.61	From 2009 to Till Date

ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **SETHIA PRABHAD HEGDE & CO**
Chartered Accountants
Registration No.013367S

TIMMAYYA HEGDE
Partner
Membership No.226267

Bangalore
30th May, 2018

ANNEXURE - B TO THE AUDITOR'S REPORT

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Cranes Software International Limited** ("the Company") as of 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

In our opinion,subject to the qualifications and the matters specified in the 'Emphasis of Matter' paragraph as appearing in our Independent Auditor's Report of even date, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **SETHIA PRABHAD HEGDE & CO**
Chartered Accountants
Registration No.013367S

TIMMAYYA HEGDE
Partner
Membership No.226267

Bangalore
30th May, 2018