SIMPLEX INFRASTRUCTURES LIMITED
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CIN No. L45209 WB 1924 PLC 004969

Statement on Impact of Audit Qualification (for Audit Report of M/s. S.R.Batliboi&Co.LLP) for the Financial Year ended 31st March, 2018 (Consolidated)

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. In Lakhs)	Adjusted Figures (audited figures after adjusting for qualifications) (Rs. In Lakhs)
	1.	Turnover / Total income	590,243	590,243
	2.	Total Expenditure	575,285	560,952
	3.	Net Profit/(Loss)	11,283	(3,050)
	4.	Earnings Per Share (In Rupees)	22.81	(6.16)
	5.	Total Assets	920,808	906,475
	6.	Total Liabilities	758,114	758,114
	7.	Net Worth *	162,694	148,361
	8.	Any other financial item(s) (as felt appropriate by the management)		
		*Represents Total Equity as per Balance Sheet		

II.	Audit Qualification (each audit qualification separately):	
	a. Details of Audit Qualification:	M/s.S.R.Batliboi&Co.LLP, Chartered Accountants, one of the Joint Statutory Independent Auditors have qualified their audit opinion in their Report dated May 31,2018 on the Consolidated Financial Statements of the Company for the year ended 31st March, 2018. Relevant excerpts from the Independent Auditors' Report on the said Consolidated Financial Statements are given below: "3. We draw your attention to the following: a) Note 1 which states that Unbilled Revenues include Rs. 86,035 lakhs relating to earlier years, in respect of which the management is in regular discussion with the concerned customers for completion of necessary certification and recovery thereof. As informed, the availability of appropriate audit evidence on these balances has been limited due to the geographical spread of the company's operations and the relevant records being maintained at respective project sites. Consequently, we have not been able to audit these balances and are unable to comment upon them.

b) Note 2 regarding certain old balances of trade receivables, retention monies on completed projects, inventories at completed project sites and claims recoverable amounting to Rs. 43,890 lakhs, Rs. 21,540 lakhs, Rs 2,914 lakhs and Rs. 1,596 lakhs respectively, considered good of recovery by the management due to the reasons mentioned therein. We are unable to comment upon these balances, including the likely time period of collection of trade receivables considered by the company for determining their fair values.

Further, retention monies and unbilled revenues, disclosed as 'other current assets' instead of 'other financial assets' have been accounted for at transactional values instead of at fair values, which is not in accordance with the requirements of Ind AS 109 "Financial Instruments" and Ind AS 32 "Financial Instruments: Presentation".

The impact of the above matter on the consolidated financial results for the period and assets and liabilities as on March 31, 2018 is presently not ascertainable.

c) Note 3 in respect of (i) certain projects relating to a customer wherein the management of the Holding Company has considered Trade Receivables, Unbilled Revenue, Retention Money and Inventories amounting to Rs. 5,083 lakhs (Net), Rs. 4,657 lakhs, Rs. 615 lakhs and Rs. 2,915 lakhs respectively, as good and fully recoverable since there are pending legal proceedings including liquidation proceedings against the customer; (ii) Further, advance to suppliers also include balances amounting to Rs. 1063 lakhs relating to completed projects and outstanding for a long period of time. In our opinion these balances should have been provided for as doubtful of recovery.

Had the impact of the observations above been considered, year end balances of Trade Receivables, Unbilled Revenue, Retention Money, Inventories and Advance to suppliers would have been Rs. 139,962 lakhs, Rs. 392,563 lakhs, Rs. 55,459 lakhs, Rs. 72,761 lakhs and Rs. 12670 lakhs as against reported amount of Rs, 145,045 lakhs, Rs. 397,220 lakhs, Rs. 56,074 lakhs, Rs. 75,676 lakhs and Rs 13,733 lakhs with consequential impact on profit for the year and balance of other equity and thereby profit before tax for the year and balance of other equity at the year-end would have been Rs. 346 lakhs and Rs. 147722 lakhs as against reported amount of Rs. 14,679 lakhs and Rs 162,055 lakhs respectively.

	d) Note 4 regarding unreconciled Value Added Tax Liability relating to period before implementation of Goods and Service Tax, impact whereof is unascertained and will be considered upon completion of the reconciliation process. We are unable to comment on the impact thereof on these consolidated financial results. e) Note 5 regarding non-consideration of depreciation on property, plant and equipment and borrowing costs as project costs and for determining revenue as per percentage of completion of the contract activity for the reasons stated therein, which is not in accordance with Ind-AS 11 "Construction Contracts". The impact of this on these financial results has not been ascertained by the management. f) Note 6 in respect of current assets as at the balance sheet date which includes certain balances of trade receivables, statutory advances pending assessment by relevant authorities, security deposits and other balances including those subject to litigations amounting to Rs. 8,370 lakhs, Rs. 25,137 Lakhs, Rs. 1,885 lakhs and Rs. 17,257 lakhs respectively, which in our opinion should have been classified as non-current assets.
b. Type of Audit Qualification:	Qualified Opinion
c. Frequency of qualification:	Qualification no. 3 (b) & 3(c) is appearing from financial year ended 31st March, 2017 Qualification no. 3(a), 3(b), 3(c), 3 (d), 3 (e) & 3 (f) has appeared for the first time in the Auditors' Report on the Standalone Financial Statements of the Company for the financial year ended 31st March, 2018
d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:	The Auditors have quantified the impact of their Qualification mentioned at 3 (c) of the Auditors' Report **Management's views to Audit Qualification 3 (c) of the Audit Report:** (i) Arbitration proceedings are on in respect of certain Trade Receivables, Unbilled Revenue and Retention Money due from a customer which is under legal proceedings including liquidation proceedings amounting to ` 5,083 lakhs (net), ` 4,657 lakhs and ` 615 lakhs respectively as at 31st March, 2018. There has not been any development in this regard during the current year and

	accordingly till the disposal of legal proceedings, the company considers the above amount as good and recoverable. The said reasons explain the qualification by both the Joint auditors' on the same issue in their Audit reports on the Company's financial results for the year ended 31st March, 2018. Further, there is inventory amounting to ` 2,915 lakhs also lying at such project site as on date and are good as per Management's opinion. In view of above, we are unable to agree with the auditors' comments on changes in the figures of Trade Receivables, Unbilled Revenue, Retention Money, Inventories etc. and the consequential impact on profit for the year/quarter and balance of other equity at the year-end. (ii) There are advances to suppliers related to certain completed project sites, amounting to ` 1,063 lakhs on which the company is in active pursuit and confident of recovery / settlement of these advances within a reasonable period of time. On this issue, one of the joint auditors is in agreement with the views of the management. The above reasons explain the qualification by the other Joint Auditor on this issue in their audit report on the company's financial results for the year ended 31st March, 2018.
e. For Audit Qualification(s) where the impact is not quantified by the auditor:	Impact of Qualification no. 3(a), 3 (b), 3(d), 3 (e) & 3 (f) of the Auditors' Report have not been quantified by the Auditor
(i) Management's estimation on the impact of audit qualification:	Not ascertainable
(ii)If management is unable to estimate the impact, reasons for the same:	**1. Management's views to Audit Qualification 3 (a) of the Audit Report:** Recognition of unbilled revenue is based on Cost to Complete (CTC) estimates as per Percentage of Completion Method (POCM) under Ind AS-11 'Construction Contracts'. This CTC is regularly reviewed and necessary changes are effected by the Management. Certification of unbilled revenue including final bills takes a long time from project to project by the customer. At this stage based on its discussion with the concerned customers, the Company feels that old unbilled revenue of ` 86,035 lakhs as on 31st March, 2018 will be billed and realised in due course, the records and documents for which are maintained at respective project sites spread across the country and also outside India. Further on this issue, one of the joint auditors is in agreement with the views of the management. The above reasons explain the qualification by the other Joint Auditor on this issue in their audit report on the company's financial results for the year ended 31st March, 2018.

2.Management's views to Audit Qualification 3 (b) of the Audit Report

As on 31st March, 2018 in respect of trade receivables of ` 43,890 lakhs and claims recoverable of ` 1,596 lakhs from customers against various project sites, where the amount is outstanding for a long period and based on its discussions and correspondence with those customers, the management is of the opinion that at this stage these are good and recoverable.

Inventories of ` 2,914 lakhs as on 31st March, 2018 at certain completed project sites are good and will be transferred for onward use in other projects.

In respect of the retention money due from customer, it is receivable only after the contract is completed, certification of final bill by customer and after expiry of defect liability period. In the opinion of the company the retention amounts of ` 21,540 lakhs due from customer of certain completed contracts as on 31st March, 2018 are good and recoverable. Management regularly reviews the old outstanding trade receivables, Claims recoverable and Retention monies due from customers as on 31st March, 2018 and in the opinion of the management, these are good and recoverable.

Retention money due from customer and unbilled revenue as at 31st March 2018 have been considered as 'other current assets' as per Ind AS-32. Further, in the opinion of the management, there is lack of clarity in respect of application of the provisions of Ind AS with regard to fair value of these items and there has not been any authoritative clarification / interpretation in this regard. This is the consistent practice being followed by the Company and the industry peers.

On this issue, one of the joint auditors is in agreement with the views of the management. The above reasons explain the qualification by the other Joint Auditor on this issue in their audit report on the company's financial results for the year ended 31st March, 2018.

3. Management's views to Audit Qualification 3 (d) of the Audit Report:

The company is in the process of reconciling VAT liability till 30th June, 2017. The impact of difference, if any, in such VAT liability, which the management does not expect to be significant, will be considered thereafter. On this issue, one of the joint auditors is in agreement with the views of the management. The above reasons explain the qualification by the other Joint Auditor on this issue in their audit report on the company's financial results for the year

	ended 31st March, 2018. **4. Management's views to Audit Qualification 3 (e) of the Audit Report**: The Company, as per consistent practice followed, does not consider depreciation on properties, plants and equipment and borrowing cost as part of the project cost in the Cost to Complete (CTC) for determining revenue as per percentage of completion under Ind AS–11 " Contract Cost " for its various projects. The depreciation on Property Plant and Equipment etc. as also borrowing cost directly related to specific contracts is not material. However, in the Profit and Loss Statement, both depreciation and borrowing cost being the period cost are charged to revenue. The Management is of the opinion that not considering the depreciation as stated above and borrowing cost in the Cost to Complete (CTC) statement does not affect the calculation of Percentage of Completion Method (POCM) materially. On this issue, one of the joint auditors is in agreement with the views of the management. The above reasons explain the qualification by the other Joint Auditor on this issue in their audit report on the company's financial results for the year ended 31st March, 2018. **4. Management's views to Audit Qualification 3 (f) of the Audit Report**: In respect of classification of certain current assets into non-current assets, the Company provides expected credit loss (ECL) on these current assets. The company considers an average normal operating cycle for its operations though the operating cycle for all the projects are not uniform, the company has classified certain trade receivables, statutory advances pending assessment by relevant authorities, security deposits and other balances including those subject to arbitrations, amounting to ` 8,370 lakhs, ` 25,137 lakhs, ` 1,885 lakhs and ` 17,257 lakhs respectively as current assets. On this issue, one of the joint auditors is in agreement with the views of the management. The above reasons explain the qualification by the other Joint Auditor on this issue in their audit report on the company's financial results for the year ended 31st March, 2018.
(iii) Auditors' Comments on (i) or (ii) above:	No comment further to "Details of Audit Qualification" in Item II (a) above

III.	Signatories:	
	• CEO / Managing Director	A.N.Basu Whole-time Director
	• CFO	Sukumar Dutta Whole-time Director & CFO
	• Audit Committee Chairman	Asutosh Sen Audit Committee Chairman
	• Statutory Auditor	For S.R.Batliboi & Co.LLP, Chartered Accountants Firm Registration Number 301003E/E300005 Kamal Agarwal Partner Membership No. 058652

Place: Kolkata
Date: May 31, 2018

SIMPLEX INFRASTRUCTURES LIMITED
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Statement on Impact of Audit Qualification (for Audit Report of M/s. H.S.Bhattacharjee) for the Financial Year ended 31st March, 2018 (Consolidated)

I.	Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. In Lakhs)	Adjusted Figures (audited figures after adjusting for qualifications) (Rs. In Lakhs)
	1.	Turnover / Total income	590,243	Not Applicable
	2.	Total Expenditure	575,285	Refer Item II(d) below
	3.	Net Profit/(Loss)	11,283	
	4.	Earnings Per Share	22.81	
	5.	Total Assets	920,808	
	6.	Total Liabilities	758,114	
	7.	Net Worth *	162,694	
	8.	Any other financial item(s) (as felt appropriate by the management)		
	* Represents Total Equity as per Balance Sheet			

II. Audit Qualification (each audit qualification separately):

a. Details of Audit Qualification:

M/s.H.S.Bhattacharjee & Co., Chartered Accountants, one of the Joint Statutory Independent Auditors have qualified their audit opinion in their Report dated May 31,2018 on the Consolidated Financial Statements of the Company for the year ended 31st March, 2018.

Relevant excerpts from the Independent Auditors' Report on the said Standalone Financial Statements are given below:

"3. We draw your attention to the following:

Note 3 (i) in respect of certain projects relating to a customer wherein the Management of the Company has considered Trade Receivables aggregating Rs.5,083 Lakhs (Net); Unbilled Revenue aggregating Rs.4,657 Lakhs and Retention Money aggregating Rs.615 Lakhs (disclosed under Other Current Assets), as good and fully recoverable for the reasons stated therein. In view of pending legal proceeding against the customer and lack of adequate information, we are unable to comment on the extent of recoverability of these balances. The impact of this matter on the Trade Receivables, Other Current Assets, Total Current Assets, Total Assets, Other Equity, Equity attributable to owners of Simplex Infrastructures Limited, Total Equity and Total Equity and Liabilities as at March 31, 2018; Other Expenses, Total Expenses, Profit before exceptional items , share of net profits of investments accounted for using equity method and tax ,Profit before Exceptional Items and Tax, profit beforeTax from continuing

	operations, Tax Expense of continuing tax operations, Profit from continuing operations, Profit for the Year, Total Comprehensive Income for the Year . Profit attributable to owners of Simplex Infrastructures Limited, Total Comprehensive income attributable to owners of Simplex Infrastructures Limited, Earnings Per Equity Share of Profits from continuing operations attributable to owners of Simplex Infrastructures Limited and earnings per equity share for profit from continuing and discontinued operations attributable to owners of Simplex Infrastructures Limited for the year ended March 31, 2018 is presently not ascertainable.
b. Type of Audit Qualification:	Qualified Opinion
c. Frequency of qualification:	This qualification is appearing from financial year ended 31st March, 2017
d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:	Not Applicable
e. For Audit Qualification(s) where the impact is not quantified by the auditor:	
(i) Management's estimation on the impact of audit qualification:	Not ascertainable.
(ii) If management is unable to estimate the impact, reasons for the same:	The Independent Auditors in their qualified audit opinion [refer Item II (a) above] have drawn reference to Note 3 on the Statement of Standalone Audited Financial Results for the Quarter and year ended 31st March, 2018, prepared under Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and explains the reasons as set out in the said Note no.3, which reads as follows: "3(i) Arbitration proceedings are on in respect of certain Trade Receivables, Unbilled Revenue and Retention Money due from a customer which is under legal proceedings including liquidation proceedings amounting to ` 5,083 lakhs (net), ` 4,657 lakhs and ` 615 lakhs respectively as at 31st March, 2018. There has not been any development in this regard during the current year and accordingly till the disposal of legal proceedings, the company considers the above amount as good and recoverable. The said reasons explain the qualification by both the Joint auditors' on the same issue in their Audit reports on the Company's financial results for the year ended 31st March, 2018.
(iii) Auditors' Comments on (i) or (ii) above:	No comment further to "Details of Audit Qualification" in Item II (a) above

III.	Signatories:	
	• CEO / Managing Director	A.N.Basu Whole-time Director
	• CFO	Sukumar Dutta Whole-time Director & CFO
	• Audit Committee Chairman	Asutosh Sen Audit Committee Chairman
	• Statutory Auditor	For H.S.Bhattacharjee & Co. Firm Registration Number :322303E Chartered Accountants H.S.Bhattacharjee Partner Membership No. 50370

Place: Kolkata
Date: May 31, 2018