

**Ref: 8K/CHN/2019-20/E047****8<sup>th</sup> November 2019**

The Deputy General Manager, Department of Corporate Services, <b>Bombay Stock Exchange Ltd,</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.	The General Manager, Listing Department, <b>National Stock Exchange Limited,</b> Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400 051
Scrip Code: 512161 - ISIN NO-INE650K01021	EQ- 8KMILES – ISIN NO- INE650K01021

Dear Sir/Madam,

**Sub: Submission of Statement on Impact of Audit Qualifications for financial statements for the year ended March 31, 2019**

With reference to the captioned subject, we would inform you that we have submitted the Statement on Impact of Audit Qualifications for Financial Statements for the year March 31, 2019, which was approved by the Board at the meeting held on 2<sup>nd</sup> November, 2019. (Ref:8K/CHN/2019-20-E046).

Enclosed herewith the statement on Impact of Audit Qualifications for Standalone and Consolidated Financial Statements for the financial year ended March 31, 2019.

Please take a note of the above at your end.

Thanking You,

Yours Truly,

**For 8K Miles Software Services Limited****Diya Venkatesan  
Company Secretary**

**8K Miles Software Services Limited**

**Statement on Impact of Audit Qualifications for Standalone Financial Results  
for the Financial Year ended 31 March 2019**

**[See Regulation 33 of the SEBI (LODR) Regulations, 2015 read with Regulation 3 (I) of the SEBI (LODR) (Amendment) Regulations, 2016 and SEBI Circular No. CIR/CFD/CMD/56/2016 dated 26 May 2016]**

I.	Sl. No.	Particulars	Figures (as reported before adjusting for Basis for Disclaimer of Opinion)	Adjusted Figures (figures after adjusting for Basis for Disclaimer of Opinion) (Refer Note below)
			(Rupees in lakhs)	(Rupees in lakhs)
	1.	Turnover / Total income (including exceptional income)	6,381.42	6,381.42
	2.	Total Expenditure (including tax expense)	5,408.19	5,408.19
	3.	Net Profit/(Loss)	973.23	973.23
	4.	Earnings Per Share (in Rupees)	3.19	3.19
	5.	Total Assets	19,611.26	19,611.26
	6.	Total Liabilities	10,810.83	10,810.83
	7.	Net Worth	8,800.43	8,800.43
	8.	Any other financial item(s) (as felt appropriate by the management)	Nil	Nil
<p><b>Note:</b> The above table does not reflect any adjustments since the auditors have not been able to quantify the impact of any of the matters described under the paragraphs 4 to 12 representing the basis for the Disclaimer of Opinion (for the details of the Disclaimer of Opinion, refer Section II below) and in the opinion of the management the matters so reported by the Auditors in their report under the paragraphs 4 to 12 for the Disclaimer of Opinion would not have any material impact on the Statement.</p>				
<p align="center"><b><u>Audit Qualification (each audit qualification separately): Basis for Disclaimer of Opinion</u></b></p>				
II.	<p><b>a. Details of the Disclaimer of Opinion in the Independent Auditor's Report issued pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July 2016 ("Auditor's Report"):</b></p>			



**Paragraph No. 4 of the Auditor's Report : Report under Section 143 (12) of the Companies Act, 2013 ("the Act")**

4. During the course of our audit of the standalone and consolidated financial statements of the Company for the year ended 31 March 2019, we came across certain transactions that gave us reason to believe that suspected offences involving fraud have been committed in the Company. Such transactions with regard to the standalone financial statements, *inter alia*, pertained to:

- (a) Several instances of inconsistencies between declarations provided by Directors and information available in the public forum which demonstrated existence of probable related parties which were not disclosed previously, including certain transactions with such parties which were not disclosed or approved by the Audit Committee/Board of Directors. Also see paragraph 8.1(a) below.
- (b) Several instances of transactions with certain customers, wherein the Company was not able to provide us with the particulars of the services rendered and acknowledged by the customer, the details of employees actually rendering such service, the appropriateness and source of the monies received from such customers. Also see paragraph 5 below.
- (c) Several instances of multiple addresses being considered in various communications with certain customers in the invoices, website of the customer, on cheques received from customers, including instances wherein some of the communication addresses coincided with the residential address of certain employees of the Company or its subsidiaries, which impacted our ability to establish the authenticity of the customer. Also see paragraph 5 below.
- (d) Several instances of communications with a vendor, wherein there were multiple communications using different email ids, documents with varying signatures and differences in the spelling of the common signatory of the vendor, etc. which impacted our ability to establish the authenticity of the vendor. Also see paragraph 7 below.
- (e) Appropriate approvals and concerns over recovery of advances made to a related party, by a subsidiary of the Company. Refer paragraph 6 for more details.

Several instances of various inconsistencies were also noted during our audit of the books of account of certain foreign subsidiaries in association with our audit of the consolidated financial statements of the Company.

Pursuant, *inter alia*, to the above observations, we requested the Audit Committee of the Company to provide us with their replies or observations to the aforesaid matters for us to consider the same as part of our audit.



Subsequent to our reporting of such matters to the Audit Committee vide our letter dated 15 July 2019, the Audit Committee in its meeting held on 18 July 2019 appointed an external firm of Chartered Accountants to carry out an investigation. We are informed that as on the date of this report, the investigation report of the external firm of Chartered Accountants has not yet been received by the Company and, hence, the same has not been made available to us.

Further, we also included the aforesaid matters in our report dated 13 September 2019 to the Central Government in accordance with the requirements of section 143(12) of the Act. The matters so reported also included observations relating to certain transactions pertaining to some subsidiaries, which are included in our report on the consolidated financial statements of the Company.

Pending receipt of the report on the findings of such investigation and pending receipt of information and explanations and evidences relating to the aforesaid matters from the management of the Company, we have been unable to obtain sufficient and appropriate audit evidence in respect of the above matters/ transactions that gave us reason to believe that suspected offences involving fraud may have been committed in the Company and/or its subsidiaries.

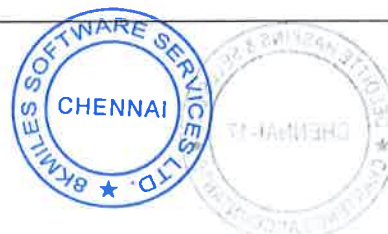
In view of the above, we are unable to comment on the consequential adjustments, if any, that may be required to the Statement.

**Paragraph No. 5 of the Auditor's Report: Revenue from Contracts with Customers and related outstanding receivables**

5. During the year ended 31 March 2019, the Company recognised revenue aggregating to Rs. 2,428.69 Lakhs from the customers referred to in paragraphs 4(b) and 4(c) above wherein such customers have an outstanding balance aggregating Rs. 3,464.01 Lakhs as at 31 March 2019 (includes balances of Rs. 1,022.36 Lakhs outstanding even as at 31 March 2018).

In the absence of complete information regarding the proof of services rendered, efforts expended, and in view of our observations in paragraphs 4(b) and 4(c) above in respect of these customers, we are unable to conclude on the appropriateness / correctness / completeness / validity of the revenue recognised, compliance with the recognition and measurement of revenue required under the Indian Accounting Standard (Ind AS) 115 Revenue from Contracts with Customers and the corresponding receivables in the Statement.

The Company has also not carried out an evaluation of the expected credit loss required under Indian Accounting Standard (Ind AS) 109 – Financial Instruments for the outstanding trade receivables as at 31 March 2019 and therefore we are unable to comment on the adequacy and appropriateness of the provision made against the trade receivable balances as at 31 March 2019.



**Paragraph No. 6 of the Auditor's Report: 8K Miles Media Private Limited  
("8K Miles Media")**

6.1 Around the last week of September 2018, we were made aware of the resignation of the statutory auditor of 8K Miles Media, a company promoted by the promoter directors of the Company, vide their resignation letter dated 30 April 2018. As per the said letter, the resignation was due to the misuse of that Audit Firm's Letter Head and signature of their Partner through forgery in certain ODI Certificates submitted by 8K Miles Media to its bankers for transfer of funds of USD 71.51 Lakhs (Rs. 4,612.91 Lakhs) to 8K Miles Media Holdings Inc. USA, a subsidiary of 8K Miles Media. 8K Miles Media and its subsidiaries (together "8K Miles Media Group") were identified as a related party in the consolidated financial statements of the Company for the year ended 31 March 2018.

During the period ended 31 December 2018, the management of 8K Miles Media initiated an independent forensic review to evaluate the authenticity of the signatures in the ODI Certificates referred above. 8K Miles Media has submitted a copy of the forensic report to the Company. We understand that the aforesaid forensic report states that the writer of the signature in the ODI certificates is the same as that of the specimen signatures of the audit partner as provided to the forensic auditor thereby concluding that there was no forgery in the ODI certificates.

Since this matter relates to a company where another firm is the statutory auditor and since the financial statements of that company are not included in the consolidated financial statements of the Company, we have not been able to perform any procedures related to the allegation or the forensic report.

6.2 Further, during the last week of September 2018,

- (a) the CEO and Managing Director of the Company, who was also a promoter director in 8K Miles Media, resigned as a director in 8K Miles Media.
- (b) the CFO and Executive Director of the Company, who was the other promoter director in 8K Miles Media, resigned from his role as CFO of the Company stating that his resignation was to have the necessary time to clear all the baseless allegations and unsubstantiated allegations relating to 8K Miles Media. However, he continues to be a director in both the Company as well as 8K Miles Media.

6.3 The Company has trade and other receivables aggregating Rs. 3,309.10 Lakhs as at 31 March 2019 receivable from 8K Miles Software Services Inc., a subsidiary. It may be noted that this subsidiary had loans receivable from entities of 8K Miles Media Group in the USA aggregating USD 89.61 Lakhs (Rs. 5,808.44 Lakhs) as at 31 March 2018.



We are informed by the management of the Company that such amounts due, including interest as accrued, have been fully recovered as at 31 March 2019 by that subsidiary. However, in the absence of appropriate workings for the interest, documentation regarding loan agreements and due to inconsistencies noted between the transactions as per the Bank Statements of the subsidiary with the transactions as recorded in the books of account of the subsidiary, we were unable to confirm the management's assertion on the said collections made by the subsidiary.

6.4 We are unable to conclude if the above events in 8K Miles Media have any effect on:

- (a) the Company and its operations, in view of the allegations in the aforesaid resignation letter of the statutory auditor of that company and the nature of the Company's relationship with 8K Miles Media, as described in paragraphs 6.1 and 6.2 above, respectively;
- (b) the ability of the Company's subsidiary to transfer funds back to the Company, in view of the loans receivable by it from the entities of 8K Miles Media Group in the USA as described in paragraph 6.3 above, which could result in a possible impairment in the investment of Rs. 9,816.65 Lakhs held in that subsidiary, trade receivables of Rs. 2,819.92 Lakhs and interest recoverable of Rs. 489.18 Lakhs from such subsidiary; and
- (c) the consequential impact, if any, of the same on the operations of the Company.

**Paragraph No. 7 of the Auditor's Report: Procurement of services and trade payables**

7.1 Based on the master service agreement with the external service provider, referred to in paragraph 4(d) above, for technical and referral services to be rendered towards certain customers, referred to in paragraphs 4(b) and 4(c) above, the Company has recorded consultancy charges of Rs. 1,706.40 Lakhs, for the year ended 31 March 2019 with an outstanding liability of Rs. 1,709.16 Lakhs.

In the absence of complete information regarding proof of the services rendered by the vendor, and in view of our observations in paragraph 4(d) above in respect of this vendor, we are unable to conclude on the appropriateness / correctness / completeness / validity of the expense and the corresponding liability recorded in the Statement.

7.2 Further, the Company has not evaluated the applicability or coverage of such services under the Goods and Service Tax Regulations and has not accrued / paid the same. However, in our opinion, such tax is payable on those services. The management has not determined the amount of Goods and Service Tax payable and any interest thereon. We are unable to conclude on the consequential impact of the same on the Statement.



**Paragraph No. 8 of the Auditor's Report: Regulatory Compliances**

8.1 We are unable to conclude on the consequential impact, if any, on the operations and the financial performance of the Company arising out of the following matters pertaining to non-compliance with the provisions of the Companies Act, 2013 and notifications issued by the Securities and Exchange Board of India (SEBI), as applicable:

- (a) In the absence of appropriate processes for identifying related parties in view of the matters reported in paragraph 4 (a) above, we are unable to comment on the accuracy and completeness of the related parties identified and disclosed by the Company including compliance with obtaining necessary approvals, as required, from those charged with governance.
- (b) It was noted that in the case of two of the Directors who were re-appointed at the Annual General Meeting (AGM) held on 18 September 2015 and designated as independent directors (One was also the Chairman of the Audit Committee and the other a member of the Nomination and Remuneration Committee and also the Chairman of the Stakeholder Relationship Committee), they may have ceased to be independent directors under the Act with effect from 17 November 2015 and 12 August 2015, respectively, being the date from when their relatives were employed either with the Company or its subsidiary. These directors have been designated as non-independent directors by the Company from 6 September 2019 and 13 February 2019, respectively.

Considering the above, we are unable to opine on the validity of the meetings of the Board of Directors, Audit Committee, Stakeholder Relationship Committee and Nomination and Remuneration Committee, in regards to the quorum in such meetings and the resolutions approved in those meetings from the aforesaid AGM date until the dates when the Company designated them as non-independent directors.

8.2 We are unable to conclude on the consequential impact, if any, on the Statement arising out of the matters pertaining to non-compliance with the applicable master directions/ notifications issued by the Reserve Bank of India ("RBI") and provisions of The Foreign Exchange Management Act, 1999, as amended, in respect of the following:

- (a) The Company has export trade receivables and foreign currency interest receivable aggregating Rs. 3,037.28 Lakhs and Rs. 336.13 Lakhs, respectively, which are outstanding for more than nine months, from the invoice date, as at 31 March 2019, which is beyond the time limit stipulated under the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, for repatriation of foreign currency receivables.



(b) As at 31 March 2019, the Company had not made the necessary intimations to the Authorised Dealer/ RBI as required under the Master Directions provided by the RBI on Foreign Investment in India for loan/ collaterals/ pledge received from the promoter of the Company, being a resident outside India, amounting to Rs. 1,395.02 Lakhs during the year ended 31 March 2019.

However, subsequent to the year-end, the Company has made an intimation to the Authorised dealer on 12 July 2019 and is yet to make an application for condonation of delay.

(c) It appears that the Company has provided a corporate guarantee to Columbia Bank for a line of credit availed by 8K Miles Software Services Inc., a subsidiary of the Company, and Nexage Technologies Inc., a step down subsidiary of the Company, aggregating USD 5,000,000 on 12 September 2018. As per the loan sanction document issued by Columbia Bank, the line of credit was approved by Columbia Bank based on a representation by the Managing Director of the Company that the corporate guarantee was approved by the shareholders of the Company.

We have not been provided with minutes of the meeting of the shareholders referred above approving such corporate guarantee. Further, the Company has also not intimated the Authorised Dealer for providing such corporate guarantee as required under the Master Directions provided by the RBI on Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad.

8.3 Further, the Company has not carried out a comprehensive review of compliance with laws and regulations and therefore we are unable to comment if there are any other instances of non-compliance with laws and regulations and any consequential impact thereof.

**Paragraph No. 9 of the Auditor's Report: Information / clarifications requested but not provided**

9. During the course of our audit, we have requested from the management various information and clarifications that were required for the purposes of our audit. In addition to the information and clarifications pending in respect of the matters described in paragraphs 4 to 8 above, information, *inter alia*, relating to assessment of how the revenue recognised by the Company was in compliance with the provisions of Ind AS 115, documentation supporting evaluation of the expected credit losses as at 31 March 2019, documentation on services received against certain consultancy expenses, confirmation of balances from customers, vendors and other parties, etc., are also pending to be provided to / received by us. In view of such pending information, we have not been able to obtain sufficient appropriate evidence to conclude on those matters to express an opinion on the Statement.





**Paragraph No. 10 of the Auditor's Report: Book entries**

10. In view of the matters described in paragraphs 4, 5, 6.3, 7 and 9 above, we are unable to state if any of the transactions referred to in those paragraphs were represented by mere book entries.

**Paragraph No. 11 of the Auditor's Report: Use of going concern assumption**

11. In view of the matters reported in paragraphs 4 to 10 above, and in the absence of reliable cash flow projections by the management, and any consequential impact of those matters on the Statement and operations of the Company, we are unable to comment on the appropriateness of the going concern assumption adopted by the management in the preparation of the Statement.

**Paragraph No. 12 of the Auditor's Report: Information on subsidiaries**

12. Based on information in the public domain 8K Miles Cloud Solutions Pte. Limited, Singapore has stated itself to be a subsidiary of the Company. This entity appears to have been incorporated on 8 May 2017. Further, 8K Miles Software Services Pte. Ltd, Singapore and 8K Miles Software Services UK Limited, United Kingdom exist with the promoter directors appearing as shareholders/directors. The incorporation of wholly owned subsidiaries in these countries were approved by the Board of Directors of the Company on 30 May 2018.

However, all these three entities have not been considered by the management of the Company as subsidiaries in the standalone financial statements. We are informed by the management that these entities are not subsidiaries of the Company and the information in the public domain, including with the regulatory authorities in those geographies are not correct.

We have not been provided with the audited financial statements of these entities and/or any other verifiable evidence to ascertain the relationship of these entities with the Company. Hence, we are unable to comment on the relationship of these entities and the consequential impact these entities may have on the Statement.

**b. Type of Audit Qualification:** ~~Qualified Opinion / Disclaimer of Opinion / Adverse Opinion~~

**c. Frequency of qualification:** Whether appeared first time / repetitive / since how long continuing –

**Appeared First time**



	<p><b>d. For Audit Qualification(s) where the impact is quantified by the auditor, management's views:</b></p> <p>Nil</p>
	<p><b>e. For Audit Qualification(s) where the impact is not quantified by the auditor:</b></p>
	<p><b>(i) Management's estimation on the impact of audit qualification:</b></p> <p>Unable to estimate the impact. In the opinion of the management, the impact, if any, on the Statement from the matters so reported by the Auditors under the paragraphs 4 to 12 in their report would not be material.</p>
	<p><b>(ii) If management is unable to estimate the impact, reasons for the same:</b></p> <p><b>Response to paragraph No. 4 (a)</b> The Directors have provided the appropriate documents as required under the law and believes to their knowledge there is no related parties which were undisclosed.</p> <p><b>Response to paragraph No. 4 (b)</b> The management hereby affirms that proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them.</p> <p><b>Response to paragraph No. 4 (c)</b> The management hereby states that certain customers have multiple locations and the services were provided at various locations. The management has duly clarified to the audit team about the addresses of the employees who were previously the employees of our customers.</p> <p><b>Response to paragraph No. 4 (d)</b> The management has given necessary explanations to audit team during the audit for the email addresses used by the vendor. The management affirms that the authenticity of that vendor has been established by obtaining direct confirmation from that vendor with respect to services provided. The management also of the opinion that usage of multiple email addresses is the preference of the vendor.</p> <p><b>Response to paragraph No. 4 (e)</b> The management confirms that advances to a related party has been fully recovered during the year of audit and there is NO outstanding at the end of 31 March 2019 as per the books of account.</p> <p>The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and not reported any such inconsistencies.</p>



**Response to paragraph No. 5**

The Company has obtained the necessary balance confirmation from the customers as at the end of the year and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from those customers. As the amounts are good to recover, an evaluation of the expected credit loss as required under Indian Accounting Standard (Ind AS) 109 – Financial Instruments for the outstanding trade receivables does not arise.

As explained in 4(b) above, the management hereby affirms that the proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them.

**Response to paragraph No. 6.1**

The management states that the forensic experts appointed by the 8K Miles Media Private Limited have submitted their report to the Board wherein they have concluded that all the allegations made on 8K Miles Media are not true. The Board hereby has duly taken that report into record. The management further clarifies there is no relationship nexus between 8K Miles Media and the Company, except for the common promoter. Thus, there is no requirement of providing financial statements of 8K Miles Media to the auditors.

**Response to paragraph No. 6.3**

The management affirms that 8K Miles Media has no nexus except for the common promoters. Hence the false and baseless allegations have no impact on the Company and its operations.

The Trade receivables from 8K Software Services Inc., a subsidiary is an ongoing account and have since received Rs.858.48 Lakhs till date of this report.

With respect to loans receivable from 8K Miles Media Group in USA – the total amount including the interest charge on the outstanding amounts have been fully recovered and as at the 31 March 2019 the balance from 8K Media is NIL. Also the management affirms that the appropriate workings for the interest on the amounts outstanding have been provided and recovered in full.

Based on the above facts and continuity of the business and operations of the subsidiary, the managements believes that there is no possibility of impairment in the investments made by the parent company and the recoverability of the amount receivables are good.

**Response to paragraph No. 6.4**

As explained the company has received all the outstanding amounts prior to December 2018 and the above allegation is nothing to do with the company as it is neither a related party nor a subsidiary.



**Response to paragraph No. 7**

The management has provided the audit team, the details with respect to services availed from the vendor, confirmation of the charges and payables.

With respect to GST applicability, the management is in the process of obtaining a professional opinion and will take requisite steps in due course.

**Response to paragraph No. 8.1 (a)**

The management hereby states that these have been duly complied as mentioned in 4(a) above and the related party details have been appropriately disclosed in the financial statements.

**Response to paragraph No. 8.1 (b)**

The management has taken necessary legal opinion from an independent law firm and they have stated that there is no non-compliance by the said directors as reported above.

**Response to paragraph No. 8.2(a)**

The management hereby states that this has been reported to the Reserve Bank of India through the AD Bank.

**Response to paragraph No. 8.2 (b)**

The management hereby clarifies that the due intimation has been made to the Reserve Bank of India (RBI) through the AD Bank and the same was provided to the audit team during the audit. The application of condonation does not arise as the AD Bank has not reverted after intimation.

**Response to paragraph No. 8.2 (c)**

The management has provided the necessary resolution to the audit team, prior to this report of the auditors. Also, the shareholders' resolution passed during the AGM (under section 186 of Companies Act 2013) in the year 2015. The minutes of the Board of Directors meeting approving such corporate guarantee has been provided and the necessary intimation in the prescribed format to AD bank is in progress.

**Response to paragraph No. 8.3**

The management has carried out a requisite review of compliance with laws and regulations by engaging individual professionals and practitioners having relevant area of expertise. The management also assures to enhance the competency further with respect to compliance and corporate governance of the company.

**Response to paragraph No. 9**

The details of how the revenues recognized were provided during the audit IND AS 115 – since most of the revenue is time and material – applicability of this standard is questionable or complied with the standard

The confirmation of balances and Statement of Works and Master Services Agreements entered between have been sought directly from the customers by the auditors.



**Response to paragraph No. 10**

The management hereby affirms that proper documents with respect to nature of services rendered to the customers and nature of services obtained from the vendors, with the acknowledgement were submitted to the audit team during the audit. The same is also supported by confirmation of balances. Thus the management clarifies that matters described in paragraphs 4, 5, 6.3, 7 and 9 above are not mere book entries as contended so.

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**Response to paragraph No. 11**

The management has made full inquiry into affairs of the business as a result of which, they firmly believe that there is a going concern assumption as there are requisite business, operations, customers, and employees. The management has discussed the cash flow projections for the foreseeable period and not envisaged anything negative which will impact the Company's business operations in the future years.

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**Response to paragraph No. 12**

One of the director has incorporated on behalf of the parent company two foreign subsidiary companies. Since there is no possible economic benefit arising out of these companies, the management is in the process of striking off the Company. Under the circumstances and there are no commercial transactions, these were not consolidated.



(iii) **Auditors' Comments on (i) or (ii) above:**

We are not in agreement with the responses of the management under clause II (e) (ii) above and consequentially their conclusion that the impact of the audit qualifications is not material under clause II (e) (i) above and their statement in clause I above that the matters reported by us in our audit report under the paragraphs 4 to 12 for Disclaimer of Opinion would not have a material impact on the financial results that have been reported in the Statement.

We have communicated to the Audit Committee certain matters relating to suspected offence involving fraud on or by the Company along with the supporting evidences noted by us in this regard.

We state that the report of the external firm of chartered accountants appointed by the management for carrying out an investigation into the aforesaid matters has not been provided to us since the same is stated to have not been received by the management. Further, the management has not formally responded to us on the status of pending information requests for the matters brought to their attention even as of 25 October 2019.

The management had, subsequent to our aforesaid communication to the Audit Committee on suspected offence involving fraud, reversed initially recognised revenues of Rs. 16,940.66 Lakhs (approximately 20.11 %) of the consolidated revenue from operations of the Group, as reported in the consolidated financial statements as being unsupported.

The matters referred by us brought into question the responses of the management and our ability to rely on the information and explanations provided by them, including the representations they were making. **Considering the significance and gravity of the matters reported by us in our audit report, we were unable to express an opinion on the Statement for the year ended 31 March 2019.**







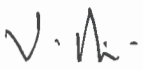

For **DELOITTE HASKINS & SELLS LLP**,  
Chartered Accountants  
Firm Registration No. 117366W/W-100018



**V. Balaji**  
Partner  
Membership No. 203685

Place: Bengaluru

Date: 7 November 2019

III. Signatories:	
CEO / Managing Director	 
	Suresh Venkatachari (DIN: 00365522) Date: 6 November 2019 Place: Chennai
Chief Financial Officer (CFO)	 
	Swasti Bhowmick Date: 6 November 2019 Place: Chennai
Audit Committee Chairman	 
	Dinesh Raja Punnamurthy (DIN: 03622140) Date: 6 November 2019 Place: Chennai
Statutory Auditor	For <b>DELOITTE HASKINS &amp; SELLS LLP</b> , Chartered Accountants Firm Registration No. 117366W/W-100018
	  V. Balaji Partner Membership No. 203685 Date: 7 November 2019 Place: Bengaluru

**8K Miles Software Services Limited**

**Statement on Impact of Audit Qualifications for Consolidated Financial Results  
for the Financial Year ended 31 March 2019**

[See Regulation 33 of the SEBI (LODR) Regulations, 2015 read with Regulation 3 (I) of the SEBI (LODR) (Amendment) Regulations, 2016 and SEBI Circular No. CIR/CFD/CMD/56/2016 dated 26 May 2016]

I.	Sl. No.	Particulars	Figures (as reported before adjusting for Basis for Disclaimer of Opinion)	Adjusted Figures (figures after adjusting for Basis for Disclaimer of Opinion) (Refer Note below)
			(Rupees in lakhs)	(Rupees in lakhs)
	1.	Turnover / Total income (including exceptional income)	85,038.57	85,038.57
	2.	Total Expenditure (including tax expense)	77,056.08	77,056.08
	3.	Net Profit/(Loss)	7,982.49	7,982.49
	4.	Earnings Per Share (in Rupees)	22.52	22.52
	5.	Total Assets	99,799.96	99,799.96
	6.	Total Liabilities	23,266.52	23,266.52
	7.	Net Worth	76,533.44	76,533.44
	8.	Any other financial item(s) (as felt appropriate by the management)	Nil	Nil

**Note:**

The above table does not reflect any adjustments since the auditors have not been able to quantify the impact of any of the matters described under the paragraphs 4 to 15 representing the basis for the Disclaimer of Opinion (for the details of the Disclaimer of Opinion, refer Section II below) and in the opinion of the management the matters so reported by the Auditors in their report under the paragraphs 4 to 15 for the Disclaimer of Opinion would not have any material impact on the Statement.

**Audit Qualification (each audit qualification separately): Basis for Disclaimer of Opinion**

II.

a. Details of the Disclaimer of Opinion in the Independent Auditor's Report issued pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July 2016 ("Auditor's Report"):



1/17



**Paragraph No. 4 of the Auditor's Report: Report under Section 143 (12) of the Companies Act, 2013 ("the Act")**

4. During the course of our audit of the Statement for the year ended 31 March 2019 we came across certain transactions that gave us reason to believe that suspected offences involving fraud have been committed in the Group. Such transactions with regard to the Statement, *inter alia*, pertained to:

- (a) Several instances of inconsistencies between the initial bank statements and the subsequent bank statements provided for verification in certain subsidiaries. Also see paragraphs 6.3 and 7 below.
- (b) Several instances of inconsistencies between declarations provided by Directors and information available in the public forum which demonstrated existence of probable related parties which were not disclosed previously, including certain transactions with such parties which were not disclosed or approved by the Audit Committee/Board of Directors. Also see paragraphs 6.3 and 12.1(a) below.
- (c) Several instances of transactions with certain customers, wherein the Company was not able to provide us with the particulars of the services rendered and acknowledged by the customer, the details of employees actually rendering such service, the appropriateness and source of the monies received from such customers. Also see paragraph 7 below.
- (d) Several inconsistencies with the names of the parties / customers mentioned in the bank statements of some of the subsidiaries and the books of account maintained by those subsidiaries. Also see paragraph 4(a) above and paragraphs 6.3 and 7 below.
- (e) Several instances of multiple addresses being considered in various communications with certain customers in the invoices, website of the customer, on cheques received from customers, including instances wherein some of the communication addresses coincided with the residential address of certain employees of the Company or its subsidiaries, which impacted our ability to establish the authenticity of the customer. Also see paragraph 7 below.
- (f) Several instances of communications with a vendor, wherein there were multiple communications using different email ids, documents with varying signatures and differences in the spelling of the common signatory of the vendor, etc. which impacted our ability to establish the authenticity of the vendor. Also see paragraph 8.1 below.
- (g) Several instances of transactions with vendors, wherein there were inconsistencies between the nature of services as mentioned in the invoices and the basis of recording in the books of account as consultancy expenses and intangible assets, multiple federal tax identification against the same vendor, contracts signed by employees post cessation of their employment, etc. Also see paragraph 8.2 below.
- (h) Appropriate approvals and concerns over recovery of advances made to a related party, by the Group. Also see paragraph 6 below.

Pursuant, *inter alia*, to the above observations, we requested the Audit Committee of the Company to provide us with their replies or observations to the aforesaid matters for us to consider the same as part of our audit.



Subsequent to our reporting of such matters to the Audit Committee vide our letter dated 15 July 2019, the Audit Committee in its meeting held on 18 July 2019 appointed an external firm of Chartered Accountants to carry out an investigation. We are informed that as on the date of this report, the investigation report of the external firm of Chartered Accountants has not yet been received by the Company and, hence, the same has not been made available to us.

Further, we also included the aforesaid matters in our report dated 13 September 2019 to the Central Government in accordance with the requirements of section 143(12) of the Act.

Pending receipt of the report on the findings of such investigation and pending receipt of information and explanations and evidences relating to the aforesaid matters from the management of the Company, we have been unable to obtain sufficient and appropriate audit evidence in respect of the above matters/ transactions that gave us reason to believe that suspected offences involving fraud may have been committed in the Company and/or its subsidiaries.

In view of the above, we are unable to comment on the consequential adjustments, if any, that may be required to the Statement in this regard.

**Paragraph No. 5 of the Auditor's Report: Access to books of account of a subsidiary and information on subsidiaries**

5.1 Our terms of engagement for the audit of the Statement included the management's responsibility to provide us access, at all times, to the records of all the subsidiaries of the Company in so far as it relates to the consolidation of its financial statements as envisaged in the Act.

However, the Company did not provide us the access to the records and books of account of 8K Miles Software Services FZE, a wholly owned subsidiary of the Company, which represents total assets of Rs. 11,635.68 Lakhs as at 31 March 2019, total revenues of Rs. 7,560.23 Lakhs, profit after tax of Rs. 789.65 Lakhs and net cash outflows amounting to Rs. 96 Lakhs for the year ended on that date, as considered in the Statement.

These balances have been included, in the Statement, by the management based on financial statements of the subsidiary, prepared in accordance with the International Financial Reporting Standards (IFRS), wherein the auditor of the subsidiary has issued an unmodified report.

We were unable to obtain sufficient appropriate audit evidence about the state of affairs of the subsidiary as at 31 March 2019 and the results of its operations for the year then ended, in the absence of access to the records and books of account of the subsidiary.



5.2 Based on information in the public domain 8K Miles Cloud Solutions Pte. Limited, Singapore has stated itself to be a subsidiary of the Holding Company. This entity appears to have been incorporated on 8 May 2017. Further, 8K Miles Software Services Pte. Ltd, Singapore and 8K Miles Software Services UK Limited, United Kingdom exist with the promoter directors appearing as shareholders/directors. The incorporation of wholly owned subsidiaries in these countries were approved by the Board of Directors of the Holding Company on 30 May 2018.

However, all these three entities have not been considered by the management of the Holding Company as subsidiaries in the preparation of the consolidated financial statements. We are informed by the management that these entities are not subsidiaries of the Holding Company and the information in the public domain, including with the regulatory authorities in those geographies are not correct.

We have not been provided with the audited financial statements of these entities and/or any other verifiable evidence to ascertain the relationship of these entities with the Holding Company. Hence, we are unable to comment on the relationship of these entities and the impact the financial statements of these entities may have on the Statement.

**Paragraph No. 6 of the Auditor's Report: 8K Miles Media Private Limited ("8K Miles Media")**

6.1 Around the last week of September 2018, we were made aware of the resignation of the statutory auditor of 8K Miles Media, a company promoted by the promoter directors of the Company, vide their resignation letter dated 30 April 2018. As per the said letter, the resignation was due to the misuse of that Audit Firm's Letter Head and signature of their Partner through forgery in certain ODI Certificates submitted by 8K Miles Media to its bankers for transfer of funds of USD 71.51 Lakhs (Rs. 4,612.91 Lakhs) to 8K Miles Media Holdings Inc. USA, a subsidiary of 8K Miles Media. 8K Miles Media and its subsidiaries (together "8K Miles Media Group") were identified as a related party in the consolidated financial statements of the Company for the year ended 31 March 2018.

During the period ended 31 December 2018, the management of 8K Miles Media initiated an independent forensic review to evaluate the authenticity of the signatures in the ODI Certificates referred above. 8K Miles Media has submitted a copy of the forensic report to the Company. We understand that the aforesaid forensic report states that the writer of the signature in the ODI certificates is the same as that of the specimen signatures of the audit partner as provided to the forensic auditor thereby concluding that there was no forgery in the ODI certificates.

Since this matter relates to a company where another firm is the statutory auditor and since the financial statements of that company are not included in the consolidated financial statements of the Company, we have not been able to perform any procedures related to the allegation or the forensic report.



4/17

6.2 Further, during the last week of September 2018,

(a) the CEO and Managing Director of the Company, who was also a promoter director in 8K Miles Media, resigned as a director in 8K Miles Media.

(b) the CFO and Executive Director of the Company, who was the other promoter director in 8K Miles Media, resigned from his role as CFO of the Company stating that his resignation was to have the necessary time to clear all the baseless allegations and unsubstantiated allegations relating to 8K Miles Media. However, he continues to be a director in both the Company as well as 8K Miles Media.

6.3 The Company has trade and other receivables aggregating Rs. 3,309.10 Lakhs as at 31 March 2019 receivable from 8K Miles Software Services Inc., a subsidiary. It may be noted that this subsidiary had loans receivable from entities of 8K Miles Media Group in the USA aggregating USD 89.61 Lakhs (Rs. 5,808.44 Lakhs) as at 31 March 2018.

We are informed by the management of the Holding Company that such amounts due, including interest as accrued, have been fully recovered as at 31 March 2019 by that subsidiary. However, in the absence of appropriate workings for the interest, documentation regarding loan agreements and due to inconsistencies noted between the transactions as per the Bank Statements of the subsidiary with the transactions as recorded in the books of account of the subsidiary, as mentioned in paragraphs 4(a) and 4(d) above, we were unable to confirm the management's assertion on the said collections made by the subsidiary.

6.4 We are unable to conclude if the above events in 8K Miles Media have any effect on:

- (a) the Group and its operations, in view of the allegations in the aforesaid resignation letter of the statutory auditor of that company and the nature of the Group's relationship with 8K Miles Media, as described in paragraphs 6.1 and 6.2 above, respectively;
- (b) the status of the Group's receivable from such related party, as described in paragraph 6.3 above; and
- (c) the consequential impact, if any, of the same on the operations of the Group.

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**Paragraph No. 7 of the Auditor's Report: Revenue from Contracts with Customers and related outstanding receivables**

7. During the year ended 31 March 2019, the Group initially recognised revenue aggregating to Rs. 54,789 Lakhs (including Rs. 2,428.69 Lakhs relating to the Company) from the customers referred to in paragraphs 4(c), 4(d) and 4(e) above.



The management has, subsequently, based on our report under section 143(12) of the Act reversed and derecognised revenue aggregating to Rs. 16,940.66 Lakhs (including Rs. Nil relating to the Company) and the consequent receivables. Accordingly, the net revenues recognised from these customers during the year aggregated to Rs. 37,848.34 Lakhs and the outstanding receivables as at 31 March 2019 is Rs. 9,382.13 Lakhs (includes balances of Rs. 1,022.36 Lakhs outstanding even as at 31 March 2018).

In the absence of complete information regarding the proof of services rendered, efforts expended, basis of revenue recognition and reversal/derecognition, and in view of our observations in paragraphs 4(c), 4(d) and 4(e) above in respect of these customers, and inconsistencies in the bank statements referred in paragraph 4(a) above, we are unable to conclude on the appropriateness / correctness / completeness / validity of the net revenue recognised, compliance with the recognition and measurement of revenue required under the Indian Accounting Standard (Ind AS) 115 - Revenue from Contracts with Customers and the corresponding receivables in the Statement.

The Group has also not carried out an evaluation of the expected credit loss required under Indian Accounting Standard (Ind AS) 109 – Financial Instruments (Ind AS 109) for the outstanding trade receivables as at 31 March 2019 and therefore we are unable to comment on the adequacy and appropriateness of the provision made against the trade receivable balances as at 31 March 2019.

**Paragraph No. 8 of the Auditor's Report: Procurement of services and trade payables**

8.1 Based on the master service agreement with the external service provider, referred to in paragraph 4(f) above, for technical and referral services to be rendered towards certain customers, referred to in paragraphs 4(c) and 4(e) above, the Company has recorded consultancy charges of Rs. 1,706.40 Lakhs, for the year ended 31 March 2019 with an outstanding liability of Rs. 1,709.16 Lakhs.

In the absence of complete information regarding proof of the services being rendered by the vendor, and in view of our observations in paragraph 4(f) above in respect of this vendor, we are unable to conclude on the appropriateness / correctness / completeness / validity of the expense and the corresponding liability recorded in the Statement.

Further, the Company has not evaluated the applicability or coverage of such services under the Goods and Service Tax Regulations and has not accrued / paid the same. However, in our opinion, such tax is payable on those services. The management has not determined the amount of Goods and Service Tax payable and any interest thereon. We are unable to conclude on the consequential impact of the same on the Statement.

8.2 Based on the invoices received from certain vendors, referred to in paragraph 4(g) above, the Group has for the year ended 31 March 2019 recorded consultancy charges aggregating Rs. 26,689.45 Lakhs, intangible assets/assets under development of Rs. 22,267.29 Lakhs, with an outstanding liability of Rs. 2,224.43 Lakhs as at that date.



6/17

In the absence of complete information regarding nature of the services being rendered, the customers for whom these services were rendered and the nature of intangible assets being developed, and in view of our observations in paragraph 4(g) above in respect of these vendors, we are unable to conclude on the appropriateness / correctness / completeness / validity of the expense, the intangible asset/asset under development and the corresponding liability/payment recorded in the Statement.

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**Paragraph No. 9 of the Auditor's Report: Income Taxes**

9. The Group has recorded tax expenses (net) of Rs. 1,270.57 Lakhs during the year ended 31 March 2019, and has a net tax asset as at that date of Rs. 3,155.17 Lakhs and a net deferred tax liability of Rs. 731.91 Lakhs relating to certain of its foreign subsidiaries

We have not been provided with the tax returns filed with regard to its foreign subsidiaries, reconciliation of the balances considered in the tax returns so filed with the audited financial statements of the subsidiaries, the tax position and status of assessments of such subsidiaries, a roll forward to the deferred tax position as at 31 March 2019 from 31 March 2018 and the workings for the tax provision for the current year.

We are accordingly unable to conclude on the carrying amounts of tax assets and liabilities, including deferred tax balances, as at 31 March 2019, as considered in the Statement. Further, in the absence of the tax returns we have also not been able to validate if the profits of these subsidiaries considered in the tax returns and as per the books of account provided to us were the same.

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**Paragraph No. 10: Intangible asset capitalisation and evaluation of impairment, including for goodwill**

10.1 The Group has during the year capitalised costs towards internally generated intangible assets and internally generated intangible assets under development amounting to Rs. 32,393.80 Lakhs (also refer paragraphs 4(g) and 8.2 above).

In the absence of appropriate documentation as to the nature of these intangible assets, data to demonstrate the appropriateness of the timing to commence capitalization of costs associated with such intangible assets as well as the basis to demonstrate the costs capitalised in fact were associated with the intangibles being developed, we are unable comment on the carrying value of such intangible assets as at 31 March 2019.

10.2 The Group has goodwill and acquired intangibles (net of amortisation) of Rs. 62,800.11 Lakhs as at 31 March 2019.



7/17

The management has not provided us with their assessment of any impairment to the carrying value of such goodwill and other intangible assets. Accordingly, we are unable to comment on the appropriateness of the carrying value and the recoverability of such goodwill and other intangible assets as at 31 March 2019.

**Paragraph No. 11 of the Auditor's Report: Business Combinations**

11. The Group had in the previous year ended 31 March 2018 completed certain acquisitions or had paid advances towards proposed acquisitions, wherein we noted that:

11.1 During the previous year ended 31 March 2018, the Group had recorded an amount of USD 3,304,557 (INR 2,142.01 Lakhs) as contingent consideration due to the erstwhile owners of Cornerstone Advisors Group LLC ("Cornerstone") payable upon satisfaction of conditions as specified in the acquisition agreement. During the current year an amount USD 1,747,198 (INR 1,218.85 Lakhs) has been paid by the Group to the erstwhile members of Cornerstone. In the absence of details with respect to satisfaction of conditions as specified in the acquisition agreement, we are unable to comment on the amount of contingent consideration that has been paid during the year and the carrying amount of USD 1,557,359 (Rs. 1,079.56 Lakhs), as the liability towards contingent consideration as at 31 March 2019. Further, such consideration has not been fair valued as required under Ind AS 109.

11.2 An advance of USD 6,500,000 was paid by one of the subsidiaries of the Company, during the previous year ended 31 March 2018, consequent to a Share Purchase agreement entered into with a Seller and a Corporation for acquiring the entire outstanding shares of the Corporation. In accordance with the said agreement, in the event the closing of acquisition doesn't occur within 15 months (i.e. before February 2019) from the date of agreement, Seller will retain Five Hundred Thousand US Dollars (\$500,000) as penalty and balance Six Million US Dollars (\$6,000,000) shall be refunded to the Group within 5 calendar days.

As at 31 March 2019 the acquisition as planned was not completed and the management of the Company has represented that the term of the Share Purchase agreement has been extended. In the absence of a supporting convincing evidence and our inability to send direct confirmation request to the Seller and the Corporation on the revision of the terms including waiver of the penalty, due to not receiving the communication address to which the confirmation requests were to be sent, we are unable to comment on the recoverability of the amount of Rs. 4,505.80 Lakhs (equivalent to USD 6,500,000) included under Note 9 as "advances towards acquisition", as at 31 March 2019 and the consequential impact, if any, on the Statement.



8/17

**Paragraph No. 12 of the Auditor's Report: Regulatory Compliances**

12.1 We are unable to conclude on the consequential impact, if any, on the operations and the financial performance of the Group arising out of the following matters pertaining to non-compliance with the provisions of the Companies Act, 2013 and notifications issued by the Securities and Exchange Board of India (SEBI), as applicable:

- (a) In the absence of appropriate processes for identifying related parties in view of the matters reported in paragraph 4(b) above, we are unable to comment on the accuracy and completeness of the related parties identified and disclosed by the Company including compliance with obtaining necessary approvals, as required, from those charged with governance.
- (b) It was noted that in the case of two of the Directors who were re-appointed at the Annual General Meeting (AGM) held on 18 September 2015 and designated as independent directors (One was also the Chairman of the Audit Committee and the other a member of the Nomination and Remuneration Committee and also the Chairman of the Stakeholder Relationship Committee), they may have ceased to be independent directors under the Act with effect from 17 November 2015 and 12 August 2015 respectively, being the date from when their relatives were employed either with the Company or its subsidiary. These directors have been designated as non-independent directors by the Company from 6 September 2019 and 13 February 2019, respectively.

Considering the above, we are unable to opine on the validity of the meetings of the Board of Directors, Audit Committee, Stakeholder Relationship Committee and Nomination and Remuneration Committee, in regards to the quorum in such meetings and the resolutions approved in those meetings from the aforesaid AGM date until the dates when the Company designated them as non-independent directors.

12.2 We are unable to conclude on the consequential impact, if any, on the Statement arising out of the matters pertaining to non-compliance by the Holding Company with the applicable master directions/ notifications issued by the Reserve Bank of India ("RBI") and provisions of The Foreign Exchange Management Act, 1999, as amended, in respect of the following:

- (a) The Holding Company has export trade receivables and foreign currency interest receivable aggregating Rs. 3,037.28 Lakhs and Rs. 336.13 Lakhs, respectively, including intra-group receivables which amounts, as at 31 March 2019, were outstanding for more than nine months from the invoice date, which is beyond the time limit stipulated under the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, for repatriation of foreign currency receivables.



9/17



(b) As at 31 March 2019, the Company had not made the necessary intimations to the Authorised Dealer/ RBI as required under the Master Directions provided by the RBI on Foreign Investment in India for loan/ collaterals/ pledge received from the promoter of the Company, being a resident outside India, amounting to Rs. 1,395.02 Lakhs during the year ended 31 March 2019.

However, subsequent to the year-end, the Company has made an intimation to the Authorised dealer on 12 July 2019 and is yet to make an application for condonation of delay.

(c) It appears that the Holding Company has provided a corporate guarantee to Columbia Bank for a line of credit availed by two of the subsidiaries in the Group aggregating USD 5,000,000 on 12 September 2018. As per the loan sanction document issued by Columbia Bank, the line of credit was approved by Columbia Bank, based on a representation by the Managing Director of the Holding Company that the corporate guarantee was approved by the shareholders of the Holding Company.

We have not been provided with minutes of the meeting of the shareholders referred above approving such corporate guarantee. Further, the Company has also not intimated the Authorised Dealer for providing such corporate guarantee as required under the Master Directions provided by the RBI on Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad.

12.3 Further, the Holding Company has not carried out a comprehensive review of compliance with laws and regulations and therefore we are unable to comment if there are any other instances of non-compliance with laws and regulations and any consequential impact thereof.

**Paragraph No. 13 of the Auditor's Report: Information / clarifications requested but not provided**

13. During the course of our audit, we have requested from the management various information and clarifications that were required for the purposes of our audit. In addition to the information and clarifications pending in respect of the matters described in paragraphs 4 to 12 above, information, inter alia, relating to assessment of how the revenue recognised by the Group was in compliance with the provisions of Ind AS 115, documentation supporting evaluation of expected credit losses as at 31 March 2019, information of payroll costs recognised in some of the subsidiaries, confirmation of balances from customers, vendors and other parties, etc., are also pending to be provided to / received by us. In view of such pending information, we have not been able to obtain sufficient appropriate evidence to conclude on those matters to express an opinion on the Statement.



10/17

**Paragraph No. 14 of the Auditor's Report: Book entries**

14. In view of the matters described in paragraphs 4, 6.3, 7, 8, 10 and 13 of the Basis for Disclaimer of Opinion section of our report, we are unable to state if any of the transactions referred to in those paragraphs were represented by mere book entries.

**Paragraph No. 15 of the Auditor's Report: Use of going concern assumption**

15. In view of the matters reported in paragraphs 4 to 14 above, and in the absence of reliable cash flow projections by the management, and any consequential impact of those matters on the Statement and operations of the Group, we are unable to comment on the appropriateness of the going concern assumption adopted by the management in the preparation of the Statement.

**b. Type of Audit Qualification:** ~~Qualified Opinion~~ / **Disclaimer of Opinion** / ~~Adverse Opinion~~

**c. Frequency of qualification:** Whether appeared first time / repetitive / since how long continuing –

**Appeared First time**

**d. For Audit Qualification(s) where the impact is quantified by the auditor, management's views:**

Nil

**e. For Audit Qualification(s) where the impact is not quantified by the auditor:**

**(i) Management's estimation on the impact of audit qualification:**

Unable to estimate the impact. In the opinion of the management, the impact, if any, on the Statement from the matters so reported by the Auditors under the paragraphs 4 to 15 in their report would not be material.

**(ii) If management is unable to estimate the impact, reasons for the same:**

**Response to Paragraph No. 4 (a)**

The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and not reported any such inconsistencies.

**Response to Paragraph No. 4 (b)**

The Directors have provided the appropriate documents as required under the law and believes to their knowledge there is no related parties which were undisclosed.



11/17

**Response to Paragraph No. 4 (c)**

The management hereby affirms that the proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them.

**Response to Paragraph No. 4 (d)**

The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and not reported any such inconsistencies.

**Response to Paragraph No. 4 (e)**

The management hereby states that certain customers have multiple locations and the services were provided at various locations. The management has duly clarified to the audit team about the addresses of the employees who were previously the employees of our customers.

**Response to Paragraph No. 4 (f)**

The management has given necessary explanations to audit team during the audit for the email addresses used by the vendor. The management affirms that the authenticity of that vendor has been established by obtaining direct confirmation from that vendor with respect to services provided. The management also of the opinion that usage of multiple email addresses is the preference of the vendor.

**Response to Paragraph No. 4 (g)**

The management has provided the audit team, the details with respect to services availed from the vendors, confirmation of the charges and payables. As explained during the audit, a senior employee who was in charge of vendor management has the obligation to fulfill the pending assignment for further period after cessation of services and one particular vendor agreement referred by the auditors was executed by the said employee.

**Response to Paragraph No. 4 (h)**

The management confirms that advances to a related party has been fully recovered during the year of audit and there is NO outstanding at the end of 31 March 2019 as per the books of account.

**Response to Paragraph No. 5.1**

The management has informed that the subsidiary accounts have been audited by another auditor of the domicile of the subsidiary and that audited financial statements have been furnished to the statutory auditors of the company for the purpose of consolidation.

**Response to Paragraph No. 5.2**

One of the director has incorporated on behalf of the parent company two foreign subsidiary companies. Since there is no possible economic benefit arising out of these companies, the management is in the process of striking off the Company. Under the circumstances and there are no commercial transactions, these were not consolidated.



12/17

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**Response to Paragraph No. 6.1**

The management states that the forensic experts appointed by the 8K Miles Media Private Limited have submitted their report to the Board wherein they have concluded that all the allegations made on 8K Miles Media are not true. The Board hereby has duly taken that report into record. The management further clarifies there is no relationship nexus between 8K Miles Media and the Company, except for the common promoter. Thus, there is no requirement of providing financial statements of 8K Miles Media to the auditors.

**Response to Paragraph No. 6.3**

The management affirms that 8K Miles Media has no nexus except for the common promoters. Hence the false and baseless allegations have no impact on the Company and its operations.

The Trade receivables from 8K Software Services Inc., a subsidiary is an ongoing account and have since received Rs.858.48 Lakhs till date of this report.

With respect to loans receivable from 8K Miles Media Group in USA, the total amount including the interest charge on the outstanding amounts have been fully recovered and as at the 31 March 2019 the balance from 8K Media is NIL. Also the management affirms that the appropriate workings for the interest on the amounts outstanding have been provided and recovered in full.

Based on the above facts and continuity of the business and operations of the subsidiary, the managements believes that there is no possibility of impairment in the investments made by the parent company and the recoverability of the amount receivables are good.

**Response to Paragraph No. 6.4**

As explained the company has received all the outstanding amounts prior to December 2018 and the above allegation is nothing to do with the company as it is neither a related party nor a subsidiary.

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**Response to Paragraph No. 7**

The management hereby affirms that the proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them

These revenues recognized in advance and subsequently reversed as the services were not provided to the customers and these customers has deferred the contracts due to economic slow-down in general.

Majority of the receivables were received out of the total outstanding amounts subsequently and hence the evaluation of expected credit loss (ECL) does not arise.

Since most of the revenue is time and material – applicability of this standard is questionable or complied with the standard. Also most of the outstanding receivable. Majority of the receivables were received out of the total outstanding amounts subsequently and hence the evaluation of ECL does not arise.

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13/17

**Response to Paragraph No. 8.1**

The management has provided the audit team, the details with respect to services availed from the vendor, confirmation of the charges and payables.

With respect to GST applicability, the management is in the process of obtaining a professional opinion and will take requisite steps in due course.

**Response to Paragraph No. 8.2**

The management has explained during the audit to the audit team that the services rendered by these vendors are "Development of Tools and Platforms" which are owned by the Company.

**Response to Paragraph No. 9**

The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and the matters specified in this item has been duly recorded in the financial statement of the subsidiary company.

**Response to Paragraph No. 10**

The impairment analysis along with projected financial statements for the entities have been prepared and discussed by the management and concluded that there is no need for any impairment of Intangibles as at 31 March 2019.

**Response to Paragraph No. 11.1**

The consideration has been determined and paid as per the terms and conditions of the Share Purchase Agreement and the same is recorded in the books of account.

**Response to Paragraph No. 11.2**

The contract has been extended on the same terms for an additional period of nine months ending December 2019 and the same has been Provided to the audit team.

**Response to Paragraph No. 12.1(a)**

The management is of the view that there is proper compliance and governance mechanism for maintaining the corporate governance in the Company, thus the related parties are duly identified and disclosed by the Company.

**Response to Paragraph No. 12.1(b)**

The management has taken necessary legal opinion from an independent law firm and they have stated that there is no non-compliance by the said directors. Hence, in view of the opinion the management believes that proper quorum has been constituted in the meetings of the Audit Committee and Nomination and Remuneration Committee and the resolutions passed in the aforesaid meetings are within compliance.

**Response to Paragraph No. 12.2(a)**

The management hereby states that this has been reported to the Reserve Bank of India through the AD Bank.



14/17

**Response to Paragraph No. 12.2(b)**

The management hereby clarifies that the due intimation has been made to the Reserve Bank of India (RBI) through the AD Bank and the same was provided to the audit team during the audit. The application of condonation does not arise as the AD Bank has not reverted after intimation.

**Response to Paragraph No. 12.2(c)**

The management has provided the necessary resolution to the audit team, prior to this report of the auditors. Also, the shareholders' resolution passed during the AGM (under section 186 of Companies Act 2013) in the year 2015. The minutes of the Board of Directors meeting approving such corporate guarantee has been provided and the necessary intimation in the prescribed format to AD bank is in progress.

**Response to Paragraph No. 12.3**

The management has carried out a requisite review of compliance with laws and regulations by engaging individual professionals and practitioners having relevant area of expertise. The management also assures to enhance the competency further with respect to compliance and corporate governance of the company.

**Response to Paragraph No. 13**

The Company has been providing the information and clarifications to the best of its ability from time to time during the audit. As far as the IND AS 115 is concerned, since most of the revenue is time and material – applicability of this standard is questionable or complied with the standard.

**Response to Paragraph No. 14**

The management hereby affirms that proper documents with respect to nature of services rendered to the customers and nature of services obtained from the vendors, with the acknowledgement were submitted to the audit team during the audit. The same is also supported by confirmation of balances. The appropriateness of the timing to commence capitalization of costs associated with such intangible assets as well as the basis to demonstrate the costs capitalized, have been audited by the auditor in the domicile of subsidiary and they have not reported any such inconsistencies. Thus the management clarifies that matters described in paragraphs 4, 6.3, 7, 8, 10 and 13 above are not mere book entries as contended so.

**Response to Paragraph No. 15**

The management has made full inquiry into affairs of the business as a result of which, they firmly believe that there is a going concern assumption as there are requisite business, operations, customers, and employees. The management has discussed the cash flow projections for the foreseeable period and not envisaged anything negative which will impact the Company's business operations in the future years.



15/17

(iii) **Auditors' Comments on (i) or (ii) above:**

**We are not in agreement with the responses of the management under clause II (e) (ii) above and consequentially their conclusion that the impact of the audit qualifications is not material under clause II (e) (i) above and their statement in clause I above that the matters reported by us in our audit report under the paragraphs 4 to 15 for Disclaimer of Opinion would not have a material impact on the financial results that have been reported in the Statement.**

**We have communicated to the Audit Committee certain matters relating to suspected offence involving fraud on or by the Company along with the supporting evidences noted by us in this regard.**

**We state that the report of the external firm of chartered accountants appointed by the management for carrying out an investigation into the aforesaid matters has not been provided to us since the same is stated to have not been received by the management. Further, the management has not formally responded to us on the status of pending information requests for the matters brought to their attention even as of 25 October 2019.**

**The management had, subsequent to our aforesaid communication to the Audit Committee on suspected offence involving fraud, reversed initially recognised revenues of Rs. 16,940.66 Lakhs (approximately 20.11 %) of the consolidated revenue from operations of the Group, as reported in the consolidated financial statements as being unsupported.**

**Further, as stated in our audit report, the reliability of bank statements was in question due to the differences we observed in the various banks statements provided to us by the management, the evidence of which had been provided to the Audit Committee.**

**The matters referred by us brought into question the responses of the management and our ability to rely on the information and explanations provided by them, including the representations they were making. Considering the significance and gravity of the matters reported by us in our audit report, we were unable to express an opinion on the Statement for the year ended 31 March 2019.**

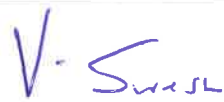

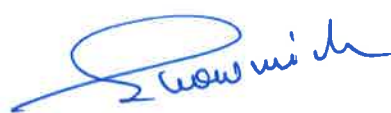



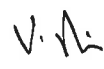
For **DELOITTE HASKINS & SELLS LLP**,  
Chartered Accountants  
Firm Registration No. 117366W/W-100018



**V. Balaji**  
Partner  
Membership No. 203685

Place: Bengaluru  
Date: 7 November 2019

16/17

III.	<b>Signatories:</b>	
CEO / Managing Director	 Suresh Venkatachari (DIN: 00365522) Date: 6 November 2019 Place: Chennai	
Chief Financial Officer (CFO)	 Swasti Bhowmick Date: 6 November 2019 Place: Chennai	
Audit Committee Chairman	 Dinesh Raja Punniarthy (DIN: 03622140) Date: 6 November 2019 Place: Chennai	
Statutory Auditor	For <b>DELOITTE HASKINS &amp; SELLS LLP</b> , Chartered Accountants Firm Registration No. 117366W/W-100018  V. Balaji Partner Membership No. 203685 Date: 7 November 2019 Place: Bengaluru	