

Date: January 09, 2020

The Secretary Listing Department BSE Limited PJ Towers, Dalal Street, Mumbai - 400 001 <b>Script Code: 532696</b>	The Secretary Listing Department National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051 <b>Script Code: EDUCOMP</b>
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**Sub: Submission of audited Standalone and Consolidated Financial Results for the 4th quarter and financial year ended March 31, 2017**

**Ref. Regulation 30, 33 & other applicable Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Dear Sir/Madam,

You are kindly requested to take on record the following documents pursuant to Regulation 33(3)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the copies of the audited Standalone and Consolidated Financial Results for the 4th quarter and financial year ended March 31, 2017 along with Reports of the Statutory Auditors thereon are enclosed herewith for your records.

***Note:** As informed earlier also vide various communications, pursuant to an application for Corporate Insolvency Resolution Process ("CIRP") under Section 10 of the Insolvency and Bankruptcy Code, 2016 ("the Code") on May 12, 2017, Hon'ble National Company Law Tribunal, Delhi ("Adjudicating Authority"), vide its order dated 30th May 2017, had ordered the commencement of CIRP in respect of the Company under the provisions of Code. Thereafter, in accordance with Section 17 of the Code, the powers of the Board stood suspended and Dr. Sanjeev Aggarwal was appointed as interim resolution professional of the Company. The IRP carried out his duties from May 30, 2017 till Mr. Mahender Khandelwal was appointed as Resolution Professional ("RP") vide the order of NCLT dated September 12, 2017 and took over the management of the affairs of the Company. Hence, the attached financial results are not approved by the Audit Committee and Board of Directors of the Company. These financial results are prepared and initialed by RP in order to meet the compliance.*

Thanking You.

Yours Sincerely,



**Mohit Maheshwari**  
**Authorized Signatory**

**Encl.: As above**

## INDEPENDENT AUDITORS' REPORT

To the Members of Educomp Solutions Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Educomp Solutions Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information, (hereinafter collectively referred to as "Standalone Ind AS Financial Statements").

**Management's Responsibility for the Standalone Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone Ind AS Financial Statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls and ensuring their operating effectiveness and the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In view of the pendency of corporate insolvency resolution process ("CIRP"), pursuant to the order passed by National Company Law Tribunal ("NCLT") dated May 30, 2017, the management of the affairs of the Company and powers of board of directors of the Company are now vested with Mr. Mahender Khandelwal as Resolution Professional ("RP"), who is appointed by the Committee of Creditors ("CoC"). These Standalone Ind AS Financial Statements have been prepared by the management of the Company and certified by Mr. Shantanu Prakash, Chairman and Director and Mr. Ashish Mittal, Chief Financial Officer and approved by the RP (refer note 1 (a) of the Standalone Ind AS Financial Statements and para "(a)" under Emphasis of Matter paragraph).

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Standalone Ind AS Financial Statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.





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We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Ind AS Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Standalone Ind AS Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Standalone Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors/management/RP (refer note 1 (a) of the Standalone Ind AS Financial Statements and para "(a)" under Emphasis of Matter paragraph), as well as evaluating the overall presentation of the Standalone Ind AS Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the Standalone Ind AS Financial Statements.

## Basis for Adverse Opinion

- a. The Company has evaluated impairment of investments aggregating Rs. 14,307.90 million in 4 of its subsidiaries companies namely, Educomp Infrastructure & School Management Limited, Little Millenium Education Private Limited, Edumatics Corporation Inc and Educomp Professional Education Limited. The Company has evaluated the carrying value of these investments using business valuations performed by its own assessment, according to which the management is of the opinion that no provision for impairment is considered necessary in respect of these investments. However, in the absence of appropriate audit evidence including basis of critical assumptions and supporting for future projections considered in business valuation workings, we are unable to comment on the appropriateness of such business valuations and consequently, we are unable to comment upon appropriateness of carrying amount of these investments and possible impact of the same on the loss for the year ended March 31, 2017 and investments as on that date.

Further, the Company has not evaluated impairment of its investments aggregating Rs. 289.56 million in 6 of its subsidiaries (other than investments in Edu Smart Services Private Limited ("ESSPL"), which has been separately discussed in para 'd' herein below) and its associate. We have not been provided with any valuation reports/management assessment in relation to provision for diminution in such investments, if any. In absence of such details, we are unable to comment upon appropriateness of carrying amount of investments and possible impact of the same on the loss for the year ended March 31, 2017 and investments as on that date.

- b. Included in Schedule 6.1 to the financial statements are Investments in subsidiaries, other than investment in equity shares, amounting Rs. 697.17 million (March 31, 2016 Rs 697.17 million and April 01, 2015 Rs 79.86 million). These investments are measured at cost. However such investment should be fair valued in accordance with para 4.1.4 of Ind-AS 109 "Financial Instruments". In absence of fair value measurement of such investments, we are unable to





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comment upon any possible impact of the same on the loss for the year ended March 31, 2017 and March 31, 2016 and equity as on March 31, 2017, March 31, 2016 and April 01, 2015.

- c. As on April 01, 2015, the Company had its investments in India Education Fund amounting Rs. 425 million. This investment is classified as "Fair Value through Profit and Loss" and the carrying value of this investment as at April 01, 2015 is considered as its fair value. During the year ended March 31, 2016, this investment was sold for a consideration of Rs. 150 million. Considering the subsequent realization and in the absence of any other audit evidence substantiating the fair value considered as on April 01, 2015, we are unable to comment on the appropriateness of fair value considered by the Company as at April 01, 2015 and its possible impact on the equity as at April 01, 2015 and the loss for the year ended March 31, 2016.
- d. The Company i) has not recorded any provision against long outstanding trade receivables amounting Rs. 7,084.43 million (net of provision of Rs. 2,646.20 million) from ESSPL (including Rs. 163.40 million, referred in para "s" below), ii) has not considered diminution in value of its investments in ESSPL amounting Rs. 515.9 million, iii) has not recorded any provision against recoverable amounting Rs 223.82 million from ESSPL on account of corporate guarantee invoked by a bank against the Company (fully explained in para 'o' below). Considering the facts that ESSPL has been incurring losses resulting in erosion of its net worth and initiation of insolvency proceedings against it (subsequent to March 31, 2017), we are unable to comment on the recoverability of the said trade receivables, investment and amount recoverable due to invocation of bank guarantee and its resultant impact on the loss for the year ended March 31, 2017 and the equity as on that date
- e. As regards trade receivable amounting Rs. 3,149.19 million (net of provision of Rs. 4,183.61 million), (excluding net amount recoverable from ESSPL Rs. 7,084.43 million, refer para "d" above) as on March 31, 2017, the management is of the view that the same is good and recoverable in due course and hence no further provision is required. Out of the above, Rs. 912.11 million has been subsequently realized by the Company till October 31, 2017. However, in the absence of appropriate audit evidence including balance confirmations, correspondences from parties, and details of subsequent realization post October 31, 2017, we are unable to comment on the recoverability of outstanding trade receivables and the possible impact on the loss for the year ended March 31, 2017 and the equity as on that date.

As mentioned in Note 25 to the Standalone Ind AS Financial Statements, the Company is following Expected Credit loss (ECL) model for measuring impairment of its trade receivables. The ECL allowance or loss rate is computed based on a provision matrix which takes into account historical credit loss experience. The computed loss rate is mentioned in Note 25 to the Standalone Ind AS Financial Statements, however, we have not been provided with the workings of such loss rate computed by the Company.

Further, the Company has not taken effect of aforesaid loss rate in computation of impairment provision, if any on trade receivable over and above the existing provision in the books of account. In absence of relevant workings and other details, we are unable to comment on the appropriateness of the loss rate and the possible impact of non-considering effect of the loss rate in impairment provision on trade receivables as on March 31, 2017, March 31, 2016 and March 31, 2015 and the loss for the years ended March 31, 2017 and March 31, 2016 and on the equity as on those dates.





- f. We have observed that two bank accounts with nominal balance as at March 31, 2017 are confirmed by the banks but are not recorded in the Standalone Ind AS Financial Statements. In absence of bank statements of these accounts or any other alternative audit evidence, we are unable to determine any possible impact thereof on the loss for the year ended March 31, 2017 and balance of cash and cash equivalents and equity as on such date.
- g. We have not received direct confirmations and bank statements for balance in current account amounting Rs. 2.20 million and balance of margin money amounting Rs. 14.33 million, as at March 31, 2017. In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and on the balance of cash and cash equivalent and equity as at March 31, 2017.
- h. Balance in current account amounting Rs. 372.61 million (other than amount covered in para 'g' above) is subject to direct confirmation. Further, in case of current account with one of the bank (balance as at March 31, 2017 Rs. 343.65 million), an amount of Rs. 4.48 million being "cheques deposited but not cleared", is included in the said balance, and has been reversed subsequent to March 31, 2017. Considering that these cheques are not reflecting as dishonored cheques in the bank statement of subsequent months, we are of the opinion that these cheques should not have been accounted as on March 31, 2017 and accordingly the balance of cash and cash equivalent is overstated by said balance with a corresponding understatement of balance of trade receivables/overstatement of advances from customer as on March 31, 2017.
- i. The Company has not computed and provided for penal interest on defaults under borrowings as per the contractual terms of the underlying agreements. We are unable to determine the possible impact thereof on the loss for the year and borrowings and equity as on such date.
- j. We have neither got bank statements nor have been able to obtain direct confirmations for borrowings from banks and financial institutions amounting Rs. 6,458.54 million as at March 31, 2017. In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and the balance of borrowings and equity as at March 31, 2017.
- k. Balance in borrowings accounts amounting Rs. 4,457.88 million (other than amount covered in para 'j' above) as at March 31, 2017 is subject to direct confirmations. Further, in case of borrowings amounting Rs. 5,911.94 million wherein we have received confirmations and/or bank statements, there are differences amounting Rs. 85.19 million (excess in books of accounts) in amount reported in confirmation/statement from that of amount recorded in the Standalone Ind AS Financial Statements. In the absence of reconciliations and other alternative audit evidence, we are unable to comment on any possible impact thereof on the loss for the year and balance of such borrowings and equity as at March 31, 2017.
- l. As explained in Note 46 to the Standalone Ind AS Financial Statements, as per the Insolvency and Bankruptcy Code, 2016 ("Insolvency Code"), the RP has to receive, collate and admit all the claims submitted by the creditors (Operational and Financial), employees and workmen of the Company. Such claims can be submitted to the RP during the CIRP, till the approval of a resolution plan by CoC. The RP is in the process of receiving, collating and verifying such claims, and shall subsequently admit verified claims as per the Insolvency Code. Therefore, the





impact of such claims, if any, which may arise subsequently, has not been considered in the preparation of the Standalone Ind AS Financial Statements.

- m. In contravention to the provisions of Micro Small and Medium Enterprises Development (MSMED) Act, 2006, the Company has not provided for interest amounting Rs. 5.62 million on account of late payment claimed by a MSMED supplier as at March 31, 2017.

Further, in two cases of trade payable, we have not been provided with the appropriate reconciliation for the difference in amounts as reported in the said confirmations amounting to Rs. 5.31 million. In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and balance of trade payables and equity as at March 31, 2017.

- n. The Company had received advance of Rs. 323 million from its joint venture namely Educomp Raffles Higher Education Limited in the financial year 2007-08 pursuant to an agreement for content development. The Company was recognizing Rs 8.075 million as revenue per quarter till year ended March 31, 2015 by adjusting the said advance. The Company discontinued revenue recognition from financial year ended March 31, 2016 due to legal dispute with the joint venture. The remaining amount was disclosed as advance from joint venture and shown as liability till quarter ended December 31, 2016. During the last quarter of the current year, the Company has recognized revenue of Rs. 104.97 million by adjusting the balance advance; however, there is no evidence from recipient for services being provided during this period. This constitutes a departure from the Para 14 of Indian Accounting Standards (Ind AS) 18 "Revenue". In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and balance of advances and equity as at March 31, 2017.
- o. The Company has provided corporate guarantee for loan amounting Rs. 750 million obtained by ESSPL from a bank ('Lender'). The lender vide its letter dated July 13, 2015, has invoked Corporate Guarantee amounting Rs 215.77 million (Principal Rs 192.72 million and interest Rs 23.05 million) as ESSPL has defaulted in repayment of principal and interest thereon. The Company has recorded a liability for this amount with a corresponding receivable from ESSPL. The letter further mandates that any further interest thereon with effect from July 01, 2015 at the given contractual rate will be compounded till payment/realization. The Company has recorded interest liability till March 31, 2016 amounting to Rs. 8.05 million; however, interest liability for the year ended March 31, 2017 has not been accounted by the Company. This has resulted into understatement of other financial liability with the corresponding receivable from ESSPL as at March 31, 2017.
- p. The Company has given an advance of Rs. 190 million to a party for selling a land and development of commercial space pursuant to the agreement dated July 5, 2012 and Rs. 150 million to another party for providing services relating to academic and business operations of the Company pursuant to the agreement dated July 05, 2012. During the current year, arbitration proceedings has been initiated by the concerned vendor against the Company, however the same has been put on hold due to ongoing CIRP process. Considering that these advances are pending for execution/settlement for a long period of time and other factors as mentioned above, we are unable to comment on the recoverability of such advances and any





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possible impact thereof on the loss for the year ended March 31, 2017 and equity as on that date.

- q. The Company had entered into an exclusive license and distribution agreement on August 1, 2015 with Digital Learning Solutions SDN BHD (DLS) for exclusive distribution post customization of the Company's learning and education software known as smart class, in Malaysia. Digital Learning Solutions SDN BHD (the claimant) served a notice of arbitration on the Company in Kuala Lumpur Regional Center for Arbitration (KLRCRA) stating the issues arising from the distribution agreement for non-providing of localize software for DLS's end users as per the contracted timelines. Under the aegis of KLCRA, a sole arbitrator was appointed by agreement of the parties. Sole arbitrator appointed by KLRCRA has passed an award for damages on December 19, 2016 against the Company and accordingly the Company has recorded a liability of Rs. 407.73 million (USD 6 million) as "Judgment Debtors" and the same has been shown as an exceptional item in these Standalone Ind AS Financial Statements. As informed to us, the above mentioned liability is mutually agreed by the Company and the Claimant. However, we have not been provided with the details of claims made, responses filed by the Company and negotiations between the parties leading to the acceptance of claim amounting to USD 6 million. In the absence of these details, we are unable to comment on the appropriateness of the said liability recorded.
- r. As mentioned in Note 29 to the Standalone Ind AS Financial Statements regarding financial guarantees aggregating Rs. 14,183.30 issued to banks on behalf of subsidiaries. As per Ind-AS 109 "Financial Instruments", the said financial guarantees should be initially measured at fair value and subsequently measured at the higher of (i) the amount of loss allowance in accordance with Expected Credit Loss ("ECL") method and (ii) amount initially recognized less cumulative amount of income recognized in income statement. In absence of measurement of financial guarantees at fair value and estimation of loss allowance in accordance with ECL method, we are unable to comment on the resultant impact thereof on the loss for the years ended March 31, 2017 and March 31, 2016 and corresponding liability and equity as at March 31, 2017; March 31, 2016 and April 01, 2015.
- s. During the year ended March 31, 2017, pursuant to a negotiated settlement entered vide agreement dated July 22, 2016 between the Company, Educomp Learning Hour Private Limited (ELHPL), ESSPL, and others with ICICI Bank, the Company has agreed to divest its entire shareholding of Rs. 346.87 million in Vidya Mandir Classes Limited (VMCL) (being 67% shareholding in VMCL), a subsidiary of the Company, for a consideration of Rs. 905.65 million in 2 tranches as per the Share Purchase agreement dated July 25, 2016 entered with the buyer of VMCL investment. Till March 31, 2017, Rs. 163.40 million has been received by the Company which represents consideration for approximately 13.4% shareholding in VMCL (Tranche A consideration). The Company has recognized a profit of Rs. 94.49 million on sale of Tranche A shares. The Tranche A consideration is paid to ICICI Bank and the Company has considered this amount as recoverable from ESSPL.

Further, as detailed in note 22 to the Standalone Ind AS Financial Statements, the Company is of the view that it is holding balance investment in VMCL i.e. 53.6% (Tranche B shares) "in trust" and has accounted for sale of Tranche B shares for Rs. 561.03 million (Tranche B consideration) thereby recognized a profit of Rs. 283.06 million (net of discounting for Tranche B consideration) during the year ended March 31, 2017. The amount of Tranche B consideration





Rs. 602.43 million (including Rs. 41.40 million related to unwinding of Tranche B consideration) has been shown under Other Financial Asset as "Receivable against investment sold".

Pending receipt of consideration of Tranche B shares, the Tranche B shares of VMCL continues to be in the name of the Company. Based on clause 2.3 (including sub clause (i) & (ii)) of the Share Purchase agreement and other stipulations, the said clause gives the purchaser a right of call option and specific performance upto March 31, 2019, however until a call option or specific performance is exercised, the transaction is not complete, the purchaser has not exercised such right till March 31, 2017. Further, the clauses of the Share Purchase agreement do not appear to cast any duty or obligation on the purchaser to purchase the Tranche B shares, which is also been confirmed by the legal view taken through Resolution Professional shared with us. We also understand that, completion of sale of Tranche B shares is also dependent upon settlement of dues of ICICI Bank by the Company or by Educomp Learning Hour Private Limited (ELHPL). In view of above, we are unable to comment whether the sale of Rs. 561.03 million, profit on such sale of Rs. 283.06 million and interest income of Rs. 41.40 million relating to Tranche B shares should have been recognized by the Company.

Further, in the absence of any contractual agreement with ESSPL regarding recovery of Tranche A consideration paid by the Company to ICICI Bank, the Company should have written off as an expense amount of Rs. 163.40 million considered due from ESSPL and accordingly its loss for the year ended March 31, 2017 is understated by this amount and its trade receivable as on March 31, 2017 is overstated by this amount.

Pursuant to settlement agreement entered with ICICI bank, the Company has restated its corporate guarantee given to ICICI bank for loan obtained by ELHPL, refer note 29 to the Standalone Ind AS Financial Statements. Considering the terms of settlement agreement entered with ICICI Bank, we are of the view that the Company should accrue its liability for the balance amount of negotiated amount which is not yet paid to ICICI bank i.e. Rs. 776.16 million. Accordingly, the loss for the year ended March 31, 2017 and the balance of other financial liabilities as on March 31, 2017 is understated by said amount.

- t. As explained in Note 44 regarding managerial remuneration paid to one of the whole time directors of the Company during the quarter ended June 30, 2015 and year ended March 31, 2015 in non-compliance with the requirements of Section 197 and Section 198 read with Schedule V to the Companies Act, 2013 and year ended March 31, 2014 in non-compliance with the requirements of Section 198, Section 269 and Section 309 read with Schedule XIII to the Companies Act, 1956, for which Central Government's approval is yet to be obtained.
- u. In regard to Note 28 to the Standalone Ind AS Financial Statements, following trusts are not considered as related party by the Company (hereinafter referred as Trusts). The Company is of the view that the Chairman and Managing Director (C&MD) of the Company, being considered as related party as per paragraph 9 of Ind AS 24 Related Party Disclosures (Ind AS 24), is not having control or significant influence on these Trusts in "substance" as required under para 10 of Ind AS 24 nor to be considered as a key management person of these Trusts. A legal opinion has also been obtained regarding the same. Considering the fact that the C&MD of the Company was the managing and life time Trustees of the these Trusts, had affirmative vote in majority of the key matters of these Trusts and also had veto power to various significant transactions of these Trusts till March 31, 2016, however, the current status of his official





position in the said Trusts is not available. In the absence of relevant details or audit evidence made available to us, we are unable to comment whether these Trusts are to be considered as related party of the Company in accordance with paragraph 9 of Ind AS 24 and consequently, we are unable to comment on the completeness of the disclosures made in the accompanying Standalone Ind AS financial statements as required under Ind AS 24.

Name of Trusts: Learning Links Foundation; Learning Leadership Foundation; Education Quality Foundation of India; Richmond Educational Society; Unnati Educational Trust; League India Education Foundation; Shri Hare Educational Trust; Siya Ram Educational Trust; Sri Vasudev Educational Trust; Vigyan Education Trust; Naveen Shiksha Educational Trust

## Adverse Opinion

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the aforesaid Standalone Ind AS Financial Statements do not give the information required by the Act in the manner so required and also do not give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at March 31, 2017, its loss (financial performance including other comprehensive income) its cash flows and changes in equity for the year ended on that date.

## Emphasis of Matter

We draw attention to the following matters in the notes to the standalone Ind AS Financial Statements:

- a) Note 1(a) to the Standalone Ind AS Financial Statements, wherein it is stated that CIRP has been initiated in case of the Company vide an order of the principal bench of the NCLT dated May 30, 2017 under the provisions of the Insolvency Code. Pursuant to the order, the management of the affairs of the Company and powers of board of directors of the Company are now vested with the RP, who is appointed by the CoC. These Standalone Ind AS Financial Statements have been prepared by the management of the Company and certified by Mr. Shantanu Prakash, Chairman and Director and Mr. Ashish Mittal, Chief Financial Officer and approved by RP.
- b) Note 1(c) to the Standalone Ind AS Financial Statements, which indicates that the Company, has incurred substantial losses, its net worth has been completely eroded, has defaulted in repayment of its loans and related interest, and has negative working capital. Further, subsequent to March 31, 2017, CIRP has been initiated in case of the Company which is under process. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However, these Standalone Ind AS Financial Statements have been prepared on a going concern basis for the reasons stated in the said note.
- c) Note 29 and note 1(d) to the Standalone Ind AS Financial Statements, considering the moratorium period, status of Contingent liabilities has been updated till the date of approval of insolvency application of the Company under the Code i.e. till May 30, 2017.

Our opinion is not modified in respect of these matters.





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## Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (2) As required by Section 143(3) of the Act, we report that:
- We have sought and except for the matters described in the Basis for Adverse Opinion paragraph above, have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - Except for the possible effects of the matters described in the Basis for Adverse Opinion paragraph above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - The Balance Sheet, the Statement of Profit and Loss, Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - Except for the possible effects of the matters described in the Basis for Adverse Opinion paragraph, in our opinion, the aforesaid Standalone Ind AS Financial Statements comply with the Indian Accounting Standards referred to in Section 133 of the Act with Rule 7 of the Companies (Accounts) Rules, 2014;
  - The matters described under the Basis for Adverse Opinion paragraph and matter described under para "(b)" of Emphasis of Matter paragraph, in our opinion, may have an adverse effect on the functioning of the Company;
  - We have not received written representation from a director of the company as on March 31, 2017. In respect of the aforesaid director, in the absence of written representation received, we are unable to comment whether the aforesaid director is disqualified as on March 31, 2017 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act. For the remaining directors, on the basis of the written representations received from the directors, as on March 31, 2017, we report that none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act. However, in the absence of appropriate audit evidence, we are unable to comment whether such representations were taken on record by the Board of Directors of the Company;
  - The qualification/reservation/adverse remarks relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Adverse Opinion paragraph above;
  - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we give our separate Report in "Annexure 2"; and
  - With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:





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(i) The Company has disclosed the impact of pending litigations on its financial position in its Standalone Ind AS Financial Statements - Refer Note 29 to the Standalone Ind AS Financial Statements. Also refer para "l" under Basis of Adverse Opinion paragraph and para "(c)" under Emphasis of Matter paragraph on Contingent Liabilities;

(ii) Except for the possible effects of matters described under Basis of Adverse Opinion paragraph, the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts and derivative contracts if any;

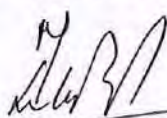
(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

(iv) The Company has provided requisite disclosures in its Standalone Ind AS Financial Statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company.

For Haribhakti & Co. LLP

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ICAI Firm Registration No.103523W/W100048



Raj Kumar Agarwal

Partner

Membership No. 074715

Place: New Delhi

Date: January 23, 2018



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## ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Educomp Solutions Limited on the Standalone Ind AS Financial Statements for the year ended March 31, 2017

- (i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) During the year, the fixed assets of the Company have been physically verified by the management as per regular program. As informed, no material discrepancies were identified on such verification. Since the company has applied for resolution under the Insolvency Code, in our view the entire fixed assets of the company should have been physically verified, and thus the frequency of verification of fixed assets for the year, is not reasonable, having regard to the size, the nature of its assets and current status.
- c) The title deeds of immovable properties recorded as fixed assets in the books of account of the Company are held in the name of the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As informed, no material discrepancies were noticed on physical verification carried out during the year.
- (iii) According to the information and explanation given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3 (iii)(a), 3 (iii)(b) and 3 (iii)(c) of the Order are not applicable to the Company.
- (iv) According to the information and explanation given to us and read with our comment in para "o" of the "Independent Auditors Report - Basis of adverse opinion", in respect of loans, investments, guarantees, and securities, the Company has complied with the provisions of Section 185 and 186 of the Act, except for the details given below:

Nature of non-compliance	Name of Company/party	Amount granted during the year	Balance as at March 31, 2017
Interest free Loan given*	Edu Smart Services Private Limited (ESSPL)	Nil	Rs. 223.82 million

\*Being amount recoverable from ESSPL on invocation of guarantee.

- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the provisions of Sections 73 to 76 of the Act and the rules framed there under.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of products where the maintenance of cost records has been specified by the Central Government under sub-section (1) of Section 148 of the Act and the rules framed there under and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, however, there have been delays in few cases in payment of tax deducted at source, service tax and value added tax.

According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, value added tax, customs duty, excise duty, cess and any other material statutory dues applicable to it, which were





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outstanding, at the year-end for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of the dues	Amount	Period to which the amount relates	Due Date	Date of Payment
Punjab Value Added Tax Act, 2005 (PVAT)	Works Contract Tax	Rs. 0.60 million	FY 16-17	Various	Not paid

(b) According to the information and explanation given to us, the dues outstanding with respect to, income tax, sales tax, service tax, value added tax, customs duty, excise duty on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount Disputed	Amount paid under protest	Period to which the amount relates	Forum where dispute is pending
Bihar Value Added Tax Act, 2005 (BVAT)	Central Sales Tax	Rs. 0.34 million	Rs. 0.07 million	FY 11-12	Assistant Commissioner of Commercial taxes - BVAT

- (viii) According to the information and explanations given to us, the Company has defaulted in repayment of loans or borrowings to financial institutions, banks and dues to debenture holders as per details set out in Annexure "A" attached herewith. The amounts of defaults stated in the Annexure are as per contractual terms.

Refer our qualifications in "Independent Auditors Report - Basis of adverse opinion" Para "(j)" wherein we have not been able to obtain bank statement or direct confirmation, Para "(k)" wherein we have been able to get confirmations or borrowing accounts and there are reconciliation differences, Para "(l)" in regards to the claims received by the RP which are in process. In reference to the same we are unable to comment on the possible impact of such qualification on the defaults as reported under this clause.

- (ix) The Company has neither raised money by way of public issue offer nor has obtained any term loans during the year. Therefore, paragraph 3(ix) of the Order is not applicable to the Company.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.





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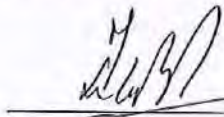
Chartered Accountants

- (xi) According to the information and explanations given to us, no managerial remuneration has been paid / provided by the Company during the current year.  
Also refer our comment in para "t" of the "Independent Auditors Report - Basis of adverse opinion" regarding managerial remuneration paid to one of the whole time director of the Company during the quarter ended June 30, 2015, year ended March 31, 2015 and year ended March 31, 2014 for which Central Government's approval is yet to be obtained by the Company.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Therefore, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanation given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of Act, where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Therefore, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us and as represented by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him during the year
- (xvi) According to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 103523WZ100048



Raj Kumar Agarwal

Partner

Membership No. 074715



Place: New Delhi

Date: January 23, 2018



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Annexure A-Details of Loan Defaults forming part of clause (viii) of Annexure 1 to the Independent Auditor's Report

## Default during the year and rectified during the year

(Amount in Rs. millions)

Particulars	Nature of Facility	Nature of Payment	Period of default		Total
			Less than 1 Year	More than 1 Year	
DBS Bank	Term Loan	Principal	57.50	-	57.50
State Bank of Bikaner and Jaipur	Term Loan	Principal	26.51	6.76	33.27
SCB Bank	Term Loan	Principal	-	74.70	74.70
State Bank of Patiala	Term Loan	Principal	40.05	-	40.05
Yes Bank	Term Loan	Principal	100.00	-	100.00
IBM Global Financing	Unsecured Loan	Principal	-	70.00	70.00

## Default not rectified and existing at year end - Banks

(Amount in Rs. millions)

Particulars	Nature of Facility	Nature of Payment	Period of default		Total amount of default as on March 31, 2017
			Less than 1 Year	More than 1 Year	
Canara Bank	Term Loan	Principal	83.73	34.74	118.46
		Interest	52.13	5.75	57.88
	Cash Credit	Principal	31.43	-	31.43
		Interest	0.53	-	0.53
Central Bank of India	Term Loan	Principal	170.61	56.87	227.48
		Interest	109.47	31.54	141.01
ICICI Bank	Term Loan	Principal	110.95	36.98	147.94
		Interest	81.79	7.22	89.01
	Cash Credit	Principal	9.99	-	9.99
		Interest	1.10	-	1.10
IndusInd	Term Loan	Principal	9.37	1.54	10.91
		Interest	8.69	0.18	8.87
State Bank of Bikaner and Jaipur	Term Loan	Principal	20.77	-	20.77
		Interest	27.63	0.40	28.04
	Cash Credit	Principal	4.48	-	4.48
		Interest	0.29	-	0.29
Syndicate loan	Term Loan	Principal	44.35	14.79	59.14
		Interest	35.98	11.30	47.27
IDBI Loan	Term Loan	Principal	819.00	273.00	1,092.00
		Interest	511.27	58.32	569.59
J and K Loan	Term Loan	Principal	352.80	117.60	470.40
		Interest	215.35	19.10	234.46
Union Bank	Term Loan	Principal	210.81	70.27	281.08
		Interest	130.71	15.68	146.39
Axis Bank	Term Loan	Principal	574.01	95.62	669.64
		Interest	378.79	17.20	395.99
	Cash Credit	Principal	175.99	-	175.99
		Interest	14.90	-	14.90
SCB	Term Loan	Principal	69.24	23.08	92.32
		Interest	63.47	26.19	89.66
Yes bank	Term Loan	Principal	185.86	21.20	207.07
		Interest	21.89	-	21.89
State Bank of India	Term Loan	Principal	21.77	7.26	29.03
		Interest	20.04	2.09	22.13
	Cash Credit	Principal	52.49	-	52.49
		Interest	5.86	1.41	7.26
State bank of Patiala	Term Loan	Principal	240.31	-	240.31
		Interest	128.77	-	128.77
	Cash Credit	Principal	799.16	-	799.16
		Interest	39.24	-	39.24
DBS Bank	Term Loan	Interest	33.55	6.72	40.28





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## Default not rectified and existing at year end - Financial Institutions

(Amount in Rs. millions)

Particulars	Nature of Facility	Nature of Payment	Period of default		Total amount of default as on March 31, 2017
			Less than 1 Year	More than 1 Year	
External Commercial Borrowings	Term Loans	Principal	825.11	412.55	1,237.66
		Interest	247.75	620.47	868.22
Reliance Capital Limited	Unsecured Loan	Principal	-	12.00	12.00
		Interest	2.16	0.70	2.86
IBM Global Financing	Unsecured Loan	Principal	48.00	25.58	73.58
HP Financial Services	Unsecured Loan	Principal	52.61	26.04	78.65
		Interest	21.18	28.42	49.60

## Defaults not rectified and existing as on March 31, 2017 in respect of Interest on Debentures

(Amount in Rs. millions)

Particulars	Period of default		Total amount of default as on
	Less than 1 Year	More than 1 Year	
Interest on Debentures	60.50	14.09	74.59

## Defaults in respect of guarantees invoked during the year and not rectified as at March 31, 2017

(Amount in Rs. millions)

Particulars	Period of default		Total amount of default as on March 31, 2017
	Less than 1 Year	More than 1 Year	
Corporate guarantee invoked - given on behalf of Edu Smart Services Private Limited	-	223.82	223.82

\* Refer Note 12.3 of Standalone Ind AS Financial Statements

## Defaults in respect of guarantees invoked during the year and rectified during the year

(Amount in Rs. millions)

Particulars	Period of default		Total
	Less than 1 Year	More than 1 Year	
ICICI Bank- Corporate Guarantee Invoked*	1,200.00	-	1,200.00

\* Refer Note 29 of Standalone Ind AS Financial Statements





## ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Educomp Solutions Limited on the Standalone Ind-AS Financial Statements for the year ended March 31, 2017]

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

We have audited the internal financial controls over financial reporting of Educomp Solutions Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Standalone Ind AS Financial Statements of the Company for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls

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

#### Auditors' Responsibility

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

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

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

#### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Standalone Ind AS Financial Statements





in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Standalone Ind AS Financial Statements.

## Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

## Qualified opinion

- a) According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the Company's internal financial controls over financial reporting as at March 31, 2017:
- 1) The Company did not have an appropriate design in the internal control system for measuring impairment provision on trade receivables as per Expected Credit loss (ECL) model which could potentially result in the misstatement of trade receivables.
  - 2) The Company did not have an appropriate design in the internal control system for obtaining vendor confirmations, and their reconciliation with books of accounts at regular intervals which could potentially result in misstatement of trade payables.
  - 3) The Company's design of internal financial controls with respect to documenting the process of carrying out impairment on its investments in subsidiaries and associates and maintaining appropriate documentation for the same was not effective, which could potentially result in misstatement of its investments in subsidiaries and associates
- b) According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2017:
- 1) The Company's internal financial controls with respect to reviewing recoverability of its receivable from one of its customer Edu Smart Services Private Limited ("ESSPL") were not operating effectively, which could potentially result in misstatement of its trade receivable. However, subsequent to year end, the Company has addressed the provisioning for the same.

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





# HARIBHAKTI & CO. LLP

Chartered Accountants

In our opinion, except for the possible effects of the material weaknesses described in para (a) above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting as of March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI, and except for the possible effects of the material weakness described in paras (a) and (b) above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2017.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 Standalone Ind AS Financial Statements of the Company, and these material weaknesses have affected our opinion on the Standalone Ind AS Financial Statements of the Company and we have issued an adverse opinion on the Standalone Ind AS Financial Statements.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W/W100048



Raj Kumar Agarwal

Partner

Membership No. 074715

Place : New Delhi

Date : January 23, 2018







**EDUCOMP SOLUTIONS LIMITED**

CIN No:-L74999DL1994PLC061353

Regd. Office: 1211, Padma Tower I, Rajendra Place, New Delhi-110008

PART 1		STATEMENT OF FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2017					(Rupees in lacs)
S.NO	Particulars	Quarter ended			Year ended		
		Audited March 31, 2017	Unaudited December 31, 2016	Unaudited March 31, 2016	Audited March 31, 2017	Audited March 31, 2016	
<b>1</b>	<b>Income from operations</b>						
(a)	Net sales/income from operations	4,808.40	3,399.73	4,943.51	17,747.68	18,633.89	
(b)	Other operating income	-	-	-	-	-	
	<b>Total Income from operations (net)</b>	<b>4,808.40</b>	<b>3,399.73</b>	<b>4,943.51</b>	<b>17,747.68</b>	<b>18,633.89</b>	
<b>2</b>	<b>Expenses</b>						
(a)	Purchases of stock-in-trade	718.14	317.69	802.11	3,673.31	3,560.87	
(b)	Changes in inventories of finished goods, work-in-progress and stock-in-trade	51.84	274.49	(22.18)	519.16	190.95	
(c)	Employee benefit expenses	3,388.82	2,168.19	2,853.98	11,169.42	11,851.06	
(d)	Depreciation and amortisation expenses	544.11	740.93	798.45	2,721.94	3,260.15	
(e)	Other expenses	3,473.92	1,789.42	2,922.93	8,690.42	9,317.82	
(f)	Provision for doubtful trade receivables/advances	236.93	(16.18)	72.61	236.93	160.66	
(g)	Foreign exchange fluctuation (Net)	(521.31)	871.20	531.06	1,541.00	2,538.61	
	<b>Total Expenses</b>	<b>7,892.45</b>	<b>6,145.74</b>	<b>7,958.96</b>	<b>28,552.18</b>	<b>30,880.12</b>	
<b>3</b>	<b>Loss from operations before other income , finance costs and exceptional items (1-2)</b>	<b>(3,084.05)</b>	<b>(2,746.01)</b>	<b>(3,015.45)</b>	<b>(10,804.50)</b>	<b>(12,246.23)</b>	
4	Other income	969.83	659.60	1,041.23	3,797.04	6,848.30	
<b>5</b>	<b>Loss from ordinary activities before finance costs and exceptional items (3+4)</b>	<b>(2,114.22)</b>	<b>(2,086.41)</b>	<b>(1,974.22)</b>	<b>(7,007.46)</b>	<b>(5,397.93)</b>	
6	Finance costs	5,546.60	6,926.68	6,514.29	25,369.91	25,657.24	
<b>7</b>	<b>Loss from ordinary activities after finance costs but before exceptional items (5-6)</b>	<b>(7,660.82)</b>	<b>(9,013.09)</b>	<b>(8,488.51)</b>	<b>(32,377.37)</b>	<b>(31,055.17)</b>	
8	Exceptional Items/Prior period items (refer note 6)	17,376.89	4,077.28	-	15,178.58	1,291.09	
<b>9</b>	<b>Loss from ordinary activities before tax (7-8)</b>	<b>(25,037.71)</b>	<b>(13,090.37)</b>	<b>(8,488.51)</b>	<b>(47,555.95)</b>	<b>(32,346.26)</b>	
10	Tax Expense	-	-	-	-	(1,909.08)	
<b>11</b>	<b>Net Loss from Ordinary activities after tax (9-10)</b>	<b>(25,037.71)</b>	<b>(13,090.37)</b>	<b>(8,488.51)</b>	<b>(47,555.95)</b>	<b>(30,437.18)</b>	
12	Extraordinary Item (net of tax expense)	-	-	-	-	-	
<b>13</b>	<b>Net Loss for the period (11-12)</b>	<b>(25,037.71)</b>	<b>(13,090.37)</b>	<b>(8,488.51)</b>	<b>(47,555.95)</b>	<b>(30,437.18)</b>	
14	Other Comprehensive income	145.85	(10.71)	14.41	243.22	2.28	
<b>15</b>	<b>Total Comprehensive income (13+14)</b>	<b>(24,891.86)</b>	<b>(13,101.08)</b>	<b>(8,474.10)</b>	<b>(47,312.73)</b>	<b>(30,434.90)</b>	
16	Paid up Equity share capital (Face Value Rs.2/- each)	2,449.34	2,449.34	2,449.34	2,449.34	2,449.34	
17	Reserve excluding revaluation reserves	-	-	-	-	-	
<b>18</b>	<b>(Loss)/ Earning Per Share (before and after extraordinary items) (not annualized)</b>						
(a)	Basic	(20.33)	(10.70)	(6.92)	(38.83)	(24.85)	
(b)	Diluted	(20.33)	(10.70)	(6.92)	(38.83)	(24.85)	

**Educomp Solutions Limited**  
(CIN: L74999DL1994PLC061353)

Corporate office: 514, Udyog Vihar, Phase III, Gurgaon – 122001, Haryana (INDIA).

Tel.: 91-124-4529000.

Registered Office: 1211, Padma Tower I, 5, Rajendra Place, New Delhi-110008.

Web site [www.educomp.com](http://www.educomp.com); email: [investor.services@educomp.com](mailto:investor.services@educomp.com)



**Notes:**

- 1 Pursuant to an application for Corporate Insolvency Resolution Process ("CIRP") under Section 10 of the Insolvency and Bankruptcy Code, 2016 ("the Code") on May 12, 2017, Hon'ble National Company Law Tribunal, Delhi ("Adjudicating Authority"), vide its order dated 30th May 2017, had ordered the commencement of CIRP in respect of the Company under the provisions of Code. Thereafter, in accordance with Section 17 of the Code, the powers of the Board stood suspended and Dr. Sanjeev Aggarwal was appointed as interim resolution professional of the Company. The IRP carried out his duties from May 30, 2017 till Mr. Mahender Khandelwal was appointed as Resolution Professional ("RP") vide the order of NCLT dated September 12, 2017 and took over the management of the affairs of the Company. Hence, the attached financial results are not approved by the Audit Committee and Board of Directors of the Company. These financial results are prepared and initialed by RP in order to meet the compliance.
- 2 The audited financial results for the year ended March 31, 2017 have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind-AS) prescribed under section 133 of the Companies Act, 2013 and other recognized accounting practices and policies, to the extent applicable. Beginning FY 16-17, the company has for the first time adopted Ind-AS together with Ind-AS compliant comparatives for FY15-16 (transition date April 01, 2015). Accordingly, figures for the previous period are re-casted/regrouped as per new requirements wherever necessary.
- 3 Reconciliation of financial results of corresponding quarter and year ended March 31, 2017 pertaining to financial year 2015-16 to those reported under previous Generally Accepted Accounting Principles (GAAP) are summarised as follows:

Particular	For the quarter ended March 31, 2016 Rs. in lacs	For the year ended March 31, 2016 Rs. in lacs
Profit/ (Loss) after tax as reported under previous GAAP	(9,109.20)	(34,333.79)
<b>Adjustments on account of:</b>		
(i) Measurement of financial assets and financial liabilities at amortised	572.80	3,294.07
(ii) Adjustment for recording actuarial (gains)/losses in OCI	(14.41)	(2.28)
(iii) Adjustment of lease as per Ind AS 17	149.42	(394.31)
(iv) Adjustment of Prior period item	-	1,347.63
(v) Adjustment of recognising the cost of the employee stock option	(87.12)	(348.50)
<b>Profit/ (Loss) after tax as reported under Ind AS</b>	<b>(8,488.51)</b>	<b>(30,437.18)</b>
Other comprehensive income	14.41	2.28
<b>Total Comprehensive income as reported under Ind AS</b>	<b>(8,474.10)</b>	<b>(30,434.90)</b>







**EDUCOMP SOLUTIONS LIMITED**

CIN No:-L74999DL1994PLC061353

Regd. Office: 1211, Padma Tower I, Rajendra Place, New Delhi-110008

**Standalone Statement of Assets & Liabilities**

(Rupees in Lacs)

Particulars	(Rupees in Lacs)	
	As at 31-03-17 Audited	As at 31-03-16 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,152.29	1,035.26
Intangible assets	2,693.35	4,141.33
Capital work-in-progress	208.06	219.81
Financial assets		
i) Investments	1,51,133.64	1,71,858.68
ii) Loans	97.30	60.89
iii) Trade receivables	-	-
iv) other financial Assets	7,111.16	1,552.44
Income tax assets	1,480.60	1,705.90
Other non-current assets	36.95	481.97
	<b>1,63,913.35</b>	<b>1,81,056.28</b>
<b>Current assets</b>		
Inventories	680.47	1,199.66
Financial assets		
i) Loans	3,960.74	3,816.93
ii) Trade receivables	1,02,364.18	1,14,639.15
iii) Cash and Cash equivalents	3,859.76	3,162.40
iv) Bank balances other than (iii) above	128.68	278.49
iv) other financial Assets	2,841.01	3,207.76
Other current assets	1,063.71	838.23
	<b>1,14,898.55</b>	<b>1,27,142.62</b>
<b>Total Assets</b>	<b>2,78,811.90</b>	<b>3,08,198.90</b>
<b>EQUITY AND LIABILITIES</b>		
Equity Share capital	2,449.34	2,449.34
Other equity		
i) Equity component of compound financial instruments	5,244.47	5,027.16
ii) Reserves and surplus	(35,447.75)	8,432.07
<b>Total Equity</b>	<b>(27,753.94)</b>	<b>15,908.57</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Financial liabilities		
i) Borrowings	1,886.54	9,601.50
Provisions	322.20	1,792.30
Other non-current liabilities	-	726.76
	<b>2,208.74</b>	<b>12,120.56</b>
<b>Current liabilities</b>		
Financial liabilities		
i) Borrowings	11,988.71	9,815.07
ii) Trade and other payables	13,270.21	8,697.55
iii) other financial liabilities	2,70,979.20	2,50,886.10
Provisions	2,646.78	4,685.89
Other current liabilities	5,472.20	6,085.16
	<b>3,04,357.10</b>	<b>2,80,169.77</b>
<b>Total Equity and liabilities</b>	<b>2,78,811.90</b>	<b>3,08,198.90</b>

**Educomp Solutions Limited**  
(CIN: L74999DL1994PLC061353)

Corporate office: 514, Udyog Vihar, Phase III, Gurgaon – 122001, Haryana (INDIA).  
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**Segment wise Revenue, Results and Capital Employed**

Particulars	(Rupees in lacs)				
	Quarter ended			Year ended	
	Audited March 31, 2017	Unaudited December 31, 2016	Unaudited March 31, 2016	Audited March 31, 2017	Audited March 31, 2016
<b>Segment Revenue</b>					
Higher Learning Solutions	1,049.74	-	43.68	1,049.74	197.22
School Learning Solutions	3,732.17	3,383.09	4,792.75	16,583.21	18,191.77
K-12 Schools	-	-	-	-	-
Online Supplemental & Global	26.49	16.64	107.08	114.73	244.90
<b>Total Net Sales/ Income from Operations</b>	<b>4,808.40</b>	<b>3,399.73</b>	<b>4,943.51</b>	<b>17,747.68</b>	<b>18,633.89</b>
<b>Segment Results ((Loss)/Profit before Interest and tax from each segments)</b>					
Higher Learning Solutions	1,034.04	(17.70)	22.01	984.31	108.13
School Learning Solutions	(3,613.92)	(801.23)	(964.21)	(5,719.89)	(4,797.15)
K-12 Schools	-	-	-	-	-
Online Supplemental & Global	(28.75)	6.84	(216.00)	(63.88)	(167.89)
	<b>(2,608.63)</b>	<b>(812.09)</b>	<b>(1,158.20)</b>	<b>(4,799.46)</b>	<b>(4,856.91)</b>
<b>Loss : Interest</b>	5,546.60	6,926.68	6,514.29	25,369.91	25,657.24
: Other un-allocable expenses	17,852.31	6,011.20	1,857.25	21,183.62	8,680.41
<b>Add : Un-allocable Income</b>	969.83	659.60	1,041.23	3,797.04	6,848.30
<b>Total Loss before Tax</b>	<b>(25,037.71)</b>	<b>(13,090.37)</b>	<b>(8,488.51)</b>	<b>(47,555.95)</b>	<b>(32,346.26)</b>
<b>Segment Assets</b>					
Higher Learning Solutions	406.82	408.63	452.18	406.82	452.18
School Learning Solutions	1,08,752.06	1,12,845.32	1,22,067.58	1,08,752.06	1,22,067.58
K-12 Schools	6.67	3.54	5.77	6.67	5.77
Online Supplemental & Global	873.04	902.02	724.13	873.04	724.13
Unallocated	1,68,773.31	1,85,580.25	1,84,949.24	1,68,773.31	1,84,949.24
<b>Total Segment Assets</b>	<b>2,78,811.90</b>	<b>2,99,739.76</b>	<b>3,08,198.90</b>	<b>2,78,811.90</b>	<b>3,08,198.90</b>
<b>Segment Liabilities</b>					
Higher Learning Solutions	0.30	1,050.04	1,058.77	0.30	1,058.77
School Learning Solutions	17,761.65	15,951.11	19,747.36	17,761.65	19,747.36
K-12 Schools	1,109.50	1,109.50	1,115.00	1,109.50	1,115.00
Online Supplemental & Global	454.64	480.14	549.68	454.64	549.68
Unallocated	2,87,239.75	2,86,540.55	2,69,819.52	2,87,239.75	2,69,819.52
<b>Total Segment Liabilities</b>	<b>3,06,565.84</b>	<b>3,05,131.34</b>	<b>2,92,290.33</b>	<b>3,06,565.84</b>	<b>2,92,290.33</b>
<b>Capital Employed</b>					
(Segment Assets- Segment Liabilities)					
Higher Learning Solutions	406.52	(641.41)	(606.59)	406.52	(606.59)
School Learning Solutions	90,990.41	96,894.21	1,02,320.22	90,990.41	1,02,320.22
K-12 Schools	(1,102.83)	(1,105.96)	(1,109.23)	(1,102.83)	(1,109.23)
Online Supplemental & Global	418.40	421.88	174.45	418.40	174.45
Unallocated	(1,18,466.44)	(1,00,960.30)	(84,870.27)	(1,18,466.44)	(84,870.28)
<b>Total</b>	<b>(27,753.94)</b>	<b>(5,391.58)</b>	<b>15,908.58</b>	<b>(27,753.94)</b>	<b>15,908.57</b>



**Educomp Solutions Limited**  
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**INDEPENDENT AUDITOR'S REPORT****To the Members of Educomp Solutions Limited  
Report on the Consolidated Ind AS Financial Statements**

We have audited the accompanying Consolidated Ind AS Financial Statements of Educomp Solutions Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entity, comprising of the Consolidated Balance Sheet as at March 31, 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Ind AS Financial Statements including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

**Management's Responsibility for the Consolidated Ind AS Financial Statements**

The Holding Company's Board of Directors and/or Resolution Professional of the Holding Company, Mr. Mahender Khandelwal ("RP") appointed by the Committee of Creditors ("CoC") pursuant to the order passed by the Hon'ble National Company Law Tribunal ("NCLT"), with whom the management of the affairs of the Holding Company and the powers of the Board of Directors of the Holding Company are now vested after the commencement of Corporate Insolvency Resolution Process ("CIRP") w.e.f. May 30, 2017 under the provisions of Insolvency & Bankruptcy Code, 2016 ("Insolvency Code"), are responsible for the preparation and presentation of these Consolidated Ind AS Financial Statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group including its associates and jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ("Ind AS") specified under Section 133 of the Act, read with relevant rules issued thereunder. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS Financial Statements by the Directors and/or RP of the Holding Company, as aforesaid.





Further, as per Section 134 of the Act, the consolidated financial statements of a company is required to be authenticated by the Chairperson of the Board of Directors, where authorised by the Board or at least two Directors, of which one shall be the Managing Director or the CEO (being a Director), the CFO and the Company Secretary where they are appointed. In view of the pendency of CIRP, as per Insolvency Code, these powers are also vested with the RP. Accordingly, these Consolidated Ind AS Financial Statements are certified by Mr. Shantanu Prakash, Chairman and Director and approved by the RP [refer note 1 (a) of the Consolidated Ind AS Financial Statements and paragraph (a) under Emphasis of Matter].

## **Auditors' Responsibility**

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Ind AS Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the Consolidated Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors/management/RP (refer note 1 (a) of the Consolidated Ind AS Financial Statements and paragraph "(a)" under Emphasis of Matter paragraph), as well as evaluating the overall presentation of the Consolidated Ind AS Financial Statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our adverse audit opinion on the Consolidated Ind AS Financial Statements.





**Basis for Adverse Opinion****1) We refer to the following qualifications in respect of the Holding Company:**

- a. The Holding Company has evaluated impairment of goodwill aggregating Rs. 9,342.01 million related to 2 of its subsidiaries companies namely, Educomp Infrastructure & School Management Limited (EISML) and Edumatics Corporation Inc using business valuations performed by its own assessment. The management is of the opinion that no provision for impairment is required in respect of goodwill on consolidation of these subsidiaries. However, in the absence of appropriate audit evidence including basis of critical assumptions and supporting for future projections considered in business valuation workings, we are unable to comment on the appropriateness of such business valuations and consequently, we are unable to comment upon appropriateness of carrying amount of aforesaid goodwill and possible impact of the same on the loss for the year ended March 31, 2017 and goodwill as on that date.

Further, the Holding Company has not evaluated, impairment of goodwill aggregating Rs. 870.83 million related to 4 of its subsidiaries (also refer paragraph 'r' below), impairment of investment in its 1 associate aggregating Rs. 78.74 million and impairment of investment in its jointly controlled entity aggregating Rs. 572.80 million (also refer paragraph 'r' below). We have not been provided with any valuation reports/management assessment in relation to evaluation of impairment in such goodwill/investments, if any. In absence of such details, we are unable to comment upon appropriateness of carrying amount of such goodwill/investments and possible impact of the same on the loss for the year ended March 31, 2017 and goodwill/investments as on that date.

- b. As on April 01, 2015, the Holding Company had its investments in India Education Fund amounting Rs. 425 million. This investment is classified as "Fair Value through Profit and Loss" and the carrying value of this investment as at April 01, 2015 is considered as its fair value. During the year ended March 31, 2016, this investment was sold for a consideration of Rs. 150 million. Considering the subsequent realization and in the absence of any other audit evidence substantiating the fair value considered as on April 01, 2015, we are unable to comment on the appropriateness of fair value considered by the Holding Company as at April 01, 2015 and its possible impact on the equity as at April 01, 2015 and the loss for the year ended March 31, 2016.
- c. As regards trade receivables amounting Rs. 3,149.19 million (net of provision of Rs. 4,178.31 million) as on March 31, 2017, the management of the Holding Company is of the view that the same is good and recoverable in due course and hence no further provision is required. Out of the above, Rs. 1,200.14 million has been subsequently realized by the Holding Company till March 31, 2019. However, in the absence of appropriate audit evidence like balance confirmations, account reconciliation with the parties, and details of subsequent realization post March 31, 2019, we are unable





to comment on the recoverability of balance outstanding trade receivables and the possible impact on the loss for the year ended March 31, 2017 and the equity as on that date.

As mentioned in Note 27 to the Consolidated Ind AS Financial Statements, the Holding Company is following Expected Credit loss (ECL) model for measuring impairment of its trade receivables. The ECL allowance or loss rate is computed based on a provision matrix which takes into account historical credit loss experience. The computed loss rate is mentioned in Note 27 to the Consolidated Ind AS Financial Statements, however, we have not been provided with the workings of such loss rate computed by the Holding Company.

Further, the Holding Company has not taken effect of aforesaid loss rate in computation of impairment provision, if any, on trade receivables over and above the existing provision in the books of account. In absence of relevant workings and other details, we are unable to comment on the appropriateness of the loss rate and the possible impact of non-considering effect of the loss rate in impairment provision on trade receivables as on March 31, 2017, March 31, 2016 and March 31, 2015 and the loss for the years ended March 31, 2017 and March 31, 2016 and on the equity as on those dates.

- d. We have not received direct confirmations and bank statements for balance of margin money amounting Rs. 14.33 million, as at March 31, 2017. In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and on the balance of cash and cash equivalent and equity as at March 31, 2017. Also refer Note 54 (a) to the Consolidated Ind AS Financial Statements.
- e. Balance in current accounts amounting Rs. 374.77 million is subject to direct confirmation. Further, in case of current account with one of the bank (balance as at March 31, 2017 Rs. 343.65 million), an amount of Rs. 4.48 million being "cheques deposited but not cleared", is included in the said balance, and has been reversed subsequent to March 31, 2017. Considering that these cheques are not reflecting as dishonoured cheques in the bank statement of subsequent months, we are of the opinion that these cheques should not have been accounted as on March 31, 2017 and accordingly the balance of cash and cash equivalent is overstated by said balance with a corresponding understatement of balance of trade receivables/overstatement of advances from customer as on March 31, 2017. Also refer Note 54 (b) to the Consolidated Ind AS Financial Statements.
- f. The Holding Company has not computed and provided for penal interest on defaults under borrowings as per the contractual terms of the underlying agreements. We are unable to determine the possible impact thereof on the loss for the year and borrowings and equity as at March 31, 2017. Also refer Note 54 (c) to the Consolidated Ind AS Financial Statements.





- g. We have neither got bank statements nor have been able to obtain direct confirmations for borrowings from banks and financial institutions amounting Rs. 6,458.54 million as at March 31, 2017. In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and the balance of borrowings and equity as at March 31, 2017. Also refer Note 54 (d) to the Consolidated Ind AS Financial Statements.
- h. Balance in borrowings accounts amounting Rs. 4,457.88 million (other than amount covered in paragraph 'g' above) as at March 31, 2017 is subject to direct confirmations. Further, in case of borrowings amounting Rs. 5,911.94 million wherein we have received confirmations and/or bank statements, there are differences amounting Rs. 85.19 million (excess in books of accounts) in amount reported in confirmation/statement from that of amount recorded in the Consolidated Ind AS Financial Statements. In the absence of reconciliations and other alternative audit evidence, we are unable to comment on any possible impact thereof on the loss for the year and balance of such borrowings and equity as at March 31, 2017. Also refer Note 54 (e) to the Consolidated Ind AS Financial Statements.
- i. As explained in Note 51 to the Consolidated Ind AS Financial Statements, as per the Insolvency Code, the RP of the Holding Company has received, verified and admitted the claims submitted by the financial and operational creditors, employees and workmen. These claims have been taken into cognizance by CoC, while approving the Resolution Plan of the Holding Company. The details of such claims have been disclosed in the said note. Pending approval of the Resolution Plan by Hon'ble NCLT, the impact of admitted claims on the outstanding liability as at March 31, 2017 and loss for the year ended on that date, has not been considered in the preparation of the Consolidated Ind AS Financial Statements.

Further, deficit arising out of the final Resolution Plan as compared to the Net Worth of the Holding Company, if any, has not been taken in carrying value of assets as at March 31, 2017 and loss for the year ended on that date.

- j. As explained in Note 51 to the Consolidated Ind AS Financial Statements, as per the Insolvency Code, the respective Resolution Professional of Edu Smart Services Private Limited (ESSPL), Educomp Learning Hour Private Limited (ELHPL) and EISML have to receive, collate and admit all the claims submitted by the creditors (Operational and Financial), employees and workmen of the Company. Such claims can be submitted to the respective Resolution Professional during the CIRP, till the approval of a resolution plan by CoC. The respective Resolution Professional is in the process of receiving, collating and verifying such claims, and shall subsequently admit verified claims as per the Insolvency Code. Accordingly, the impact of such claims, if any, which may arise subsequently, has not been considered in the preparation of the Consolidated Ind AS Financial Statements.





- k. In contravention to the provisions of Micro Small and Medium Enterprises Development (MSMED) Act, 2006, the Holding Company has not provided for interest amounting Rs. 5.62 million on account of late payment claimed by a MSMED supplier as at March 31, 2017. Also refer Note 54 (f) to the Consolidated Ind AS Financial Statements.

Further, in two cases of trade payables, we have not been provided with the appropriate reconciliation for the difference in amounts as reported in the said confirmations amounting to Rs. 5.31 million. In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and balance of trade payables and equity as at March 31, 2017. Also refer Note 54 (f) to the Consolidated Ind AS Financial Statements.

- l. The Holding Company had received advance of Rs. 323.00 million from its jointly controlled entity, namely Educomp Raffles Higher Education Limited, in the financial year 2007-08 pursuant to an agreement for content development. The Holding Company had been recognizing Rs 8.08 million as revenue per quarter till year ended March 31, 2015 by adjusting the said advance. The Holding Company discontinued revenue recognition from financial year ended March 31, 2016 due to legal dispute with the joint venture partner. The remaining amount was disclosed as advance and shown as liability till quarter ended December 31, 2016. During the last quarter of the current year, the Holding Company has recognized revenue of Rs. 104.97 million by adjusting the balance advance; however, there is no evidence from recipient for services being provided during this period. This constitutes a departure from the paragraph 14 of Indian Accounting Standards (Ind AS) 18 "Revenue". In the absence of sufficient appropriate audit evidence, we are unable to determine any possible impact thereof on the loss for the year and balance of advances and equity as at March 31, 2017. Also refer Note 54 (g) to the Consolidated Ind AS Financial Statements.
- m. The Holding Company has given an advance of Rs. 190 million to a party for selling a land and development of commercial space pursuant to the agreement dated July 05, 2012 and Rs. 150 million to another party for providing services relating to academic and business operations of the Holding Company pursuant to the agreement dated July 05, 2012. During the current year, arbitration proceedings has been initiated by the concerned vendor against the Holding Company, however the same has been put on hold due to ongoing CIRP. Considering that these advances are pending for execution/settlement for a long period of time and other factors as mentioned above, we are unable to comment on the recoverability of such advances and any possible impact thereof on the loss for the year ended March 31, 2017 and equity as on that date. Also refer Note 54 (h) to the Consolidated Ind AS Financial Statements.





- n. The Holding Company had entered into an exclusive license and distribution agreement on August 01, 2015 with Digital Learning Solutions SDN BHD (DLS) for exclusive distribution post customization of the Holding Company's learning and education software known as smart class, in Malaysia. Digital Learning Solutions SDN BHD ("the Claimant") served a notice of arbitration on the Holding Company in Kuala Lumpur Regional Center for Arbitration (KLRCA) stating the issues arising from the distribution agreement for non-providing of localize software for the Claimant's end users as per the contracted timelines. Under the aegis of KLCRA, a sole arbitrator was appointed by agreement of the parties. Sole arbitrator appointed by KLRCA has passed an award for damages on December 19, 2016 against the Company and accordingly, the Holding Company has recorded a liability of Rs. 407.73 million (USD 6 million) as "Judgment Debtors" and the same has been shown as an exceptional item in these Consolidated Ind AS Financial Statements. As informed to us, the above mentioned liability is mutually agreed by the Holding Company and the Claimant. However, we have not been provided with the details of claims made, responses filed by the Holding Company and negotiations between the parties leading to the acceptance of claim amounting to USD 6 million. In the absence of these details, we are unable to comment on the appropriateness of the said liability recorded. Also refer Note 54 (i) to the Consolidated Ind AS Financial Statements.
- o. During the year ended March 31, 2017, pursuant to a negotiated settlement entered vide agreement dated July 22, 2016 between the Holding Company, ELHPL, ESSPL and others with ICICI Bank, the Holding Company has agreed to divest its entire shareholding of Rs. 346.87 million in Vidya Mandir Classes Limited (VMCL) (being 67% shareholding in VMCL), a subsidiary of the Holding Company, for a consideration of Rs. 905.65 million in 2 tranches as per the Share Purchase agreement dated July 25, 2016 entered with the buyer of VMCL investment. Till March 31, 2017, Rs. 163.40 million has been received by the Holding Company which represents consideration for approximately 13.4% shareholding in VMCL (Tranche A consideration). The Tranche A consideration is paid to ICICI Bank and the Holding Company has considered this amount as recoverable from ESSPL.

Further, as detailed in Note 24 to the Consolidated Ind AS Financial Statements, the Holding Company is of the view that it is holding balance investment in VMCL i.e. 53.6% (Tranche B shares) "in trust" and has accounted for sale of Tranche B shares for Rs. 561.03 million (Tranche B consideration). The amount of Tranche B consideration Rs. 602.43 million (including Rs. 41.40 million related to unwinding of Tranche B consideration) has been shown under Other Financial Asset as "Receivable against investment sold".

Pending receipt of consideration of Tranche B shares, the Tranche B shares of VMCL continues to be in the name of the Holding Company. Based on clause 2.3 (including sub clause (i) & (ii)) of the Share Purchase agreement and other stipulations, the said clause gives the purchaser a right of call option and specific performance upto March 31, 2019, however until a call option or specific performance is exercised, the





transaction is not complete, the purchaser has not exercised such right till March 31, 2017. Further, the clauses of the Share Purchase agreement do not appear to cast any duty or obligation on the purchaser to purchase the Tranche B shares, which is also been confirmed by the legal view taken through Resolution Professional shared with us. We also understand that, completion of sale of Tranche B shares is also dependent upon settlement of dues of ICICI Bank by the Holding Company or by ELHPL. In view of above, we are unable to comment whether the sale of Rs. 724.43 million, profit on such sale of Rs. 144.86 million and interest income of Rs. 41.40 million relating to Tranche A and Tranche B shares should have been recognized by the Holding Company together with mandatory disclosures including as required under paragraph 19 of Ind AS 112 "Disclosure of interests in other entities" of the Group and its associates and jointly controlled entity. Further, in the absence of information related to consummation of above mentioned Share Purchase agreement post March 31, 2019 (as purchaser has right to call option and specific performance upto March 31, 2019 under Share Purchase agreement), we are unable to obtain evidence from subsequent events related to this transaction and accordingly unable to comment whether any adjustment or disclosure is required to be made in the accompanying Consolidated Ind AS Financial Statements.

- p. As explained in Note 48 regarding managerial remuneration paid to one of the whole time directors of the Holding Company during the quarter ended June 30, 2015 and year ended March 31, 2015 in non-compliance with the requirements of Section 197 and Section 198 read with Schedule V to the Act and year ended March 31, 2014 in non-compliance with the requirements of Section 198, Section 269 and Section 309 read with Schedule XIII to the Companies Act, 1956, for which Central Government's approval is yet to be obtained.
- q. In regard to Note 30(f)(iii) to the Consolidated Ind AS Financial Statements, certain trusts/entities are not considered as related party by the Holding Company (hereinafter referred as "Trusts") under Ind AS 24 Related Party Disclosures (Ind AS 24). The Holding Company is of the view that the directors of the Holding Company do not exercise significant influence and/or control over these Trusts and hence have not been disclosed as related party under Ind AS 24 in respect of Group. The Holding Company had obtained a legal opinion, at the time of signing of the standalone financial statements of the Holding Company, to substantiate its assessment of related party for these Trusts.

We have been provided with the updated information about the Trusts including Trust deeds, amendments there to, and minutes of the meeting of Board of Trustee, subsequent to the signing of the standalone financial statements of the Holding Company. Based on the various documents, one of the director of the Holding Company or his close family member's hold position as managing and/or life-time trustee in these Trusts. These Trusts documents have various clauses in respect of the powers and duties of board of trustees including managing trustee. Considering





varied clauses in these Trusts documents, whether directors of the Holding Company exercise significant influence/control over these Trusts is a matter of legal interpretation. Under these circumstances, we are unable to form our view whether the following Trusts would be considered as related parties of the Holding Companies as per Ind AS 24 and consequently we are unable to comment upon the completeness of disclosure of related parties given in Note 30 to the Consolidated Ind AS Financial Statements.

Name of Trusts: Learning Leadership Foundation; Unnati Educational Trust; Shri Hare Educational Trust; Siya Ram Educational Trust; Sri Vasudev Educational Trust; Vigyan Education Trust; Naveen Shiksha Educational Trust; Learning Links Foundation; Education Quality Foundation of India; League India Education Foundation.

Further, these Trusts are not considered as related party as per the audited Ind AS Financial statements of subsidiaries of the Group, its associates and jointly controlled entity.

- r. As fully explained in Note 55 and 37 of the Consolidated Ind AS Financial Statements, the financial information of current year relating to 2 subsidiaries namely, Savicca Inc. and The Learning Internet Inc. and 1 jointly controlled entity namely Educomp Raffles Higher Education Limited, are not available with the management/RP of the Holding Company and accordingly, Consolidated Ind AS Financial Statements are based on unaudited financial information of the said subsidiaries as at March 31, 2016 and unaudited financial information of the said jointly controlled entity as at June 30, 2015. In the absence of such financial information, we are unable to comment upon any possible impact of the same on the Consolidated Statement of Profit and Loss for the year ended March 31, 2017 and on the financial position including various mandatory disclosures of the Group and its associates and jointly controlled entity. Further to the aforesaid extent the consolidated financial performance are not comparable to the previous year.
- s. We did not audit the Ind AS financial statements of 39 subsidiaries and an associate as considered in the Consolidated Ind AS Financial Statements (refer paragraph (a) of Other Matter below). These Ind AS financial statements have been audited by other auditors whose reports have been furnished to us by the management/RP of the Holding Company. In line with the requirement of SA 600 - "Using the Work of another Auditor", we have issued detailed questionnaire to auditors of these subsidiaries and associate, however, we haven't got response from the auditors of 35 subsidiaries and an associate. In the absence of such response, we are unable to perform audit procedures required under SA 560 - "Subsequent Events" for events occurred between the date of auditor reports' issued by those auditors and date of this Report. Hence, we are unable to comment whether this may lead to any possible adjustment or disclosure in these Consolidated Ind AS Financial Statements if these procedures would have been performed.





- t. The Preference shares issued by EISML to its minority shareholders amounting to Rs. 2,303.84 million as on March 31, 2017 is considered as equity component in these consolidated Ind AS financial instrument whereas in our view such preference shares are in the nature of compound financial instrument and hence the liability component should have been segregated and residual is to be considered as equity component. Accordingly, we are unable to comment on the possible impact of the same on the liability component of compound financial instruments, non-controlling interest and reserve & surplus as at March 31, 2017 and its corresponding impact on loss for the year ended March 31, 2017.
- u. Refer Note 24 to the Consolidated Ind AS Financial Statements, wherein provision for advances of Rs. 36.78 million in respect of a subsidiary, is disclosed as an exceptional item. As per the management of the Holding Company this amount represents unreconciled balance which is subsequently corrected. Thus, to this extent the balances of the subsidiary is not reconciled as at the year end.
- v. Refer Note 34 to the Consolidated Ind AS Financial Statements, wherein Rs. 43.08 million is disclosed in March 31, 2016 and Rs. 11.71 million is disclosed in April 01, 2015, as "other adjustments" under Reconciliation of total equity between previous GAAP and Ind AS. As the aforesaid items are unreconciled, we are unable to comment on the appropriateness of the said items and its impact on total equity as on March 31, 2017.
- w. Refer, consolidated statement of changes in equity for the year ended March 31, 2017, wherein Rs. 12.49 million are disclosed as "other adjustments" under retained earnings, and consolidated statement of changes in equity for the year ended March 31, 2016 wherein Rs. 19.83 million and Rs. 13.84 million are disclosed as "other adjustments" under retained earnings and non-controlling interest respectively. As the aforesaid items are unreconciled, we are unable to comment on the appropriateness of the said items and its impact on total equity as on March 31, 2017.
- x. Following mandatory disclosure are not given in the Consolidated Ind AS Financial Statements:
  - i. Various disclosure with regard to goodwill and its impairment testing as required under paragraphs 126 to 136, as applicable, of Ind AS 36 "Impairment of Assets";
  - ii. Various disclosure with regard to income tax as required under paragraphs 81 and 82, as applicable, of Ind AS 12 "Income Taxes";
  - iii. Various disclosure with regard to defined benefit plans as required under paragraph 135, as applicable, of Ind AS 19 "Employee Benefits".





iv. Various disclosure with regard to employee stock plans as required under paragraph 45, as applicable, of Ind AS 102 "Share based payments".

ii) We refer to the following qualifications which are included by the other statutory auditors of respective subsidiaries in the Basis of Qualification paragraph in their audit report:

*In respect of EISML, a Subsidiary Company:*

y. As mentioned in Note 53 of the Consolidated Ind AS financial statements, as per the terms of Master Restructuring Agreement (MRA) dated December 28, 2013, entered into pursuant to approved Corporate Debt Restructuring Scheme to restructure debt of the EISML, certain property, plant and equipment of the EISML and EISML's subsidiaries have been identified for sale in a time bound manner. As per the valuation of such property, plant and equipment as evaluated and disclosed in the approved Corporate Debt Restructuring Package, some of the property, plant and equipment are expected to have lower realisable values than their carrying values, such property, plant and equipment having carrying value of Rs. 3,207.53 million as at March 31, 2017 are included in the property, plant and equipment.

The management has not carried any evaluation of impairment of these assets at the close of the year and no provision for impairment has been recorded.

As we are unable to obtain sufficient audit evidence about the extent of recoverability of carrying value of these assets, we are unable to determine whether any adjustments to these amounts are necessary.

z. Note 45 to the Consolidated Ind AS Financial Statements, wherein the EISML has considered its long outstanding trade receivables due from certain Trusts which are due for more than one year, as good and fully recoverable. In the absence of confirmations from the Trusts towards receivable of Rs. 1,632.20 million and loan of Rs. 1,019.95 million and the existence of dispute relating to these balances which is further corroborated from the payments being made by these Trusts from April 01, 2017 based on the fair rental valuation. Hence, we cannot comment on the recoverability of these balances.

aa. As mentioned in Note 50 of the Consolidated Ind AS Financial Statements, the management of EISML has not carried out recoverability assessment of an intangible asset in the form of brand 'Universal' held in its subsidiary named as Educomp APAC Services Limited.

As we are unable to obtain sufficient appropriate audit evidence about the extent of recoverability of carrying value of EISML investment in Educomp APAC Services





Limited, we are unable to determine any adjustments to these amounts are necessary.

- bb. Note 31(c) of the Consolidated Ind AS financial statements, which explains litigation filed by certain vendors and awards passed against the EISML, to whom EISML had made capital advances in earlier years, out of which Rs. 509.35 million is shown as recoverable.
- cc. As mentioned in the Note 1(c)(iii) of the Consolidated Ind AS Financial Statements, the subsidiary of EISML, Knowledge Vistas Limited (KVL) had taken a land from Lavasa Corporation Limited (LCL) on lease vide lease agreement dated June 30, 2009 for a period of 999 years to construct an International Residential School. Further, KVL has entered into a sub-lease agreement with Gyan Kunj Education Trust (GKET) to sub-lease the building. As per the sub-lease agreement, GKET shall be liable to pay lease rental to KVL from the year in which it has cash surplus. GKET had started its operation in Academic Session 2011-12 but due to environment matter GKET decided to suspend its operation and waiting for favourable business opportunities.

These conditions indicate the existence of a material uncertainty regarding the KVL's ability to continue as a going concern. In view of management expectation of successful outcome and revival of its business, the financial statement of KVL has been prepared on a going concern basis.

However, in view of the above uncertainties, we are unable to comment on the ability of KVL to continue as going concern and consequential adjustment to the accompanying Consolidated Ind AS Financial Statements, if any that might have been necessary had the financial statements prepared on liquidation basis.

*In respect of Educomp Asia Pacific Pte Ltd (EAPL), a Subsidiary Company*

- dd. State Bank of India, Singapore has issued notice to EAPL for non- payment of principal and interest thereon after the due dates and therefore term loan became Non Performing Assets effective from respective dates mentioned in such notice. Further, the period and amount of default has not been ascertained in the absence of relevant documents/confirmations.
- ee. Note 1(c)(iv) to the Consolidated Ind AS Financial Statements, which explains that the High court of the Republic of Singapore on the grounds of insolvency vide its Order made on June 30, 2017, has ordered that the EAPL be wound up and appointed liquidators of the EAPL.

In view of the above factors along with other matters as set forth in said notice raise substantial doubt about the EAPL's ability to continue as a going concern and the adjustments to the accompanying Consolidated Ind AS Financial Statements are necessary under liquidation basis.





**Adverse Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate Ind AS financial statements and on the other financial information of the subsidiaries, associates and jointly controlled entity, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the aforesaid Consolidated Ind AS Financial Statements do not give the information required by the Act in the manner so required and also do not give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the consolidated state of affairs of the Group, its associates and jointly controlled entity as at March 31, 2017, their consolidated loss including other comprehensive income, consolidated statement of changes in equity and their consolidated cash flows for the year ended on that date.

**Emphasis of Matter**

**We draw attention to the following matters in respect of the Holding Company:**

- a) Note 1(a) to the Consolidated Ind AS Financial Statements, wherein it is stated that CIRP has been initiated in case of the Holding Company vide an order of the principal bench of the NCLT dated May 30, 2017 under the provisions of the Insolvency Code. Pursuant to ongoing CIRP, the management of the affairs of the Holding Company and powers of Board of Directors of the Holding Company are now vested with the RP, who is appointed by the CoC. These Consolidated Ind AS Financial Statements have been prepared by the management of the Holding Company and certified by Mr Shantanu Prakash, Chairman and Director and approved by the RP.
- b) Note 1(c)(i) to the Consolidated Ind AS Financial Statements, which indicates that the Holding Company, has incurred substantial losses, its net worth has been completely eroded, has defaulted in repayment of its loans and related interest, and has negative working capital. Further, subsequent to March 31, 2017, CIRP has been initiated, in case of the Holding Company, which is under process. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Holding Company's ability to continue as a going concern. However, these Consolidated Ind AS Financial Statements have been prepared on a going concern basis for the reasons stated in the said note.
- c) Note 1(d) and note 31(a) to the Consolidated Ind AS Financial Statements, considering the moratorium period, status of contingent liabilities of Holding Company other subsidiaries in CIRP has been updated till the date of approval of





insolvency application of the Company under the Insolvency Code i.e. till May 30, 2017.

- d) Note 56 to the Consolidated Ind AS Financial Statements, wherein some of the financial creditors who are part of the CoC have filled an application before the principal bench of Hon'ble NCLT and have requested to order an investigation of the Holding Company in respect of certain matters pertaining to audit qualifications and media reports. In respect of these cases, hearing has been completed and the order has been reserved as on date.

**We draw attention to the following matter in respect of ESSPL, a Subsidiary Company:**

- e) Note 1(c)(vii) to the Consolidated Ind AS Financial Statements, subsequent to the balance sheet date of ESSPL, one of the financial creditors have filed an application under the provisions of the Insolvency Code with Hon'ble NCLT. The Hon'ble NCLT vide order dated June 27, 2018, approved the application and accordingly CIRP proceedings of ESSPL has been initiated. Currently, the CIRP of ESSPL is under process.

**We draw attention to the following matter in respect of EISML, a Subsidiary Company:**

- f) Note 1(c)(ii) to the Consolidated Ind AS Financial Statements, subsequent to the signing of the financials of EISML, EISML filed an application under Section 10 of the Insolvency Code with Hon'ble NCLT Chandigarh Bench. The Hon'ble NCLT vide order dated April 25, 2018, approved the application and accordingly CIRP proceedings of EISML has been initiated. Currently, the CIRP of EISML is under process.

**We draw attention to the following matter in respect of ELHPL, a Subsidiary Company of Educomp Online Supplemental Services Limited (EOSSL):**

- g) Note 1(c)(v) to the Consolidated Ind AS Financial Statements, subsequent to the signing of the financials of ELHPL, a CIRP has been initiated vide an order dated December 11, 2017 by principal Bench of Hon'ble NCLT under the provisions of Insolvency Code. Pursuant to the order, the management of the affairs of the Company and powers of Board of Directors of the Company are now vested with the RP, who is appointed by the duly appointed CoC. The CoC has approved the resolution plan submitted by the Resolution Applicant and the same has been submitted to Hon'ble NCLT for approval. Currently, the CIRP of ELHPL is under process.

**We draw attention to following matters to which the other statutory auditors of respective subsidiaries have drawn Emphasis of Matters in their audit report:**

*In respect of EISML, a Subsidiary Company:*

- h) Note 1(c)(ii) to the Consolidated Ind AS Financial Statement, wherein, the opinion of the management of the EISML, despite incurring substantial losses including during





the current financial year, the Consolidated Ind AS Financial Statements have been prepared on a going concern basis in view of matters more fully explained in the said note.

- i) Note 49 to the Consolidated Ind AS Financial Statements regarding managerial remuneration paid to one of the managing director of EISML during the year ended March 31, 2014 are in non-compliance with the requirements of Sections 198, 269 and 309 read with Schedule XIII of the Companies Act, 1956 for which Central Government's approval has not been obtained.

*In respect of ELHPL, a Subsidiary Company of EOSSL:*

- j) Note 1(c)(v) to the Consolidated Ind AS Financial Statements, wherein, in the opinion of the management of ELHPL, despite incurring substantial losses during the current financial year and erosion of net worth as at March 31, 2017, the financial statements have been prepared on a going concern basis in view of matters explained in the said note.

*In respect of Educomp Intelliprop Ventures Pte Limited (EIVPL), Educomp Global FZE and Edumatic Corporation Inc., subsidiaries of the Holding Company*

- k) We draw attention to Note 1(c)(vi) to the Consolidated Ind AS Financial Statements, aforesaid entities have accumulated losses resulting in complete erosion of their net worth. Further, the Holding Company is under CIRP as per the provisions of Insolvency Code.

These factors raise substantial doubt about these entities ability to continue as a going concern in the foreseeable future. Considering, CIRP is in process of the Holding Company, financial statements of these entities have been prepared on going concern basis by their respective management.

Our opinion is not modified in respect of these matters.

## Other Matters

- (a) We did not audit the Ind AS financial statements of 39 subsidiaries whose Ind AS financial statements reflects total assets of Rs. 22,347.82 million and net assets of Rs. (2,160.66) million as at March 31, 2017, total revenues (including other income) of Rs. 1,342.14 million and net cash flows amounting to Rs. 2.92 million for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. The Consolidated Ind AS Financial Statements also include Group's share of net loss of Rs. 9.96 million for the year ended March 31, 2017, as considered in the Consolidated Ind AS Financial Statements, in respect of an associate, whose Ind AS financial statements have not been audited by us. These Ind AS financial statements have been audited by other auditors





whose reports have been furnished to us by the management/RP of the Holding Company and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate, is based solely on the reports of the other auditors.

- (b) We did not audit the Ind AS financial statements/financial information of 2 subsidiaries, whose Ind AS financial statements reflects total revenues (including other income) of Rs. 375.41 million and net cash flows amounting to Rs. 158.91 million for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. The Consolidated Ind AS Financial Statements also include Group's share of net profit of Rs. 3.99 million for the year ended March 31, 2017, as considered in the Consolidated Ind AS Financial Statements, in respect of an associate, whose Ind AS financial statements/financial information have not been audited by us. These Ind AS financial statements/financial information are unaudited and have been furnished to us by the management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of aforesaid subsidiary, and associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and associate, is based solely on such unaudited Ind AS financial statements/financial information. In our opinion and according to the information and explanations given to us by the management, these Ind AS financial statements/financial information are not material to the Group.
- (c) As fully explained in Note 55 and 37 of the Consolidated Ind AS Financial Statements and also refer paragraph 'r' of the basis of adverse opinion above, in case of 2 subsidiaries whose financial information reflects total assets of Rs. 696.24 million and net assets of Rs. (123.03) million as at March 31, 2017, total revenues (including other income) of Rs. Nil and net cash flows amounting Rs. Nil for the year ended on that date and in case of a jointly controlled entity whose share of net profit/loss of Rs. Nil for the year ended March 31, 2017, as considered in the Consolidated Ind AS Financial Statements, the financial information of such subsidiaries and jointly controlled entity for the year ended March 31, 2017 are not available with the management/RP of the Holding Company and accordingly, the Consolidated Ind AS Financial Statements for the year ended March 31, 2017 are based on unaudited financial information of the said subsidiaries as at March 31, 2016 and unaudited financial information of the said jointly controlled entity as at June 30, 2015, as furnished to us by the management/RP.

Our opinion on the Consolidated Ind AS Financial Statements and our report on the Other Legal and Regulatory Requirements below, is not modified (except as stated in paragraph (c) above) in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the Ind AS financial statements/financial information certified by the management/RP.





**Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a. We have sought and, except for the matters described in the Basis for Adverse Opinion paragraph above, have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Ind AS Financial Statements;
- b. Except for the possible effects of the matters described in the Basis for Adverse Opinion paragraph above, in our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept by the Company so far as it appears from our examination of those books and the reports of the other auditors;
- c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements;
- d. Except for the possible effects of the matters described in the Basis for Adverse Opinion paragraph above, in our opinion the aforesaid Consolidated Ind AS Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder;
- e. The matters described in the Basis for Adverse Opinion paragraph and Emphasis of Matter paragraph, in our opinion, may have an adverse effect on the functioning of the Group;
- f. In respect of Holding Company, we have not received written representation from a director of the Holding Company as on March 31, 2017. In respect of the aforesaid director, in the absence of written representation received, we are unable to comment whether the aforesaid director is disqualified as on March 31, 2017 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act. For the remaining directors, on the basis of the written representations received from the directors, as on March 31, 2017, we report that none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of sub-section (2) of Section 164 of the Act. However, in the absence of appropriate audit evidence, we are unable to comment whether such representations were taken on record by the Board of Directors of the Holding Company.





Further, except for the matter described in paragraph 'r' of the Basis for Adverse Opinion paragraph above, on the basis of the reports of the statutory auditors of subsidiary companies and associate company incorporated in India, none of the directors of the subsidiary companies and associate company incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

- g. The qualification/reservation/adverse remarks relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Adverse Opinion paragraph and Emphasis of Matter paragraph above;
- h. With respect to the adequacy of the internal financial controls over financial reporting of the Group and its associates and the operating effectiveness of such controls, we give our separate report in the "Annexure"; and
- i. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - (i) The Consolidated Ind AS Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Note 31 to the Consolidated Ind AS Financial Statements. Also refer paragraph "i" & "j" under Basis of Adverse Opinion paragraph and paragraph "(c)" under Emphasis of Matter paragraph, on Contingent Liabilities;
  - (ii) Except for the possible effects of the matters described under Basis of Adverse Opinion paragraph above, provision has been made in the Consolidated Ind AS Financial Statements, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 15.2 to the Consolidated Ind AS Financial Statements in respect of such items as it relates to the Group and its associates;
  - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and associate company incorporated in India; and
  - (iv) The Holding Company and its subsidiary companies incorporated in India have provided the requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of account maintained by the Holding Company and its subsidiary companies and associate company far as it appears from our examination of those books and





the reports of the other auditors. (Refer note 41 to the Consolidated Ind AS Financial Statements)

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048



Raj Kumar Agarwal

Partner

Membership No.: 074715

UDIN: 19074715AAAACQ1435

Place: New Delhi

Date: September 02, 2019



**ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT**

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Educomp Solutions Limited on the Consolidated Ind-AS Financial Statements for the year ended March 31, 2017]

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

In conjunction with our audit of the Consolidated Ind AS Financial Statements of the Holding Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of the Group and its associate, which are companies incorporated in India as of that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a





material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Consolidated Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Consolidated Ind AS Financial Statements.

## Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

## Qualified opinion

- a) According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the Holding Company's internal financial controls over financial reporting as at March 31, 2017:





- 1) The Holding Company did not have an appropriate design in the internal control system for measuring impairment provision on trade receivables as per Expected Credit loss (ECL) model which could potentially result in the misstatement of its trade receivables.
- 2) The Holding Company did not have an appropriate design in the internal control system for obtaining vendor confirmations, and their reconciliation with books of accounts at regular intervals which could potentially result in misstatement of its trade payables.
- 3) The Holding Company's design of internal financial controls with respect to documenting the process of carrying out impairment of, goodwill related to its subsidiaries, investments in associates and jointly controlled entity, and maintaining appropriate documentation for the same was not effective, which could potentially result in misstatement of its carrying amount of goodwill/investments.

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

In our opinion, except for the possible effects of the material weaknesses described in para (a) above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting as of March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI, and except for the possible effects of the material weakness described in para (a) above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2017.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2017 Consolidated Ind AS Financial Statements of the Company, and these material weaknesses have affected our opinion on the Consolidated Ind AS Financial Statements of the Company and we have issued an adverse opinion on the Consolidated Ind AS Financial Statements.





## Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to

- 33 subsidiary companies, and 1 associate company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India;
- 2 subsidiary companies and 1 associate, which are companies incorporated in India and whose financial statements have not been audited by us and have been furnished to us by the Management, we are unable to comment on the adequacy and operating effectiveness of the internal financial controls over financial reporting; and
- 1 jointly controlled entity, which is company incorporated in India and whose financial information for the year ended March 31, 2017 are not available with the management (also refer para (C) of the Other Matters in "Independent Auditors Report"), we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on internal financial controls system over financial reporting of the said jointly controlled entity.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 103523W/W100048



Raj Kumar Agarwal

Partner

Membership No. 074715

UDIN : 19074715AAAACQ1435

Place : New Delhi

Date : September 02, 2019



**EDUCOMP SOLUTIONS LIMITED**  
 CIN No:-L74999DL1994PLC061353  
 Regd. Office: 1211, Padma Tower I, Rajendra Place, New Delhi-110008

PART 1		(Rupees in lacs)	
STATEMENT OF CONSOLIDATED FINANCIAL RESULTS YEAR ENDED MARCH 31, 2017			
S.NO	Particulars	Year ended	
		Audited	Audited
		March 31, 2017	March 31, 2016
<b>1</b>	<b>Income from operations</b>		
(a)	Net sales/Income from operations	29,241.60	49,470.90
(b)	Other operating income	-	-
	<b>Total Income from operations (net)</b>	<b>29,241.60</b>	<b>49,470.90</b>
<b>2</b>	<b>Expenses</b>		
(a)	Purchases of stock-in-trade	4,631.30	5,152.20
(b)	Changes in inventories of finished goods, work-in-progress and stock-in-trade	655.60	(503.60)
(c)	Employee benefit expenses	13,452.60	22,490.00
(d)	Depreciation and amortisation expenses	4,518.70	6,940.30
(e)	Other expenses	14,317.30	23,862.30
(f)	Provision for doubtful trade receivables/advances & Bad debts written off	1,366.10	17,533.70
(g)	Foreign exchange fluctuation (Net)	1,547.90	2,546.00
	<b>Total Expenses</b>	<b>40,489.50</b>	<b>78,020.90</b>
<b>3</b>	<b>Loss from operations before other income , finance costs and exceptional items (1-2)</b>	<b>(11,247.90)</b>	<b>(28,550.00)</b>
4	Other income	8,500.00	12,806.60
<b>5</b>	<b>Loss from ordinary activities before finance costs and exceptional items (3+4)</b>	<b>(2,747.90)</b>	<b>(15,743.40)</b>
6	Finance costs	37,507.80	40,095.10
<b>7</b>	<b>Loss from ordinary activities after finance costs but before exceptional items (5-6)</b>	<b>(40,255.70)</b>	<b>(55,838.50)</b>
8	Exceptional Items/Prior period items (refer note 6)	37,796.60	8,114.30
<b>9</b>	<b>Loss from ordinary activities before tax (7-8)</b>	<b>(78,052.30)</b>	<b>(63,952.80)</b>
10	Tax Expense	114.20	(1,395.50)
	- Current tax including for earlier years (net)	114.60	(1,400.90)
	- MAT Credit Entitlement / Reversal	-	-
	- Deferred tax (credit) / charge	(0.40)	5.40
<b>11</b>	<b>Net Loss from Ordinary activities after tax (9-10)</b>	<b>(78,166.50)</b>	<b>(62,557.30)</b>
12	Extraordinary Item (net of tax expense)	-	-
<b>13</b>	<b>Net Loss for the period (11-12)</b>	<b>(78,166.50)</b>	<b>(62,557.30)</b>
14	Other Comprehensive income	423.90	(1,793.60)
<b>15</b>	<b>Total Comprehensive income (13+14)</b>	<b>(77,742.60)</b>	<b>(64,350.90)</b>
16	Paid up Equity share capital (Face Value Rs.2/- each)	2,449.34	2,449.34
17	Reserve excluding revaluation reserves	-	-
<b>18</b>	<b>(Loss)/ Earning Per Share (before and after extraordinary items) (not annualized)</b>		
(a)	Basic	(27.38)	(45.60)
(b)	Diluted	(27.38)	(45.60)



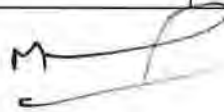
**Educomp Solutions Limited**  
 (CIN: L74999DL1994PLC061353)  
 Corporate office: 514, Udyog Vihar, Phase III, Gurgaon – 122001, Haryana (INDIA).  
 Tel.: 91-124-4529000.  
 Registered Office: 1211, Padma Tower I, 5, Rajendra Place, New Delhi-110008.  
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**Notes:**

- 1 Pursuant to an application for Corporate Insolvency Resolution Process ("CIRP") under Section 10 of the Insolvency and Bankruptcy Code, 2016 ("the Code") on May 12, 2017, Hon'ble National Company Law Tribunal, Delhi ("Adjudicating Authority"), vide its order dated 30th May 2017, had ordered the commencement of CIRP in respect of the Company under the provisions of Code. Thereafter, in accordance with Section 17 of the Code, the powers of the Board stood suspended and Dr. Sanjeev Aggarwal was appointed as interim resolution professional of the Company. The IRP carried out his duties from May 30, 2017 till Mr. Mahender Khandelwal was appointed as Resolution Professional ("RP") vide the order of NCLT dated September 12, 2017 and took over the management of the affairs of the Company. Hence, the attached financial results are not approved by the Audit Committee and Board of Directors of the Company. These financial results are prepared and initialed by RP in order to meet the compliance.
- 2 The audited financial results for the year ended March 31, 2017 have been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind-AS) prescribed under section 133 of the Companies Act, 2013 and other recognized accounting practices and policies, to the extent applicable. Beginning FY 16-17, the company has for the first time adopted Ind-AS together with Ind-AS compliant comparatives for FY15-16 (transition date April 01, 2015). Accordingly, figures for the previous period are re-casted/regrouped as per new requirements wherever necessary.
- 3 Reconciliation of financial results of corresponding year ended March 31, 2017 pertaining to financial year 2015-16 to those reported under previous Generally Accepted Accounting Principles (GAAP) are summarised as follows:

Particular	For the year ended March 31, 2016 Rs. in lacs
Profit/ (Loss) after tax as reported under previous GAAP	(47,003.50)
<b>Adjustments on account of:</b>	
(i) Measurement of financial assets and financial liabilities at amortised	(15,998.80)
(ii) Adjustment for recording actuarial (gains)/losses in OCI	-
(iii) Adjustment of lease as per Ind AS 17	(421.00)
(iv) Adjustment of Prior period item	1,214.50
(v) Adjustment of recognising the cost of the employee stock option	(348.50)
<b>Profit/ (Loss) after tax as reported under Ind AS</b>	<b>(62,557.30)</b>
Other comprehensive income	(1,793.60)
<b>Total Comprehensive income as reported under Ind AS</b>	<b>(64,350.90)</b>





**EDUCOMP SOLUTIONS LIMITED**  
 CIN No:-L74999DL1994PLC061353

Regd. Office: 1211, Padma Tower I, Rajendra Place, New Delhi-110008

**Consolidated Statement of Assets & Liabilities**

(Rupees in Lacs)

Particulars	As at 31-03-17 Audited	As at 31-03-16 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,14,175.70	1,15,255.70
Intangible assets	9,691.20	11,866.80
Capital work-in-progress	4,286.70	4,469.10
Goodwill	1,02,433.00	1,06,098.00
Investment in Equity Shares accounted using Equity Method	8,466.60	6,614.30
Financial assets		
i) Investments	-	-
ii) Loans	5,591.70	9,297.60
iii) Trade receivables	-	-
iv) other financial Assets	11,664.20	5,397.50
Deferred tax assets (net)	1,297.70	1,303.40
Non-current tax assets (net)	1,477.40	1,814.80
Other non-current assets	7,391.70	8,733.40
	<b>2,66,475.90</b>	<b>2,70,850.60</b>
<b>Current assets</b>		
Inventories	1,071.70	8,333.00
Financial assets		
i) Trade receivables	67,324.50	1,16,677.40
ii) Cash and Cash equivalents	9,392.50	12,173.70
iii) Bank balances other than (ii) above	171.30	321.10
iv) Loans	6,162.80	4,549.90
iv) other financial Assets	3,321.70	9,177.30
Current tax assets (net)	515.60	477.10
Other current assets	1,970.00	3,248.10
	<b>89,930.10</b>	<b>1,54,957.60</b>
<b>Total Assets</b>	<b>3,56,406.00</b>	<b>4,25,808.20</b>
<b>EQUITY AND LIABILITIES</b>		
Equity Share capital	2,449.30	2,449.30
Other equity		
i) Equity component of compound financial instruments	5,244.50	5,027.20
ii) Reserves and surplus	14,020.90	44,194.30
<b>Equity attributable to owners of the company</b>	<b>21,714.70</b>	<b>51,670.80</b>
Non controlling interest	(1,01,023.30)	(54,125.60)
<b>Total Equity</b>	<b>(79,308.60)</b>	<b>(2,454.80)</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Financial liabilities		
i) Borrowings	92,488.50	94,298.90
ii) Other financial liabilities	-	-
Provisions	442.70	1,913.70
Other non-current liabilities	1,867.60	2,637.50
	<b>94,796.80</b>	<b>98,850.10</b>
<b>Current liabilities</b>		
Financial liabilities		
i) Borrowings	13,481.20	10,837.20
ii) Trade and other payables		
Due to micro, small and medium enterprises	79.00	25.80
Due to others	15,479.30	10,027.30
iii) other financial liabilities	2,97,291.40	2,91,276.70
Provisions	2,670.60	4,714.60
Other current liabilities	11,916.30	12,531.30
	<b>3,40,917.80</b>	<b>3,29,412.90</b>
<b>Total Equity and liabilities</b>	<b>3,56,406.00</b>	<b>4,25,808.20</b>

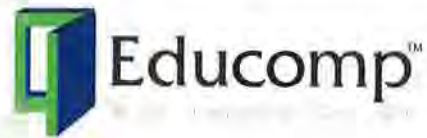

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**Consolidated Segment wise Revenue, Results and Capital Employed**

Particulars	(Rupees in lacs)	
	Year ended	
	Audited March 31, 2017	Audited March 31, 2016
<b>Segment Revenue</b>		
Higher Learning Solutions	1,049.70	197.20
School Learning Solutions	17,788.00	19,722.60
K-12 Schools	4,210.10	6,201.90
Online Supplemental & Global	6,193.80	23,349.20
<b>Total Net Sales/ Income from Operations</b>	<b>29,241.60</b>	<b>49,470.90</b>
<b>Segment Results ((Loss)/Profit before Interest and tax from each segments)</b>		
Higher Learning Solutions	984.80	105.50
School Learning Solutions	(7,687.20)	(22,510.90)
K-12 Schools	878.40	1,528.60
Online Supplemental & Global	570.90	(303.40)
	<b>(5,253.10)</b>	<b>(21,180.20)</b>
Less : Interest	37,507.80	40,095.10
: Other un-allocable expenses	43,791.40	15,484.10
Add : Un-allocable Income	8,500.00	12,806.60
<b>Total Loss before Tax</b>	<b>(78,052.30)</b>	<b>(63,952.80)</b>
<b>Segment Assets</b>		
Higher Learning Solutions	9,475.80	9,522.70
School Learning Solutions	57,845.00	1,13,683.20
K-12 Schools	2,45,012.10	2,59,083.30
Online Supplemental & Global	17,977.40	23,817.20
Unallocated	26,095.70	19,701.80
<b>Total Segment Assets</b>	<b>3,56,406.00</b>	<b>4,25,808.20</b>
<b>Segment Liabilities</b>		
Higher Learning Solutions	1.30	1,060.50
School Learning Solutions	22,121.90	20,658.30
K-12 Schools	3,544.10	4,942.60
Online Supplemental & Global	10,440.40	15,531.10
Unallocated	3,99,606.90	3,86,070.50
<b>Total Segment Liabilities</b>	<b>4,35,714.60</b>	<b>4,28,263.00</b>
<b>Capital Employed</b>		
(Segment Assets- Segment Liabilities)		
Higher Learning Solutions	9,474.50	8,462.20
School Learning Solutions	35,723.10	93,024.90
K-12 Schools	2,41,468.00	2,54,140.70
Online Supplemental & Global	7,537.00	8,286.10
Unallocated	(3,73,511.20)	(3,66,368.70)
<b>Total</b>	<b>(79,308.60)</b>	<b>(2,454.80)</b>

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