

Ref: 8K/CHN/2019-20/E046**2nd November 2019**

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

Dear Sir/Madam,

Sub: Outcome of Board Meeting held on November 2, 2019 -Disclosure pursuant to Regulation 30 (as specified in Part A of Schedule III) of SEBI Listing Obligation and Disclosure Requirements, 2015

We hereby submit the outcome of the meeting of Board of Directors of the Company held today (November 02, 2019) at the Registered Office of the Company at Srinivas Towers, No.5, Cenotaph Road, II Floor, Teynampet, Chennai-600018. The Meeting commenced at 03.30 PM and concluded at 11:50 PM.

The Board of directors have approved the following :-

1. The Audited Standalone and Consolidated Financial Results for the quarter and year ended March 31, 2019.

Pursuant to Regulation 33 of SEBI Listing Obligation and Disclosure Requirements, 2015, we hereby submit the Audited Standalone and Consolidated Financial Results along with the Audit Report from the statutory auditors of the company as approved at the audit committee meeting held on November 02, 2019.

2. Resignation of Director:

We inform you that Mr. R. S. Ramani (DIN: 03206751) and Mr. Gurumurthi Jayaraman (DIN: 00416850) has submitted their resignation from the office of Director of the Company.

The Board has taken note of their resignation.

We are attaching the below documents to be submitted within 30 minutes of closure of the meeting as required under SEBI(LODR) Regulation, 2015. We would also upload the same in NSE NEAPS and BSE listing Centre:

1. The Audited Standalone and Consolidated Financial Results for the quarter and year ended March 31, 2019.
2. Audit Report from Statutory Auditors M/s. Deloitte Haskins and Sells LLP.
3. Management response for the qualification of the Auditors.

Please take a note of the above at your end.

Thanking You,

Yours Truly,

For 8K Miles Software Services Limited



Diya Venkatesan
Company Secretary

8K MILES SOFTWARE SERVICES LIMITED
(CIN: L72300TN1993PLC101852)
Registered Office: Second Floor, Srinivas Towers, No. 5, Cenotaph Road, Teynampet, Chennai - 600 018
STATEMENT OF STANDALONE FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

S.No.	Particulars	(Amount in INR in lakhs except EPS)			
		Quarter Ended		Year to Date	
		31 March 2019 (Refer Note 2 and 5)	31 December 2018 (Unaudited)	31 March 2018 (Refer Note 5)	31 March 2018 (Audited)
1	Income				
	a) Revenue from operations	1,320.81	1,264.33	1,627.85	5,056.52
	b) Other income (including foreign exchange gain / (loss) - Refer Note 8)	3.28	(226.76)	119.90	359.84
	Total income	1,324.09	1,037.57	1,747.75	5,416.36
2	Expenses				
	a) Employee benefits expense	464.22	394.39	435.41	1,452.95
	b) Finance costs	249.25	215.66	245.42	755.42
	c) Depreciation and amortization expense	7.67	9.20	10.74	83.87
	d) Other expenses	380.77	463.36	717.39	2,402.65
	Total expenses	1,101.91	1,082.61	1,408.96	4,694.89
3	Profit / (Loss) before exceptional items and tax (1-2)	222.18	(45.04)	338.79	721.47
4	Exceptional items				
5	Profit / (Loss) before tax (3-4)	222.18	(45.04)	338.79	721.47
6	Tax expense				
	- Current tax (including prior period)	33.10	(16.84)	132.71	244.05
	- Deferred tax	35.56	5.68	(4.51)	(10.42)
7	Net profit / (loss) for the period (5-6)	153.52	(33.88)	210.59	487.84
8	Other comprehensive income / (loss)				
	Items that will not be reclassified to the statement of profit and loss				
	(a) Actuarial gain / (loss) on defined benefit obligation	(4.60)	4.78	16.62	14.95
	(b) Income tax relating to items that will not be reclassified to the statement of profit or loss	1.37	(1.40)	(4.58)	(4.12)
	Total other comprehensive income / (loss) (Net of tax)	(3.23)	3.38	12.04	10.83
9	Total comprehensive income / (loss) for the period (7+8)	150.29	(30.50)	222.63	498.67
10	Paid-up equity share capital (Face value of Rs. 5/- each) Reserves (Other Equity)	1,525.88	1,525.88	1,525.88	1,525.88 6,294.39
11	Earnings per equity share (EPS) [Face value of Rs. 5/- each]				
	(a) Basic EPS	0.50	(0.11)	0.69	1.60
	(b) Diluted EPS	0.50	(0.11)	0.69	1.60



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1. STANDALONE BALANCE SHEET AS ON 31 MARCH 2019

(Amount in INR in lakhs)		
Particulars	As at 31 March 2019 (Refer Note 2)	As at 31 March 2018 (Audited)
A ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	61.65	83.25
(b) Capital work-in-progress	-	10.60
(c) Financial assets		
(i) Investments	12,000.09	9,352.04
(ii) Loans	46.51	2,618.37
(d) Deferred tax assets (Net)	60.89	233.62
(e) Other non-current assets	2.60	169.00
Total non-current assets	12,171.74	12,466.88
2 Current assets		
(a) Financial assets		
(i) Trade receivables	6,835.01	3,679.84
(ii) Cash and cash equivalents	85.20	14.37
(iii) Bank balances other than (ii) above	-	76.00
(iv) Other financial assets	489.18	248.06
(b) Other current assets	30.13	116.92
Total current assets	7,439.52	4,135.19
Total Assets (1+2)	19,611.26	16,602.07
B EQUITY AND LIABILITIES		
3 Equity		
(a) Equity share capital	1,525.88	1,525.88
(b) Other equity	7,274.55	6,294.39
Total equity	8,800.43	7,820.27
4 Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	5,476.27	5,007.15
(b) Provisions	65.46	63.10
(c) Other non-current liabilities	4.39	10.61
Total non-current liabilities	5,546.12	5,080.86
5 Current liabilities		
(a) Financial liabilities		
(i) Borrowings	1,804.40	1,198.60
(ii) Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	2.92	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	1,964.05	948.02
(iii) Other financial liabilities	1,174.28	1,269.33
(b) Other current liabilities	119.06	125.07
(c) Provisions	57.86	32.17
(d) Current tax liabilities (Net)	142.14	127.75
Total current liabilities	5,264.71	3,700.94
Total Equity and Liabilities (3+4+5)	19,611.26	16,602.07



STATEMENT OF STANDALONE FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

Notes :

- 2 The above statement of standalone financial results have been reviewed by the Audit Committee, approved and taken on record by the Board of Directors in their meeting held on 2 November 2019. The auditors have issued a disclaimer of opinion in respect of standalone results for the year ended 31 March 2019. Also refer Statement on Impact of Audit Qualifications being filed with BSE and NSE.
- 3 The Company operates in a single segment, i.e., "Information And Technology Services" and hence, does not have any additional disclosures to be made under Ind AS 108 - Operating Segments.
- 4 Effective 01 April 2018, the Company has adopted Ind AS 115 'Revenue from Contracts with Customers'. The application of Ind AS 115 did not have any material impact on the financial results of the Company.
- 5 The figures for the quarters ended 31 March 2019 and 31 March 2018 are the balancing figures between the figures for the year ended 31 March 2019 and 31 March 2018 and the unaudited year to date figures for the nine months ended 31 December 2018 and 31 December 2017, respectively.
- 6 The Board has appointed Ms. Diya Venkatesan as the Company Secretary of the Company effective from 10 April 2019 in its board meeting dated 10 April 2019.
- 7 The Board has appointed Mr. Raghunathan Aravamuthan as additional director (independent director category) of the Company effective from 06 September 2019 in its board meeting dated 06 September 2019.
- 8 Statement of standalone financial results includes foreign exchange gain / (loss) as given below:

Particulars	(Amount in INR in lakhs)			
	Quarter Ended 31 March 2019	Quarter Ended 31 December 2018	Quarter Ended 31 March 2018	Year Ended 31 March 2018
Foreign exchange gain / (loss)				
included under:				
(a) Other Income	(24.65)	(309.21)	40.70	31.68

Place: Chennai
Date : 2 November 2019

By Order of the Board
For and on behalf of the Board of Directors



Swasti Bhowmick
Chief Financial Officer



Suresh Venkatachari
Managing Director
DIN No. 00365522



**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF
8K MILES SOFTWARE SERVICES LIMITED**

Tel: +91 44 6688 5000
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1. We were engaged to audit the accompanying Statement of Standalone Financial Results of **8K MILES SOFTWARE SERVICES LIMITED** ("the Company"), for the year ended 31 March 2019 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July 2016.
2. This Statement, which is the responsibility of the Company's management and approved by the Board of Directors, has been compiled from the related standalone Ind AS financial statements which has been prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with relevant rules issued thereunder ('Ind AS') and other accounting principles generally accepted in India.
3. Our responsibility is to conduct an audit of the Statement in accordance with Standards on Auditing specified under section 143(10) of the Act and to issue an auditor's report. However, because of the matters described in Paragraphs 4 to 11 below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Statement.
4. Report under Section 143 (12) of the Act

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

- (a) Several instances of inconsistencies between declarations provided by Directors and information available in the public forum which demonstrated existence of probable related parties which were not disclosed previously, including certain transactions with such parties which were not disclosed or approved by the Audit Committee/Board of Directors. Also see paragraph 8.1(a) below.
- (b) Several instances of transactions with certain customers, wherein the Company was not able to provide us with the particulars of the services rendered and acknowledged by the customer, the details of employees actually rendering such service, the appropriateness and source of the monies received from such customers. Also see paragraph 5 below.
- (c) Several instances of multiple addresses being considered in various communications with certain customers in the invoices, website of the customer, on cheques received from customers, including instances wherein some of the communication addresses coincided with the residential address of certain employees of the Company or its subsidiaries, which impacted our ability to establish the authenticity of the customer. Also see paragraph 5 below.



- (d) Several instances of communications with a vendor, wherein there were multiple communications using different email ids, documents with varying signatures and differences in the spelling of the common signatory of the vendor, etc. which impacted our ability to establish the authenticity of the vendor. Also see paragraph 7 below.
- (e) Appropriate approvals and concerns over recovery of advances made to a related party, by a subsidiary of the Company. Refer paragraph 6 for more details.

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

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

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

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

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

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

5. Revenue from Contracts with Customers and related outstanding receivables

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



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

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

6. 8K Miles Media Private Limited

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

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

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

6.2 Further, during the last week of September 2018,

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



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

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

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

7. Procurement of services and trade payables

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

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

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



8. Regulatory compliances

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

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

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

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

- (a) The Company has export trade receivables and foreign currency interest receivable aggregating Rs. 3,037.28 Lakhs and Rs. 336.13 Lakhs, respectively, which are outstanding for more than nine months, from the invoice date, as at 31 March 2019, which is beyond the time limit stipulated under the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, for repatriation of foreign currency receivables.
- (b) As at 31 March 2019, the Company had not made the necessary intimations to the Authorised Dealer/ RBI as required under the Master Directions provided by the RBI on Foreign Investment in India for loan/ collaterals/ pledge received from the promoter of the Company, being a resident outside India, amounting to Rs. 1,395.02 Lakhs during the year ended 31 March 2019.



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

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

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

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

9. Information / clarifications requested but not provided

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

10. Book entries

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

11. Use of going concern assumption

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



12. Information on subsidiaries

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

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

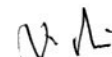
We have not been provided with the audited financial statements of these entities and/or any other verifiable evidence to ascertain the relationship of these entities with the Company. Hence, we are unable to comment on the relationship of these entities and the consequential impact these entities may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

13. Because of the significance of the matters described in paragraphs 4 to 12 above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion as to whether the Statement:

- (i) is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July 2016; and
- (ii) gives a true and fair view in conformity with the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India of the net profit and Total comprehensive income and other financial information of the Company for the year ended 31 March 2019.

14. The Statement includes the results for the Quarter ended 31 March 2019 being the balancing figure between figures in respect of the full financial year and the previously published year to date figures up to the third quarter of the current financial year.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



V. Balaji
Partner
(Membership No. 203685)



2 November 2019
VB/JT/RB/2019
Unique Identification Number:

19203685AAAABE4167

8K MILES SOFTWARE SERVICES LIMITED

(CIN: L72300TN1993PLC101852)

Registered Office: Second Floor, Srinivas Towers, No. 5, Cenotaph Road, Teynampet, Chennai - 600 018

STATEMENT OF CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

(Amount in INR in lakhs except EPS)

S.No.	Particulars	Year to Date	
		31 March 2019	31 March 2018
		(Refer Note 2)	(Audited)
1	Income		
	a) Revenue from operations	84,219.15	84,923.87
	b) Other income	819.42	845.23
	Total income	85,038.57	85,769.10
2	Expenses		
	a) Employee benefits expense	29,052.51	23,557.56
	b) Finance costs	1,162.49	971.49
	c) Depreciation and amortization expense	6,959.83	2,518.68
	d) Other expenses	38,220.86	32,124.52
	Total expenses	75,395.69	59,172.25
3	Profit before exceptional items and tax (1-2)	9,642.88	26,596.85
4	Exceptional items	-	-
5	Profit before tax (3-4)	9,642.88	26,596.85
6	Tax expense		
	- Current tax	1,300.58	5,910.31
	- Deferred tax	359.81	145.23
7	Net profit after tax for the period (5-6)	7,982.49	20,541.31
8	Other comprehensive income / (loss)		
	Items that will not be reclassified to the statement of profit and Loss		
	(a) Remeasurement of the defined benefit plans	9.74	14.95
	(b) Income tax relating to items that will not be reclassified to the statement of profit or loss	(2.81)	(4.12)
	Total other comprehensive income / (loss) (Net of tax)	6.93	10.83
9	Total comprehensive income for the period (7+8)	7,989.42	20,552.14
10	Profit attributable to:		
	Owners of the company	6,871.77	17,161.62
	Non-controlling Interest	1,110.72	3,379.69
11	Other comprehensive income attributable to:		
	Owners of the company	6.93	10.83
	Non-controlling Interest	-	-
12	Total comprehensive income attributable to:		
	Owners of the company	6,878.70	17,172.45
	Non-controlling Interest	1,110.72	3,379.69
13	Paid-up equity share capital (Face value of Rs. 5/- each)	1,525.88	1,525.88
	Reserves (Other Equity) - excluding any revaluation reserve	57,706.55	47,583.61
14	Earnings per equity share (EPS) [Face value of Rs. 5/- each]		
	(a) Basic EPS (Rs.)	22.52	56.24
	(b) Diluted EPS (Rs.)	22.52	56.24



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1. CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2019

(Amount in INR in lakhs)

Particulars	As at 31 March 2019 (Refer Note 2)	As at 31 March 2018 (Audited)
A ASSETS		
1 Non-current assets		
(a) Property, plant and equipment	899.23	1,249.05
(b) Capital work-in-progress	-	10.60
(c) Goodwill	12,827.16	11,994.47
(d) Other intangible assets	49,972.95	22,590.02
(e) Intangible assets under development	-	2,795.68
(f) Financial assets		
(i) Loans	81.19	171.42
(g) Other non-current assets	4,508.40	4,382.27
Total non-current assets	68,288.93	43,193.51
2 Current assets		
(a) Financial assets		
(i) Trade receivables	23,768.30	25,252.35
(ii) Cash and cash equivalents	815.45	1,023.13
(iii) Bank balances other than (ii) above	-	76.00
(iv) Loans	1.84	6,518.41
(v) Other financial assets	1,704.89	3,306.36
(b) Current Tax Assets (Net)	3,155.17	-
(c) Other current assets	2,065.38	2,516.51
Total current assets	31,511.03	38,692.76
Total Assets (1+2)	99,799.96	81,886.27
B EQUITY AND LIABILITIES		
3 Equity		
(a) Equity share capital	1,525.88	1,525.88
(b) Other equity	57,706.55	47,583.61
Equity attributable to owners of the company	59,232.43	49,109.49
Non-controlling interest	17,301.01	14,723.63
Total equity	76,533.44	63,833.12
4 Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	5,476.27	5,007.15
(b) Provisions	65.46	63.10
(c) Deferred tax liabilities	671.02	308.40
(d) Other non-current liabilities	4.39	10.61
Total non-current liabilities	6,217.14	5,389.26
5 Current liabilities		
(a) Financial liabilities		
(i) Borrowings	5,299.65	2,592.27
(ii) Trade payables		
(a) Total outstanding dues of micro enterprises and small enterprises	2.92	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	8,318.66	4,136.41
(iii) Other financial liabilities	2,253.84	3,412.47
(b) Other current liabilities	974.31	750.35
(c) Provisions	57.86	32.17
(d) Current tax liabilities (Net)	142.14	1,740.22
Total current liabilities	17,049.38	12,663.89
Total Equity and liabilities (3+4+5)	99,799.96	81,886.27



8K MILES SOFTWARE SERVICES LIMITED
(CIN: L72300TN1993PLC101852)
Registered Office: Second Floor, Srinivas Towers, No. 5, Cenotaph Road, Teynampet, Chennai - 600 018

Notes :

- 2 The above statement of consolidated financial results have been reviewed by the Audit Committee, approved and taken on record by the Board of Directors in their meeting held on 2 November 2019. The auditors have issued a disclaimer of opinion in respect of consolidated results for the year ended 31 March 2019. Also refer Statement on Impact of Audit Qualifications being filed with BSE and NSE.
- 3 The Company had availed the exemption provided in the SEBI circular dated 5 July 2016 with regard to disclosure of the consolidated financial results on a quarterly basis and hence, the above consolidated financial results has been presented on an annual basis.
- 4 The Company operates in a single segment, i.e., "Information And Technology Services" and hence, does not have any additional disclosures to be made under Ind AS 108 - Operating Segments.

Place: Chennai
Date : 2 November 2019

By Order of the Board
For and on behalf of the Board of Directors



Swasti Bhowmick
Chief Financial Officer



Suresh Venkatachari
Managing Director
DIN No. 00365522



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF 8K MILES SOFTWARE SERVICES LIMITED

1. We were engaged to audit the accompanying Statement of Consolidated Financial Results of **8K MILES SOFTWARE SERVICES LIMITED** ("the Parent"/"the Holding Company"/"the Company") and its subsidiaries (Refer paragraph 16 below, for the subsidiaries that are considered in these consolidated financial results), (the Parent and its subsidiaries together referred to as "the Group") for the year ended 31 March 2019 ("the Statement"), being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July 2016.
2. This Statement, which is the responsibility of the Parent's management and approved by the Board of Directors, has been compiled from the related consolidated financial statements which has been prepared in accordance with the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act"), read with relevant rules issued thereunder ("Ind AS") and other accounting principles generally accepted in India.
3. Our responsibility is to conduct an audit of the Statement in accordance with Standards on Auditing specified under section 143(10) of the Act and to issue an auditor's report. However, because of the matters described in Paragraphs 4 to 15 below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Statement.
4. Report under Section 143 (12) of the Act

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

- (a) Several instances of inconsistencies between the initial bank statements and the subsequent bank statements provided for verification in certain subsidiaries. Also see paragraphs 6.3 and 7 below.
- (b) Several instances of inconsistencies between declarations provided by Directors and information available in the public forum which demonstrated existence of probable related parties which were not disclosed previously, including certain transactions with such parties which were not disclosed or approved by the Audit Committee/Board of Directors. Also see paragraphs 6.3 and 12.1(a) below.
- (c) Several instances of transactions with certain customers, wherein the Company was not able to provide us with the particulars of the services rendered and acknowledged by the customer, the details of employees actually rendering such service, the appropriateness and source of the monies received from such customers. Also see paragraph 7 below.



- (d) Several inconsistencies with the names of the parties / customers mentioned in the bank statements of some of the subsidiaries and the books of account maintained by those subsidiaries. Also see paragraph 4(a) above and paragraphs 6.3 and 7 below.
- (e) Several instances of multiple addresses being considered in various communications with certain customers in the invoices, website of the customer, on cheques received from customers, including instances wherein some of the communication addresses coincided with the residential address of certain employees of the Company or its subsidiaries, which impacted our ability to establish the authenticity of the customer. Also see paragraph 7 below.
- (f) Several instances of communications with a vendor, wherein there were multiple communications using different email ids, documents with varying signatures and differences in the spelling of the common signatory of the vendor, etc. which impacted our ability to establish the authenticity of the vendor. Also see paragraph 8.1 below.
- (g) Several instances of transactions with vendors, wherein there were inconsistencies between the nature of services as mentioned in the invoices and the basis of recording in the books of account as consultancy expenses and intangible assets, multiple federal tax identification against the same vendor, contracts signed by employees post cessation of their employment, etc. Also see paragraph 8.2 below.
- (h) Appropriate approvals and concerns over recovery of advances made to a related party, by the Group. Also see paragraph 6 below.

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

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

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

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



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

5. Access to books of account of a subsidiary and information on subsidiaries

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

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

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

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

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

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

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



6. 8K Miles Media Private Limited ("8K Miles Media")

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

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

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

- 6.2. Further, during the last week of September 2018,
- (a) the CEO and Managing Director of the Company, who was also a promoter director in 8K Miles Media, resigned as a director in 8K Miles Media.
 - (b) the CFO and Executive Director of the Company, who was the other promoter director in 8K Miles Media, resigned from his role as CFO of the Company stating that his resignation was to have the necessary time to clear all the baseless allegations and unsubstantiated allegations relating to 8K Miles Media. However, he continues to be a director in both the Company as well as 8K Miles Media.
- 6.3. The Company has trade and other receivables aggregating Rs. 3,309.10 Lakhs as at 31 March 2019 receivable from 8K Miles Software Services Inc., a subsidiary. It may be noted that this subsidiary had loans receivable from entities of 8K Miles Media Group in the USA aggregating USD 89.61 Lakhs (Rs. 5,808.44 Lakhs) as at 31 March 2018.



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

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

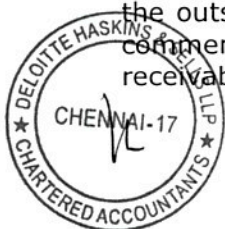
7. Revenue from Contracts with Customers and related outstanding receivables

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

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

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

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



8. Procurement of services and trade payables

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

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

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

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

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

9. Income Taxes

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

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



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

10. Intangible asset capitalisation and evaluation of impairment, including for goodwill

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

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

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

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

11. Business Combinations

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

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



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

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

12. Regulatory compliances

- 12.1. We are unable to conclude on the consequential impact, if any, on the operations and the financial performance of the Group arising out of the following matters pertaining to non-compliance with the provisions of the Companies Act, 2013 and notifications issued by the Securities and Exchange Board of India (SEBI), as applicable:
- (a) In the absence of appropriate processes for identifying related parties in view of the matters reported in paragraph 4(b) above, we are unable to comment on the accuracy and completeness of the related parties identified and disclosed by the Company including compliance with obtaining necessary approvals, as required, from those charged with governance.
 - (b) It was noted that in the case of two of the Directors who were re-appointed at the Annual General Meeting (AGM) held on 18 September 2015 and designated as independent directors (One was also the Chairman of the Audit Committee and the other a member of the Nomination and Remuneration Committee and also the Chairman of the Stakeholder Relationship Committee), they may have ceased to be independent directors under the Act with effect from 17 November 2015 and 12 August 2015 respectively, being the date from when their relatives were employed either with the Company or its subsidiary. These directors have been designated as non-independent directors by the Company from 6 September 2019 and 13 February 2019, respectively.



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

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

- (a) The Holding Company has export trade receivables and foreign currency interest receivable aggregating Rs. 3,037.28 Lakhs and Rs. 336.13 Lakhs, respectively, including intra-group receivables which amounts, as at 31 March 2019, were outstanding for more than nine months from the invoice date, which is beyond the time limit stipulated under the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, for repatriation of foreign currency receivables.
- (b) As at 31 March 2019, the Company had not made the necessary intimations to the Authorised Dealer/ RBI as required under the Master Directions provided by the RBI on Foreign Investment in India for loan/ collaterals/ pledge received from the promoter of the Company, being a resident outside India, amounting to Rs. 1,395.02 Lakhs during the year ended 31 March 2019.

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

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

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



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

13. Information / clarifications requested but not provided

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

14. Book Entries

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

15. Use of going concern assumption

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

16. The Statement, includes the results of the following entities:

- (i) 8K Miles Software Services Limited ("the Parent")
- (ii) 8K Miles Software Services Inc. USA, the Subsidiary
- (iii) 8K Miles Health Cloud Inc. USA, the Wholly Owned Subsidiary
- (iv) 8K Miles Software Services FZE UAE, the Wholly Owned Subsidiary
- (v) Mentor Minds Solutions & Services Inc. USA, the Wholly Owned Subsidiary
- (vi) Nexage Technologies USA Inc., the Step down Subsidiary
- (vii) Cornerstone Advisors Group LLC, the Step down Subsidiary
- (viii) Serj Solutions Inc. USA, the Step down Subsidiary



17. Because of the significance of the matters described in paragraphs 4 to 15 above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion as to whether the Statement:
- is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated 5 July 2016; and
 - gives a true and fair view in conformity with the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India of the net profit, Total comprehensive income and other financial information of the Group for the year ended 31 March 2019.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



V. Balaji
Partner

(Membership No. 203685)

2 November 2019
VB/JT/RB/2019
Unique Identification Number:
19203685AAAABF6030



The Board has deliberated about the financial statements and the report of the statutory auditors. The response for qualification of the Auditors opinion has been provided below:

Management's Response on the Auditor's Opinion for Standalone Audited Financial Statements for the Financial Year ended March 31, 2019	
Auditor's Observation:	Management's Response
<p>Item 1</p> <p>(a) Several instances of inconsistencies between declarations provided by Directors and information available in the public forum which demonstrated existence of probable related parties which were not disclosed previously, including certain transactions with such parties which were not disclosed or approved by the Audit Committee / Board of Directors. Also see paragraph 5.1(a) below.</p>	<p>The Directors have provided the appropriate documents as required under the law and believes to their knowledge there is no related parties which were undisclosed.</p>
<p>(b) Several instances of transactions with certain customers, wherein the Company was not able to provide us with the particulars of the services rendered and acknowledged by the customer, the details of employees actually rendering such service, the appropriateness and source of the monies received from such customers. Also see paragraph 2 below.</p>	<p>The Management hereby affirms that the proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them.</p>
<p>(c) Several instances of multiple addresses being considered in various communications with certain customers in the invoices, website of the customer, on cheques received from customers, including instances wherein some of the communication addresses coincided with the residential address of certain employees of the Company or its subsidiaries, which impacted our ability to establish the authenticity of the customer. Also see paragraph 2 below.</p>	<p>The Management hereby states that certain customers have multiple locations and the services were provided at various locations. The Management has duly clarified to the audit team about the addresses of the employees who were previously the employees of our customers.</p>
<p>(d) Several instances of communications with a vendor, wherein there were multiple communications using different email ids, documents with varying signatures and differences in the spelling of the common signatory of the vendor, etc. which impacted our ability to establish the authenticity of the vendor. Also see</p>	<p>The Management has given necessary explanations to audit team during the audit for the email addresses used by the vendor. The Management affirms that the authenticity of that vendor has been established by obtaining direct confirmation from that vendor with respect to services provided. The Management also of the opinion that usage of multiple email addresses is the preference of the vendor.</p>



paragraphs 3.3 and 4 below.	
(e) Appropriate approvals and concerns over recovery of advances made to a related party, by a subsidiary of the Company. Refer paragraph 3 for more details.	The management confirms that advances to a related party has been fully recovered during the year of audit and there is NO outstanding at the end of 31st March 2019 as per the books of account.
(f) Several instances of various inconsistencies were also noted during our audit of the books of account of certain foreign subsidiaries in association with our audit of the consolidated financial statements of the Company.	The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and not reported any such inconsistencies.
<p>Item 2</p> <p>Revenue from Contracts with Customers and related outstanding receivables</p> <p>During the year ended 31 March 2019 the Company recognised revenue aggregating to Rs.2,428.69 Lakhs from the customers referred to in paragraphs 1(b) and 1(c) above wherein such customers have an outstanding balance aggregating Rs.3,464.01 Lakhs as at 31 March 2019 (includes balances of Rs.1,022.36 Lakhs outstanding even as at 31 March 2018).</p> <p>In the absence of complete information regarding the proof of services rendered, efforts expended, and in view of our observations in paragraphs 1(b) and 1(c) above in respect of these customers, we are unable to conclude on the appropriateness / correctness / completeness / validity of the revenue recognised, compliance with the recognition and measurement of revenue required under the Indian Accounting Standard (Ind AS) 115 Revenue from Contracts with Customers and the corresponding receivables in these standalone financial statements.</p> <p>The Company has also not carried out an evaluation of the expected credit loss required under Indian Accounting Standard (Ind AS) 109 – Financial Instruments for the outstanding trade receivables as at 31 March 2019 and therefore we are unable to comment on the adequacy and appropriateness of the provision made against the trade receivable balances as at 31 March 2019.</p>	<p>The Company has obtained the necessary balance confirmation from the customers as at the end of the year and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from those customers. As the amounts are good to recover, an evaluation of the expected credit loss as required under Indian Accounting Standard (Ind AS) 109 – Financial Instruments for the outstanding trade receivables does not arise.</p> <p>As explained 1(b) above, the Management hereby affirms that the proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them.</p>
Item No. 3: 8K Miles Media Private Limited 3.1 Around the last week of September 2018,	The management states that the forensic experts



<p>we were made aware of the resignation of the statutory auditor of 8K Miles Media, a company promoted by the promoter directors of the Company, vide their resignation letter dated 30 April 2018. As per the said letter, the resignation was due to the misuse of that Audit Firm's Letter Head and signature of their Partner through forgery in certain ODI Certificates submitted by 8K Miles Media to its bankers for transfer of funds of USD 71.51 Lakhs (Rs. 4,612.91 Lakhs) to 8K Miles Media Holdings Inc. USA, a subsidiary of 8K Miles Media. 8K Miles Media and its subsidiaries (together "8K Miles Media Group") were identified as a related party in the consolidated financial statements of the Company for the year ended 31 March 2018. During the period ended 31 December 2018, the management of 8K Miles Media initiated an independent forensic review to evaluate the authenticity of the signatures in the ODI Certificates referred above. 8K Miles Media has submitted a copy of the forensic report to the Company. We understand that the aforesaid forensic report states that the writer of the signature in the ODI certificates is the same as that of the specimen signatures of the audit partner as provided to the forensic auditor thereby concluding that there was no forgery in the ODI certificates. Since this matter relates to a company where another firm is the statutory auditor and since the financial statements of that company are not included in the consolidated financial statements of the Company, we have not been able to perform any procedures related to the allegation or the forensic report.</p>	<p>appointed by the 8K Miles Media Private Limited have submitted their report to the Board wherein they have concluded that all the allegations made on 8K Miles Media are not true. The Board hereby has duly taken that report into record. The management further clarifies there is no relationship nexus between 8K Miles Media and the Company, except for the common promoter. Thus, there is no requirement of providing financial statements of 8K Miles Media to the auditors.</p>
<p>3.2 Further, during the last week of September 2018, (a) the CEO and Managing Director of the Company, who was also a promoter director in 8K Miles Media, resigned as a</p>	<p>The Management affirms that 8K Miles Media has no nexus except for the common promoters. Hence the false and baseless allegations have no impact on the Company and its operations. The Trade receivables from 8K Software Services</p>



<p>director in 8K Miles Media.</p> <p>(b) the CFO and Executive Director of the Company, who was the other promoter director in 8K Miles Media, resigned from his role as CFO of the Company stating that his resignation was to have the necessary time to clear all the baseless allegations and unsubstantiated allegations relating to 8K Miles Media. However, he continues to be a director in both the Company as well as 8K Miles Media.</p>	<p>Inc., a subsidiary is an ongoing account and have since received Rs.858.48 Lakhs till date of this report.</p> <p>With respect to loans receivable from 8K Miles Media Group in USA – the total amount including the interest charge on the outstanding amounts have been fully recovered and as at the 31st March 2019 the balance from 8K Media is NIL. Also the Management affirms that the appropriate workings for the interest on the amounts outstanding have been provided and recovered in full.</p>
<p>3.3 The Company has trade and other receivables aggregating Rs.3,309.10 Lakhs as at 31 March 2019 receivable from 8K Miles Software Services Inc., a subsidiary. It may be noted that this subsidiary had loans receivable from entities of 8K Miles Media Group in the USA aggregating USD 89.61 Lakhs (Rs.5,808.44 Lakhs) as at 31 March 2018.</p> <p>We are informed by the management of the Company that such amounts due, including interest as accrued, have been fully recovered as at 31 March 2019 by that subsidiary. However, in the absence of appropriate workings for the interest, documentation regarding loan agreements and due to inconsistencies noted between the transactions as per the Bank Statements of the subsidiary with the transactions as recorded in the books of account of the subsidiary, we were unable to confirm the management's assertion on the said collections made by the subsidiary.</p>	<p>Based on the above facts and continuity of the business and operations of the subsidiary, the Managements believes that there is no possibility of impairment in the investments made by the parent company and the recoverability of the amount receivables are good.</p>
<p>3.4 We are unable to conclude if the above events in 8K Miles Media have any effect on:</p> <p>(a) the Company and its operations, in view of the allegations in the aforesaid resignation letter of the statutory auditor of that company and the nature of the Company's relationship with 8K Miles Media, as described in paragraphs 3.1 and 3.2 above, respectively;</p> <p>(b) the ability of the Company's subsidiary to transfer funds back to the Company,</p>	<p>As explained the company has received all the outstanding amounts prior to December 2018 and the above allegation is nothing to do with the company as it is neither a related party nor a subsidiary.</p>



<p>in view of the loans receivable by it from the entities of 8K Miles Media Group in the USA as described in paragraph 3.3 above, which could result in a possible impairment in the investment of Rs.9,816.65 Lakhs held in that subsidiary, trade receivables of Rs.2,819.92 Lakhs and interest recoverable of Rs. 489.18 Lakhs from such subsidiary; and</p> <p>(c) the consequential impact, if any, of the same on the operations of the Company.</p>	
<p>Item 4: Procurement of services and trade payables</p> <p>4.1. Based on the master service agreement with the external service provider, referred to in paragraph 1(d) above, for technical and referral services to be rendered towards certain customers, referred to in paragraphs 1 (b) and 1(c) above, the Company has recorded consultancy charges of Rs.1,706.40 Lakhs, for the year ended 31 March 2019 with an outstanding liability of Rs.1,709.16 Lakhs. In the absence of complete information regarding proof of the services rendered by the vendor, and in view of our observations in paragraph 1(d) above in respect of this vendor, we are unable to conclude on the appropriateness / correctness / completeness / validity of the expense and the corresponding liability recorded in these standalone financial statements.</p> <p>4.2. Further, the Company has not evaluated the applicability or coverage of such services under the Goods and Service Tax Regulations and has not accrued / paid the same. However, in our opinion, such tax is payable on those services. The management has not determined the amount of Goods and Service Tax payable and any interest thereon. We are unable to conclude on the consequential impact</p>	<p>The Management has provided the audit team, the details with respect to services availed from the vendor, confirmation of the charges and payables.</p> <p>With respect to GST applicability, the Management is in the process of obtaining a professional opinion and will take requisite steps in due course.</p>



<p>of the same on these standalone financial statements.</p>	
<p>Item 5: Regulatory Compliances</p> <p>5.1. We are unable to conclude on the consequential impact, if any, on the operations and the financial performance of the Company arising out of the following matters pertaining to non-compliance with the provisions of the Companies Act, 2013 and notifications issued by the Securities and Exchange Board of India (SEBI), as applicable:</p> <p>(a) In the absence of appropriate processes for identifying related parties in view of the matters reported in paragraph 1 (a) above, we are unable to comment on the accuracy and completeness of the related parties identified and disclosed by the Company including compliance with obtaining necessary approvals, as required, from those charged with governance.</p>	<p>The management hereby states that these have been duly complied as mentioned in 1(a) above and the related party details have been appropriately disclosed in the financial statements.</p>
<p>(b) It was noted that in the case of two of the Directors who were re-appointed at the Annual General Meeting (AGM) held on 18 September 2015 and designated as independent directors (One was also the Chairman of the Audit Committee and the other a member of the Nomination and Remuneration Committee and also the Chairman of the Stakeholder Relationship Committee), they may have ceased to be independent directors under the Act with effect from 17 November 2015 and 12 August 2015, respectively, being the date from when their relatives were employed either with the Company or its subsidiary. These directors have been designated as non-independent directors by the Company from 06 September 2019 and 13 February 2019, respectively.</p> <p>Considering the above, we are unable to opine on the validity of the meetings of the Board of Directors, Audit Committee, Stakeholder Relationship Committee and Nomination and Remuneration Committee, in regards to the quorum in such meetings and the resolutions approved in those meetings from the</p>	<p>The management has taken necessary legal opinion from an independent law firm and they have stated that there is no non-compliance by the said directors as reported above.</p>



<p>aforesaid AGM date until the dates when the Company designated them as non-independent directors.</p>	
<p>Item No. 5(2)(a) We are unable to conclude on the consequential impact, if any, on the standalone financial statements arising out of the matters pertaining to non-compliance with the applicable master directions/ notifications issued by the Reserve Bank of India ("RBI") and provisions of The Foreign Exchange Management Act, 1999, as amended, in respect of the following: (a) The Company has export trade receivables and foreign currency interest receivable aggregating Rs.3,037.28 Lakhs and Rs.336.13 Lakhs, respectively, which are outstanding for more than nine months, from the invoice date, as at 31 March 2019, which is beyond the time limit stipulated under the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, for repatriation of foreign currency receivables.</p>	<p>The management hereby states that this has been reported to the Reserve Bank of India through the AD Bank.</p>
<p>Item No. 5(2)(b) As at 31 March 2019, the Company had not made the necessary intimations to the Authorised Dealer/ RBI as required under the Master Directions provided by the RBI on Foreign Investment in India for loan/ collaterals/ pledge received from the promoter of the Company, being a resident outside India, amounting to Rs. 1,395.02 Lakhs during the year ended 31 March 2019.</p> <p>However, subsequent to the year-end, the Company has made an intimation to the Authorised dealer on 12 July 2019 and is yet to make an application for condonation of delay.</p>	<p>The management hereby clarifies that the due intimation has been made to the Reserve Bank of India (RBI) through the AD Bank and the same was provided to the audit team during the audit. The application of condonation does not arise as the AD Bank has not reverted after intimation.</p>
<p>Item No. 5(2)(c) It appears that the Company has provided a corporate guarantee to Columbia Bank for a line of credit availed by 8K Miles Software Services Inc., a subsidiary of the Company, and Nexage Technologies Inc., a step down subsidiary of the Company, aggregating USD 5,000,000 on 12 September 2018. As per the loan sanction document issued by Columbia Bank, the line of</p>	<p>The management has provided the necessary resolution to the audit team, prior to this report of the auditors. Also, the shareholders' resolution passed during the AGM (under section 186 of Companies Act 2013) in the year 2015. The minutes of the Board of Directors meeting approving such corporate guarantee has been provided and the necessary intimation in the prescribed format to AD bank is in progress.</p>



<p>credit was approved by Columbia Bank based on a representation by the Managing Director of the Company that the corporate guarantee was approved by the shareholders of the Company. We have not been provided with minutes of the meeting of the shareholders referred above approving such corporate guarantee. Further, the Company has also not intimated the Authorised Dealer for providing such corporate guarantee as required under the Master Directions provided by the RBI on Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad.</p>	
<p>Item No. 5(3) Further, the Company has not carried out a comprehensive review of compliance with laws and regulations and therefore we are unable to comment if there are any other instances of non-compliance with laws and regulations and any consequential impact thereof.</p>	<p>The management has carried out a requisite review of compliance with laws and regulations by engaging individual professionals and practitioners having relevant area of expertise. The management also assures to enhance the competency further with respect to compliance and corporate governance of the company.</p>
<p>Item No. 6 Information / clarifications requested but not provided</p> <p>During the course of our audit, we have requested from the management various information and clarifications that were required for the purposes of our audit. In addition to the information and clarifications pending in respect of the matters described in paragraphs 1 to 5 above, information, inter alia, relating to assessment of how the revenue recognised by the Company was in compliance with the provisions of Ind AS 115, documentation supporting evaluation of the expected credit losses as at 31 March 2019, documentation on services received against certain consultancy expenses, confirmation of balances from customers, vendors and other parties, etc., are also pending to be provided to / received by us. In view of such pending information, we have not been able to obtain sufficient appropriate evidence to conclude on those matters to express an opinion on the standalone financial statements.</p>	<p>The details of how the revenues recognized were provided during the audit IND AS 115 – since most of the revenue is time and material – applicability of this standard is questionable or complied with the standard The confirmation of balances and Statement of Works and Master Services Agreements entered between have been sought directly from the customers by the auditors.</p>
<p>Item No. 7 Use of going concern assumption</p> <p>In view of the matters reported in paragraphs 1 to 6 above, and in the absence of reliable cash</p>	<p>The management has made full inquiry into affairs of the business as a result of which, they firmly believe that there is a going concern assumption as there are requisite business,</p>



<p>flow projections by the management, and any consequential impact of those matters on the standalone financial statements and operations of the Company, we are unable to comment on the appropriateness of the going concern assumption adopted by the management in the preparation of these standalone financial statements.</p>	<p>operations, customers, and employees. The management has discussed the cash flow projections for the foreseeable period and not envisaged anything negative which will impact the Company's business operations in the future years.</p>
<p>Item No. 8 Information on subsidiaries</p> <p>Based on information in the public domain 8K Miles Cloud Solutions Pte. Limited, Singapore has stated itself to be a subsidiary of the Company. This entity appears to have been incorporated on 08 May 2017. Further, 8K Miles Software Services Pte. Ltd, Singapore and 8K Miles Software Services UK Limited, United Kingdom exist with the promoter directors appearing as shareholders / directors. The incorporation of wholly owned subsidiaries in these countries were approved by the Board of Directors of the Company on 30 May 2018.</p> <p>However, all these three entities have not been considered by the management of the Company as subsidiaries in these standalone financial statements. We are informed by the management that these entities are not subsidiaries of the Company and the information in the public domain, including with the regulatory authorities in those geographies are not correct.</p> <p>We have not been provided with the audited financial statements of these entities and/or any other verifiable evidence to ascertain the relationship of these entities with the Company. Hence, we are unable to comment on the relationship of these entities and the consequential impact these entities may have on the standalone financial statements.</p>	<p>One of the director has incorporated on behalf of the parent company two foreign subsidiary companies. Since there is no possible economic benefit arising out of these companies, the management is in the process of striking off the Company. Under the circumstances and there are no commercial transactions, these were not consolidated.</p>



The Board has deliberated about the financial statements (consolidated) and the report of the statutory auditors. The response for qualification of the Auditors opinion has been provided below:

Management's Response on the Auditor's Opinion for Consolidated Audited Financial Statements for the Financial Year ended March 31, 2019	
Auditor's Observation:	Management's Response
Item 1	
(a) Several instances of inconsistencies between the initial bank statements and the subsequent bank statements provided for verification in certain subsidiaries. Also see paragraphs 3.3 and 4 below.	The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and not reported any such inconsistencies.
(b) Several instances of inconsistencies between declarations provided by Directors and information available in the public forum which demonstrated existence of probable related parties which were not disclosed previously, including certain transactions with such parties which were not disclosed or approved by the Audit Committee / Board of Directors. Also see paragraph 5.1(a) below.	The Directors have provided the appropriate documents as required under the law and believes to their knowledge there is no related parties which were undisclosed.
(c) Several instances of transactions with certain customers, wherein the Company was not able to provide us with the particulars of the services rendered and acknowledged by the customer, the details of employees actually rendering such service, the appropriateness and source of the monies received from such customers. Also see paragraph 2 below.	The Management hereby affirms that the proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them.
(d) Several inconsistencies with the names of the parties / customers mentioned in the bank statements of some of the subsidiaries and the books of account maintained by those subsidiaries. Also see paragraph 1(a) above and paragraphs 3.3 and 4 below.	The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and not reported any such inconsistencies.
(e) Several instances of multiple addresses being considered in various communications with certain customers in the invoices, website of the customer, on cheques received from customers, including instances wherein some of the communication addresses coincided with the residential address of certain employees of the Company or its	The Management hereby states that certain customers have multiple locations and the services were provided at various locations. The Management has duly clarified to the audit team about the addresses of the employees who were previously the employees of our customers.



<p>subsidiaries, which impacted our ability to establish the authenticity of the customer. Also see paragraph 2 below.</p>	
<p>(f) Several instances of communications with a vendor, wherein there were multiple communications using different email ids, documents with varying signatures and differences in the spelling of the common signatory of the vendor, etc. which impacted our ability to establish the authenticity of the vendor. Also see paragraphs 3.3 and 4 below.</p>	<p>The Management has given necessary explanations to audit team during the audit for the email addresses used by the vendor. The Management affirms that the authenticity of that vendor has been established by obtaining direct confirmation from that vendor with respect to services provided. The Management also of the opinion that usage of multiple email addresses is the preference of the vendor.</p>
<p>(g) Several instances of various inconsistencies were also noted during our audit of the books of account of certain foreign subsidiaries in association with our audit of the consolidated financial statements of the Company.</p>	<p>The management states that the subsidiary accounts have been audited by the auditor in the domicile of subsidiary and not reported any such inconsistencies.</p>
<p>(h) Appropriate approvals and concerns over recovery of advances made to a related party, by the Group. Also see paragraph 3 below.</p>	<p>The management confirms that advances to a related party has been fully recovered during the year of audit and there is NO outstanding at the end of 31st March 2019 as per the books of account.</p>
<p>Item 2</p> <p>Access to books of account of a subsidiary and information on subsidiaries</p> <p>2.1 Our terms of engagement for the audit of the consolidated financial statements of the Company included the management's responsibility to provide us access, at all times, to the records of all the subsidiaries of the Company in so far as it relates to the consolidation of its financial statements as envisaged in the Act.</p> <p>However, the Company did not provide us the access to the records and books of account of 8K Miles Software Services FZE, a wholly owned subsidiary of the Company, which represents total assets of Rs.11,635.68 Lakhs as at 31 March 2019, total revenues of Rs.7,560.23 Lakhs, profit after tax of Rs.789.65 Lakhs and net cash outflows amounting to Rs.96 Lakhs for the year ended on that date, as considered in these consolidated financial statements.</p> <p>These balances have been included, in the consolidated financial statements, by the Management based on financial statements of</p>	<p>The management has informed that the subsidiary accounts have been audited by another auditor of the domicile of the subsidiary and that audited financial statements have been furnished to the statutory auditors of the company for the purpose of consolidation.</p>



<p>the subsidiary, prepared in accordance with the International Financial Reporting Standards (IFRS), wherein the auditor of the subsidiary has issued an unmodified report.</p> <p>We were unable to obtain sufficient appropriate audit evidence about the state of affairs of the subsidiary as at 31 March 2019 and the results of its operations for the year then ended, in the absence of access to the records and books of account of the subsidiary.</p>	
<p>2.2 Based on information in the public domain 8K Miles Cloud Solutions Pte. Limited, Singapore has stated itself to be a subsidiary of the Company. This entity appears to have been incorporated on 08 May 2017. Further, 8K Miles Software Services Pte. Ltd, Singapore and 8K Miles Software Services UK Limited, United Kingdom exist with the promoter directors appearing as shareholders / directors. The incorporation of wholly owned subsidiaries in these countries were approved by the Board of Directors of the Company on 30 May 2018.</p> <p>However, all these three entities have not been considered by the management of the Company as subsidiaries in these standalone financial statements. We are informed by the management that these entities are not subsidiaries of the Company and the information in the public domain, including with the regulatory authorities in those geographies are not correct.</p> <p>We have not been provided with the audited financial statements of these entities and/or any other verifiable evidence to ascertain the relationship of these entities with the Company. Hence, we are unable to comment on the relationship of these entities and the consequential impact these entities may have on the standalone financial statements.</p>	<p>One of the director has incorporated on behalf of the parent company two foreign subsidiary companies. Since there is no possible economic benefit arising out of these companies, the management is in the process of striking off the Company. Under the circumstances and there are no commercial transactions, these were not consolidated.</p>
<p>Item No. 3: 8K Miles Media Private Limited</p> <p>3.1 Around the last week of September 2018, we were made aware of the resignation of the statutory auditor of 8K Miles Media, a company promoted by the promoter directors of the Company, vide their resignation letter dated 30 April 2018. As per the said letter, the</p>	<p>The management states that the forensic experts appointed by the 8K Miles Media Private Limited have submitted their report to the Board wherein they have concluded that all the allegations made on 8K Miles Media are not true. The Board hereby has duly taken that report into record. The management further clarifies there is no relationship nexus between</p>



<p>resignation was due to the misuse of that Audit Firm's Letter Head and signature of their Partner through forgery in certain ODI Certificates submitted by 8K Miles Media to its bankers for transfer of funds of USD 71.51 Lakhs (Rs. 4,612.91 Lakhs) to 8K Miles Media Holdings Inc. USA, a subsidiary of 8K Miles Media. 8K Miles Media and its subsidiaries (together "8K Miles Media Group") were identified as a related party in the consolidated financial statements of the Company for the year ended 31 March 2018. During the period ended 31 December 2018, the management of 8K Miles Media initiated an independent forensic review to evaluate the authenticity of the signatures in the ODI Certificates referred above. 8K Miles Media has submitted a copy of the forensic report to the Company. We understand that the aforesaid forensic report states that the writer of the signature in the ODI certificates is the same as that of the specimen signatures of the audit partner as provided to the forensic auditor thereby concluding that there was no forgery in the ODI certificates. Since this matter relates to a company where another firm is the statutory auditor and since the financial statements of that company are not included in the consolidated financial statements of the Company, we have not been able to perform any procedures related to the allegation or the forensic report.</p>	<p>8K Miles Media and the Company, except for the common promoter. Thus, there is no requirement of providing financial statements of 8K Miles Media to the auditors.</p>
<p>3.2 Further, during the last week of September 2018,</p> <p>(a) the CEO and Managing Director of the Company, who was also a promoter director in 8K Miles Media, resigned as a director in 8K Miles Media.</p> <p>(b) the CFO and Executive Director of the Company, who was the other promoter director in 8K Miles Media, resigned from his role as CFO of the Company stating that his resignation was to have the</p>	<p>The Management affirms that 8K Miles Media has no nexus except for the common promoters. Hence the false and baseless allegations have no impact on the Company and its operations. The Trade receivables from 8K Software Services Inc., a subsidiary is an ongoing account and have since received Rs.858.48 Lakhs till date of this report. With respect to loans receivable from 8K Miles Media Group in USA – the total amount including the interest charge on the outstanding amounts have been fully recovered and as at the</p>



<p>necessary time to clear all the baseless allegations and unsubstantiated allegations relating to 8K Miles Media. However, he continues to be a director in both the Company as well as 8K Miles Media.</p>	<p>31st March 2019 the balance from 8K Media is NIL. Also the Management affirms that the appropriate workings for the interest on the amounts outstanding have been provided and recovered in full.</p>
<p>3.3 The Company has trade and other receivables aggregating Rs.3,309.10 Lakhs as at 31 March 2019 receivable from 8K Miles Software Services Inc., a subsidiary. It may be noted that this subsidiary had loans receivable from entities of 8K Miles Media Group in the USA aggregating USD 89.61 Lakhs (Rs.5,808.44 Lakhs) as at 31 March 2018.</p> <p>We are informed by the management of the Company that such amounts due, including interest as accrued, have been fully recovered as at 31 March 2019 by that subsidiary. However, in the absence of appropriate workings for the interest, documentation regarding loan agreements and due to inconsistencies noted between the transactions as per the Bank Statements of the subsidiary with the transactions as recorded in the books of account of the subsidiary, we were unable to confirm the management's assertion on the said collections made by the subsidiary.</p>	<p>Based on the above facts and continuity of the business and operations of the subsidiary, the Managements believes that there is no possibility of impairment in the investments made by the parent company and the recoverability of the amount receivables are good.</p>
<p>3.4 We are unable to conclude if the above events in 8K Miles Media have any effect on:</p> <p>(a) the Group and its operations, in view of the allegations in the aforesaid resignation letter of the statutory auditor of that company and the nature of the Company's relationship with 8K Miles Media, as described in paragraphs 3.1 and 3.2 above, respectively</p> <p>(b) the status of the Group's receivable from such related party, as described in paragraph 3.3 above; and</p> <p>(c) the consequential impact, if any, of the same on the operations of the Company.</p>	<p>As explained the company has received all the outstanding amounts prior to December 2018 and the above allegation is nothing to do with the company as it is neither a related party nor a subsidiary.</p>
<p>Item 4 Revenue from Contracts with Customers and related outstanding receivables During the year ended 31 March 2019 the Group initially recognised revenue aggregating to Rs.</p>	<p>The Company has obtained the necessary balance confirmation from the customers as at the end of the year and the Company has requested such customers for the payment</p>



<p>54,789 Lakhs (including Rs. 2,428.69 Lakhs relating to the Company) from the customers referred to in paragraphs 1(c), 1(d) and 1(e) above.</p> <p>The management has, subsequently, based on our report under section 143(12) of the Act reversed and derecognised revenue aggregating to Rs.16,940.66 Lakhs (including Rs. Nil relating to the Company) and the consequent receivables. Accordingly, the net revenues recognised from these customers during the year aggregated to Rs. 37,848.34 Lakhs and the outstanding receivables as at 31 March 2019 is Rs. 9,382.13 Lakhs (includes balances of Rs. 1,022.36 Lakhs outstanding even as at 31 March 2018).</p> <p>In the absence of complete information regarding the proof of services rendered, efforts expended, basis of revenue recognition and reversal / derecognition, and in view of our observations in paragraphs 1(c), 1(d) and 1(e) above in respect of these customers, and inconsistencies in the bank statements referred in paragraph 1(a) above, we are unable to conclude on the appropriateness / correctness / completeness / validity of the net revenue recognised, compliance with the recognition and measurement of revenue required under the Indian Accounting Standard (Ind AS) 115 - Revenue from Contracts with Customers and the corresponding receivables in these consolidated financial statements.</p> <p>The Group has also not carried out an evaluation of the expected credit loss required under Indian Accounting Standard (Ind AS) 109 – Financial Instruments (Ind AS 109) for the outstanding trade receivables as at 31 March 2019 and therefore we are unable to comment on the adequacy and appropriateness of the provision made against the trade receivable balances as at 31 March 2019.</p>	<p>schedule to support the recoverability of the amounts from those customers. As the amounts are good to recover, an evaluation of the expected credit loss as required under Indian Accounting Standard (Ind AS) 109 – Financial Instruments for the outstanding trade receivables does not arise.</p> <p>As explained 1(b) above, the Management hereby affirms that the proper time sheets and nature of services rendered were submitted to the audit team during the audit along with the acknowledgement received from such customers. Also, the confirmation of balances were received from the customers and the Company has requested such customers for the payment schedule to support the recoverability of the amounts from them.</p>
<p>Item 5: Procurement of services and trade payables</p> <p>5.1 Based on the master service agreement with the external service provider, referred to in paragraph 1(d) above, for technical and referral services to be rendered towards certain customers, referred to in</p>	<p>The Management has provided the audit team, the details with respect to services availed from the vendor, confirmation of the charges and payables.</p> <p>With respect to GST applicability, the Management is in the process of obtaining a professional opinion and will take requisite steps in due course.</p>



<p>paragraphs 1 (b) and 1(c) above, the Company has recorded consultancy charges of Rs.1,706.40 Lakhs, for the year ended 31 March 2019 with an outstanding liability of Rs.1,709.16 Lakhs. In the absence of complete information regarding proof of the services rendered by the vendor, and in view of our observations in paragraph 1(d) above in respect of this vendor, we are unable to conclude on the appropriateness / correctness / completeness / validity of the expense and the corresponding liability recorded in these standalone financial statements.</p> <p>Further, the Company has not evaluated the applicability or coverage of such services under the Goods and Service Tax Regulations and has not accrued / paid the same. However, in our opinion, such tax is payable on those services. The management has not determined the amount of Goods and Service Tax payable and any interest thereon. We are unable to conclude on the consequential impact of the same on these standalone financial statements.</p>	
<p>5.2. Based on the invoices received from certain vendors, referred to in paragraph 1 (g) above, the Group has for the year ended 31 March 2019 recorded consultancy charges aggregating Rs.26,689.45 Lakhs (included in Note 23 of the consolidated financial statements), intangible assets/assets under development of Rs.22,267.29 Lakhs (included in Note 5C of the consolidated financial statements), with an outstanding liability of Rs.2,224.43 Lakhs as at that date (included in Note 15 of the consolidated financial statements).</p> <p>In the absence of complete information regarding nature of the services being rendered, the customers for whom these services were rendered and the nature of intangible assets being developed, and in view of our observations in paragraph 1(g) above in respect of these vendors, we are unable to conclude on the appropriateness / correctness / completeness / validity of the expense, the intangible asset / asset under development and the corresponding liability / payment recorded in these consolidated financial statements.</p>	<p>The management has explained during the audit to the audit team that the services rendered by these vendors are "Development of Tools and Platforms" which are owned by the Company.</p>
<p>Item 6: Income Taxes</p>	<p>The management states that the subsidiary</p>



<p>The Group has recorded tax expenses (net) of Rs.1,650.40 Lakhs during the year ended 31 March 2019, included in Note 33 to the consolidated financial statements, and has a net tax asset as at that date of Rs.3,025.84 Lakhs and a net deferred tax liability of Rs.671.02 Lakhs, included in Notes 19 and 33 to the consolidated financial statements respectively, relating to certain of its foreign subsidiaries. We have not been provided with the tax returns filed with regard to its foreign subsidiaries, reconciliation of the balances considered in the tax returns so filed with the audited financial statements of the subsidiaries, the tax position and status of assessments of such subsidiaries, a roll forward to the deferred tax position as at 31 March 2019 from 31 March 2018 and the workings for the tax provision for the current year. We are accordingly unable to conclude on the carrying amounts of tax assets and liabilities, including deferred tax balances, as at 31 March 2019, as considered in these consolidated financial statements. Further, in the absence of the tax returns we have also not been able to validate if the profits of these subsidiaries considered in the tax returns and as per the books of account provided to us were the same.</p>	<p>accounts have been audited by the auditor in the domicile of subsidiary and the matters specified in this item has been duly recorded in the financial statement of the subsidiary company.</p>
<p>Item 7: Intangible asset capitalisation and evaluation of impairment, including for goodwill 7.1 The Group has during the year capitalised costs towards internally generated intangible assets and internally generated intangible assets under development amounting to Rs.32,393.80 Lakhs (also refer paragraphs 1(g) and 5.2 above). In the absence of appropriate documentation as to the nature of these intangible assets, data to demonstrate the appropriateness of the timing to commence capitalization of costs associated with such intangible assets as well as the basis to demonstrate the costs capitalised in fact were associated with the intangibles being developed, we are unable comment on the carrying value of such intangible assets as at 31 March 2019.</p>	<p>The impairment analysis along with projected financial statements for the entities have been prepared and discussed by the Management and concluded that there is no need for any impairment of Intangibles as at 31st March 2019.</p>
<p>7.2 The Group has goodwill and acquired intangibles (net of amortisation) of Rs.62,800.11 Lakhs as at 31 March 2019.</p> <p>The management has not provided us with their assessment of any impairment to the carrying</p>	



<p>value of such goodwill and other intangible assets. Accordingly, we are unable to comment on the appropriateness of the carrying value and the recoverability of such goodwill and other intangible assets as at 31 March 2019.</p>	
<p>Item 8: Business Combinations The Group had in the previous year ended 31 March 2018 completed certain acquisitions or had paid advances towards proposed acquisitions, wherein we noted that: 8.1. During the previous year ended 31 March 2018, the Group had recorded an amount of USD 3,304,557 (INR 2,142.01 Lakhs) as contingent consideration due to the erstwhile owners of Cornerstone Advisors Group LLC (“Cornerstone”) payable upon satisfaction of conditions as specified in the acquisition agreement. During the current year an amount USD 721,366 (INR 503.22 Lakhs) has been paid by the Group to the erstwhile members of Cornerstone. In the absence of details with respect to satisfaction of conditions as specified in the acquisition agreement, we are unable to comment on the amount of contingent consideration that has been paid during the year and the carrying amount of Rs. 1,079.56 Lakhs, as the liability towards contingent consideration as at 31 March 2019. Further such consideration has not been fair valued as required under Ind AS 109.</p>	<p>The consideration has been determined and paid as per the terms and conditions of the Share Purchase Agreement and the same is recorded in the books of account.</p>
<p>8.2 An advance of USD 6,500,000 was paid by one of the subsidiaries of the Company, during the previous year ended 31 March 2018, consequent to a Share Purchase agreement entered into with a Seller and a Corporation for acquiring the entire outstanding shares of the Corporation. In accordance with the said agreement, in the event the closing of acquisition doesn’t occur within 15 months (i.e. before Feb 2019) from the date of agreement, Seller will retain Five Hundred Thousand US Dollars (\$500,000) as penalty and balance Six Million US Dollars (\$6,000,000) shall be refunded to the Group within 5 calendar days. As at 31 March 2019 the acquisition as planned was not completed and the Management of the Company has represented that the term of the Share Purchase agreement has been extended. In the absence of a supporting convincing evidence and our inability to send direct confirmation request to the Seller and the Corporation on the revision of the terms</p>	<p>The contract has been extended on the same terms for an additional period of nine months ending December 2019 and the same has been Provided to the audit team.</p>



<p>including waiver of the penalty, due to not receiving the communication address to which the confirmation requests were to be sent, we are unable to comment on the recoverability of the amount of Rs. 4,505.80 Lakhs (equivalent to USD 6,500,000) included under Note 9 as “advances towards acquisition”, as at 31 March 2019 and the consequential impact, if any, on the consolidated financial statements</p>	
<p>Item 9: Regulatory Compliances</p> <p>9.1. We are unable to conclude on the consequential impact, if any, on the operations and the financial performance of the Company arising out of the following matters pertaining to non-compliance with the provisions of the Companies Act, 2013 and notifications issued by the Securities and Exchange Board of India (SEBI), as applicable:</p> <p>(a) In the absence of appropriate processes for identifying related parties in view of the matters reported in paragraph 1 (a) above, we are unable to comment on the accuracy and completeness of the related parties identified and disclosed by the Company including compliance with obtaining necessary approvals, as required, from those charged with governance.</p> <p>(b) It was noted that in the case of two of the Directors who were re-appointed at the Annual General Meeting (AGM) held on 18 September 2015 and designated as independent directors (One was also the Chairman of the Audit Committee and the other a member of the Nomination and Remuneration Committee and also the Chairman of the Stakeholder Relationship Committee), they may have ceased to be independent directors under the Act with effect from 17 November 2015 and 12 August 2015, respectively, being the date from when their relatives were employed either with the Company or its subsidiary. These directors have been designated as non-independent directors by the Company from 06 September 2019 and 13 February 2019, respectively.</p> <p>Considering the above, we are unable to opine on the validity of the meetings of the Board of Directors, Audit Committee, Stakeholder Relationship Committee and Nomination and Remuneration Committee, in regards to the quorum in such meetings and the resolutions</p>	<p>The management hereby states that this has been reported to the Reserve Bank of India through the AD Bank.</p>



<p>approved in those meetings from the aforesaid AGM date until the dates when the Company designated them as non-independent directors.</p> <p>9.2. We are unable to conclude on the consequential impact, if any, on the consolidated financial statements arising out of the matters pertaining to non-compliance with the applicable master directions/ notifications issued by the Reserve Bank of India ("RBI") and provisions of The Foreign Exchange Management Act, 1999, as amended, in respect of the following:</p> <p>(a) The Holding Company has export trade receivables and foreign currency interest receivable aggregating Rs.3,037.28 Lakhs and Rs.336.13 Lakhs, respectively, which are outstanding for more than nine months, from the invoice date, as at 31 March 2019, which is beyond the time limit stipulated under the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015, for repatriation of foreign currency receivables.</p>	
<p>(b) As at 31 March 2019, the Company had not made the necessary intimations to the Authorised Dealer/ RBI as required under the Master Directions provided by the RBI on Foreign Investment in India for loan/ collateral/ pledge received from the promoter of the Company, being a resident outside India, amounting to Rs. 1,395.02 Lakhs during the year ended 31 March 2019. However, subsequent to the year-end, the Company has made an intimation to the Authorised dealer on 12 July 2019 and is yet to make an application for condonation of delay.</p>	<p>The management hereby clarifies that the due intimation has been made to the Reserve Bank of India (RBI) through the AD Bank and the same was provided to the audit team during the audit. The application of condonation does not arise as the AD Bank has not reverted after intimation.</p>
<p>(c) It appears that the Holding Company has provided a corporate guarantee to Columbia Bank for a line of credit availed by two of the subsidiaries in the Group aggregating USD 5,000,000 on 12 September 2018. As per the loan sanction document issued by Columbia Bank, the line of credit was approved by Columbia Bank, based on a representation by the Managing Director of the Holding Company that the corporate guarantee was approved by the shareholders of the Holding Company.</p> <p>We have not been provided with minutes of the meeting of the shareholders referred above approving such corporate guarantee. Further, the Company has also not intimated the</p>	<p>The management has provided the necessary resolution to the audit team, prior to this report of the auditors. Also, the shareholders' resolution passed during the AGM (under section 186 of Companies Act 2013) in the year 2015. The minutes of the Board of Directors meeting approving such corporate guarantee has been provided and the necessary intimation in the prescribed format to AD bank is in progress.</p>



<p>Authorised Dealer for providing such corporate guarantee as required under the Master Directions provided by the RBI on Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad.</p>	
<p>9.3. Further, the Company has not carried out a comprehensive review of compliance with laws and regulations and therefore we are unable to comment if there are any other instances of non-compliance with laws and regulations and any consequential impact thereof.</p>	<p>The management has carried out a requisite review of compliance with laws and regulations by engaging individual professionals and practitioners having relevant area of expertise. The management also assures to enhance the competency further with respect to compliance and corporate governance of the company.</p>
<p>Item 10: Information / clarifications requested but not provided During the course of our audit, we have requested from the management various information and clarifications that were required for the purposes of our audit. In addition to the information and clarifications pending in respect of the matters described in paragraphs 1 to 9 above, information, inter alia, relating to assessment of how the revenue recognised by the Group was in compliance with the provisions of Ind AS 115, Documentation supporting evaluation of expected credit losses as at 31 March 2019, information of payroll costs recognised in some of the subsidiaries, confirmation of balances from customers, vendors and other parties, etc., are also pending to be provided to / received by us. In view of such pending information, we have not been able to obtain sufficient appropriate evidence to conclude on those matters to express an opinion on the consolidated financial statements.</p>	<p>The Company has been providing the information and clarifications to the best of its ability from time to time during the audit. As far as the IND AS 115 is concerned, since most of the revenue is time and material – applicability of this standard is questionable or complied with the standard.</p>
<p>Item 11: Use of going concern assumption In view of the matters reported in paragraphs 1 to 10 above, and in the absence of reliable cash flow projections by the management, and any consequential impact of those matters on the consolidated financial statements and operations of the Group, we are unable to comment on the appropriateness of the going concern assumption adopted by the management in the preparation of these consolidated financial statements.</p>	<p>The management has made full inquiry into affairs of the business as a result of which, they firmly believe that there is a going concern assumption as there are requisite business, operations, customers, and employees. The management has discussed the cash flow projections for the foreseeable period and not envisaged anything negative which will impact the Company's business operations in the future years.</p>

