

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ENCORE SOFTWARE LIMITED

REPORT ON THE STANDALONE Ind AS FINANCIAL STATEMENTS

We have audited the accompanying Standalone Ind AS financial statements of **Encore Software Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2019, the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding of the assets of the Company and preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

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

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

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

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

BASIS OF QUALIFIED OPINION

- a) *The entire net worth of the Company has been eroded. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However the Company is continuing to prepare accounts under going concern concept.*

QUALIFIED OPINION

In our opinion and to the best of our information and according to the explanations given to us, **except for the effects of the matter described in the basis for qualified opinion paragraph**, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st March, 2019 and its

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financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 (CARO 2016 or "the Order) issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c. The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with books of account;
 - d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rule issued thereunder;
 - e. We have not received representations from directors and hence we are not able to comment as to whether the directors are disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in Annexure B, and
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note 19 of Notes to the standalone Ind AS financial statements;
 - ii. The Company has made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including pending derivative contracts;
 - iii. The Company has not transferred ₹ 101,173/- share application money and ₹ 1,86,42,450/- share warrant application money received during the prior years which is required to be transferred to the Investor Education and Protection Fund by the Company.

For B Chandrashekhar & Co.
Chartered Accountants
Registration No. 004848S

B Chandrashekhar
Proprietor
Membership No. 029802

Place: Bengaluru
Date: 31st May, 2019

ANNEXURE - A TO THE AUDITORS' REPORT

The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31st March, 2019, we report that:

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- b. The fixed assets of the Company have been verified by the management during the year. No material discrepancies were noticed on such verification and the same have been properly dealt with in the books of account. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of its business for the year under review;
- c. According to the information and explanations given to us, and on the basis of our examination of the records of the Company, the Company does not have any immovable properties.
- ii. The Company is a service company, primarily rendering software services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- iii. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans, secured or unsecured to Companies, firms, limited liability partnerships,

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or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Hence clause 3 (iii) (a) and (b) of the order is not applicable to the Company for the year under review.

- iv. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not granted any loans, investments, guarantees, and securities to parties covered under section 185 and 186 of the Companies Act, 2013.
- v. ₹ 101,173/- share application money and ₹ 1,86,42,450/- share warrant application money received during the prior years amounts to acceptance of deposits under the Companies Act, 2013. The Company has not adhered to the directives of Reserve Bank of India and the provisions of section 73 to 76 of the Companies Act, 2013 and rules framed under in this regard. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or Tribunal.
- vi. We have been informed that maintenance of books of accounts pursuant to the rules made by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013 for maintenance of Cost records in respect of products of the Company are not applicable to the Company for the year under review and hence the requirement of clause 3 (vi) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- vii. a. The Company has not been regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues applicable.
The following undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues applicable in arrears as at 31st March, 2019 for a period of more than six months from the date they became payable.
The data is furnished to the extent details are available.

Name of the Statute	Nature of Dues	Amount (₹)	Period to which amount relates	Due date	Date of payment
Finance Act, 1994	Service Tax	51,09,656	2009-10 and 2010-11	Various dates	Not paid as on the date of this report
Employees State Insurance Act	Employees State Insurance	921	2014-15	Various dates	Not paid as on the date of this report
Employees Provident Fund and Miscellaneous Provisions Act	Provident Fund	16,442	2014-15	Various dates	Not paid as on the date of this report
Income Tax Act, 1961	Tax Deducted at Source	1,08,479	2012-13, 2014-15, 2015-16, 2016-17 and 2017-18	Various dates	Not paid as on the date of this report
Central Sales Tax Act	Central Sales Tax	482	2012-13	Various dates	Not paid as on the date of this report

- b. According to the information and explanation given to us, there are no disputed amounts of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax or cess which have not been deposited with the relevant authorities on account of any dispute.
- viii. In our opinion and according to the information and explanations given to us, the Company due Rs. 30,91,42,614 to council of scientific & Industrial Research (CSIR) a government organization
- ix. In our opinion and according to the information and explanations given to us, during the year the Company did not raise any money by way of initial public offer, or further public offer (including debt instruments) or term loans. Accordingly, clause 3 (ix) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- x. According to the information and explanations given to us, no material frauds by the Company or on the Company by its officers and employees have been noticed or reported during the course of the audit.
- xi. According to the information and explanations given to us and based on our examination of records of the Company, the Company has not paid/provided for managerial remuneration during the year under review. Accordingly, clause 3 (xi) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- xii. In our opinion and according to the information and explanation given to us, the Company is not a Nidhi Company. Accordingly, clause 3 (xii) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- xiii. According to the information and explanation given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such

transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.

- xiv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly paid debentures during the year.
- xv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not entered into any non cash transactions with directors or persons connected with him. Accordingly, clause 3 (xv) of Companies (Auditor's Report) Order, 2016 is not applicable to the Company during the year under review.
- xvi. According to the information and explanation given to us and based on our examination of the records of the Company, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For B Chandrashekhar & Co.
Chartered Accountants
Registration No. 004848S

B Chandrashekhar
Proprietor
Membership No. 029802

Place: Bengaluru
Date: 31st May, 2019

ANNEXURE - B TO THE AUDITORS' REPORT

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (i) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

We have audited the internal financial controls over financial reporting of **Encore Software Limited** ("the Company") as of 31st March, 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

AUDITORS' RESPONSIBILITY

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

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

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

OPINION

In our opinion, the Company does not have adequate and effective internal financial control over financial reporting as at 31st March, 2019.

For B Chandrashekhar & Co.
Chartered Accountants
Registration No. 004848S



Place: Bengaluru
Date: 31st May, 2019

B Chandrashekhar
Proprietor
Membership No. 029802