

To,  
The Members,  
**GOL Offshore Limited**  
Mumbai

### Report on the Standalone Financial Statements

We were engaged to audit the accompanying standalone financial statements of **M/s GOL Offshore Limited** ("the Company") which comprise the Balance Sheet as at March 31, 2016, Profit and Loss Statement and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters mentioned in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone 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 requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

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



### Basis for Qualified Opinion

The Company has investment in equity/redeemable preference shares of wholly owned subsidiary KEI-RSOS Maritime Limited and the carrying amount as at March 31, 2016 is Rs. 21,374 Lakhs, the balance of loan outstanding is Rs. 3,502 Lakhs and a further sum of Rs 4,423 Lakhs is due as Trade Receivables including Rs. 1,164 Lakhs recognized as income in the current year. The Company has also issued corporate guarantee to a Bank amounting to Rs. 14,168 Lakhs against which borrowing from bank outstanding on March 31, 2016 is Rs. 3,329 Lakhs. As per the latest available audited financial statements of KEI-RSOS Maritime Limited the net worth of the company has fully eroded and the cash flows are under stress as some of their assets are not earning and no impairment test has been carried out for making provision, if any required. There are disputed debtors and claims against that company which are subject matter of arbitration proceedings for which no provision is made in the accounts of that company. As stated in Note no 30 to the financial statements, no provision has been made for the diminution in the value of investments, the amount of loans and trade receivables aggregating to Rs. 29,299 Lakhs and possible liability that may arise due to devolvement of corporate guarantee mentioned above. If due provision was made, income from charter hire would be lower by Rs. 1, 164 Lakhs, expenses would be higher by Rs. 28,135 Lakhs and loss for the year higher by Rs. 29, 299 Lakhs with consequent effect on investments, receivables and long term loans and advances and shareholder's funds with consequent effect on cash flow statement for a like amount.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the matters described in the Basis for Qualified Opinion paragraph, the standalone 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, of the state of affairs of the Company as at March 31, 2016; and of its losses and Cash Flows for the year ended on that date;

### Emphasis of Matter

We draw attention to

- i. Note: 39 of the financial statements regarding the continuing default in repayment of Loans including loans recalled and corporate guarantees invoked/ recovery and winding up proceedings initiated for reasons stated therein. The current liabilities are in excess of current assets by Rs. 99,036 Lakhs. The appropriateness of going concern assumption, classification of borrowings/assets given as a security and Hedge Accounting is dependent on the actions proposed to be taken by management/ JLF as detailed in the said note.
- ii. Note nos. 34, 36 & 38 wherein the reasons and basis for making provisions against investments in and loans to subsidiaries and provisions for impairment of fixed assets have been detailed.

Our opinion is not qualified in respect of these matters.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the **Annexure I**, a statement on the matters specified in Paragraphs 3 and 4 of the said Order to the extent applicable.
2. As required by section 143(3) of the Act, we report that:



- a) We sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, the Profit and Loss Statement and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) Except to the extent mentioned in our Basis of Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) The matters described in the Basis for Qualified Opinion paragraph and Emphasis of Matter paragraph and those on unpaid undisputed statutory dues and pending litigations referred to in Para No. (i)A below may have an adverse effect on the functioning of the Company.
- f) On the basis of written representations received from the directors as on March 31, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- g) Our reservation relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph.
- h) With respect to the adequacy of internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in **Annexure – II** and
- i) With respect to the other matters to be included in the Auditor's report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- A. The Company has pending litigations disclosed as contingent liabilities in its Note No.29 in addition to recovery/winding-up proceedings by creditors as mentioned in Note 39 to the financial statements as well as in basis of Qualified Opinion paragraph, the impact if any on the final settlement of the litigations is not ascertainable at this stage.
- B. The Company has made provision, as required under the applicable law or accounting standards as adopted, for material foreseeable losses relating to long term contracts and derivative contracts and its appropriateness is subject to achieving matters mentioned in the Emphasis of Matter paragraph.
- C. There were no delays in transferring undisputed amounts which were required to be transferred to the Investor Education and Protection Fund by the company during the year except an amount of INR 4.21 Lakhs declared in 2007 and 2008 which has not been transferred on account of legal disputes.

For **VARMA & VARMA**  
Chartered Accountants  
FRN 004532S

**Cherian K Baby**  
Partner  
M. No. 16043  
Mumbai, May 30, 2016

For **Motilal & Associates**  
Chartered Accountants  
FRN 106584W

**Motilal Jain**  
Partner  
M No. 036811  
Mumbai, May 30, 2016

## ANNEXURE I TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of our report of even date on the standalone Financial Statement of **GOL Offshore Limited** for the year ended March 31, 2016 to the extent applicable.

- (i)
  - a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
  - b) We have been informed that the major fixed assets of the company consisting of Fleet, Rigs and I.T Equipment's have been physically verified by the management during the year. In our opinion, the company has a program of verification which is reasonable having regard to the size of the company and the nature of its assets and operations, and we have been informed that no material discrepancies were noticed on such verification.
  - c) As explained to us, the title deeds of all the Immovable properties are held in the name of the Company. Since the title deeds are lodged with lenders originals of the same could not be verified by us.
- (ii) We have been informed by the Management that the physical verification of Inventory is conducted as per the preset cyclical programme on monthly basis during the year on all large vessels in operation and no material discrepancies were noticed. In our opinion the frequency of such physical verification of Inventory is reasonable. In respect of inventory on smaller vessels a system of physical verification of inventory as of or close to the year end is to be introduced.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore the provisions of clause 3(iii)(a) to 3(iii)(c) of the said Order are not applicable to the Company.
- (iv) The Company has complied with the provisions of Section 185 and 186 of the Companies in respect of the Loans, Guarantees, Investments and Securities given by it.
- (v) The company has not accepted deposits in accordance with directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under are not applicable to the company.
- (vi) According to the information and explanations given to us, we are of the opinion that, prima-facie, the company is not required to maintain cost records prescribed as per the Order issued by the Central Government under section 148 (1) of the Companies Act, 2013.
- (vii) (a) As per the information and explanations furnished to us and according to our examination of the records of the Company, the Company has been generally regular in depositing undisputed statutory dues on account of Employee State Insurance and other statutory dues as applicable to the company with the appropriate authorities during the year, except for Provident Fund, Profession Tax, Advance Tax, Self-Assessment Tax, TDS, Service Tax, and Works Contract Tax where there have been serious delays in a number of cases. Undisputed amounts payable, outstanding for a period of more than six months from the date they became payable are as stated below:



Name of the statute	Nature of Dues	Amount (INR in Lakhs)	Period to which the amount relates	Due Date	Date of Payment
Income Tax Act, 1961	Self-Assessment Tax	657.88	Year Ended 31 <sup>st</sup> March'13	30.11.2013	Not Yet Paid
Income Tax Act, 1961	Interest on delayed payment of the above	166.72	Year Ended 31 <sup>st</sup> March'13	30.11.2013	Not Yet Paid
Income Tax Act, 1961	Balance Interest on the above upto 30.09.2015	265.91	Year Ended 31 <sup>st</sup> March'13	Various Dates upto 30.09.2015	Not Yet Paid
Income Tax Act, 1961	Self-Assessment Tax	1,784.15	Year Ended 31 <sup>st</sup> March'14	30.11.2014	Not Yet Paid
Income Tax Act, 1961	Interest on delayed payment of the above	253.33	Year Ended 31 <sup>st</sup> March'14	30.11.2014	Not Yet Paid
Income Tax Act, 1961	Balance Interest on the above upto 30.09.2015	203.75	Year Ended 31 <sup>st</sup> March'14	Various Dates upto 30.09.2015	Not Yet Paid
Income Tax Act, 1961	Tax Deducted at Source	31.07 10 42.37	Year Ended 31 <sup>st</sup> March'14 31 <sup>st</sup> March'15 31 <sup>st</sup> March'16	Various Dates upto 30.09.2014	Not Yet Paid
Income Tax Act, 1961	Interest on late payment of TDS	167.85 32.59	Year Ended 31 <sup>st</sup> March'15 31 <sup>st</sup> March'16	Various Dates upto 30.09.2014	Not Yet Paid
United Kingdom Corporation Tax Act, 2015	United Kingdom Payee Tax (excluding interest)	120 50 120	April'13 to August'15	10 <sup>th</sup> Day of subsequent month	Not Yet Paid

(b) According to the information and explanation given to us and as per the records of the company examined by us, there are no unpaid disputed taxes due as on 31<sup>st</sup> March, 2016 except for the following:

Name of the Statue	Nature of dues	Amount (INR) (In Lakhs)	Period to which the total amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax including interest upto date of demand	347.20 29.09 512.87	2005-06 2006-07 2007-08	Deputy Commissioner of Income Tax
Income Tax Act, 1961	Income Tax including interest upto date of demand	1,660.51 84.24 600.41	2008-09 2009-10 2011-12	Income Tax Appellate Tribunal
Income Tax Act, 1961	Tax Deducted at Source including interest	660.37	2008-09 to 2014-15	Deputy Commissioner of Income Tax - TDS

The Tamil Nadu General Sales Tax Act 1959	Tax u/s 3A of The Tamil Nadu General Sales Tax Act, 1959	100.78	1995-96 and 1996-97	The Sales Tax Appellate Tribunal, Chennai
The Karnataka Sales Tax Act, 1957	Tax u/s 5-C of the Act	117.96	1995-96 to 2001-02	Stay granted by Supreme Court
The Karnataka Sales Tax Act, 1957	Sales Tax	6.03	2007-08	Assistant Commissioner (CT) III, Enforcement Tribunal
The Customs Act, 1962	Customs Duty	70.37	2001-02	Customs, Excise and Service Tax Appellate Tribunal
The Customs Act, 1962	Customs Duty	235.93	December 99	Commissioner of Customs (Import)
West Bengal Sales Tax Act	Sales Tax	41.59	2001-02	Taxation Tribunal, Kolkata

(viii) According to information and explanation given to us and as per our verification of the records of the company, the company has defaulted in repayment of its dues to banks and financial institutions during the year. Following are the details of the default days for the financial year 2015-16 in repayment of dues: (Rs. in Lakhs)

Bank and Financial Institution	Delay upto 90 Days	Delay 91-180 Days	Delay 181-365 Days	More than 365 Days
<b>Loan</b>				
Axis Bank	7975			
Central Bank of India	454			
DBS	141			
DVB Bank	3,330	151	1,065	
HSBC Bank				2,278
ICICI Bank	6,233			
IDBI Bank	1,915	1,561		
Natixis	5192	861	654	
Punjab National Bank		1,809		
Union Bank		268		
<b>Total</b>	<b>25,240</b>	<b>4,650</b>	<b>1,719</b>	<b>2,278</b>
<b>Interest</b>				
Axis Bank	3766	58	36	-
Bank of Baroda	209	224	10	-
Central Bank of India	263	195	-	-
DVB Bank	1563	-	-	-
Exim Bank	-	-	-	129
Federal Bank	235	460	170	-



HSBC Bank	88	-	-	-
ICICI Bank	2641	-	-	-
IDBI Bank	1473	1155	-	-
Natixis	208	-	-	-
Punjab National Bank	397	1,496	-	-
State Bank of Hyderabad	481	108	4	-
Union bank	60	134	-	-
<b>Total</b>	<b>11,384</b>	<b>3,830</b>	<b>220</b>	<b>129</b>

During the year, Federal Bank had sold the outstanding loan amount to ARC, as result of which the continuing default was made good and the new agreed terms have been considered for reporting under this clause.

In addition to the above continuing defaults in payment of dues to banks and financial institutions were noticed. The details of continuing defaults as at the balance sheet date are given below:

(Rs. in Lakhs)

Bank and Financial Institution	Delay upto 90 Days	Delay 91-180 Days	Delay 181-365 Days	More than 365 Days
<b>Loan</b>				
Axis Bank	1,711	-	-	-
Bank of Baroda	394	394	789	-
Central Bank of India	227	227	227	-
DVB Bank	14,445	-	-	-
Exim Bank	1,292	1,292	2,584	7,721
HSBC Bank	-	-	-	316
ICICI Bank	500	-	-	-
IDBI Bank	669	-	-	-
Punjab National Bank	-	2,323	-	-
Union Bank	268	268	536	-
<b>Total</b>	<b>19,506</b>	<b>4,504</b>	<b>4,136</b>	<b>8,037</b>
<b>Interest</b>				
Axis Bank	1,024	-	-	-
Bank of Baroda	346	335	514	-
Central Bank of India	197	198	162	-
Exim Bank	701	382	733	1,756
Federal Bank	120	38	-	-
ICICI Bank	109	-	-	-
IDBI Bank	411	-	-	-
Punjab National Bank	586	382	-	-
State Bank of Hyderabad	5	-	-	-
Union bank	167	150	159	-
<b>Total</b>	<b>3,666</b>	<b>1,485</b>	<b>1,568</b>	<b>1,756</b>



- (ix) According to the information and explanation given to us on as overall basis, and utilization certificate obtained from a Chartered Accountant in respect of two term loans and on the basis of records verified by us nothing has come to our attention that term loan has not been applied for the purpose for which the loans were obtained. During the year, no monies have been raised through public offer.
- (x) According to the information and explanation given to us and the records of the company examined by us, no material fraud on or by the Company has been noticed or reported during the course of our audit.
- (xi) The company has complied with the relevant section 177 & 188 of the Companies Act, 2013 in respect of related party transactions and details have been disclosed in the financial statements as required in Accounting Standard 18.
- (xii) The provision of clauses 3 (xi), (xii), (xiv), (xv) & (xvi) of the Order are not applicable to the Company.

For **VARMA & VARMA**

Chartered Accountants  
FRN 004532S

**Cherian K Baby**

Partner

M. No. 16043

Mumbai, May 30, 2016

For **Motilal & Associates**

Chartered Accountants  
FRN 106584W

**Motilal Jain**

Partner

M. No. 036811

Mumbai, May 30, 2016





## ANNEXURE - II TO THE INDEPENDENT AUDITORS' REPORT

Annexure referred to in para 2 (h) of our Report of even date on the standalone financial statements of GOL Offshore Limited for the year ended March 31, 2016.

### 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 **GOL Offshore Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone 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 financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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 has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, 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.

### Emphasis of Matter

We draw attention to Note No 42 to the financial statements regarding certain weakness/ deficiencies regarding internal control systems and how the same have been mitigated/ are proposed to be mitigated. Our report is not qualified in respect of the above.

For **VARMA & VARMA**  
Chartered Accountants  
FRN 004532S

**Cherian K Baby**  
Partner  
M. No. 16043  
Mumbai, May 30, 2016

For **Motilal & Associates**  
Chartered Accountants  
FRN 106584W

**Motilal Jain**  
Partner  
M No. 036811  
Mumbai, May 30, 2016