



## **INDEPENDENT AUDITORS' REPORT ON STANADALONE Ind AS FINANCIAL STATEMENTS TO THE MEMBERS OF XL ENERGY LIMITED**

### **Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of XL Energy Limited (“the Company”), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss (including Other comprehensive income), the statement of changes in Equity 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 Standalone Ind AS Financial Statements**

The Company’s Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including Other comprehensive income, changes in Equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting the 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the Ind AS financial statements, the management is responsible for assessing the company’s ability to continue as a going concern disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these 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 and the Order under Section 143(11) of the Act. 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 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 Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Directors, as well as evaluating the overall presentation of the 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 Ind AS Financial Statements.



**Qualified Opinion:**

The accompanying Ind AS financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 5 to the Ind AS financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Ind AS financial statements (and notes thereto) do not adequately disclose this matter in para 5 of the Notes to Accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management’s plans in regard to continuing operations are mentioned in para 5 of the Notes to Accounts.

**Emphasis of Matters:**

In addition to the matter described in the *Qualified Opinion* section, we have determined the matters described below to be the emphasis of matters to be communicated in our report:

(a) As reported in note 4 relating to ‘Financial assets and liabilities’, Management has informed us that settlement with Banks/ARCs is in an advanced stage of completion. On completion of the same, the assets and liabilities including fixed assets as appearing in the books of account shall be reviewed and consequential effect on write off/ write back shall be done.

(b) Notes to Accounts at para 7 to the Ind AS financial statements which describes the balances appearing under other long-term liabilities, short term borrowings, trade payables, other current liabilities, long term loans and advances, CWIP advances, trade receivables short term loans and advances and other current assets are subject to confirmation and / or reconciliation if any. At this point of time, the quantification of its effect on the balance sheet is not ascertained and quantified.

(c) In ‘Other Income’ group in Profit & Loss a/c. include Sale of Residual rights in duty credit scrips relating to the periods 2008-09 to 2010-11 which is a contingent asset which will be crystallised upon the acceptance of the application made by the Company to the Director General of Foreign Trade and the value of the asset and its realisability is not known and not certain on account of its time barred nature.

Our opinion is not modified in respect of these matters.

**Opinion**

In our opinion with the exception of the matter described in the preceding paragraphs, and to the best of our information and according to the explanations given to us, the aforesaid 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 of the state of affairs of the Company as at 31<sup>st</sup> March, 2018 and its loss (including Other Comprehensive income), changes in Equity and its cash flows for the year ended on that date.

**Other Matters**

The comparative financial information of the company for the year ended 31<sup>st</sup> March 2018 and the transition date opening balance sheet as at 01<sup>st</sup> April 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules,2006 audited as adjusted for the differences in the accounting principles adopted by the company on transition to the Ind AS, which have been audited by us. Our opinion is not modified in respect of these matters.



**Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor’s Report) Order, 2016 (“the Order”) issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 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:

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.

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 i.e. the Balance Sheet, the Statement of Profit and Loss, (including Other Comprehensive income), changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

In our opinion, the aforesaid Ind AS financial statements subject to ‘Qualified Opinion and Emphasis of Matters supra complies with the Accounting Standards specified under Section 133 of the Act.

On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018, from being appointed as a director in terms of Section 164(2) of the Act.

Due to insignificant operations of the company during the year other than transition to Ind AS, reporting on the issue of ‘adequacy of the Internal Financial controls over financial reporting of the company and the operating effectiveness of such controls as contemplated in sec.143 (3) (i) is not reported.

With respect to the other matters 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 does not have any pending litigations which would impact its financial position other than those mentioned in financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses
- iii. There are no amounts relating to dividend that are due to be transferred to the Investor Education and Protection Fund during the year.

**FOR M/s V N R ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn: 004478S**

**Sd/-  
V N RAO  
PARTNER  
M. No: 18492.**

**Place: Hyderabad  
Date: 13.06.2018**



**Annexure referred to in paragraph 1 under Report on other Legal & Regulatory Requirements of Our Report of even date to the members of XL Energy Limited on STANDALONE Ind AS FINANCIAL STATEMENTS of the company for the year ended 31<sup>st</sup> March, 2018**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

(i) (a) It is informed that the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets at respective Units of the Company. However, a consolidated record of the same is not maintained.

(b) As explained to us, some of the fixed assets have been physically verified by the management at reasonable intervals; as informed to us no material discrepancies were noticed on such verification. However, the records are not made available for our perusal.

(c) The title deeds of immovable properties are held in the name of the company.

(ii) As explained to us, the Inventory has been physically verified during the year by the Management and in our opinion, the frequency of verification is reasonable.

(iii) The Company during the year has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 189 of the Act. Therefore, the provisions of clause 3(iii), (iii)(a) and (iii)(b) of the said Order are not applicable to the Company.

(iv) The Company during the year has not granted any loans, investments or provided any guarantees or security to the parties covered under section 185.

(v) The Company has not accepted any deposits from the public within the meaning of sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

(vi) The Central Government of India has not specified the maintenance of cost records under sub-section (1) of section 148 of the Act for any of the products of the Company.

(vii)(a) According to the information and explanations given to us and based on the records of the company the company's outstanding statutory dues in ₹ Lakhs are:

Indirect taxes ₹ 3.68; Tax Deducted at Source ₹ 0.20; P F ₹ 34.85; Income tax ₹23.28, Total ₹ 62 Lakhs

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, duty of customs and duty of excise, value added tax as at 31 March 2018 which have not been deposited on account of a dispute, are as follows:

Income tax dues for the AY.2005-06, AY.2006-07, AY. 2007-08 & AY 2008-09 ₹ 255.99 Lakhs.

(viii) The Company has defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders of the book value of ₹ 80,240.54 Lakhs as at 31.03.2018 and ₹ 81,793.95 Lakhs as at 31.03.2017. The institution wise details are at Note 4 (b)(i) of notes to financial statements.

In addition to the above, there is an outstanding of USD 4.20 million worth Foreign Currency convertible bonds.(FCCB's). As informed by the management, the FCCB's were due for redemption in



October 2012 and as on the date of redemption, the bond holders had to approach the Company either for redemption or conversion to Equity shares but none of the bondholders had approached the Company. Further, it is informed that the Company also had made efforts to identify and locate the bondholders but since the bondholders were not identified, the Company could not redeem the FCCB's and they have been shown as outstanding liability in the balance sheet till date.

(ix) The Company has not raised any monies by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company.

(x) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

(xi) The managerial remuneration is not provided.

(xii) As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of clause 3(xii) of the Order are not applicable to the Company.

(xiii) The Company has entered into transactions with related parties in compliance with the provisions of sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the Ind AS financial statements as required under Accounting Standard 18, Related Party Disclosures specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3(xiv) of the Order are not applicable to the Company.

(xv) The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the Order are not applicable to the Company.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of clause 3(xvi) of the Order are not applicable to the Company.

**FOR M/s V N R ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn: 004478S**

**Place: Hyderabad  
Date: 13.06.2018**

**Sd/-  
V N RAO  
PARTNER  
M. No: 18492.**