

BOARD OF DIRECTORS

SALIL TANEJA	Chairman
C S KAMESWARAN	Managing Director
A K JAIN	
S K NEWLAY	
J P SUREKA	
R SURIE	
B R TANEJA	

COMPANY SECRETARY

ROHIT KUMAR SINGH

AUDITORS

M/S HARESH UPENDRA & CO.
Chartered Accountants

BANKERS

Bank of India	Bank of Baroda
Canara Bank	State Bank of India

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd

REGISTERED OFFICE & WORKS

Belagondapalli Village, Thally Road,
Denkanikotta Taluk, Krishnagiri Dist.,
Belagondapalli - 635114, Tamil Nadu

CORPORATE OFFICE

2nd Floor, Panchashila No. 42,
Dickenson Road,
Bangalore - 560 042

Annual General Meeting at Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri Dist.,
Belagondapalli - 635114, Tamil Nadu on December 31, 2009 at 11.00 A.M.

DIRECTORS' REPORT

To the Members of Taneja Aerospace and Aviation Limited

Your Directors present herewith the Twentieth Annual Report and the Audited Accounts for the fifteen months period ended on June 30, 2009.

FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

	2008-09 (15 Months)	2007-08 (9 Months)
Gross Income	3545.20	1676.80
Operating Expenditure	2332.32	1377.97
Finance Charges	365.88	147.41
Depreciation	294.17	144.05
Prior Period Items	40.40	38.01
Provision for Taxation (including Deferred and Fringe Benefit Tax)	8.97	6.04
Profit/(Loss) after Tax	556.48	(36.68)
Transfer from Revaluation Reserves	2000.00	-

DIVIDEND

Your Directors do not recommend any dividend for the period under review ended on June 30, 2009.

OPERATIONS

All the three Divisions performed satisfactorily during the period contributing to healthy overall increase in revenues. The Company wishes to focus on growing these businesses in view of their huge potential and has decided to discontinue the production of P-68 aircraft.

SCHEME OF ARRANGEMENT

TAAL Technologies Private Limited, wholly owned subsidiary, has filed a Scheme of Arrangement before the Hon'ble High Court of Judicature at Madras for merger with your Company.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R Surie and Mr. Salil Taneja retire by rotation and being eligible, offer themselves, for re-appointment.

Mr. C S Kameswaran is being appointed as Whole Time Director designated as the Managing Director for a period of one year from December 01, 2008 to November 30, 2009 and again for three years from December 01, 2009 to November 30, 2012.

The approval of the Members for appointment and re-appointment of the aforementioned Directors is being sought in the forthcoming Annual General Meeting.

DELISTING FROM PUNE STOCK EXCHANGE LTD.

The Equity Shares of the Company have been delisted from Pune Stock Exchange Ltd. w.e.f. December 01, 2008. However, the Equity Shares of the Company continue to be listed on Bombay Stock Exchange Ltd.

AUDITORS

Hareh Upendra & Co., Chartered Accountants retire as Statutory Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. In respect of the Qualifications by the Auditors, it has been explained in relevant Accounting Policies and Notes on Accounts in Schedule 15, which are self explanatory and therefore do not call for any further comments.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the Audited Accounts, Directors Report and Auditors' Report of the subsidiaries are enclosed to this Report except TAAL Technologies Private Limited which has become a subsidiary subsequent to the Balance Sheet date.

Statement pursuant to Section 212 (3) of the Companies Act, 1956, relating to subsidiary companies forms part of this report. There has been no significant changes in the accounts of subsidiaries since the date of their Balance Sheet until the date of the Accounts of your Company.

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a separate section on Corporate Governance and Management Discussion and Analysis together with a Certificate from the Auditors of the Company on compliance, forming part of the Directors' Report is attached to this report.

DISCLOSURE PARTICULARS

The Particulars in respect of Research and Development, Energy Conservation, Technology Absorption and Foreign Exchange Earnings, Outgo, etc. as required under Section 217 (1) (e) of the Companies Act, 1956 is given in Annexure I to this report.

The particulars of employee as required under Section 217 (2A) of the Companies Act, 1956 forming part of this Report are given in Annexure II to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217 (2AA) of the Companies Act, 1956 the Directors' Responsibility Statement is given hereunder:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures ;
- ii) that the Directors have selected accounting policies and applied them consistently and made judgments and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the fifteen months period ended on June 30, 2009 and of the Profit and Loss of the Company as on that date;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting

records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- iv) that the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT

The Board expresses its sincere gratitude for the continued support and guidance received by the Company from the Government of India, Government of Maharashtra and Tamil Nadu, the Reserve Bank of India, Stock Exchanges and other regulatory agencies. The Board would like to acknowledge the continued support of its bankers, vendors, clients and investors. The Directors also wish to place on record their gratitude and appreciation of the employees' hard work, dedication, team work and professionalism which made the substantial growth possible year after year.

For and on behalf of the Board of Directors

Pune
December 05, 2009

Salil Taneja
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Your Company operates in distinct independent activities viz Aircraft Sales and Services, Aero Structures (Manufacturing) & Airfield Services and MRO. The financial turbulence that rocked the global economies has placed significant focus on challenges faced by aviation industry. However, despite the global downturn, your Company expects the industry fundamentals to be strong in the long term.

Opportunities

Your Company always looks out for opportunities that emerge in the aviation sector. Given your Company's competence and facilities, it is uniquely positioned to cater to the existing and emerging requirements in Aviation Sector. Your Company intends to take up activities with a medium to long term perspective, which can be built up and nurtured on the core competence of the Company.

Product wise Performance

	(Rs in lacs)	
	2008-09 (15 months)	2007-08 (9 months)
Aero Structure	1568.19	742.07
Agency Sales and Air Management	523.63	382.26
MRO	1191.72	315.81
Total	3283.54	1440.14

Outlook

In General Aviation front, your Company sees requirement of Corporate Jets from various Industries for their business use. Your Company with its quality system also sees tremendous business opportunities for its manufacturing activities with favourable Government policies and increase in outsourcing from Indian Defence and Aviation Sector.

Risks and Concerns

Frequent changes in the aviation fuel pricing and consequent slow down in the Airline Operations coupled with economic slow down can have an impact on the operations and revenues of the Company. One of the other area of concern is of technology obsolescence since technological advancements play important role in aviation industry. Apart from these, the other risks relate to natural disaster, economic and geopolitical problems.

Internal Control Systems and Adequacy

Your Company is augmenting its internal control system with regard to financial and operating functions. The

Company, however continues its efforts to strengthen the same through periodical reviews.

Financial Performance

The Financial performance for the Fifteen months period ended on June 30, 2009 as compared to the previous period is given below

	(Rs. in lacs)	
	2008-09 (15 Months)	2007-08 (9 Months)
Gross Income	3545.20	1676.80
Profit after Interest but before Depreciation	847.00	151.42
Less: Depreciation	294.17	144.05
Less: Prior Period Income (Net)	40.40	38.01
Provision for Taxation (including Deferred and Fringe Benefit Tax)	8.97	6.04
Profit/(Loss) after Tax	556.48	(36.68)
Transfer From Revaluation Reserves	2000.00	-

Material Developments in Human Resources / Industrial Relations

The Company maintained good industrial relations with its employees and staff. Human Resource remained a key focus area for your Company during the period under review.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's expectations or predictions are 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include demand-supply conditions, raw materials prices, changes in Government regulations, tax regime, economic developments within the country and other factors such as litigation and labour negotiations.

For and on behalf of the Board of Directors

Pune
December 5, 2009

Salil Taneja
Chairman

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company has a strong value system comprising of honesty, integrity, secularity and equal opportunity for all. The Company strives to provide its stakeholders with maximum information relating to the affairs of the Company with an attempt to bring about total transparency in our working. We believe that good governance is the corner stone of any successful organization and we continuously endeavor to improve our standards of governance.

BOARD OF DIRECTORS

The composition of the Board of Directors, their attendance at Board Meetings held during the period and at the last Annual General Meeting as also the number of directorships in other public companies and memberships in various committees across all Public companies as on June 30, 2009 are as follows:

Name of the Director	Category	For period April 1, 2008 to June 30, 2009 attendance at		As on Date		
		Board Meetings	Last AGM	No. of Directorships in other public companies	Committee positions in other public companies	
					Member	Chairman
Mr. Salil Taneja	Promoter Non Executive Director	7	Yes	2	-	-
Mr. A K Jain	Non Executive Independent Director	5	Yes	1	-	1
Mr. S K Newlay	Non Executive Independent Director	7	Yes	1	1	-
Mr. J P Sureka	Non Executive Independent Director	7	Yes	3	1	-
Mr. R Surie	Non Executive Independent Director	-	No	-	-	-
Mr. B R Taneja	Promoter Non Executive Director	7	Yes	1	-	-
Mr. C S Kameswaran	Executive Director	6	Yes	-	-	-

* This does not include Directorships in Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

During the period under review Seven Board Meetings were held on April 30, 2008, June 30, 2008, July 9, 2008, August 25, 2008, October 31, 2008, January 20, 2009 and April 30, 2009.

The composition of the Board is in conformity with the stipulations in Clause 49 of the Listing Agreement.

The Board has complete access to all the relevant information available within the Company.

Appointment/Re-appointment of Directors

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr R Surie and Mr Salil Taneja will retire by rotation and being

eligible, offer themselves for re-appointment in the ensuing Annual General Meeting.

Mr. C S Kameswaran is being appointed as Whole Time Director designated as the Managing Director for a period of one year from December 01, 2008 to November 30, 2009 and again for three years from December 01, 2009 to November 30, 2012.

Brief resume of the Directors proposed to be appointed/re-appointed is given in the Notice convening the Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee consists of three members viz. Mr. S K Newlay, Mr. J P Sureka and Mr. A K Jain. All members are Independent Directors. Mr. S K Newlay is the Chairman of the Audit Committee.

Annual Report 2008-09

During the period under review, six meetings of Audit Committee were held on April 30, 2008, June 30, 2008, July 9, 2008, October 31, 2008, January 20, 2009 and April 30, 2009. The attendance at Audit Committee Meetings is given below

Name of Director	Chairman or Member	No. of Meetings Attended
Mr. S.K. Newlay	Chairman	6
Mr. J.P. Sureka	Member	6
Mr. A.K. Jain	Member	4

Mr. S K Newlay, the Chairman of the Audit Committee was present at the last Annual General Meeting.

The terms of reference of the Audit Committee are in conformity with the provisions of Section 292A of the Companies Act, 1956 and the stipulations of Clause 49 of the Listing Agreement with the Stock Exchange.

MANAGERIAL REMUNERATION

a) Remuneration Committee

The Remuneration Committee consists of Mr. J P Sureka, Chairman, Mr. S K Newlay and Mr. A K Jain as Members.

The Remuneration Committee is empowered to fix, review, and recommend the remuneration payable to Whole Time Directors.

During the period under review Remuneration Committee Meeting was held on October 31, 2008 which was attended by Mr. J P Sureka and Mr. S K Newlay.

b) Remuneration Policy

The remuneration of the Whole Time Directors is decided by the Board of Directors based on the recommendations of the Remuneration Committee, which inter-alia is based on the criteria such as industry bench-marks, financial performance of the Company, performance of the Whole Time Directors, etc.

The Company pays remuneration by way of salary, perquisites and allowance to its Whole Time Directors. No remuneration is paid by way of commission to any Non- Executive Director.

The Company pays sitting fee of Rs. 5000/- each for attending Board Meeting and Rs. 2500/- each for attending Committee Meeting by Non Executive Directors. There has been no change in the Remuneration Policy of the Company.

c) Remuneration to Directors

A statement on the remuneration paid to the Whole Time Director and sitting fees paid to Non Executive Directors during the period under review is given below :

Name of Director	Salary & Perquisites p.a (Rs)	Sitting fees (Rs)
S Taneja	NA	35000
AK Jain	NA	42500
SK Newlay	NA	65000
JP Sureka	NA	65000
R Surie	NA	Nil
B R Taneja	NA	35000
C S Kameswaran	25,96,740	NA

Note: Salary and Perquisites include other allowances, contribution to Provident Fund and Superannuation Fund, Leave Travel Allowance, Medical Reimbursement and Accommodation provided.

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

This Committee consists of Mr. A K Jain, Mr. J P Sureka and Mr. S K Newlay. During the period under review the Committee has held five meetings i.e. on April 30, 2008, July 9, 2008, October 31, 2008, January 20, 2009 and April 30, 2009.

Name Of Director	Chairman or Member	No. of Meetings Attended
Mr. A K Jain	Chairman	3
Mr. J P Sureka	Member	5
Mr. S K Newlay	Member	5

During the period under review all the complaints/ grievances that were received from the shareholders/ investors, have been attended to and satisfactorily resolved. No valid transfer/ transmission of shares were pending as on June 30, 2009.

The information about complaints received and their disposal is tabulated as hereunder:

Nature of Complaints	No. of Complaints received during the period under review	No. of Complaints redressed during the period under review
Non receipt of shares after transfer	2	2
Non receipt of demat credit	-	-
Non receipt of shares on exchange	1	1

The Company has paid listing fees for the financial year 2009-10 to the Bombay Stock Exchange Limited where the Equity Shares of the Company are Listed.

The Equity Shares of the Company have been voluntarily delisted from the Pune Stock Exchange Limited w.e.f. December 01, 2008.

COMPLIANCE OFFICER

Mr R J Joshi (till November 05, 2009) and Mr Rohit Kumar Singh (from November 26, 2009) has been appointed as a Compliance Officer of the Company for complying with the requirements of the Listing Agreement with the Stock Exchange and requirements

of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time.

CODE OF CONDUCT

The Board of Directors laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is posted on the website of the Company. (www.taal.co.in)

OTHER DISCLOSURES

Details of related party transaction are furnished in Note No 11 in Part B of Schedule 15 of Notes to Accounts.

There were no instances of material non-compliances and no strictures or penalties imposed on the Company either by SEBI, Stock Exchange or any other statutory authorities on any matter related to capital markets during the last three years.

CEO/CFO CERTIFICATION

In accordance with Clause 49(V) of the Listing Agreements, the Chairman and MD have given their certificate to the Board and forms part of this Report.

MEANS OF COMMUNICATION

The Quarterly Results are Published in one English Daily News Paper and one Vernacular (Tamil) Daily News Paper. The Quarterly Results are also displayed on the website of the Company (www.taal.co.in) and on BSE website (www.bseindia.com Scrip code 522229).

No presentations were made to Institutional Investors or Analysts during the period under review.

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

The Company has designated the following E-mail ID exclusively for investor servicing: secretarial@taal.co.in

GENERAL MEETINGS

Location and time of General Meetings held in last 3 years:

Year	Type	Date	Venue	Time	No. of Special Resolutions passed
2007-08	AGM	30/9/08	Regd. Off. - Belagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri District, Belagondapalli- 635114 Tamil Nadu	11:00AM	2
2006-07	AGM	28/2/08	Taj Blue Diamond, Koregaon Road, Pune 411001	11:00AM	--
2005-06	AGM	29/9/06	Taj Blue Diamond, Koregaon Road, Pune 411001	11:00 AM	2

All Special Resolutions moved at the Annual General Meeting (AGM) were passed unanimously on show of hands.

Pursuant to the provisions of Section 192A of the Companies Act, 1956, no Resolution was passed by Postal Ballot in the period under review.

GENERAL SHAREHOLDERS INFORMATION

AGM Date and Time	December 31, 2009 at 11.00 A.M.
Venue	Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli- 635114 Tamil Nadu
Financial Period	April 1, 2008 to June 30, 2009
Date of Book Closure	December 28, 2009 to December 31, 2009
Equity Share Listed on	Bombay Stock Exchange Limited
GDR Listed on	Luxembourg Stock Exchange
Security Code (BSE)	522229
ISIN No Allotted to Equity Shares	INE 692C01020
Luxembourg Stock Exchange Security Code	US 8753891089
Registered Office & Plant Location	Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli- 635114, Tamil Nadu
Address for Correspondence	2nd Floor, Panchashila No. 42, Dickenson Road, Bangalore - 560 042

Market Price Data

The performance of the Company's scrip on the BSE as compared to the BSE 500 Index is as under:

Month	Share Price		BSE 500 Index	
	High Rs.	Low Rs.	High	Low
April 2008	151.00	102.05	6965.79	6024.18
May 2008	153.80	102.15	7066.27	6427.23
June 2008	109.40	76.10	6540.45	5199.65
July 2008	81.20	52.25	5783.45	4862.30
August 2008	73.10	56.05	5993.16	5424.47
September 2008	69.90	36.25	5821.90	4650.37
October 2008	46.45	26.65	5006.82	2899.28
November 2008	36.50	25.50	3988.60	3097.91
December 2008	37.05	26.60	3755.50	3103.47
January 2009	33.70	19.50	3885.52	3190.15
February 2009	25.90	17.00	3529.88	3155.42
March 2009	21.80	15.05	3616.51	2961.26
April 2009	33.90	18.35	4219.20	3482.58
May 2009	47.15	32.90	5562.60	4232.99
June 2009	46.90	35.10	5886.88	5281.42

Source: www.bseindia.com

Dematerialization of Shares

Nearly 94.50 per cent of total Equity Capital is held in demat form with NSDL and CDSL as on June 30, 2009.

Share Transfer System

The Equity Shares of the Company are traded compulsorily in Demat segment on the Stock Exchange.

Shares received for transfer in physical mode are processed and valid transfers are approved within stipulated time frame. Duly transferred share certificates are dispatched within 30 days from the date of receipt.

Pursuant to Clause 47 (c) of the Listing Agreement with the Stock Exchange, certificate on half yearly basis have been filed with the Stock Exchange for due compliance of share transfer formalities by the Company.

In terms of guidelines issued by SEBI, the Secretarial Audit Report for all the quarters have been filed with the Stock Exchange, which inter-alia gives details about the reconciliation of Share Capital (both physical and demat).

Distribution of Shareholding of the Company as on June 30, 2009

Share holding of nominal value of Rs.	No. of Share Holder(s)	% to Total	No. of Shares	% to Total
Upto 5,000	17340	94.62	2960406	11.88
5,001 10,000	411	2.24	641339	2.57
10,001 20,000	288	1.57	820797	3.29
20,001 30,000	94	0.51	465805	1.87
30,001 40,000	38	0.21	266747	1.07
40,001 50,000	36	0.20	340490	1.37
50,001 1,00,000	60	0.33	863196	3.46
1,00,001 and above	58	0.32	18571956	74.49
Total	18325	100.00	24930736	100

REGISTRAR AND SHARE TRANSFER AGENT

In accordance with the Securities and Exchange Board of India (SEBI) directive, the Company has appointed M/s Sharepro Services (India) Pvt Ltd as a common agent for all investor services viz. processing of transfers, sub-division and consolidation and for rendering demat services such as dematerialization and

rematerialisation of shares, etc. Shareholders may contact Share Transfer Agent on the following address:

Sharepro Services (India) Pvt Ltd

13, AB Samhita Wear Housing Complex
2nd Floor, Saki Naka Telephone Exchange Lane,
Off. Andheri Kurla Road, Saki Naka, Andheri East,
Mumbai - 400 072
Tel.:- 91 - 022 - 67720300 / 400
Fax.- 022 - 28591568

Sharepro Services (India) Pvt Ltd

3, Chintamani Apartments,
Lane No 13, Off V G Kale Path
824/D, Bhandarkar Road
Pune - 411 004
Tel. +91-20-25662855
e-mail: sharepropune@vsnl.net

As regards to the shareholding in electronic form shareholders are requested to write to their respective Depository Participant and provide Bank Mandate details, ECS particulars, etc so as to facilitate expeditious payment of Corporate Action, if any.

Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has no outstanding GDRs and the Company has not issued any ADRs during the period under review.

For and on behalf of the Board of Directors

Pune
December 05, 2009

Salil Taneja
Chairman

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

As required by Clause 49 of the Listing Agreement, this is to confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company. The Code is available on the Company's web site.

I confirm that the Company has in respect of Fifteen months period ended on June 30, 2009, received from

the senior management team of the Company and the Members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team comprises of employees in the President and Executive Vice President cadre as on June 30, 2009.

For and on behalf of the Board of Directors

Pune
December 5, 2009

Salil Taneja
Chairman

CEO/CFO CERTIFICATION TO THE BOARD
(Under Clause 49(V) of Listing Agreement)

To
The Board of Directors
Taneja Aerospace and Aviation Limited

We, Salil Taneja, Chairman and C S Kameswaran, Managing Director of Taneja Aerospace and Aviation Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements and the cash flow statement for the fifteen months period ended June 30, 2009 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the period ended June 30, 2009 which are fraudulent, illegal or violative of the Company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the

internal control systems of the Company pertaining to the financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

4. We have indicated to the auditors and Audit Committee
 - (i) there are no significant changes in internal control during the fifteen months period ended June 30, 2009;
 - (ii) all significant changes in accounting policies during the period ended June 30, 2009 and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Salil Taneja
Chairman
Pune, December 05, 2009

C S Kameswaran
Managing Director

**CERTIFICATE FROM AUDITORS REGARDING
COMPLIANCE OF
CONDITIONS OF CORPORATE GOVERNANCE**

To
The Shareholders of
Taneja Aerospace and Aviation Limited

1. We have examined the compliance of conditions of Corporate Governance by Taneja Aerospace and Aviation Limited for the Fifteen months period ended on June 30, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchange.

4. **In our opinion, role of Audit Committee needs to be expanded to cover update on internal audits, interaction with representatives of internal and statutory auditors in respect of accounts, limited review of quarterly results, review of internal control systems and applicability of accounting standards.**
5. We have conducted our examination on the basis of the relevant records and documents maintained by the company and furnished to us for examination and the information and explanations given to us by the company and based on that we report that except what is mentioned in Para 4 above, the Company has complied with most of the important conditions of the Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
6. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

For Haresh Upendra & Co,
Chartered Accountants,

Haresh B. Shah
Partner
Membership No. : 32208

Pune, December 05, 2009

AUDITORS' REPORT

To,
The Members of Taneja Aerospace and Aviation Limited

1. We have examined the attached Balance Sheet of **Taneja Aerospace and Aviation Limited** ("the company") as at June 30, 2009 and also the Profit and Loss account and Cash Flow Statement of the Company for the period April 01, 2008 to June 30, 2009. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the accounting standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comment in the Annexure referred to above, we report that :
 - 4.1 **As detailed in the Note No. 17 of Schedule 15, the Company has transferred Rs. 20,00,00,000/- from Revaluation Reserve to Profit & Loss Account . This amount has been utilised for prior year write offs / provisions amounting to Rs. 15,20,94,875/- and current period adjustments of Rs. 4,26,03,010/- and the balance is carried over.**
Above treatment is not in accordance with generally accepted accounting principles and have effect of overstatement of profit for the period by Rs. 20,00,00,000/- (Rupees twenty crores)
 - 4.2 **The difference between the actual sales tax liability and discounted value is being treated as revenue expenditure in the year in which it is paid. This accounting practice is not in accordance with generally accepted accounting principles. Further, during the period Company has not accounted the difference between the actual liability and the discounted value of liability as revenue expenditure. Consequently, the profit for the period is further overstated by Rs. 36,92,497/- (Refer Note No. 18).**

5. Subject to our comments in paragraph 4 above and our comments in the annexed report,
 - (a) we have obtained all the information and explanation, 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, Profit and Loss account and Cash Flow Statement dealt with by our report are in agreement with the books of account.
 - (d) in our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with in the report comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) on the basis of written representations received from the Directors, as on June 30, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 30th June, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) in our opinion and to the best of our information and according to the explanation given to us, the said accounts, read with the schedules thereto and the notes thereon give information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in the case of Balance Sheet, of the state of affairs of the Company as at June 30, 2009.
 - ii. in the case of Profit and Loss account, of the Profit for the period ended on that date; and
 - iii. In the case of Cash Flow Statement, of the cash flows for the period ended on that date.

For Haresh Upendra & Co,
Chartered Accountants,

Haresh B. Shah
Partner
Membership No. : 32208

Pune, December 05, 2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) a. The company has maintained records showing full particulars, including quantitative details and situation of fixed assets.
- b. According to the information and explanation given to us, the fixed assets were physically verified by the management in accordance with the programme of verification, which in our opinion is reasonable having regard to size of the Company and the nature of its assets. The discrepancies noticed on physical verification were not material and have been dealt with the books of account. **The Company has made estimated provision of Rs. 100 lacs for impairment of Fixed Assets.** (Ref. Note No. 17)
- c. According to the information and explanations given to us, the company has not disposed off major part of fixed asset during the period under audit, which would affect the going concern of the company.
- (ii) a. **The company has not produced any physical verification report of inventory for the period under audit, however physical inventory arrived at by the management as on June 30, 2009 is used as the basis.**
- b. **The company has valued its inventory of raw material, stores and work in progress at cost without Comparing the same with realizable value. The company has written off inventory based on management's estimates as referred to in Note No.17.**
- (iii) In respect of unsecured loans granted to companies covered in register maintained under section 301 of the Companies Act, 1956 and according to the information and explanation given to us-
- a. During the year, the Company has not granted any advances to company/companies covered in the register maintained under section 301 of the Companies Act, 1956. Out of advances granted in earlier years, the amount outstanding as on June 30, 2009 is Rs. 430 lacs.
- Further, company has paid additional amount of Rs 670 lacs (previous year Rs 300 lacs) as Share Application Money to one of the companies covered in the register maintained under section 301 of the Companies Act, 1956. Equity shares against the same have been allotted to company on October 27, 2009 (date after the reporting period) and consequently it became a subsidiary of the company from that date.
- b. As explained to us, the advance is repayable on demand. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which advance have been granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- c. As the advance is repayable on demand, we are unable to comment on regularity of receipt of principal and interest amount.
- d. No loan or interest can be termed as overdue in absence of time of repayment and thus the question of taking reasonable step for recovery of principal amount and interest there on does not arise.
- e. During the year, the Company has taken advances aggregating to Rs.3160 lacs from one of the companies covered in the register maintained under section 301 of the Companies Act, 1956. At the year end, the aggregate amount outstanding was Rs.995 lacs. The maximum balance outstanding during the year is Rs.1511 lacs
- f. As explained to us, the advance is repayable on demand. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of advance taken by the company; are prima facie not prejudicial to the interest of the company;
- g. As the advance is repayable on demand, we are unable to comment on the regularity of repayment of principal and interest amount.
- (iv) **In our opinion and according to the information and explanations given to us, there are weaknesses in internal control in stores, purchase procedure and in accounting of revenue of the company. The Company needs to take immediate steps to strengthen the internal control system.**
- (v) a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies act, 1956 and exceeding the value of Rupees five lakhs have been made at prices which are reasonable having regard to prevailing market prices at the relevant time subject to our comments contained in clause (iii) (b).
- (vi) As per explanation given to us, the Company has not accepted any deposits from public to which the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 would apply. Therefore, the provisions of clause 4 (vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (vii) The company has appointed an external firm of Chartered Accountants as internal auditor from October 01, 2008. **Scope and area of checking in relations to internal control and systems needs to be expanded to bring the internal audit in line with size and complexities of operations of the company.**

- (viii) The Central Government has not prescribed the maintenance of the cost record u/s 209(1) (d) of the Companies Act, 1956 and hence the provisions of clause 4 (viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (ix) a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues with the appropriate authorities during the year.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, cess and other material statutory dues, were in arrears, as at June 30, 2009 for a period of more than six months from the date they became payable, except

Name of Statute	Nature of Dues	Amount (Rs. In lacs)	Period to which it relates
The Income Tax Act, 1961	Tax deducted but not paid	9.74	Apr-06 to June-07

- c) According to the explanation and information given to us, there are no dues of income tax/sales tax/wealth tax/service tax/custom duty/excise duty/cess which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses. The company has not incurred any cash losses during the period covered by our audit and in the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues of any financial institutions or bank. The company is paying the interest on the Bank Loans that have been computed and provided in the accounts based on restructuring scheme as approved by banks subject to continuance of compliance of conditions of scheme.
- (xii) According to the explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institution. Hence, the provisions of clause 4 (xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvi) As per the information and explanations given to us, during the period Company has taken over a Term Loan on an assignment basis amounting to Rs 12,00,00,000/- sanctioned by a bank to one of its subsidiary companies for implementation of Projects of the company. The loan is secured by deposit kept with the bank by a third party. Approval from the bank for assignment of loan is awaited. The term loan was applied for the purposes for which it was obtained.
- (xvii) According to information and explanation given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, during the period covered by our audit report, the company has not made preferential allotment of equity shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) In our opinion and according to the information and explanations given to us, the Company has not issued any secured debentures during the period of our audit. Therefore, clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xx) The company has disclosed the end use of the funds raised through Preferential issue by way of notes to accounts.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Haresh Upendra & Co,
Chartered Accountants,

Haresh B. Shah
Partner
Membership No. : 32208

Pune, December 05, 2009

BALANCE SHEET AS AT JUNE 30, 2009

	Schedule	As at June 30, 2009 Rs.	As at March 31, 2008 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	124,653,680	124,653,680
Reserves & Surplus	2	1,062,928,632	758,380,420
LOAN FUNDS			
a) Secured Loans	3	149,325,121	63,182,824
b) Unsecured Loans	4	110,231,763	127,859,309
DEFERRED TAX LIABILITY (Refer Note No. 4)		39,458,845	39,458,845
	Total	<u>1,486,598,041</u>	<u>1,113,535,078</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	1,088,946,311	547,087,282
Less: Depreciation & Impairment		174,429,526	135,676,520
Net Block		914,516,785	411,410,762
CAPITAL WORKS IN PROGRESS		252,555,823	146,756,204
INVESTMENTS	6	144,919,720	129,089,970
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventory	7	86,079,699	198,675,403
b) Sundry Debtors	8	24,941,181	108,571,079
c) Cash & Bank Balances	9	88,296,692	74,437,175
d) Loans & Advances	10	126,711,724	194,835,231
		326,029,296	576,518,888
Less : CURRENT LIABILITIES & PROVISIONS	11	152,202,372	151,830,675
NET CURRENT ASSETS		173,826,924	424,688,213
MISCELLANEOUS EXPENDITURE (To the extent not written off)		778,789	1,589,929
	Total	<u>1,486,598,041</u>	<u>1,113,535,078</u>
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	15		

The Schedules referred to herein form an integral part of the accounts.

As per our report of even date
For **Haresh Upendra & Co**
Chartered Accountants

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

Salil Taneja **C S Kameswaran**
Chairman Managing Director

Rohit Kumar Singh
Company Secretary

Pune, December 05, 2009

Pune, December 05, 2009

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED JUNE 30, 2009

	Schedule	June 30, 2009 (15 Months)	March 31, 2008 (9 Months)
		Rs.	Rs.
INCOME			
Sales and Other Income	12	354,520,490	167,680,459
EXPENDITURE			
Manufacturing and Other Expenses	13	233,232,218	137,797,388
Operating Profit (Before Interest and Depreciation)		121,288,272	29,883,071
Finance Cost	14	36,587,873	14,741,413
Depreciation	5	29,417,006	14,405,313
Profit Before Tax and Exceptional and Prior Period Items		55,283,393	736,345
Provision for Taxation			
Current Tax		-	-
Deferred Tax (Net)		-	61,623
Fringe Benefit Tax		897,264	541,886
Profit After Tax but Before Exceptional and Prior Period Items		54,386,129	132,836
Add : Transfer from Revaluation Reserve		200,000,000	-
Less : Write offs (Refer Note No. 17)		194,697,885	-
Less : Prior Period Adjustments (Refer Note No. 10 [vi])		4,040,032	3,801,301
Profit/(Loss) After Tax		55,648,212	(3,668,465)
Balance brought forward		72,733,407	86,401,874
Less : Exceptional Items		-	10,000,000
Balance carried to Balance Sheet		128,381,621	72,733,409
Earning Per Share (Refer Note No. 5)		2.18	0.01
Accounting Policies and Notes on Accounts	15		

The Schedules referred to herein form an integral part of the accounts.

As per our report of even date
For **Haresh Upendra & Co**
Chartered Accountants

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

Salil Taneja **C S Kameswaran**
Chairman Managing Director

Rohit Kumar Singh
Company Secretary

Pune, December 05, 2009

Pune, December 05, 2009

CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2009

	June 30, 2009 (15 months)		March 31, 2008 (9 months)	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax, exceptional & prior period items	55,283,393		736,345	
Adjustment for:				
i) Depreciation (Net)	29,417,006		14,405,313	
ii) Prior period Items	(4,040,032)		(3,801,301)	
iii) Legal & Professional fees	(19,862,877)		-	
iv) Interest paid	36,587,873		14,741,413	
v) Interest Received	(17,593,782)		(14,262,852)	
vi) Dividend Received	(230)		(35,744)	
Operating Profit before Working Capital Changes	79,791,351		11,783,174	
Adjustments For:				
i) Trade and other receivables	132,461,527		208,496,099	
ii) Inventories	(10,260,296)		(8,451,040)	
iii) Trade Payables	371,701		40,275,698	
iv) Decrease/(Increase) in Deferred Revenue Expenditure	811,140		1,385,798	
Cash Generated from Operations	203,228,423		253,489,729	
Direct Taxes Paid	(897,264)		(541,886)	
Net cash flow from Operating Activities		202,331,159		252,947,843
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets/Capital WIP	(199,422,648)		(144,280,027)	
Investment in Equity	38,569,883		(89,097,445)	
Net Cash Used in Investing Activities		(237,992,531)		(233,377,472)
C. CASH FLOW FROM FINANCING ACTIVITIES				
i) Interest Received	17,593,782		14,262,852	
ii) Addition/(Repayment) of Loans	68,514,750		30,839,024	
iii) Dividend Received	230		35,744	
iv) Payment of Interest	(36,587,873)		(14,741,413)	
v) Exceptional Items	-		(10,000,000)	
Net Cash flow from Financing Activities		49,520,889		20,396,207
Net increase in Cash and Cash Equivalents		13,859,517		39,966,578
Cash and Cash Equivalents as at 01-04-2008 (01-07-2007)		74,437,175		34,470,597
Cash and Cash Equivalents as at 30-06-2009 (31-3-2008)		88,296,692		74,437,175
Net Increase in Cash and Cash Equivalents		13,859,517		39,966,578

As per our report of even date

For **Haresh Upendra & Co**
Chartered Accountants

Haresh B. Shah
Partner
Membership No.: 32208

Pune, December 05, 2009

For and on behalf of the Board of Directors

Salil Taneja **C S Kameswaran**
Chairman Managing Director

Rohit Kumar Singh
Company Secretary
Pune, December 05, 2009

SCHEDULES TO THE BALANCE SHEET

	As at June 30, 2009 Rs.	As at March 31, 2008 Rs.
SCHEDULE - 1 : SHARE CAPITAL		
Authorised Capital		
(4,00,00,000 (Previous Year 4,00,00,000) Equity Shares of Rs.5/- each)	200,000,000	200,000,000
10,00,000 (Previous Year 10,00,000) - 15% Redeemable Cumulative Preference Shares of Rs.50 each	50,000,000	50,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and paid up Capital		
2,49,30,736 (Previous Year 2,49,30,736) Equity Shares of Rs.5/- each (Refer Note No. 7)	124,653,680	124,653,680
	<u>124,653,680</u>	<u>124,653,680</u>
SCHEDULE - 2 : RESERVES & SURPLUS		
Capital Reserve	583,000	583,000
Security Premium Account	660,075,466	642,750,466
Add: Forfeiture of Advance against Preferential Allotment	<u>-</u>	<u>17,325,000</u>
	660,075,466	660,075,466
Revaluation Reserve	24,988,545	24,988,545
Add : Revaluation during the period (Refer Note No. 17 [a])	448,900,000	-
Less: Transfer to Profit & Loss Account	<u>200,000,000</u>	<u>-</u>
	273,888,545	24,988,545
Balance in Profit & Loss account	<u>128,381,621</u>	<u>72,733,409</u>
	<u>1,062,928,632</u>	<u>758,380,420</u>
SCHEDULE - 3 : SECURED LOANS		
(Refer Note No. 2)		
i) Term Loan from Banks	112,337,723	14,532,656
ii) Working Capital Borrowings from Banks	36,894,205	47,956,000
iii) Hire Purchases	93,193	694,168
	<u>149,325,121</u>	<u>63,182,824</u>
SCHEDULE - 4 : UNSECURED LOANS		
i) Inter-Corporate Deposits	99,467,500	110,000,000
ii) Interest free Sales tax Loan (Refer Note No. 18)	10,764,263	17,859,309
	<u>110,231,763</u>	<u>127,859,309</u>

SCHEDULES TO THE BALANCE SHEET (continued)
SCHEDULE - 5 Fixed Assets

Particulars	Gross Block			Depreciation			Net Block			
	As on 01-04-2008 Rs.	Additions 01-04-08 to 30-06-09 Rs.	Sales/ Adjustment Rs.	As on 30-06-09 Rs.	Upto 01-04-08 Rs.	For the Period Rs.	Sales / Adjustment Rs.	Upto 30-06-09 Rs.	As on 30-06-09 Rs.	As on 31-03-2008 Rs.
Free Hold Land *	126,618,631	449,076,637		575,695,268					575,695,268	126,618,631
Building	87,587,945	17,051,622		104,639,567	24,939,942	4,236,952		29,176,894	75,462,673	62,648,003
Plant & Machinery	309,640,733	71,042,923		380,683,656	97,699,933	22,230,970		119,930,903	260,752,753	211,940,800
Office Equipments	12,217,732	2,535,741		14,753,473	5,187,427	1,545,965		6,733,392	8,020,081	7,030,305
Furniture & Fixtures	6,723,192	2,305,077		9,028,269	5,675,896	673,255		6,349,151	2,679,118	1,047,296
Vehicles	4,299,049	511,029	664,000	4,146,078	2,173,322	729,864	664,000	2,239,186	1,906,892	2,125,727
Total	547,087,282	542,523,029	664,000	1,088,946,311	135,676,520	29,417,006	664,000	164,429,526	924,516,785	411,410,762
Add: Provision for impairment (Refer Note No. 17 [b])								10,000,000	10,000,000	
Total	547,087,282	542,523,029	664,000	1,088,946,311	135,676,520	29,417,006	664,000	174,429,526	914,516,785	411,410,762
Previous Year	509,471,490	37,615,792		547,087,282	121,271,207	14,405,313		135,676,520	411,410,762	

*Refer Note No. 17 (a)

SCHEDULES TO THE BALANCE SHEET (continued)

	As at June 30, 2009 Rs.	As at March 31, 2008 Rs.
SCHEDULE – 6 : INVESTMENTS (At Cost)		
A. Short Term (Quoted & Trade) 115 Equity Shares (Previous period 115) of ABG Shipyard Ltd (Market Value as on June 30, 2009 was Rs.22,879/- Previous period Rs.84,508/-)	21,275	21,275
B. Long Term (Unquoted and Trade) Nil Shares (Previous Year 18,335) of Academy of Carver Aviation Pvt Ltd Rs.100/- each	-	61,293,375
5000 Shares (Previous Period Nil) of TAAL Technologies Pvt Ltd of Rs.10/- each	50,000	-
C. In Subsidiary Companies (Fully Paid up)		
i) 11,50,000 Shares (Previous period 9,50,000) of First Airways Inc., USA of USD 1/- each	47,749,320	37,695,320
ii) 10,000 Shares (Previous period 10,000) of MM Infoproc Services Pvt Ltd @ Rs. 10/- each	70,000	70,000
iii) 10,000 Shares (Previous period 10,000) of TAAL Infrastructure Pvt. Ltd., of Rs 10/- each	10,000	10,000
D. Share Application Money - TAAL Technologies Pvt Ltd	97,019,125	30,000,000
	144,919,720	129,089,970
SCHEDULE – 7 : INVENTORIES (As Certified by the Management) (Refer Note No. 17 [b])		
i) Parts & Components	39,262,118	120,093,971
ii) Work-in-Progress	30,090,581	64,338,717
iii) Finished Goods	16,727,000	14,242,715
	86,079,699	198,675,403
SCHEDULE – 8 : SUNDRY DEBTORS (Unsecured and Considered Good)		
i) Over Six Months	72,61,949	32,180,071
ii) Other Debts	17,679,232	76,391,008
	24,941,181	108,571,079
SCHEDULE – 9 : CASH AND BANK BALANCES		
i) Cash Balance	12,196	42,425
ii) Current Accounts with Scheduled Banks	32,938,490	10,431,299
iii) Deposits with Scheduled Banks	55,346,006	63,963,451
	88,296,692	74,437,175
SCHEDULE – 10 : LOANS AND ADVANCES (Unsecured and Considered Good)		
i) Advances Recoverable in cash or kind for the value to be received	6,629,108	17,413,345
ii) Intercompany Deposits	42,997,419	93,872,115
iii) Advance Tax (including TDS)	47,138,035	33,149,196
iv) Deposits	17,679,261	38,132,674
v) Revalorisation of Interest Free Sales Tax Loan	12,267,901	12,267,901
	126,711,724	194,835,231

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SCHEDULES TO THE BALANCE SHEET (continued)

	As at June 30, 2009 Rs.	As at March 31, 2008 Rs.
SCHEDULE – 11 : CURRENT LIABILITIES & PROVISIONS		
A Current Liabilities		
i) Sundry Creditors	14,912,782	21,793,962
ii) Advances from Customers	16,866,014	-
iii) Other Liabilities	109,259,348	130,036,713
	<u>141,038,144</u>	<u>151,830,675</u>
B Provisions		
i) Provision for Income Tax and Fringe Benefit Tax (Net of payment)	1,504,963	-
ii) Provision for Retirement Benefits	9,659,265	-
	<u>11,164,228</u>	<u>-</u>
	<u>152,202,372</u>	<u>151,830,675</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT

	June 30, 2009 (15 months) Rs.	March 31, 2008 (9 months) Rs.
SCHEDULE – 12 : INCOME		
Sales	156,819,128	74,207,031
Services :		
Charter Income	42,080,811	7,232,986
Aircraft Upkeep & Hanger Charges	72,428,750	24,142,635
Other Services	57,026,047	38,431,214
	<u>171,535,608</u>	<u>69,806,835</u>
	<u>328,354,736</u>	<u>144,013,866</u>
Other Income (Refer Note No. 10 [iv])	26,165,754	23,666,593
	<u>354,520,490</u>	<u>167,680,459</u>
SCHEDULE – 13 : EXPENDITURE		
1. Parts and Components Consumed (Refer Note No. 17 [b])		
Opening Stock	120,093,971	127,729,363
Add : Purchases	57,162,257	45,886,221
Less: Closing Stock*	117,010,118	120,093,971
	<u>60,246,110</u>	<u>53,521,613</u>
2. (Increase) / Decrease in Stocks		
Closing Stock*		
Work-in-Process	75,145,581	64,338,717
Finished Goods	16,727,000	14,242,715
	<u>91,872,581</u>	<u>78,581,432</u>
Less: Opening Stock		
Work-in-Process	64,338,717	49,495,000
Finished Goods	14,242,715	13,000,000
	<u>78,581,432</u>	<u>62,495,000</u>
* Amounts before write off	(13,291,149)	(16,086,432)
3. Personnel		
Salaries, Wages & Bonus	78,000,794	56,917,120
Contribution to Provident Fund, Gratuity & Other Funds	7,849,820	2,286,291
Welfare Expenses	5,883,777	2,568,760
	<u>91,734,391</u>	<u>61,772,171</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT (continued)

	June 30, 2009 (15 months)	March 31, 2008 (9 months)
	Rs.	Rs.
SCHEDULE - 13 : EXPENDITURE [continued]		
4. Rent Rates, Taxes and Insurance (Refer Note No. 10 [ii])	8,125,759	8,326,832
5. Operational Expenses		
Power & Fuel	7,319,685	2,157,884
Repairs & Maintenance - Plant & Machinery	1,308,034	1,039,393
Repairs & Maintenance - Building	585,005	-
Other Direct Expenses:		
Charter Expenses	44,311,527	6,614,997
Aircraft Fuel Charges	1,289,599	619,881
Airport Charges	1,230,254	79,092
Calibration Expenses	516,263	154,813
Aircraft Ground Handling Charges	415,426	-
Other Expenses	1,863,349	27,47,014
	58,839,142	13,413,073
6. Administrative Expenses		
Travelling And Conveyance	10,207,061	6,551,816
Communication Expenses	1,534,228	1,118,154
Auditors' Remuneration (Refer Note No. 10 [i])	469,839	322,384
Selling Expenses	3,685,515	3,143,002
Office Expenses	2,918,967	2,775,256
Other Expenses	4,161,647	30,374
Professional Fees	3,547,068	58,900
Sitting Fees	242,500	124,175
Foreign Exchange Variation Loss	-	2,320,500
Deferred Revenue Expenditure written off	811,140	405,570
	27,577,965	16,850,131
	233,232,218	137,797,388
SCHEDULE - 14 : FINANCE COST		
Interest on : Fixed Loans	8,392,677	8,976,390
Term Loans	4,939,540	2,049,896
Other Interest	29,930,625	1,636,196
Bank Charges	5,033,573	2,078,931
Less : Interest Capitalised	11,708,542	-
	36,587,873	14,741,413

SCHEDULE 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements:

- i) The financial statements have been prepared to comply in all material aspects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- ii) The financial statements have been prepared under the historical cost convention on an accrual basis

2. Use of estimates

The preparation of financial statements are in conformity with generally accepted accounting policies in India which requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of financial statements and the reported income and expenses during the reported period. Example of such estimates includes provision for doubtful debts, employee benefits, provision for income tax, proportionate completion in case of fixed price long term labour estimates, useful lives of fixed assets, etc. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

3. Fixed Assets

- i) Fixed assets are stated at cost less accumulated depreciation. Cost comprises the purchase price including taxes, duties, freight and other incidental expenses related to acquisitions & installation of the concerned assets but excluding CENVAT benefit. Considering the nature of business activity the Runway has been treated as Plant and depreciation has been provided accordingly.
- ii) All indirect expenses incurred on project implementation including interest cost on funds deployed for the project (net of income earned) are treated as incidental expenditure during construction and subsequently capitalized.

4. Depreciation

Depreciation on all assets is provided on pro-rata basis from the month of addition / deduction on straight line method for Building and Plant Machinery and on written down value method on all other assets at rates prescribed under Schedule XIV of the Companies Act, 1956.

5. Foreign Currency Transactions

- i) Initial Recognition: Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.
- ii) Conversion: At the year end, monetary items denominated in foreign currencies other than those covered by forward contracts are converted into rupee equivalents at the year-end exchange rates.
- iii) Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognized as income or expense over the life of the contract.
- iv) Exchange Differences: All exchange differences arising on settlement/conversion on foreign currency transactions are included in the Profit and Loss Account.
- v) Foreign entities: Assets and liabilities of foreign entities are translated into rupee equivalents using year-end spot foreign exchange rates. Revenues and expenses are translated monthly at average exchange rates. Exchange difference arising on the consolidation of non-integral foreign operations is credited/debited to "Foreign Currency Translation Reserve Account".

6. Provision for employee benefits

(i) Defined Contribution Plan

The Company makes defined contribution to Provident Fund and Superannuation Schemes, which are recognised in the Profit and Loss Account on accrual basis.

(ii) Defined Benefit Plan

The Company's liabilities under Payment of Gratuity Act (funded), long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for short term compensated absences, which are provided on actual basis. Actuarial gain and losses are recognised immediately in the statement of the Profit and Loss Account as income or expenses. Obligations are measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

7. Leases

Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

8. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

- i) Current investments are carried at lower of cost and fair value determined on an individual investment basis.
- ii) Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

9. Revenue Recognition

- i) Commission from agency business of sale of aircraft is accounted on proportionate basis considering completion of major service and time period of delivery.
- ii) Revenue from long-term fixed price contracts to manufacture aero structures, spares etc is recognised under proportionate completion method and the stage of completion for this purpose is determined on technical estimate of actual work completed.
- iii) Income from Hanger utilisation is accounted based on agreement / contract entered in to with the third party and usage by them.
- iv) Income from Aircraft given on charter is booked on the basis of contract with customers and actual usage of Aircraft by third parties.
- v) Training fees received, being non-refundable, is accounted in the year of receipt.

10. Inventories

- i) Stock of raw materials, bought out items and certain components and finished goods are valued at cost. Stock of certain aero structures, components, work in progress are valued at lower of the cost and net realizable value based on technical estimate even though in traditional basis of valuation, it may be considered as slow moving and / or obsolete. Stores and Spares are stated at cost and loose tools are stated at cost or depreciated value. In determining the cost of raw materials, components, stores, spares and loose tools, the first in first out (FIFO) method is used at weighted average cost. Cost of work in progress and manufactured finished products include material cost, labour and factory overheads on estimated basis.

11. Taxation

Provision for current tax including fringe benefit tax is made on the basis of relevant provisions of the Income tax Act, 1961. The deferred tax resulting from timing difference between book and taxable profit is accounted for using tax rates and tax laws that have been enacted or substantively enacted as at the Balance Sheet date. The deferred tax asset is recognised and carried forward only to the extent there is a reasonable certainty that the asset will be realised in the future.

12. Segment Reporting

The Company is primarily engaged in manufacturing, selling of products and services connected with aviation and therefore have only one business segment. Further the economic environment in which the Company operates is significantly similar as is not subject to materially different risks and returns.

13. Contingencies and events occurring after the date of Balance Sheet

- i) Accounting for contingencies arising out of contractual obligation, are made only on the basis of mutual acceptances.
- ii) Material events occurring after the date of Balance Sheet upto the date of adoption of the accounts, are considered in preparation and presentation of financial statements.

14. Impairment of Assets

Where there is an indication an asset is impaired, the recoverable amount if any, is estimated and the impairment loss is recognized to the extent carrying amount exceeds recoverable amount.

B. NOTES ON ACCOUNTS

1. Provisions and Contingencies

Provisions are recognized when the company has a legal and constrictive obligation as a result of past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of obligation.

- a) Bank Guarantees Rs.7,42,07,703/- (Previous year Rs.5,09,32,964/-),
- b) Indemnity issued to customers Rs.13,00,16,800/- (Previous Year Rs.80,00,000/-)
- c) EPCG obligation to be fulfilled Rs.3,98,00,209/- (Previous Year Rs.74,00,833)
- d) Capital commitment towards the new project is Rs.2,60,82,116/- (Previous Year Rs.25,07,000)
- e) Forfeiture of advance from a customer Rs.1,00,00,000/- (Previous year Rs.1,00,00,000)

2. (a) Term Loans from Banks are secured by a first mortgage and charge on all the immovable properties, present and future, of the Company and first charge by way of hypothecation of all present and future movables excluding book debts subject to prior charges created / to be created in favour of bankers on stock of raw materials, semi finished and finished goods, consumables stores and such other movables as may be agreed for securing the borrowings for Working Capital Requirements and further guaranteed by counter guarantee of promoter Company.

- (b) Working Capital Loan from the Banks is secured against hypothecation of Stocks & Book Debts on pari-passu and second charge on Immovable properties and further guaranteed by counter guarantee of Promoter Company.

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(c) Hire Purchase Finance is secured against assets bought on hire purchase basis.

(d) During the period Company has taken over on an assignment basis amounting to Rs. 12,00,00,000/- sanctioned by a bank to one of its subsidiary companies for implementations of projects of the Company. The loan is secured by deposit kept with the bank by a third party. Approval from the bank for assignment of loan is awaited. Further interest paid on such loan is considered as interest paid to bank and accounted accordingly.

3. The Company has during the year capitalised following expenses to New Project, based on management estimation:

Particulars	Amount	Amount
	2008-09 (15 months)	2007-08 (9 months)
Personnel Expenses (including Salary of Managing Director)	35,24,093	19,27,762
Office Expenses	1,97,909	64,273
Communication Expenses	80,312	43,564
Electricity Expenses	1,27,500	74,277
Traveling Expenses	3,98,770	2,87,254
Interest	1,17,08,542	-
TOTAL	1,60,37,126	23,97,130

4. The Deferred Tax Liability arising on account of timing differences as at the year end and provided by the Company is as follows:

Deferred Tax Asset (Unabsorbed Tax Depreciation)	50,07,127	50,07,127
Deferred Tax Liability	4,44,65,972	4,44,65,972
Net Deferred Tax Liability	3,94,58,845	3,94,58,845

As a matter of prudent accounting policy, the Company during the period, has not accounted for deferred tax asset.

5. Computation of Earning Per Share

Profit/(Loss) after tax available for equity shareholders*	5,43,86,129	1,32,836
Adjusted Weighted Average number of Equity Shares of Nominal value of Rs.5 each.	2,49,30,736	2,49,30,736
Computation of EPS – Basic** (in Rs)	2.18	0.01

*Net profit/(loss) on stand alone basis before prior period items of Rs.40,40,032/- and withdrawal from revaluation reserve and write offs there from.

**Diluted EPS same as Basic as there are no outstanding potential equity shares as on date.

6. Revenue on long term fixed price contracts for supply of certain sets of components and assemblies is recognized on the basis of proportionate completion method and billed in terms of agreement with and certification by the customer. Cost of processing incurred on sets of components which are not billable is included in work in process.

7. During the year 2006-07, the Company made preferential allotment of 23,50,000 equity shares of Rs.5/- each at a premium of Rs.150/- per share. Out of the proceeds the Company has expended Rs.27,03,77,885/- till 31st March, 2008 and balance amount of Rs. 9,38,72,115/- is expended during the current period towards the objects of the issue.

8. During the year 2007-08, Company acquired an Aircraft on lease from an overseas lease finance company for the period of 120 months. Based on the legal opinion obtained by the company, the lease has been accounted in books as Operating Lease that is grouped under the head of charter expenses.

The payments under lease for the future period are:

		Equivalent (Rs.)
Not later than one year	USD 6,60,562	3,16,21,103
Later than one year and not later than 5 years	USD 26,42,247	12,64,84,364
Later than 5 years	USD 24,77,145	11,85,80,931

9. The Term Loans repayable within one year is Rs.4,42,76,560/- (Previous Year Rs.1,61,09,460/-).

10. (i) Auditors Remuneration includes

Particulars	2008-09	2007-08
	(15 months)	(9 months)
Audit Fees	1,93,025	1,86,140
Tax Audit Fees	82,725	76,216
Taxation	55,150	16,854
Out of Pocket Expenses	56,214	43,174
Other Services	82,725	-
Total	4,69,839	3,22,384

(ii) Rent, Rates Taxes and Insurance includes

Particulars	2008-09 (15 months)	2007-08 (9 months)
Rent	12,80,880	21,05,250
Insurance	47,35,132	26,81,519
Rates and Taxes	20,02,096	32,39,753

(iii) Other Operational Expenses includes

Incidental Expenses	-	60,000
Aircraft Spare Parts	61,797	-
Airport Charges	-	-
Aircraft Parking & Landing charges	4,10,975	-
Insurance – Aircraft	-	6,02,176
Certification charges	4,26,875	-
Inflight Expenses	12,336	921
Airfield Expenses	3,28,336	-
Selling Expenses	-	20,075
Aircraft Manual	84,458	-
Pilot Hiring Charges	4,46,467	-
Structuring fee and others	-	20,63,842
Operating Lease payment	92105	-
Total	18,63,349	27,47,014

(iv) Other Income includes

Interest	1,75,93,782	1,42,62,852
Dividend	230	35,744
Lease Rentals	36,800	16,854
Profit on sale of assets	2,36,250	-
Foreign Exchange varriance	33,26,520	(14,73,950)

(v) Details of Managerial Remuneration (including the amount capitalised)

Remuneration	20,40,000	14,22,700
LTA	2,12,490	-
Provident Fund	1,53,000	77,880
Superannuation	1,91,250	1,98,480
Total	25,96,740	16,99,060

The above figures do not include contribution to gratuity fund and provision for leave encashment as separate figures are not asertainable for the Whole-time Director.

Computation of Net Profit in accordance with Section 198 read with Section 349 and 350 of the Companies Act, 1956 and calculation of commission payable to Whole-time Director.

Profit before Taxation as per Profit and Loss Account	5,52,83,393	7,36,345
Add: Depreciation provided in accounts	2,94,17,006	1,44,05,313
Remuneration paid to the Managing Director	25,96,740	16,99,060
Less: Profit (net) on Assets sold or discarded as per profit and loss account	2,36,250	-
	8,70,60,889	1,68,40,718
Less: Depreciation and as per Income Tax computed in accordance with Section 350 of the Companies Act, 1956	5,77,41,012	2,16,16,554
Less: Amount Charged to Reserve as per profit and loss account	19,46,97,885	-
Profit as per Section 349 of the Companies Act, 1956	(16,53,78,008)	(47,75,838)
Maximum permissible remuneration to the whole time Director under section 198 of the Companies Act, 1956 @ 5% of the profit computed above	-	-

In view of inadequacy of profits for the period, managerial remuneration is provided / paid is in accordance with the requirements of Schedule XIII of the Companies Act, 1956.

(vi) Details of Prior period items

Particulars	2008-09 (15 months)	2007-08 (9 months)
Lease Rent	10,33,794	-
Canteen expenses	2,76,636	-
Others	27,29,602	16,49,326
Interest	-	21,51,975
Total	40,40,032	38,01,301

11. Disclosure in respect of related parties pursuant to Accounting Standard 18

A. Related Parties

	Name of the Party
i) Subsidiary Companies	First Airways Inc M M Infoproc Services Pvt. Ltd. TAAL Infrastructure Pvt. Ltd.
ii) Associate Companies	ISMT Ltd Indian Seamless Enterprises Ltd Vishkul Leather Garments Pvt. Ltd Indseam Services Ltd Taal Technolgies Pvt. Ltd Integrated Syndication Services Pvt. Ltd.
iii) Key Management Personnel	Mr. C S Kameswaran (Managing Director) Mr Salil Taneja (Chairman)

Transactions with the Related Parties:

Particulars	Subsidiaries	Associates	Key Management Personnel
Inter-corporate Deposit Received during the year	-	25,09,67,500	-
	(-)	(15,00,00,000)	(-)
Aircraft Hiring Charges	-	3,00,00,000	-
	(-)	(1,80,00,000)	(-)
Sitting Fees	-	-	35000
	(-)	(-)	(1,24,175)
Interest paid	-	1,62,87,729	-
	(-)	(13,90,218)	(-)
Interest Received	-	1,05,69,560	-
	(-)	(1,23,75,403)	(-)
Managerial Remuneration	-	-	25,96,740
	(-)	(-)	(16,99,060)
Investment in equity	1,00,54,000	50000	-
	(3,77,75,320)	(-)	(-)
Share application money paid	-	9,70,19,125	-
	(-)	(3,00,00,000)	(-)
Balance payable	-	9,94,67,500	-
	(-)	(4,20,00,000)	(-)
Balance Receivable	-	4,29,97,419	-
	(-)	(17,58,99,680)	(-)

(Figures in brackets relate to previous period)

12. The balances in debtors and creditors accounts are subject to confirmations.

13. As informed to us by management, company owes no dues, which are outstanding for more than 45 days as at 30.06.2009 to any "Micro, Small and Medium Enterprises" as required under "Micro, Small and Medium Enterprise Development Act 2006"

14. The provision for all known liabilities is adequate in the opinion of the Board.

15. Current Assets, Loans and Advances are of the value stated if realised in the ordinary course of business.

16. The Accounting Standard 15 (Revised 2005) on "Employee Benefits" has been adopted by the Company effective from April 1, 2007.

i) Defined Contribution Plan :

The Company has recognised the following amounts as an expense and included under the head " Personnel Cost"contribution to Provident and other Fund :

	2008 – 09	2007 - 08
Employer's Contribution to Provident Fund and Family Pension Fund and other Funds	31,45,699	13,06,291
In respect of Provident Fund trust set up by the Company, there is no deficit of interest Shortfall as on the date of Balance Sheet. With regards to future obligation arising due to interest shortfall (i.e. government interest to be paid on the Provident Fund Scheme exceeding rate of interest earned on investment), pending issuance of the Guidance Note from Actuarial Society of India, the actuarial liability against the same can not be reliably measured and quantified.		
ii) Defined Benefit Plan :		
a) Changes in present value of Defined Benefit obligations :		
Gratuity(Funded)	2008 -09	
Present value of obligation as at April 01, 2008	23,30,945	
Current Service Cost	12,22,513	
Interest Cost	3,66,845	
Actuarial (gain)/ loss	11,72,396	
Benefits paid	(2,47,117)	
Present value of obligation as at June 30, 2009	48,45,582	
b) Changes in fair value of plan Assets :		
Fair value of plan Assets as at April 01, 2008	-	
Expected return on plan Assets	-	
Actuarial gain / (loss) on plan Assets	-	
Employer Contribution	Nil	
Benefits Paid	Nil	
Fair Value of plan Assets as at June 30, 2009	Nil	
c) Actual Return on Plan Assets :		
Expected return on plan Assets	-	
Actuarial gain /(loss) on plan Assets	-	
Actual return on plan Assets	-	
d) Amounts recognised in the Balance Sheet in respect of :		
	Gratuity (Funded)	Leave Encashment (Non Funded)
Present value of obligation as at June 30, 2009	48,45,582	42,41,315
Net Liability	48,45,582	42,41,315
e) Expenses recognised in the Profit & Loss Account (under the head "Personnel Cost")		
Current Service Cost	12,22,513	
Interest Cost	3,66,845	
Expected Return on Plan Assets	Nil	
Actuarial (gain)/loss	11,72,396	
Expenses Recognised in the Profit and Loss Account	27,61,754	
f) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at June 30, 2009.		
	2008 - 09	
i) Government of India Securities	Nil	
ii) Corporate Bonds	Nil	
iii) Special Deposit Scheme	Nil	
iv) Insurer Managed Funds	Nil	
v) Others	Nil	
Total	Nil	
g) Principal Actuarial Assumptions used as at the balance sheet date :		
Discount Rate	7.60%	7.60%
Expected rate of Return on Plan Assets	Nil	Nil
Salary Escalation Rate	8.00%	8.00%

Comparative figures for the period ended March 31, 2008 are not provided as the company for the first time has provided employees retirement benefits on actuarial basis as per the Accounting Standard 15.

17. The Company subsequent to the date of Balance Sheet, filed with the Hon'ble High Court of Madras a scheme of Arrangement between the company and TAAL Technologies Pvt. Ltd., Upon approval of the Scheme TAAL Technology would be merged with the Company effective April 01, 2008. The proposed scheme of arrangement inter alia envisages right sizing of balance sheet of the Company. The Company has accordingly made following adjustments.

- a) The Company has revalued its land located at Belagondapalli village, Thally Road, Denkanikotta Taluk, Krishnagiri Dist. Belagondapalli, Tamilnadu at the fair market value based on the report of recognised valuer (as on April 01, 2009). The difference between the cost of acquisition and fair market value works out to Rs 44,89,00,000/- which has been credited to Revaluation Reserve.
- b) Out of the amount of revaluation reserve as stated above the Company has transferred Rs. 20,00,00,000/- to Profit and Loss account for the period. This amount is mainly used utilised for writing off Inventory net of salvage / realizable value

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Rs. 12,28,03,000/- (being 75% of total some old non moving inventories), Rs. 1,92,91,875/- for Sundry Debtors and estimated provision for impairment of Fixed Assets Rs. 1,00,00,000/-, The further adjustments, if any in all the above will be done on implementation of the Scheme. Similarly, Loss on sale of Investments of Rs. 2,27,40,133/-, Consultancy charges Rs. 1,55,82,480/- and legal expenses Rs. 42,80,397/- incurred during the period are also adjusted against the above amount withdrawn from revaluation reserve. The excess withdrawal from the reserve over above adjustment amounting to Rs. 53,02,115/- is remained credited to the Profit and Loss Account.

18. The Company has in the previous year accounted interest free sales tax deferral liability to reflect the discounted present value of future payments. Actual liability as at June 30, 2009 is Rs. 1,78,59,310/- (Previous year Rs. 1,78,59,310/-). During the current period, the Company has not accounted the difference between the actual liability and the discounted value as revenue expenditure of Rs. 36,92,497/- (Previous year Rs. 9,39,987/-) as the same would be provided through the proposed scheme of arrangement as stated above.

19. Additional information pursuant to the provisions of paragraphs 3,4c and 4d of Part-II of schedule VI of the Companies Act, 1956.

a) Licensed And Installed Capacity And Actual Production.

Description	Capacity		Production	
	Licensed	Installed	2009	2008
Light Transport Aircraft				
- P68C	NA	24	Nil	1
- Thorp	-	-	-	-
- Aircraft parts	-	-	-	-
- Labour Work	-	-	-	-

b) Particulars In Respect Of Sales / Income

	Quantity (Nos)		Value (Rs)	
	2009	2008	2009	2008
Light Transport Aircraft	NIL	1	NIL	2,90,00,000
Aircraft Sale Commission			5,23,63,805	3,82,26,513
Air Management	-	-	11,91,71,803	3,15,80,321
Aero-Structures and others	-	-	15,68,19,128	4,52,07,032
Total			32,83,54,736	14,40,13,866

c) Details of finished goods in nos. (Light Transport Aircraft)

Opening Stock	0.5*	0.5	14,242,715	14,242,715
Closing Stock	0.5	0.5*	16,727,000	14,242,715

*One Half share of the aircraft which was in stock was written off during the year.

d) Value of Raw Materials and Components consumed during the year.

	Percentage (%)		Value (Rs.)	
	2008-09	2007-08	(15 months)	(9 months)
Imported	17.00%	40%	1,02,41,839	2,13,97,846
Indigenous*	83.00%	60%	5,00,04,271	3,21,23,767
Total	100%	100%	6,02,46,110	5,35,21,613

e) Earnings in foreign currency

i) Export of Goods	52,27,797	40,26,012
ii) Commission	5,23,63,805	3,82,26,513

f) Expenditure in foreign currency

Travelling Expenses	7,39,117	2,01,666
Professional fees	51,54,153	1,34,832
Structuring fees	-	20,63,842
Lease Rent	3,09,76,406	66,14,997
Others	15,98,372	18,79,847

g) CIF value of imports of Raw Materials, Spares, etc.

61,47,045 2,13,97,846

20. Previous year figures have been recognised / recast, wherever necessary.

As per our report of even date

For **Haresh Upendra & Co**

Chartered Accountants

Haresh B. Shah

Partner

Membership No.: 32208

Pune, December 05, 2009

For and on behalf of the Board of Directors

Salil Taneja

Chairman

C S Kameswaran

Managing Director

Rohit Kumar Singh

Company Secretary

Pune, December 05, 2009

BALANCE SHEET ABSTRACT AND COMPANY GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	0 0 1 4 4 6 0	State Code	1 8
Balance Sheet Date	3 0 0 6 2 0 0 9		
	Date Month Year		

II Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	1 4 8 6 5 9 8	Total Assets	1 4 8 6 5 9 8
Sources of Funds			
Paid-up Capital	0 1 2 4 6 5 4	Reserves & Surplus	1 0 6 2 9 2 8
Secured Loans	0 1 4 9 3 2 5	Unsecured Loans	0 1 1 0 2 3 2
Deferred Tax Liability	0 0 3 9 4 5 9		
Application of Funds			
Net Fixed Assets	1 1 6 7 0 7 2	Investments	0 1 4 4 9 2 0
Deferred Tax Asset	N I L	Misc. Expenditure	0 0 0 0 7 7 9
Net Current Assets	0 1 7 3 8 2 7		

IV Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)	0 3 5 4 5 2 0	Total Expenditure	2 9 9 2 3 7
Profit Before Tax (+ for profit, - for loss)	+ 5 5 2 8 3	Profit After Tax	5 5 6 4 8
Earnings Per Share in Rs.	2.18	Dividend Rate %	Nil

V Generic Name of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.(ITC Code)	8,80,230.00
Product Description	Light Transport Aircraft
Item Code No.(ITC Code)	NOT APPLICABLE
Product Description	NOT APPLICABLE
Item Code No.(ITC Code)	NOT APPLICABLE
Product Description	NOT APPLICABLE

As per our report of even date

For **Haresh Upendra & Co**

Chartered Accountants

Haresh B. Shah

Partner

Membership No.: 32208

Pune, December 05, 2009

For and on behalf of the Board of Directors

Salil Taneja

Chairman

C S Kameswaran

Managing Director

Rohit Kumar Singh

Company Secretary

Pune, December 05, 2009

Disclosure of information relating to subsidiary companies under Section 212 (3) of the Companies Act, 1956.

Rupees

Sr. No.	Particulars	TAAL Infrastructure Pvt. Ltd.	MM Infoproc Pvt. Ltd.	First Airways Inc.
1	Financial Year Ended	March 31, 2009	March 31, 2009	March 31, 2009
2	Holding Company's Interest	100%	100%	100%
3	Shares held by the Holding Company in the Subsidiary	10,000 Equity Shares of Rs. 10 each	10,000 Equity Shares of Rs. 10 each	11, 50,000 Equity Shares of \$ 1 each
4	The net aggregate of profit or losses of the subsidiary for the current period so far as it concerns the members of the holding company	Loss of Rs 2906/-	Loss of Rs 4741/-	Loss of Rs. 50,65,755/-
a)	Dealt with or provided for in the accounts of the Holding Company	Loss of Rs 2906/-	Loss of Rs 4741/-	Loss of Rs. 50,65,755/-
b)	Not dealt with or provided for in the accounts of the Holding Company	NA	NA	NA
5	The Net aggregate of profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the Holding Company	Loss of Rs 348/-	Loss of Rs 281/-	Loss of Rs. 1,53,440/-
a)	Dealt with or provided for in the accounts of the Holding Company	Loss of Rs 348/-	Loss of Rs 281/-	Loss of Rs. 1,53,440/-
b)	Not dealt with or provided for in the accounts of the Holding Company	NA	NA	NA

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,
The Members of Taneja Aerospace and Aviation Limited

1. We have audited the attached consolidated balance sheet of Taneja Aerospace and Aviation Limited ("the company" and its subsidiaries constitute "the Group") as at June 30, 2009 and also the consolidated profit and Loss account and the consolidated Cash Flow Statement for the period ended on that date both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of any of the three subsidiaries, whose financial statements, reflect total assets (net) of Rs.503 lakhs as at June 30, 2009, the total revenue of Rs. Nil and net cash outflows amounting to Rs. 2 lakhs for the year then ended. These Financial Statements and other financial information have been audited by other auditors, whose report have been furnished to us and our opinion is based solely on the reports of other auditors.
4. Further to our comments in the Annexure referred to in paragraph 3 of our report on standalone financials, we report that:
 - 4.1 **As detailed in the Note No. 17 of Schedule 15 of standalone Financial Statements, the Company has transferred Rs. 20,00,00,000/- from Revaluation Reserve to Profit & Loss Account . This amount has been utilised for prior year write offs / provisions amounting to Rs. 15,20,94,875/- and current period adjustments of Rs. 4,26,03,010/- and the balance is carried over.**
Above treatment is not in accordance with generally accepted accounting principles and have effect of overstatement of profit for the period by Rs. 20,00,00,000/- (Rupees twenty crores)
 - 4.2 **The difference between the actual sales tax liability and discounted value is being treated as revenue expenditure in the year in which it is paid. This accounting practice is not in accordance with generally accepted accounting principles. Further, during the period Company has not accounted the difference between the actual liability and the discounted value of liability as revenue expenditure. Consequently, the profit for the period is further overstated by Rs. 36,92,497/- (Refer Note No. 18 of Schedule 15 of standalone Financial Statements).**
5. Subject to the matters referred to in paragraph 4 above.
 - a) We report that the consolidated financial statements have been prepared by the management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 11 (Revised 2003) - The Effects of Changes in Foreign Exchange Rates, issued by the Institute of Chartered Accountants of India.
 - b) Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of the Consolidated Balance Sheet, of the state of affairs of TAAL Group as at June 30, 2009.
 - ii. in the case of Consolidated Profit and Loss account, of the Profit for the period ended on that date and
 - iii. in the case of Consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

For **Haresh Upendra & Co,**
Chartered Accountants,

Haresh B. Shah
Partner
Membership No. : 32208
Pune, December 05, 2009

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2009

	Schedule	As at June 30, 2009 Rs.	As at March 31, 2008 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	124,653,680	124,653,680
Reserves & Surplus	2	1,065,396,897	758,668,713
LOAN FUNDS			
a) Secured Loans	3	149,325,121	63,182,824
b) Unsecured Loans	4	110,241,763	127,869,309
DEFERRED TAX LIABILITY		39,458,845	39,458,845
	Total	1,489,076,306	1,113,833,371
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	1,088,946,311	547,087,282
Less: Depreciation & Impairment		<u>174,429,526</u>	<u>135,676,520</u>
Net Block		914,516,785	411,410,762
CAPITAL WORKS IN PROGRESS		252,555,823	146,756,204
INVESTMENTS	6	97,090,400	91,314,650
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventory	7	86,079,699	198,675,403
b) Sundry Debtors	8	24,941,181	108,571,079
c) Cash & Bank Balances	9	89,005,534	75,322,773
d) Loans & Advances	10	136,295,464	194,835,231
		<u>336,321,878</u>	<u>577,404,486</u>
Less : CURRENT LIABILITIES & PROVISIONS	11	152,213,964	151,830,675
NET CURRENT ASSETS		184,107,914	425,573,811
MISCELLANEOUS EXPENDITURE (To the extent not written off)		40,805,384	38,777,944
	Total	1,489,076,306	1,113,833,371
Accounting Policies & Notes On Accounts	15		

The Schedules referred to herein form an integral part of the accounts.

As per our report of even date
For **Haresh Upendra & Co**
Chartered Accountants

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

Salil Taneja
Chairman

C S Kameswaran
Managing Director

Rohit Kumar Singh
Company Secretary

Pune, December 05, 2009

Pune, December 05, 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED JUNE 30, 2009

	Schedule	June 30, 2009 (15 Months) Rs.	March 31, 2008 (9 Months) Rs.
INCOME			
Sales and Other Income	12	354,567,790	167,680,459
EXPENDITURE			
Manufacturing and Other Expenses	13	237,907,491	137,950,829
Operating Profit (Before Interest and Depreciation)		116,660,299	29,729,630
Finance Cost	14	36,587,873	14,742,041
Depreciation	5	29,417,006	14,405,313
Profit Before Tax and Exceptional and Prior Period Items		50,655,420	582,276
Less : Provision for Taxation			
Current Tax		-	-
Deferred Tax (Net)		-	61,623
Fringe Benefit Tax		897,264	541,886
Profit After Tax but Before Exceptional and Prior Period Items		49,758,156	(21,233)
Add : Transfer from Revaluation Reserve		200,000,000	-
Less : Write offs		194,697,885	-
Less : Prior Period Adjustments		4,040,032	3,801,301
Profit/(Loss)After Tax		51,020,239	(3,822,534)
Balance brought forward		72,579,340	86,401,874
Less : Exceptional Items		-	10,000,000
Balance carried to Balance Sheet		123,599,579	72,579,340
Earning Per Share (Refer Note No. 3)		2.00	NIL
Accounting Policies and Notes on Accounts	15		

The Schedules referred to herein form an integral part of the accounts.

As per our report of even date
For **Haresh Upendra & Co**
Chartered Accountants

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

Salil Taneja **C S Kameswaran**
Chairman Managing Director

Rohit Kumar Singh
Company Secretary

Pune, December 05, 2009

Pune, December 05, 2009

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2009

	June 30, 2009 (15 months)		March 31, 2008 (9 months)	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax, exceptional & prior period items	50,655,420		582,276	
Adjustment for:				
i) Depreciation (Net)	29,417,006		14,405,313	
ii) Prior period items	(4,040,032)		(3,801,301)	
iii) Legal & Professional Fees	(19,862,877)		-	
iv) Interest Paid	36,587,873		14,742,041	
v) Interest Received	(17,593,782)		(14,262,852)	
vi) Dividend Received	(230)		(35,744)	
Operating Profit before Working Capital Changes	75,163,378		11,629,733	
Adjustments For:				
i) Trade and Other Receivables	122,877,787		208,496,099	
ii) Inventories	(10,207,296)		(8,451,040)	
iii) Trade Payables	383,291		40,275,693	
iv) Decrease/(Increase) in Deferred Revenue Expenditure	(2,027,440)		(35,802,212)	
Cash Generated from Operations	186,189,720		216,148,273	
Direct Taxes Paid	(897,264)		(541,886)	
Net cash flow from Operating Activities		185,292,456		215,606,387
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets/Capital work in progress	(199,422,648)		(144,280,027)	
Investment in Equity (Net)	(28,515,883)		(51,322,125)	
Capital Reserve (On Consolidation)	-		120,000	
Foreign Currency Translation Reserve	6,807,947		322,362	
Net Cash Used in Investing Activities		(221,130,584)		(195,159,790)
C. CASH FLOW FROM FINANCING ACTIVITIES				
i) Interest Received	17,593,782		14,262,852	
ii) Addition/(Repayment) of Loans	68,514,750		30,849,024	
iii) Dividend Received	230		35,744	
iv) Payment of Interest	(36,587,873)		(14,742,041)	
v) Exceptional Items	-		(10,000,000)	
Net Cash flow from Financing Activities		49,520,889		20,405,579
Net increase in Cash and Cash Equivalents		13,682,761		40,852,176
Cash and Cash Equivalents as at 01-04-2008 (01-07-2007)		75,322,773		34,470,597
Cash and Cash Equivalents as at 30-06-2009 (31-3-2008)		89,005,534		75,322,773
Net Increase in Cash and Cash Equivalents		13,682,761		40,852,176

As per our report of even date

For **Haresh Upendra & Co**
Chartered Accountants**Haresh B. Shah**
Partner
Membership No.: 32208

Pune, December 05, 2009

For and on behalf of the Board of Directors

Salil Taneja
Chairman**C S Kameswaran**
Managing Director**Rohit Kumar Singh**
Company Secretary

Pune, December 05, 2009

SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As at June 30, 2009 Rs.	As at March 31, 2008 Rs.
SCHEDULE - 1 : SHARE CAPITAL		
Authorised Capital		
(4,00,00,000 (Previous year 4,00,00,000) Equity shares of Rs.5/- each)	200,000,000	200,000,000
10,00,000 (Previous year 10,00,000) - 15% Redeemable Cumulative Preference shares of Rs.50 each	50,000,000	50,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and paid up Capital		
2,49,30,736 (Previous year 2,49,30,736) Equity shares of Rs.5/- each	124,653,680	124,653,680
	<u>124,653,680</u>	<u>124,653,680</u>
SCHEDULE - 2 : RESERVES & SURPLUS		
Capital Reserve	703,000	703,000
Security Premium Account	660,075,466	642,750,466
Add: Forfeiture of Advance against Preferential Allotment	<u>-</u>	<u>17,325,000</u>
	660,075,466	660,075,466
Revaluation Reserve	24,988,545	24,988,545
Add : Revaluation during the period	448,900,000	-
Less: Transfer to Profit & Loss Account	<u>200,000,000</u>	<u>-</u>
	273,888,545	24,988,545
Foreign Currency Translation Reserve	7,130,307	322,362
Balance in Profit & Loss account	<u>123,599,579</u>	<u>72,579,340</u>
	<u>1,065,396,897</u>	<u>758,668,713</u>
SCHEDULE - 3 : SECURED LOANS		
i) Term Loan from Banks	112,337,723	14,532,656
ii) Working Capital Borrowings from Banks	36,894,205	47,956,000
iii) Hire Purchases	93,193	694,168
	<u>149,325,121</u>	<u>63,182,824</u>
SCHEDULE - 4 : UNSECURED LOANS		
i) Inter-Corporate Deposits	99,467,500	110,000,000
ii) Interest Free Sales Tax Loan	10,764,263	17,859,309
iii) Others	10,000	10,000
	<u>110,241,763</u>	<u>127,869,309</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET (continued)
SCHEDULE - 5 Fixed Assets

Particulars	Gross Block			Depreciation			Net Block			
	As on 01-04-2008 Rs.	Additions 01-04-08 to 30-06-09 Rs.	Sales/ Adjustment Rs.	As on 30-06-09 Rs.	Upto 01-04-08 Rs.	For the Period Rs.	Sales / Adjustment Rs.	Upto 30-06-09 Rs.	As on 30-06-09 Rs.	As on 31-03-2008 Rs.
Free Hold Land	126,618,631	449,076,637		575,695,268					575,695,268	126,618,631
Building	87,587,945	17,051,622		104,639,567	24,939,942	4,236,952		29,176,894	75,462,673	62,648,003
Plant & Machinery	309,640,733	71,042,923		380,683,656	97,699,933	22,230,970		119,930,903	260,752,753	211,940,800
Office Equipments	12,217,732	2,535,741		14,753,473	5,187,427	1,545,965		6,733,392	8,020,081	7,030,305
Furniture & Fixtures	6,723,192	2,305,077		9,028,269	5,675,896	673,255		6,349,151	2,679,118	1,047,296
Vehicles	4,299,049	511,029	664,000	4,146,078	2,173,322	729,864	664,000	2,239,186	1,906,892	2,125,727
Total	547,087,282	542,523,029	664,000	1,088,946,311	135,676,520	29,417,006	664,000	164,429,526	924,516,785	411,410,762
Add: Provision for impairment								10,000,000	10,000,000	
Total	547,087,282	542,523,029	664,000	1,088,946,311	135,676,520	29,417,006	664,000	174,429,526	914,516,785	411,410,762
Previous Year	509,471,490	37,615,792		547,087,282	121,271,207	14,405,313		135,676,520	411,410,762	

SCHEDULES TO CONSOLIDATED BALANCE SHEET (continued)

	As at June 30, 2009 Rs.	As at March 31, 2008 Rs.
SCHEDULE – 6 : INVESTMENTS (At Cost)		
A. Short Term (Quoted & Trade)		
115 Equity Shares (Previous period 115) of ABG Shipyard Ltd (Market Value as on June 30, 2009 was Rs.22,879 Previous period Rs.84,508/-)	21,275	21,275
B. Long Term (Unquoted and Trade)		
Nil Shares (Previous Year 18,335) of Academy of Carver Aviation Pvt Ltd Rs.100/- each	-	61,293,375
5000 Shares (Previous Period Nil) of TAAL Technologies Pvt Ltd of Rs.10/- each	50,000	-
C. Share Application Money - TAAL Technologies Pvt Ltd	97,019,125	30,000,000
	<u>97,090,400</u>	<u>91,314,650</u>
SCHEDULE – 7 : INVENTORIES (As Certified by the Management)		
i) Parts & Components	39,262,118	120,093,971
ii) Work-in-Progress	30,090,581	64,338,717
iii) Finished Goods	16,727,000	14,242,715
	<u>86,079,699</u>	<u>198,675,403</u>
SCHEDULE – 8 : SUNDRY DEBTORS (Unsecured and Considered Good)		
i) Over Six Months	7,261,949	32,180,071
ii) Other Debts	17,679,232	76,391,008
	<u>24,941,181</u>	<u>108,571,079</u>
SCHEDULE – 9 : CASH AND BANK BALANCES		
i) Cash Balance	12,196	42,425
ii) Current Accounts with Scheduled Banks	33,647,332	11,316,898
iii) Deposits with Scheduled Banks	55,346,006	63,963,450
	<u>89,005,534</u>	<u>75,322,773</u>
SCHEDULE – 10 : LOANS AND ADVANCES (Unsecured and Considered Good)		
i) Advances Recoverable in cash or kind for the value to be received	6,629,108	17,413,345
ii) Intercompany Deposits	42,997,419	93,872,115
iii) Advance Tax (including TDS)	47,147,775	33,149,196
iv) Deposits	27,253,261	38,132,674
v) Revalorisation of interest free Sales Tax Loan	12,267,901	12,267,901
	<u>136,295,464</u>	<u>194,835,231</u>
SCHEDULE – 11 : CURRENT LIABILITIES & PROVISIONS		
A Current Liabilities		
i) Sundry Creditors	14,912,782	21,793,962
ii) Advances from Customers	16,866,014	-
iii) Other Liabilities	109,270,940	130,036,713
	<u>141,049,736</u>	<u>151,830,675</u>
B Provisions		
ii) Provision for Income Tax and Fringe Benefit Tax (Net of payment)	1,504,963	-
iii) Provision for Retirement Benefits	9,659,265	-
	<u>11,164,228</u>	<u>-</u>
	<u>152,213,964</u>	<u>151,830,675</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

	June 30, 2009 (15 Months)	March 31, 2008 (9 Months)
SCHEDULE – 12 : INCOME	Rs.	Rs.
Sales	156,819,128	74,207,031
Services :		
Charter Income	42,080,811	7,232,986
Aircraft Upkeep & Hanger Charges	72,428,750	24,142,635
Other Services	57,026,047	38,431,214
	<u>171,535,608</u>	<u>69,806,835</u>
	328,354,736	144,013,866
Other Income	26,213,054	23,666,593
	<u>354,567,790</u>	<u>167,680,459</u>
SCHEDULE – 13 : EXPENDITURE		
1. Parts and Components Consumed		
Opening Stock	120,093,971	127,729,363
Add :Purchases	57,162,257	45,886,221
Less: Closing Stock*	117,010,118	120,093,971
	<u>60,246,110</u>	53,521,613
2. (Increase) / Decrease in Stocks		
Closing Stock*		
Work-in-Process	75,145,581	64,338,717
Finished Goods	16,727,000	14,242,715
	<u>91,872,581</u>	<u>78,581,432</u>
Less: Opening Stock		
Work-in-Process	64,338,717	49,495,000
Finished Goods	14,242,715	13,000,000
	<u>78,581,432</u>	<u>62,495,000</u>
	(13,291,149)	(16,086,432)
* Amounts before write off		
3. Personnel		
Salaries, Wages & Bonus	78,000,794	56,917,120
Contribution to Provident Fund, Gratuity & Other Funds	7,849,820	2,286,291
Welfare Expenses	5,883,777	2,568,760
	<u>91,734,391</u>	<u>61,772,171</u>
4. Rent Rates, Taxes and Insurance	8,125,759	8,326,832
5. Operational Expenses		
Power & Fuel	7,319,685	2,157,884
Repairs & Maintenance - Plant & Machinery	1,308,034	1,039,392
Repairs & Maintenance - Building	585,005	-
Other Direct Expenses:		
Charter Expenses	44,311,527	-
Aircraft Fuel Charges	1,289,599	619,881
Airport Charges	1,230,254	79,092
Calibration Expenses	516,263	154,813
Aircraft Ground Handling Charges	415,426	-
Other Expenses	1,863,349	9,362,011
	<u>58,839,142</u>	<u>13,413,073</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT (continued)

	June 30, 2009 (15 Months)	March 31, 2008 (9 Months)
	Rs.	Rs.
6. Administrative Expenses		
Travelling And Conveyance	10,207,061	6,551,816
Communication Expenses	1,534,228	1,118,154
Auditors' Remuneration	472,839	322,384
Selling Expenses	3,685,515	3,143,002
Office Expenses	3,232,732	2,928,696
Other Expenses	4,210,784	30,374
Legal & Professional Fees	3,549,878	58,900
Sitting Fees	242,500	124,175
Foreign Exchange Variation Loss	-	2,320,500
Deferred Revenue Expenditure written off	5,117,701	405,570
	32,253,238	17,003,572
	237,907,491	137,950,829
SCHEDULE - 14 : FINANCE COST		
Interest on : Fixed Loans	8,392,677	8,976,390
Term Loans	4,939,540	2,049,896
Other Interest	29,930,625	1,636,824
Bank Charges	5,033,573	2,078,931
Less: Interest Capitalised	11,708,542	-
	36,587,873	14,742,041

SCHEDULE 15

NOTES TO THE CONSOLIDATED ACCOUNTS

A. Significant Accounting Policies:

1 Principles of Consolidation

- a) The consolidated financial statements of Taneja Aerospace and Aviation Ltd. and its subsidiaries are prepared under the historical cost convention on accrual in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements", Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and other applicable Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006.
- b) Consolidation is done on line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group transactions resulting in unrealised profit and losses.
- c) The excess of cost to the company of its investment in the subsidiary company over the parents' portion of equity is recognised in the consolidated financial statements as goodwill. The excess of company's share of equity of the subsidiary company over the cost of acquisition is treated as capital reserve.
- d) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are translated at the average rates prevailing during the period. Assets, liabilities and equity are translated at the closing rate. Any exchange difference arising on translation is recognized in the "Foreign Currency Translation Reserve"

2 Significant accounting policies other than those adopted by the parent company for the consolidated financial statements

Aircraft purchase option

Aircraft purchase options are recorded at cost on the date of acquisition.

Aircraft purchase option is amortized over the following estimated useful lives or the legal life, whichever is lower with a mid quarter convention:

Assets	Estimated useful life
Aircraft purchase option	120 months

3 Other Significant Accounting Policies

They are as set out in the notes to accounts of the parent company - Taneja Aerospace and Aviation Ltd.

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4 Companies included in consolidation

Name of the company	Country of Incorporation	Proportion of ownership interest of TAAL	Reporting date
First Airways Inc. *	USA	100%	31-03-2009
MM Info Proc Services Pvt. Ltd.	India	100%	31-03-2009
TAAL Infrastructure Pvt. Ltd	India	100%	31-03-2009

* On November 21, 2007, TAAL formed a wholly subsidiary – First Airways Inc. in state of Delaware, USA with an investment of Rs 3,76,95,320/- (USD 9,50,000/-). During the year, TAAL has invested additional funds of Rs 1,00,54,000/- (USD 2,00,000/-) as equity.

B. OTHER NOTES

1. Financial Statements of Taneja Aviation and Aerospace Ltd. used in consolidation are drawn for fifteen months ending June 30, 2009 whereas the financial statements of subsidiaries used in consolidation are drawn for twelve months ending March 31, 2009. It is not practicle to draw up the financial statements of subsidiaries up to the date of the parent's financial statements and there are no significant transactions or other events that occur between these two dates.

2. Aircraft Purchase Option

In December, 2007 the First Airways Inc. (a wholly owned subsidiary of TAAL) purchased an "Aircraft Purchase Option" vide option agreement ("agreement") for Cessna aircraft 525A; Serial Number 525A-0373 ("aircraft") from Cessna Finance Corporation ("CFC"). The said aircraft is leased to TAAL (the parent company) vide aircraft lease No. 01-0043297-0010559-01 ("aircraft lease"), dated of December 11, 2007, for a term of 120 months.

As per the agreement, the Company has an option to purchase the Cessna aircraft subject to aircraft lease on any monthly lease rental payment date or on the last day of the term of the lease. In the event this option is exercised, the Company shall, on or before the date of purchase, pay CFC the Stipulated Loss Value of the aircraft plus all other sums then due under the aircraft lease or under any other agreements, which will be considered as the "Purchase Option Price".

As per the agreement, the Stipulated Loss Value at the end of the 120 month lease term is \$ 1,279,929. The Company is estimating the use of the Aircraft purchase option at the end of the 120 month lease term with mid-quarter convention. Amortization for the period ended March 31, 2009 was \$92,674.

The same has been disclosed in balance sheet of foreign subsidiary books as follows:

	As at March-09	As at March-08
Aircraft purchase option-non-current portion	\$ 8,34,063	\$ 8,34,063
Less: Accumulated amortization	\$ (92,674)	-
	\$ 7,41,389	\$ 8,34,063
Aircraft purchase option-current portion	\$ 92,674	\$ 92,674
Total	\$ 8,34,063	\$ 9,26,737

Since, the payment for Aircraft Purchase Option is a sunk cost and non refundable irrespective of whether the option is exercised or not, in preparation of consolidated financial statements of TAAL, the entire payment of around Rs.3,99,26,595/- (USD 8,34,063) for Aircraft Purchase Option (current as well as non current portion) has been considered as "Deferred Revenue Expenditure" to be written off over the balance lease period.

Further, based on the legal opinion obtained by the company, the lease transaction has been accounted by the company as an "Operating Lease". The monthly operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term. The same is grouped under the head of Charter Expenses.

3. Earning per Share

Computation of Earning Per Share

Particulars	2008-09 (15 months)	2007-08 (9 months)
Profit/(Loss) after tax available for equity shareholders*	4,97,58,156	(21,233)
Adjusted Weighted Average number of Equity Shares of Nominal value of Rs.5 each.	2,49,30,736	2,49,30,736
Computation of EPS – Basic** (in Rs)	2.00	Nil

*Net profit/(loss) on consolidated basis excluding prior period items of Rs.40,40,032/- and withdrawal from revaluation reserve and write off's there from.

**Diluted EPS same as Basic as there are no outstanding potential equity shares as on date.

4. Previous years figures have been regrouped/recast, wherever necessary.

As per our report of even date

For **Haresh Upendra & Co**

Chartered Accountants

Haresh B. Shah

Partner

Membership No.: 32208

Pune, December 05, 2009

For and on behalf of the Board of Directors

Salil Taneja

Chairman

C S Kameswaran

Managing Director

Rohit Kumar Singh

Company Secretary

Pune, December 05, 2009