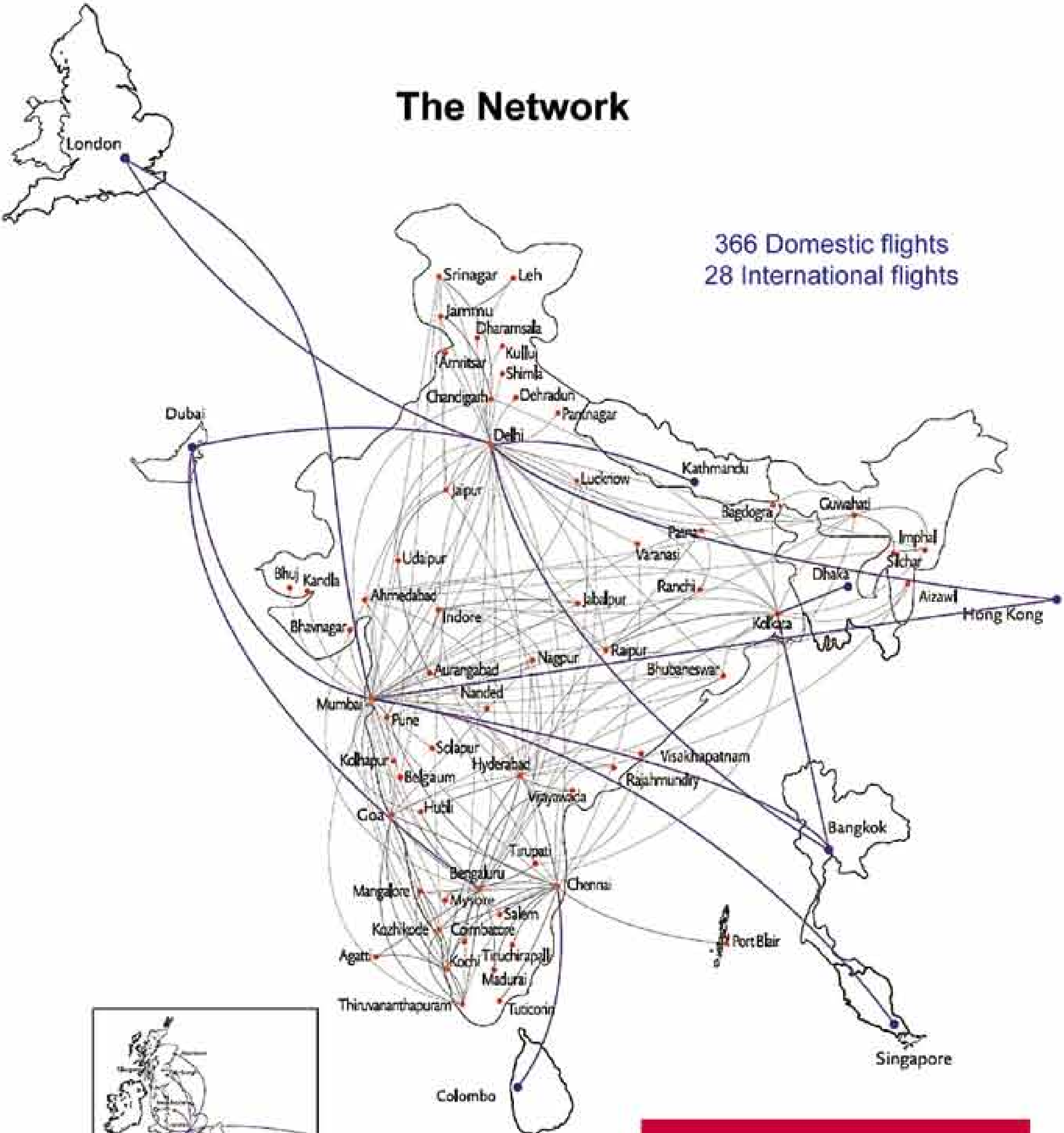
KINGFISHER AIRLINES LIMITED

ANNUAL REPORT 2010 - 2011

The Network

366 Domestic flights
28 International flights



Code share flights with partner airline British Airways.

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BOARD OF DIRECTORS

Dr. Vijay Mallya, *Chairman & Managing Director*

Mr. Subhash R. Gupte, *Vice Chairman*

Mr. A. K. Ravi Nedungadi

Mr. Vijay Amritraj

Mr. Anil Kumar Ganguly

Mr. Piyush G. Mankad

Mr. Ghyanendra Nath Bajpai

PRESIDENT & CFO - THE UB GROUP

Mr. A. K. Ravi Nedungadi

CHIEF EXECUTIVE OFFICER

Mr. Sanjay Aggarwal

CHIEF FINANCIAL OFFICER

Mr. A. Raghunathan

CHIEF LEGAL OFFICER & COMPANY SECRETARY

Mr. Bharath Raghavan

AUDITORS

M/s. B. K. Ramadhyani & Co.
Chartered Accountants
4B, 4th Floor, 68, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
Bangalore – 560 055

REGISTERED OFFICE

UB Tower, Level 12, UB City,
24, Vittal Mallya Road,
Bangalore – 560 001

To The Members,

Your Directors present the 16th Annual Report along with the Audited Accounts of your Company for the year ended March 31, 2011.

Operations

Your Company's operations during the year ended March 31, 2011 have resulted in:

(Rs. in million)

	Year ended March 31, 2011	Year ended March 31, 2010
Gross Income	**64,956**	52,710
Earnings before financial charges, lease rentals, depreciation & amortization and taxes (EBITDAR)	**11,243**	4,036
Add/Less:		
Depreciation & Amortization	**2,410**	2,173
Lease Rentals	**9,840**	10,938
Financial charges	**13,129**	11,026
Profit/ (Loss) before taxes	**(14,137)**	(20,100)
Provision for taxes (including FBT)	**4,934**	7,707
Net Profit / (Loss) from ordinary activities after tax	**(9,203)**	(12,393)
Foreign exchange translation difference	**158**	502
Exceptional Item	**912**	3,577
Net Profit / (Loss) after tax	**(10,274)**	(16,472)

Scheduled Airline Operations

During the year under review, your Company had a domestic market share of 19.8% and carried more than 12 million passengers across both domestic and international sectors. Fleet size of aircraft used in scheduled operations stood at 66 aircraft at year end, and an average schedule comprised of 366 domestic and 28 international flights daily over a route network (as on March 31, 2011) covering 59 domestic and 8 international destinations.

During the year under review, 14 of the Airbus A320 family aircraft in your Company's fleet which use the V2500 engines manufactured by IAE International Aero Engines AG ("IAE") had to be grounded due to technical problems relating to the engines. Your Company has made arrangements with IAE to perform maintenance and support work on its entire fleet of engines, including undertaking those measures identified by the United States Federal Aviation Administration and other support work to improve on-wing performance. By March 31, 2011, your Company had re-introduced ten aircraft back into service and the balance have also since been inducted into operations.

The grounding of aircraft resulted in a 10% (1,222 million seat kilometres) drop in domestic capacity. Despite the drop in domestic capacity by 10%, your Company's domestic passenger count increased by 2.6% demonstrating sharply improved productivity.

During the year under review, your Company undertook a further expansion in its international operations by introduction of a new wide-body route from Delhi to Hong Kong and narrow- body routes from Delhi to Kathmandu and from Delhi and Mumbai to Bangkok and Dubai.

Your Company is the only Indian airline to be a member-elect of **one**world, which is the premier global airline alliance. It brings strong brand recognition comprising leading airlines such as American Airlines, British Airways, Cathay Pacific, Qantas and Finnair. **one**world serves airports in 150 countries through 9,000 daily flights with member airlines based in every continent.

Kingfisher Airlines' code share arrangements with British Airways has accelerated the growth trajectory of your Company into key international markets providing enhanced connectivity and traffic. Your Company has achieved market share leadership in most of the international sectors where operations have been launched, within a short span of 1 to 2 years of launch. This resulted in your Company's combined domestic and international capacity increasing by 9.2% (1,365 million seat kilometers), while the total passenger count has increased by 8.9%.

Your Company has continued major initiatives during the year to reduce distribution costs, implement fuel management systems, improve aircraft utilization and re-negotiate general contracts in order to enforce revenue and cost competitiveness.

To enhance consumer connect, your Company continued its focus on various marketing and commercial initiatives including tie-ups with corporate houses to get premium business. Campaigns to leverage and promote your Company's network reach and product offerings were launched. During the year under review, your Company won the coveted award for the best frequent flyer program in category 'Best Promotion for Redemption' and 'Best Loyalty Credit Card' at Frequent Travellers Awards 2011.

In view of operating losses incurred during the year, your Directors do not recommend payment of any dividend.

Subsidiaries

The statement of your Company's interest in its only subsidiary, Vitae India Spirits Limited, as at March 31, 2011, prepared in accordance with the provisions of Section 212(3) of the Companies Act, 1956 is attached to the Balance Sheet.

Outlook

Your Company is one of India's largest domestic carriers by passengers flown and cities served. Your Company has continued to enjoy market leadership with a wide network reach in India, a growing international presence, an awarded frequent flyer program and wide distribution.

The country's economy continues to be strong with GDP growth estimates being maintained in the range of 8 - 8.5%. Passenger traffic has been buoyant in the current year as recovery continues on the back of a strengthening macro-economic environment. Domestic seat capacity is expected to expand lower than growth in demand, enabling improved revenue performance for the industry. In fact your Company has achieved load factors in excess of 80% in the current year. To further improve consumer franchise, various marketing initiatives and enhanced customer loyalty programs have been undertaken.

Your Company is optimistic of improved performance in the current year, primarily driven by improving domestic and international passenger revenue, the benefits of debt recast together with lowered interest burden, and various other initiatives taken by your Company to lower direct operating costs.

Debt Recast Package

During the year under review, your Company has implemented a Debt Recast Package with its consortium of bankers, salient features of which are:

1) (a) (i) Rs.7,501 million of Loan from the bankers was converted into 7.5% Compulsorily Convertible Preference Shares. The 7.5% Compulsorily Convertible Preference Shares were thereafter converted into equity shares in accordance with the pricing regulations of the Securities and Exchange Board of India (SEBI).

(ii) Rs. 5,531 million of Loan from the bankers was converted into 8% Cumulative Redeemable Preference Shares redeemable at par after 12 years.

(iii) Repayment of the balance loans was rescheduled with a moratorium on repayment of principal of 2 years and step-up repayment over the subsequent 7 years.

(iv) Interest for the period July 1, 2010 to March 31, 2011 on loans from the banks was converted into a funded interest term loan repayable in 9 years including 2 years moratorium.

(v) Interest rate on loans reduced by over 300 bps.

(vi) Additional fund based loan facilities of Rs.7,683.2 million and non-fund based facilities of Rs.4,444 million sanctioned by the banks.

(vii) Part of the working capital limits of Rs.2,974 million converted into working capital term loans.

(b) Loans from Promoters of Rs. 6,480 million were converted into 7.5% Compulsorily Convertible Preference Shares and thereafter into equity shares, pricing as per SEBI regulations. Also, the terms of 6% Redeemable Preference Shares of Rs. 970 million issued to the Promoters were varied so that they became 6% Compulsorily Convertible Preference Shares which thereafter were converted into equity shares, pricing as per SEBI regulations.

Consequent to (a) and (b) above, your Company's paid-up equity capital stood increased from Rs. 2,659,088,830 to Rs. 4,977,792,230 on March 31, 2011.

2) Loans / Inter corporate deposits from certain business associates aggregating to Rs.7,093 million were converted into 7,09,31,985 8% optionally convertible debentures of Rs.100/- each (**"OCDs"**) which are convertible into equity shares for a period of 18 months from their issue, after which they are redeemable. These OCDs are convertible into equity shares at the option of the holder, and at a conversion price to be determined as per applicable SEBI regulations with reference to the date of conversion. As a result, it is not presently possible to determine either the date of conversion of the OCDs, or the number of equity shares which may be issued and allotted if and when OCDs are converted.

It is proposed that the terms of the OCDs be varied such that, in the event the Board decides to undertake the Rights Issue which is to occur prior to 18 months from the date of allotment of the OCDs, the OCDs shall become redeemable, in part or in full and in one or more tranches, at the option of the Board, and in such quantity as may be mutually agreed by the Board and the holders of the OCDs. The redemption proceeds of OCDs along with accrued interest are to be appropriated towards subscription to equity shares in the rights issue. In the event the rights issue has not opened for subscription or after opening for subscription has not successfully closed during the period of 18 months from the date of allotment of the OCDs, the OCDs shall be governed by their original terms of issue. Approval of the Members is being sought at the Annual General Meeting for such variation in the terms of the said OCDs.

Capital

During the year under review, your Company's Authorised Share Capital was increased from Rs. 10,000,000,000/- comprising of 900,000,000 Equity Shares of Rs. 10/- each and 10,000,000 Preference Shares of Rs. 100/- each to Rs. 42,500,000,000/- comprising of 1,650,000,000 Equity Shares of Rs. 10/- each and 260,000,000 Preference Shares of Rs. 100/- each at the Annual General Meeting held on September 30, 2010. Subsequently, at the Extraordinary General Meeting held on December 20, 2010, the Authorised Share Capital was re-classified into 1,650,000,000 Equity Shares of Rs. 10/- each and 2,600,000,000 Preference Shares of Rs. 10/- each.

Consequent upon the implementation of the Debt Recast Package, the Issued, Subscribed and Paid- up Share Capital of your Company has increased from Rs. 3,629,088,830/- divided into 265,908,883 Equity Shares of Rs. 10/- each and 9,700,000 6% Redeemable Non-Cumulative Preference Shares of Rs. 100/- each to Rs. 10,508,792,230/- divided into 497,779,223 Equity Shares of Rs. 10/- each and 553,100,000 8% Cumulative Redeemable Preference Shares of Rs. 10/- each.

Depository System

The trading in the equity shares of your Company is under compulsory dematerialization mode. As of date, equity shares representing 90.49% of the equity share capital are in dematerialized form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialization of your Company's shares.

Auditors' Report

As regards observations in para 4 of Auditors' Report, the Statutory Auditors have qualified their report by remarking that the receipt of subsidy from aircraft manufacturers should be recognized as income on an systematic basis over the period necessary to match them with related costs which they are intended to compensate though the accounting treatment does not appear to be covered by the Accounting Standard (AS)-19 (Accounting for Leases) issued by the Institute of Chartered Accountants of India. In the opinion of the Directors:

(1) The lessor of the Aircraft is a person other than the Aircraft manufacturer and the lease contract is independent of the contract with Aircraft manufacturer.

(2) The termination, if any, of the lease contract does not in any event breach the conditions for the grant of subsidy by the Aircraft manufacturer.

(3) The subsidy value, referred to in Para 4 of the Audit Report have been received by the Company during the 15 months period ended June 30, 2006. As per Section 28 (iv) of the Income Tax Act, 1961, and precedents available under Income Tax laws, including pronouncements of the Apex Court, the revenue arising out of support packages will be treated as income for taxation purposes and therefore, it would not be prudent for the Company to treat the said revenues differently in the books of Accounts and for taxation purposes.

(4) In the event of non compliance of the contract with the Aircraft manufacturer, the resultant possibility of recovery of subsidy granted by the Aircraft manufacturer has been disclosed as contingent liability and this accounting treatment adopted by the Company is also based on the well established principle of differentiation of revenue receipt and capital receipt.

In view of the above, in the opinion of the Company, the accounting treatment of the support package, received from the Aircraft manufacturer, as Income in the year of accrual and receipt is in order.

The fair market value of these Aircraft is not easily ascertainable due to the unique specifications of the Aircraft. Therefore, the management has obtained the valuation report for Aircraft of similarly type from a leasing company to ascertain the fair market value which is higher than the sale price of these Aircraft. This is also supported by the fact that the insurance value to be covered as per respective Lease Agreement is much more than the sale value of the Aircraft.

As regards the observations in para 6 of the Auditors' Report, the Company has adopted the Exposure draft on Accounting Standard – 10 (Revised) 'Tangible Fixed Assets' which allows such costs on major repairs and maintenance incurred to be amortized over the incremental life of the asset. The Company has extended the same treatment to costs incurred on major repairs and maintenance for engines pertaining to aircrafts acquired on Operating Lease.

As regards the observations in para 13(a) of the Auditors' Report, the Note number 16 to Notes to Accounts (Schedule 19) is self explanatory.

As regards the observations in the Annexure to the Auditors' Report, the Company has taken/ is taking necessary steps to ensure improvement in certain procedures and also compliance with relevant laws.

Directors

Mr. Ghyanendra Nath Bajpai and Mr. Subhash R. Gupte, Directors, retire by rotation and, being eligible, offer themselves for re-appointment.

During the year under review, Dr. Naresh Trehan resigned from the Board of Directors of your Company effective August 11, 2010.

Subsequent to the year under review, Diwan Arun Nanda has tendered his resignation from the Board of Directors of your Company. His resignation will be effective September 5, 2011.

Auditors

M/s. B. K. Ramadhyani & Co, your Company's Auditors have confirmed that they are eligible for re-appointment at the ensuing Annual General Meeting and it is proposed to re-appoint them and to fix their remuneration.

Listing of Shares of Your Company

All the equity shares of your Company are listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The listing fee for the year 2011-12 has been paid to these Stock Exchanges.

Corporate Governance

A report on Corporate Governance is annexed separately as part of this Report along with a certificate of compliance from a Company Secretary in practice. Necessary requirements of obtaining certifications/ declarations in terms of Clause 49 have been complied with.

Management Discussion and Analysis

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion and Analysis Report is annexed and forms an integral part of the Annual Report.

Human Resources

Employee relations remained cordial. The information as are required to be provided in terms of Section 217(2A) of the Companies Act, 1956 read with the amended Companies (Particulars of Employees) Rules, 1975, have been included as an annexure to this Report.

Employee Stock Option Plan (ESOP)

Disclosures as required by Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999 are annexed to this Report.

Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956 and the rules framed thereunder are not applicable to your Company.

The relevant information relating to Foreign Exchange Earning and Outgo appears in the Notes Nos. 6 to 8 of Schedule 19 to the Financial Statements.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, in relation to the Financial Statements of your Company for the year ended March 31, 2011, the Board of Directors reports that:

- in the preparation of the Accounts for the year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2011 and of the Loss of your Company for the year ended March 31, 2011;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- the accounts for the year ended March 31, 2011, have been prepared on a going concern basis.

Thank You

Your Directors place on record their sincere appreciation for the continued support from shareholders, customers, the Government of India especially the Ministry of Civil Aviation and the Directorate General of Civil Aviation, the various State Governments, Airports Authority of India, the Reserve Bank of India, lending banks and financial institutions, suppliers, other business associates and employees.

For and on Behalf of the Board of Directors

Mumbai
August 25, 2011

Dr. Vijay Mallya
Chairman & Managing Director

STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Employed throughout the year and in receipt of remuneration in aggregate of not less than Rs. 60,00,000 per annum

SL. NO.	NAME	AGE	DESIGNATION / NATURE OF DUTIES	REMUNERATION (RS.)	QUALIFICATION	EXPERIENCE IN YRS	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF PREVIOUS EMPLOYMENT
1	A.S. PEDNEKAR	51	CHECK PILOT	7304110.52	B.A.	29	09.05.2005	Air Deccan
2	ABHINAV DEV SHARMA	29	CHECK PILOT	6441396.00	B. Sc	5	06.08.2005	Jet Airways
3	AJAY KUKREJA	49	EXAMINER	6829158.00	10+2, ATPL	29	14.05.2004	Air Deccan
4	AKSHAY RENAVIKAR	44	CHECK PILOT	6481863.00	HSC	20	03.01.2005	Jet Airways
5	ALFREDO FEDERICO GUT	51	CAPTAIN	6185454.00	ATPL	4	24.05.2006	AIR ACES
6	AMIT AGARWAL	41	SR. VICE PRESIDENT - CORPORATE DEVEL-OPMENT & PLANN	8511360.00	MTECH	18	09.02.2010	Delta
7	AMIT BAJAJ	44	EXAMINER	6297648.00	HSC	21	01.02.2005	Air Sahara
8	ANGEL ARMANDO BARCEN	45	CAPTAIN	7094489.36	ATPL	4	31.03.2006	AIR ACES
9	ANSHU SAGAR KALRA	49	EXAMINER	6554602.00	Bsc	24	09.05.2005	IAF
10	ARMANDO BENJAMIN HERNANDEZ DUENAS	49	CAPTAIN	7691293.00	ATPL	10	01.06.2007	Taca International Airlines
11	ASHOK VARDHAN SINGH DEO	44	INSTRUCTOR	6318712.00	B.A.	13	29.04.2006	Alliance Air
12	ATUL A. KUCHERIA	37	CHECK PILOT	6230384.00	B. Sc	5	15.12.2005	Jet Airways
13	BED PRAKASH UPRETI	48	CAPTAIN	6826257.00	MA	4	01.04.2005	Necon Air
14	BEER SINGH YADAV	48	CAPTAIN	6058236.00	ATPL	22	22.10.2008	Air Sahara
15	BHANUMOHAN KAILA	44	VP - TRADE SALES (WEST & SOUTH INDIA)	6047537.00	B.A., DHM, PGDBM	19	01.12.2006	United Spirits Ltd.
16	BOBBY P GOLSHANI	42	CAPTAIN	6186492.48	ATPL	18	07.11.2008	American Eagle
17	C V S RAVI	54	EXAMINER	6780473.00	HSC	28	21.01.2005	Air Sahara
18	CARLOS ALEJANDRO PAR	57	CAPTAIN	6125769.00	Pilot in command in ATR 42-500	3	02.04.2007	Atlantic Airlines
19	CHITSIME ARTHUR WALE	46	CAPTAIN	6033458.00	BSc(chemistry),ATPL	3	23.04.2007	Precision
20	DILAWER SINGH BASRAON	44	CAPTAIN	6107686.00	HSC	20	10.01.2005	Ranbaxy Lab. Ltd.
21	DIMITRIOS SIPSAS	59	CAPTAIN	6455452.00	ATPL	10	27.01.2010	Olympic Aviation
22	DINESH KANT SHARMA	50	EXAMINER	6629372.00	BSC	25	03.01.2005	IAF
23	DULEEPKUMAR DAVID JO	58	CAPTAIN	8834160.00	ATPL	34	18.04.2008	Sri Lankan Airways
24	DUMISANI MOYO	50	CAPTAIN	7330739.00	ATPL	13	01.06.2007	Oman Air
25	EDGAR ARTHUR KAUNDA	57	CAPTAIN	6036330.00	ATPL	4	11.04.2006	Precision Air
26	ERWIN HAROLDO PEREZ	45	CAPTAIN	6946921.00	ATPL	4	24.05.2006	Air Aces
27	G R MOHAN	60	DGM - FLIGHT OPERATIONS BLR/HYD	6719616.00	Msc., MAeSL	38	03.01.2005	Blue Dart Aviation
28	G SHIV KUMAR	48	EXAMINER	6540645.00	MSC.,LLB	25	01.09.2005	IAF
29	GEOFFREY JESUDASON	65	Chief Examiner A320	7800810.00	HSC	39	13.09.2004	Indian Airlines
30	GHEORGHE POPA	58	CAPTAIN	6095585.00	ATPL	5	03.03.2005	Air Tarom
31	HARVINDER SINGH VIRK	44	INSTRUCTOR	6185080.00	B.A.	17	09.05.2005	Alliance Air
32	HITESH PATEL	47	EXECUTIVE VICE PRESIDENT	25622258.00	MBA	27	18.01.2005	Jet Blue
33	HOLGER GALLO MANRIQU	51	CAPTAIN	6131841.00	ATPL	5	20.09.2005	Air Aces
34	INDIRA S. MITTRA	45	DGM - FLIGHT OPERATIONS MAA / CCU	7797047.00	ATPL	19	01.01.2009	Air Deccan
35	IVAN JALALUDDIN	47	EXAMINER	6577017.00	HSC / ATPL	22	17.02.2008	Air India
36	JUAN NICOLAS SANCHEZ	44	CAPTAIN	6118277.68	ATPL	4	06.04.2006	AIR ACES
37	KADATHANAD RAGHAVAN	48	CHECK PILOT	6473566.00	10+2, ATPL	28	15.01.2005	Air Deccan
38	KARL BAHADUR WYKES	43	CHECK PILOT	7005454.00	HSC	19	03.01.2005	Jet Airways
39	KRISHNAMURTHY SHANKAR	48	CAPTAIN	6060637.00	HSC	24	09.05.2005	IAF
40	LJUPCO NIKODINOVSKI	53	CAPTAIN	6210315.00	ATPL	11	16.11.2009	JAT Airways
41	LUIS ANGEL ARAYA ARA	39	CAPTAIN	6162234.57	ATPL	4	08.05.2006	AIR ACES
42	MAHESH KULKARNI	41	CHECK PILOT	6176248.00	10+2, ATPL	21	01.07.2005	Air Deccan
43	MAHESH KUMAR SHARMA	42	CHECK PILOT	6571671.00	10+2, ATPL	22	09.06.2003	Air Deccan
44	MANOJ CHACKO	41	EVP - COMMERCIAL	8184360.00	MBA	18	21.12.2009	AMEX
45	MASSOUD K MOGHADAM	53	CAPTAIN	6359713.00	ATPL	16	03.07.2007	Aseman Airlines, Iran
46	MAURO OLIVIER DE CAS	53	CAPTAIN	6816695.48	ATPL	5	14.06.2005	Total Airlines
47	MOHNISH S. CHADDA	45	EXAMINER (SECONDED FLIGHT OPERA-TIONS INSPECTOR, DG	7000291.00	HSC	23	07.11.2005	Air Lanka
48	MUKUL GUPTA	45	CHECK PILOT	6314605.00	B.Com.	16	22.04.2006	Alliance Air
49	MURALI RAMACHANDRAN	42	SR. VICE PRESIDENT - GROUND SERVICES	6195406.00	IHM	18	01.11.2008	Jet Airways
50	NARINDER SINGH	51	CHECK PILOT	6383619.00	M.Sc.	24	06.02.2006	Indian Navy
51	NAY KO KO NAING	35	CAPTAIN	6605215.00	ALTP	13	02.12.2008	Myanmar Airways
52	NIELS PEDER TERNVING	63	CAPTAIN	8938523.48	ALTP	27	25.07.2008	Scandinavian Airways
53	NIKET DEEP KALRA	42	CHECK PILOT	6712844.00	MBA	19	03.01.2005	IAF
54	NITIN ANAND	40	HEAD - FLIGHT SAFETY	7379630.00	HSC	16	23.11.2006	Air Deccan
55	P. ABHIJIT BHUSHAN	48	AVP - FLIGHT OPERATIONS	8208891.00	HSC	24	03.01.2005	Jet Airways
56	PAUL HENRY MOULINIER	46	CAPTAIN	6104303.00	ATPL	3	25.04.2007	Santa Barbara Airlines
57	PETER ANDREW FIWA	45	CAPTAIN	6119456.00	Deg.in C Eng,ATPL,TRI	4	17.08.2006	Air Malawi
58	PONNI CHELVAN A	32	CHECK PILOT	7336026.00	10+2, ATPL	12	30.09.2005	Air Deccan
59	POPESCU SORIN COSTEL	55	CAPTAIN	6644321.00	ATPL	26	20.10.2009	Air Tarom
60	PRAFULL JAGDEV THAKUR	53	CHECK PILOT	6166993.00	B.Com.	25	27.03.2006	Alliance Air

STATEMENT OF PARTICULARS OF EMPLOYEES (Contd.)

SL. NO.	NAME	AGE	DESIGNATION / NATURE OF DUTIES	REMUNERATION (RS.)	QUALIFICATION	EXPERIENCE IN YRS	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF PREVIOUS EMPLOYMENT
61	PRAMOD SHARMA	49	EXAMINER	6708036.00	HSC	26	07.03.2006	Indian Airlines
62	PRAVEEN SHARMA	50	CHECK PILOT	6058870.00	MSC	29	01.10.2005	Tata Steel
63	PRITPAL SINGH ARORA	49	INSTRUCTOR	6738470.00	B.Sc	21	05.02.2008	Sri Lankan Airlines
64	RAJESH BHAT	47	EXAMINER	6725486.00	MSC	24	01.10.2005	IAF
65	RAJESH MALIK	42	INSTRUCTOR	6804214.00	HSC	19	24.06.2005	Singapore Airlines
66	RAJESH VERMA	52	EXECUTIVE VICE PRESIDENT	12809220.00	B.A., PGDBM	26	20.06.2006	Jet Airways
67	RAJIV KOTHIYAL	52	EXAMINER	7339850.00	10+2, ATPL	26	01.01.2009	Air Deccan
68	RAJKUMAR	49	CHECK PILOT	6371129.00	10+2, ATPL	29	03.04.2004	Air Deccan
69	RAJU RAJBANSHI	49	CAPTAIN	6013646.00	ATPL	5	16.06.2005	Roval Nepal Airlines
70	RAKESH KAPOOR	46	EXAMINER	6708360.00	10+2, ATPL	19	15.04.2008	IAF
71	RANBIR MOHAN	62	EXAMINER	7232588.00	10+2, ATPL	41	18.09.2009	Indian Airlines
72	RAUL ABRAHAM ALANIZ	52	CAPTAIN	6166389.00	ATPL	3	16.02.2007	Taca Airlines
73	RAVI NATHAN	51	CAPTAIN	6057764.00	10+2, ATPL	30	08.06.2003	Air Deccan
74	RENATO STORINO	56	CAPTAIN	7055116.00	ATPL	5	14.12.2005	Total Airlines
75	RICARDO JARAMILLO	40	CAPTAIN	6589192.00	ATPL	8	01.05.2007	Serca Aeroturto EL Dorado Bogata
76	RISHI RAJ CHATTERJEE	38	EXAMINER	6789378.00	H.S.C.	13	02.11.2006	Air Deccan
77	ROBBIN LOMBE MUBANGA	59	CAPTAIN	6403870.00	ATPL	15	11.12.2007	Air Bissau
78	RONALD NAGAR	61	SR. VP - OPERATIONS & TRAINING	11228960.00	ISC	36	19.02.2008	Indian Airlines
79	SAMARJEET SINGH CHEE	35	DGM - FLIGHT OPERATIONS DEL	7003995.00	10+2, ATPL	9	01.01.2009	Air Deccan
80	SAMEER MEHRA	47	CHECK PILOT	6505657.00	Graduate of National Defence Academy	14	04.08.2005	Indian Navy
81	SAMIR SHAH	54	EXAMINER	6445170.00	HSC	24	03.01.2005	IAF
82	SAMIR SHEOPORI	59	CHECK PILOT	6765331.00	HSC	29	03.01.2005	Alliance Air
83	SANDEEP KAKKAR	44	CHECK PILOT	6121410.00	B.A.	15	01.10.2006	Air Sahara
84	SANJAY N. MANDAVIA	38	CHECK PILOT	6619360.00	HSC	15	03.01.2005	Jet Airways
85	SANJEEV MARWAH	43	AVP - FLIGHT OPERATIONS TRAINING	8282099.00	HSC	20	07.03.2006	Indian Airlines
86	SERGIO CARRASCO	42	CAPTAIN	7425892.00	ATPL	4	21.02.2006	Air Aces
87	SERGIO ESTUARDO VALD	50	CAPTAIN	6111982.00	ATPL	3	16.02.2007	Taca Airlines
88	SHAILENDU RANJAN	37	CAPTAIN	6033158.00	B. Sc	11	01.09.2005	Academy of Carver aviation
89	SIDDHARTHA KAUSHAL	37	FLEET MANAGER A320	6638406.00	H.S.C.	9	28.05.2006	Slik Air Private Limited
90	SIKANDAR SHARMA	32	MANAGER - FOQA (A320)	6661042.00	HSC	10	15.01.2005	Jet Airways
91	SOURAV SINHA	45	SR. VICE PRESIDENT & CHIEF INFORMA-TION OFFICER	7506610.00	MTECH	19	27.06.2008	Qatar Airways
92	SRINIVAS RAO	43	GM - PERFORMANCE ENGINEERING	7974979.00	B.Sc.	22	03.10.2006	Sri Lankan Air ways
93	STEVEN HADDAWAY	54	CAPTAIN	7019647.03	ATPL	20	01.06.2007	United Airlines
94	SUBIR MUKERJEE	50	CAPTAIN	6068113.00	BSC	26	27.06.2005	Jindal Steels
95	SUMANT MISRA	45	DGM - FLIGHT OPERATIONS BOM/PNQ	7804305.00	HSC	21	15.06.2005	Singapore Airlines
96	SURINDER KUMAR BHAT	52	CHECK PILOT	6177203.00	M.Sc.	18	01.07.2005	IAF
97	SYRUS S. MAZDA	55	CAPTAIN	6067560.00	HSC	30	01.09.2005	Blue Dart Aviation
98	TALMAT AMAR FERMAT	62	CAPTAIN	6835556.00	ATPL	21	02.05.2008	Air Algeria
99	TEJVIR SINGH TOMAR	53	CHECK PILOT	6433674.00	HSC	27	06.08.2005	IAF
100	THEMIYA ABEYWICKRAMA	47	CAPTAIN	8834160.00	ATPL	20	15.03.2008	Sri Lankan Airways
101	UDAY MANOHAR KOLHATKAR	53	CHECK PILOT	6344493.00	HSC	27	03.01.2005	Air Deccan
102	URMEZ PHIROZ MUGASETH	43	CAPTAIN	6226392.00	HSC	19	16.08.2005	Air Sahara
103	VARINDAR NATH SHARMA	58	SENIOR EXECUTIVE PILOT	6054360.00	10+2, CHPL	37	21.09.2009	Global Vectra Helicopter/IAF
104	VERNON SALDANHA	44	CHECK PILOT	6594659.00	Diploma In Hotel Manage-ment	16	14.02.2008	Sri Lankan Airlines
105	VIJAY K. ARORA	58	EXECUTIVE DIRECTOR - GLOBAL SALES	8674904.00	B.A.	34	01.12.2006	United Spirits Limited
106	VIJAY KUMAR AGARWAL	48	CHECK PILOT	6363278.00	ATPL	23	01.10.2008	Indigo
107	VIKRAM KAPOOR	43	INSTRUCTOR	6331228.00	B.Com.	13	03.10.2006	Sahara Airlines
108	VIMAL ROY	39	DEPUTY CHIEF - FLIGHT SAFETY	8093239.00	HSC	15	03.01.2005	Jet Airways
109	VISHOK MANSINGH	47	AVP - ENGINEERING LOGISTICS & SYSTEMS	6097860.00	BE	22	05.08.2008	Blue Dart Aviation Limited
110	XERXES HOMI BUHARIWA	38	CAPTAIN	6125921.00	ATPL	14	13.10.2008	Jet Airways
111	YE NAING HTUN	38	CAPTAIN	6061325.74	ATPL	5	01.07.2009	Myanmar Airways
112	YVES JEAN DUMONT	38	CAPTAIN	6411031.00	ATPL	6	16.11.2007	DHL
113	ZORAN RAKIC	50	CAPTAIN	7362609.00	ATPL	16	01.06.2007	Jet Airways

Employed for part of the year and were in receipt of remuneration at the rate of not less than Rs. 5,00,000 per month

SL. NO.	NAME	AGE	DESIGNATION / NATURE OF DUTIES	REMUNERATION (RS.)	QUALIFICATION	EXPERI-ENCE IN YRS	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF PREVIOUS EMPLOYMENT
1	AMRIT RAJ MAHARJAN	41	CAPTAIN	6206934.00	ATPL	13	01.06.2007	Air Deccan
2	ANG GELU SHERPA	42	CAPTAIN	577311.84	ALTP	16	01.01.2010	ROYAL NEPAL AIRLINES
3	ANTIONE DIADHIOU	61	CAPTAIN	5221556.89	ATPL	4	10.01.2006	ASCENA AIR
4	ASHAN TISSA DILHAN D	43	CAPTAIN	1706090.00	ATPL	17	01.01.2011	Srilankan Airlines
5	ASHISH AGARWAL	33	CHECK PILOT	5895207.08	Intermediate	7	03.01.2006	Alliance Air
6	AUNG MYINT	58	CAPTAIN	2702369.50	ATPL	11	01.10.2008	Myanmar Airways
7	AVINASH SHROFF	36	VP - E-COMMERCE	2650667.00	POST GRADUATE IN BUSI-NESS ADMINISTRATION	16	01.12.2010	Cox & Kings (India) Ltd.
8	AZZEDDINE BENZIANI	59	CAPTAIN	1612705.71	ATPL	32	05.01.2011	Onur Air
9	BHUPINDER SINGH SANDHU	44	CAPTAIN	5047789.33	B.Sc.	16	21.03.2006	Indian Airlines
10	BOGOMIR CAS	61	CAPTAIN	773764.93	ATPL	33	20.02.2011	Adria Airways
11	CARLOS SANTOS	59	CAPTAIN	683924.29	ATPL	20	11.02.2011	Wataniya Airways
12	CHHATTAR SINGH TOMAR	54	SR. VICE PRESIDENT - ENGINEERING & MAINTENANCE	7120172.94	B.E. Mechanical	29	21.05.2007	Jet Airways
13	FREDRICK CHOLA	54	CAPTAIN	3409061.03	ATPL	12	10.07.2007	Air Mauritius
14	GEORGIOS BRILAKIS	59	CAPTAIN	5784805.00	ATPL	28	28.04.2010	Olympic Airlines
15	IOANITA FLORIAN	59	CAPTAIN	6402761.27	ATPL	13	09.11.2007	TAROM
16	JACKSON JOHN SAGAWA	55	CAPTAIN	5416578.10	ATPL	5	17.11.2005	ANTRAKAIR
17	JAVIER E TRIGO MARIN	43	CAPTAIN	3019097.06	ATPL	16	16.10.2008	American Eagle
18	JUAN CARLOS PALAEZ M	44	CAPTAIN	1345898.46	Line Pilot	6	09.04.2004	ACES AIRLINES
19	JUAN CARMONA	45	CAPTAIN	2224869.80	Basic Aviation Education	4	10.01.2005	ACES S.A. COLOMBIA
20	KARUNYA SUKUMAR	33	CAPTAIN	677439.82	10+2, ATPL	12	16.09.2003	Air Deccan
21	KYEE MYINT BO	56	CAPTAIN	5744948.00	ATPL	33	01.05.2010	Air Mandalay
22	LAWRENCE FREDRICK HICKS J R	32	CAPTAIN	5077530.19	ATPL	10	02.08.2010	Religare Airlines
23	LUIS CRISANTO GARME	51	CAPTAIN	5514748.52	ATPL	32	10.05.2010	LTA Linea Turistica Aerotuy
24	MAAS HAMZA DEANE	60	LINE CAPTAIN	2942281.00	ALTP	25	01.05.2009	Srilankan Airlines
25	MANINDER SINGH	51	CAPTAIN	5353566.77	ATPL	21	20.08.2008	SpiceJet
26	NAVEEN CHAWLA	41	VP - INTERNATIONAL SALES	5991246.00	MBA	20	19.04.2010	Qatar Airways
27	NAVINDER PALL PURI	59	VICE PRESIDENT - FLIGHT OPERATIONS	8647280.00	M.A.	41	01.11.2007	Jet Airways
28	NEVILLE DINSHAW BHIC	41	CAPTAIN	6116076.68	ATPL	15	13.10.2008	Jet Airways
29	NGANIWE JATO KALINGA	53	CAPTAIN	5448007.86	ATPL	4	31.08.2006	AIR MALAWI
30	RANDAL PATRICK ROACH	66	CAPTAIN	1231973.27	ATPL	4	26.07.2006	AIR JAMAICA
31	RENE LORENZANO	58	CAPTAIN	1072519.00	ATPL	38	08.01.2011	Lamas Deccan
32	ROBERT ROWLEY MAC LN	35	CAPTAIN	2830037.68	ATPL	24	12.08.2008	American Eagle
33	S. VENKATACHARY	32	CAPTAIN	5594380.17	B. A	7	13.07.2006	TVS Motor Company
34	SAILESH NIRAULA	39	CAPTAIN	1840728.00	ATPL	2	22.03.2008	BUDDHA AIR
35	SANDRO BUTELLI	52	CAPTAIN	693215.86	ATPL	10	14.02.2011	Bangkok Airways
36	SANJAY AGGARWAL	43	CEO	19497058.00	MS	16	27.09.2010	Spice Jet
37	T. BASKAR	45	INSTRUCTOR	1521812.00	B.Sc.	14	23.08.2006	Indian Airlines
38	U. A. JOGLEKAR	66	CAPTAIN	3083740.90	HSC	40	25.04.2005	Air Deccan
39	VINAYAK KATAMBLE	34	CAPTAIN	523491.87	10+2, ATPL	13	05.12.2003	Air Deccan

Notes :

1. Remuneration as shown above includes Salary, House Rent Allowance, Company's contribution to Provident Fund, value of Residential Accommodation and monetary value of perquisites as per Income Tax Rules.
2. No Employee is on Contract Employment. Other Terms and Conditions are as per Service Rules of the Company from time to time.

For and on Behalf of the Board of Directors

Mumbai
August 25, 2011

Dr. Vijay Mallya
Chairman & *Managing Director*

STOCK OPTIONS GRANTED DURING THE YEAR UNDER THE ESOP 2005 & 2006

Disclosures as required by Clause 12 of the SEBI Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999

Sl.No	Particulars	(ESOP 2006)	(ESOP 2005)
(a)	Options granted	Nil	Nil
(b)	The Pricing formula	Rs. 65/-	Rs. 65/-
(c)	Options vested	44,220	20,000
(d)	Options exercised	Nil	Nil
(e)	The total number of shares arising as a result of exercise of options	Nil	Nil
(f)	Options lapsed	872,820	149,970
(g)	Variation of terms of options	Nil	Nil
(h)	Money realized by exercise of options	Nil	Nil
(i)	Total no. of options in force	145,400	325,200
(j)	Employee wise details of options granted:		
(i)	Senior managerial personnel	Nil	Nil
(ii)	Any other employee who received a grant in any one year of option amounting to 5% or more of option granted during the year.	Nil	Nil
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of the grant	Nil	Nil
(k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard AS-20	N.A.	N.A.
(l)	Method of accounting followed for value of charge on stock options (as per the Guidance Note on Stock Based compensation by ICAI)	Intrinsic Value	Intrinsic Value
(m)	Difference of amount of ESOP charge calculated as per the Intrinsic Value Method and the fair value of the options (Black Scholes Method)	Rs.(20,907,162)	
(n)	Proforma Earning Per Share if the Charge have been accounted in accordance with fair value method (Black Scholes Method)	Rs. (40.08)	
(o)	(i)Weighted-averaged exercise prices	Rs.65.00	Rs.65.00
	and		
	(ii) weighted-average fair values of options	Rs. 137.93	Rs. 78.54
	for options whose exercise price either equals or exceeds or is less than the market price of the stock		
(p)	A description of the method and significant assumptions used during the year to estimate the fair values of options :		
	(i) risk-free interest rate (%)	N.A.	N.A.
	(ii) expected life (years)	N.A.	N.A.
	(iii) expected volatility (%)	N.A.	N.A.
	(iv) expected dividends (%)	Nil	Nil
	(v) the price underlying share in market at the time of option grant	N.A.	N.A.

1. Company's Philosophy on Corporate Governance

Your Company is committed to excellence in corporate governance practices and recognizes that good corporate governance is a continuous exercise. Your Company aims at achieving transparency, accountability, equity and ethics in all facets of its operations and in all interaction with its stakeholders. Your Company believes that all its operations and actions must result in enhancement of overall shareholder value over a sustained period of time without compromising in any way compliance with laws and regulations.

Your Company is committed to social obligations and has initiated steps to participate in the "Green Initiative in Corporate Governance" undertaken by the Ministry of Corporate Affairs, by allowing paperless compliances by companies through electronic mode, details of which are set out under "Means of Communication".

Your Company welcomes this move which will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment.

2. Board of Directors

During the financial year under review, until August 11, 2010, your Company's Board of Directors comprised 9 Directors (1 Executive Director and 8 Non-Executive Directors). Consequent upon the resignation of Dr. Naresh Trehan effective August 11, 2010, your Company's Board of Directors comprised 8 Directors (1 Executive Director and 7 Non-Executive Directors). Thereafter, consequent upon the resignation of Diwan Arun Nanda subsequent to the year under review, which resignation to be effective September 5, 2011, your Company's Board of Directors will comprise 7 Directors (1 Executive Director and 6 Non-Executive Directors).

The constitution of the Board of Directors of your Company effective September 5, 2011, will be as follows:

• Dr. Vijay Mallya	– Chairman & Managing Director
• Mr. Subhash R. Gupte	– Vice Chairman & Non – Executive Director
• Mr. A. K. Ravi Nedungadi	– Non – Executive Director
• Mr. Vijay Amritraj	– Non – Executive Independent Director
• Mr. Anil Kumar Ganguly	– Non – Executive Independent Director
• Mr. Piyush Mankad	– Non – Executive Independent Director
• Mr. Ghyanendra Nath Bajpai	– Non – Executive Independent Director

During the year under review, Seven Board Meetings were held i.e. on May 28, 2010, July 22, 2010, August 31, 2010, November 13, 2010, November 14, 2010, November 25, 2010 and February 11, 2011.

Attendance of each Director at the Board Meetings during the year under review and at the last Annual General Meeting and details of number of outside Directorships and Committee position(s) held by each of your Directors as on date are given below:

Sl. No.	Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on September 30, 2010	# No. of Other Companies in which Director	No. of Committees (other than your Company) in which Chairman/ Member
1.	Dr. Vijay Mallya	Managing Director designated as "Chairman & CEO" (till September 26, 2010) Managing Director designated as "Chairman & Managing Director" (from September 27, 2010)[1]	6	Yes	19	Nil
2.	Mr. Subhash R. Gupte	Vice Chairman & Non-Executive Non-Independent Director[2]	7	Yes	10	6 (Chairman of 4)
3.	Mr. A. K. Ravi Nedungadi	Non-Executive Non-Independent Director	7	Yes	9	4 (Chairman of 1)
4.	Mr. Vijay Amritraj	Non-Executive Independent Director	1	Yes	3	6
5.	Mr. Anil Kumar Ganguly	Non-Executive Independent Director	6	Yes	2	Nil

Sl. No.	Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on September 30, 2010	# No. of Other Companies in which Director	No. of Committees (other than your Company) in which Chairman/ Member
6.	Mr. Piyush Mankad	Non-Executive Independent Director	4	Yes	12	10 (Chairman of 2)
7.	Dr. Naresh Trehan	Non-Executive Independent Director[3]	0	N.A	N.A.	N.A.
8.	Diwan Arun Nanda	Non-Executive Independent Director[4]	4	No	11	3 (Chairman of 2)
9.	Mr. Ghyanendra Nath Bajpai	Non-Executive Independent Director	5	Yes	20	9 (Chairman of 5)

NOTE:

\# The above details are in respect of their Directorship only in Indian Companies.

a. Out of 19 other companies in which Dr. Vijay Mallya is a Director, 6 are Private Limited companies and 2 companies incorporated under Section 25 of the Companies Act, 1956.

b. Out of 10 other companies in which Mr. Subhash R. Gupte is a Director, 2 are Private Limited companies and 2 are companies incorporated under Section 25 of the Companies Act, 1956.

c. Out of 9 other companies in which Mr. A. K. Ravi Nedungadi is a Director, 3 are Private Limited companies and 1 is a company incorporated under Section 25 of the Companies Act, 1956.

d. Out of 3 other companies in which Mr. Vijay Amritraj is a Director, 2 are Private Limited companies.

e. Out of 12 other companies in which Mr. Piyush Mankad is a Director, 1 is Private Limited Company.

f. Out of 11 other companies in which Diwan Arun Nanda is a Director, 6 are Private Limited companies.

g. Out of 20 other companies in which Mr. Ghyanendra Nath Bajpai is a Director, 5 are Private Limited companies and 1 is a company incorporated under Section 25 of the Companies Act, 1956.

[1] Ceased to be Chief Executive Officer w.e.f. September 27, 2010.

[2] Appointed as Vice- Chairman w.e.f. July 22, 2010.

[3] Ceased to be Director w.e.f. August 11, 2010.

[4] Will cease to be Director w.e.f. September 5, 2011.

DISCLOSURE REGARDING RE-APPOINTMENT OF DIRECTORS

Directors retiring by rotation and seeking re-appointment

Mr. Ghyanendra Nath Bajpai holds a Master's Degree in Commerce from the University of Agra and a Degree in Law (LLB) from the University of Indore. He has been the Chairman of the Securities and Exchange Board of India (SEBI), the Life Insurance Corporation of India (LIC) and Non-Executive Chairman of National Stock Exchange of India Limited.

He received among others the "Outstanding Contribution to the Development of Finance" award from the Prime Minister of India, Dr. Manmohan Singh.

The details of his Directorships in other Indian Companies are as under:

Other Directorships	Position held
Future Generali India Life Insurance Company Limited	Director
Future Generali India Insurance Company Limited	Director
Emaar MGF Land Limited	Director
Dhanlaxmi Bank Limited	Director
Future Capital Holdings Limited	Director
Mandhana Industries Limited	Director
Future Ventures India Limited	Director
Nitesh Estates Limited	Director
New Horizons India Limited	Director
PNB Housing Finance Limited	Director
Usha Martin Limited	Director
Micromax Informatics Limited	Director
Walchandnagar Industries Limited	Director
Dalmia Cement (Bharat) Limited	Director

Other Directorships (contd.)	**Position held**
Intuit Consulting Private Limited	Director
Invent Asset Securitisation & Reconstruction Company Private Limited	Director
Infomerics Valuation & Rating Private Limited	Director
IDE India (Section 25 Company)	Director
Apnapaisa Private Limited	Director
Invent ARC Private Limited	Director

He holds the following other Committee positions:

Name of the Committee	**Position held**
Audit Committee	
Mandhana Industries Limited	Member
Emaar MGF Land Limited	Member
Future Capital Holdings Limited	Member
Future Generali India Insurance Company Limited	Chairman
Future Generali India Life Insurance Company Limited	Chairman
Future Ventures India Limited	Chairman
Dalmia Cement (Bharat) Limited	Member
Shareholders/Investors Grievance Committee	
Future Generali India Insurance Company Limited	Chairman
Future Generali India Life Insurance Company Limited	Chairman

Mr. Ghyanendra Nath Bajpai does not hold any shares in your Company.

Mr. Subhash R. Gupte is a Chartered Accountant with over four decades of corporate, financial, administration and personnel experience. He has over two decades experience in the Aviation Industry and served as the Acting Chairman and Managing Director of Air India prior to joining the UB Group. He is the Vice-Chairman of the UB Group and has served in that capacity for over 19 years.

The details of his Directorships in other Indian Companies are as under:

Other Directorships	**Position held**
Aventis Pharma Limited	Director
Mangalore Chemicals & Fertilizers Limited	Director
Millennium Beer Industries Limited	Director
Shaw Wallace Breweries Limited	Director
UB Electronic Instruments Limited	Chairman
United Spirits Limited	Director
United Helicharters Private Limited	Chairman
VJM Media Private Limited	Chairman

Other Directorships (Contd.)	**Position held**
Federation of Indian Chambers of Commerce & Industry (FICCI)	Executive Committee Member
SWEW Benefit Company	Managing Committee Member

He holds the following other Committee positions :

Name of the Committee	**Position held**
Audit Committee	
Aventis Pharma Limited	Chairman
Millennium Beer Industries Limited	Chairman
Mangalore Chemicals & Fertilizers Limited	Member
United Spirits Limited	Member
Shareholders/Investors Grievance Committee	
Aventis Pharma Limited	Chairman
Millennium Beer Industries Limited	Chairman

Mr. Subhash R. Gupte does not hold any shares in your Company.

3. AUDIT COMMITTEE

The Audit Committee was constituted on December 21, 2005 to meet the requirements under both the Listing Agreement and Section 292A of the Companies Act, 1956.

During the year under review, meetings of the Committee were held on May 27, 2010, July 22, 2010, November 14, 2010 and February 11, 2011. The details of attendance by members of the Committee are as below:

Members	**Category**	**No. of Meetings Attended**
Mr. Anil Kumar Ganguly	Non-Executive/ Independent	4
Mr. A. K. Ravi Nedungadi	Non-Executive/ Non-Independent	4
Dr. Naresh Trehan *	Non-Executive/ Independent	Nil
Diwan Arun Nanda**	Non-Executive/ Independent	3
Mr. Subhash R. Gupte	Non-Executive/ Non-Independent	4
Mr. Ghyanendra Nath Bajpai (inducted into the Committee during the year, on November 13, 2010)	Non-Executive/ Independent	1

* Ceased to be Director / Member of the Committee with effect from August 11, 2010.

** Will cease to be Director / Member of the Committee with effect from September 5, 2011.

The terms of reference to the Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, (besides some other functions as are referred to it by the Board of Directors) which are as follows:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Qualifications in the draft audit report.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.
- To look into the matters pertaining to the Directors' Responsibility Statement with respect to compliance with Accounting Standards and Accounting Policies.
- Compliance with Stock Exchange legal requirements concerning financial statements to the extent applicable.
- The Committee shall look into any related party transactions i.e., transactions of the Company of a material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

4. SHARE ALLOTMENT, TRANSFERS AND INVESTOR GRIEVANCE COMMITTEE

The Share Allotment, Transfers and Investor Grievance Committee was constituted on December 21, 2005 to operate in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges and/or the provisions as prescribed or may be prescribed in this regard by the Companies Act, 1956.

During the year under review, the said Committee comprised of the following Directors:

- Mr. Anil Kumar Ganguly - Chairman
- Mr. Subhash R. Gupte*
- Mr. A. K. Ravi Nedungadi

* Inducted into the Committee during the year, on May 28, 2010.

Mr. N. Srivatsa was the Compliance Officer of the Company till July 7, 2010 and Mr. Bharath Raghavan, Chief Legal Officer & Company Secretary, is the Compliance Officer of the Company with effect from July 8, 2010.

During the year under review, two meetings of the Committee were held on April 21, 2010 and September 30, 2010. The attendance of your Directors at the Committee meetings is as below:

Members	Category	No. of Meetings Attended
Mr. Anil Kumar Ganguly	Non-Executive/ Independent	2
Mr. Subhash R. Gupte	Non-Executive/ Non-Independent	1
Mr. A. K. Ravi Nedungadi	Non-Executive/ Non-Independent	2

During the year under review, 10 complaints were received and replied/redressed to the satisfaction of the shareholders.

5. REMUNERATION & COMPENSATION COMMITTEE

The Remuneration Committee originally constituted on March 16, 2005 was reconstituted as the Remuneration & Compensation Committee on October 15, 2008. The Committee is authorized, inter alia, to deal with matters relating to framing policies and compensation including salaries and salary adjustments, incentives, bonuses, promotion, benefits, stock options and performance targets of top executives, remuneration of Directors, strategies for attracting and retaining employees, employee development programmes and other key issues referred by the Board of Directors of your Company.

During the year under review, the Committee comprised of the following Directors:

- Diwan Arun Nanda - Chairman*
- Mr. Anil Kumar Ganguly
- Mr. A. K. Ravi Nedungadi

* Will cease to be Director / Member of the Committee with effect from September 5, 2011.

Mr. N. Srivatsa, Company Secretary, was the Secretary to the Committee till July 7, 2010 and Mr. Bharath Raghavan, Chief Legal Officer & Company Secretary, is the Secretary to the Committee with effect from July 8, 2010.

During the year under review, no meetings of the Committee were held.

a) Sitting fees of Non-Executive Directors :

Name of the Director	Fees paid for attending Board/Committee Meetings (Rs.)
Mr. Subhash R. Gupte	1,90,000
Mr. A. K. Ravi Nedungadi	2,20,000
Mr. Vijay Amritraj	20,000
Mr. Piyush Mankad	80,000
Mr. Anil Kumar Ganguly	2,00,000
Dr. Naresh Trehan	Nil
Diwan Arun Nanda	1,10,000
Mr. Ghyanendra Nath Bajpai	1,10,000

None of the Non-Executive Directors of your Company have any pecuniary relationship or transaction with your Company.

b) Shareholding of Non Executive Directors during the year under review:

None of the Non-Executive Directors owned any shares on beneficial basis during the year under review.

6. GENERAL BODY MEETINGS

The details in respect of the last three Annual General Meetings are furnished as under:

Financial Year	Date	Time	Venue
2007-2008	December 26, 2008	02.45 p.m.	Dr. Ambedkar Bhavan, Millers Road, Vasanthnagar, Bangalore – 560 052.
2008-2009	September 29, 2009	02.45 p.m.	Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore – 560 025.
2009-2010	September 30, 2010	12.45 p.m.	Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore – 560 025.

All the resolutions set out in the Notices, including Special Resolutions were passed by the Shareholders.

Postal Ballot

Your Company has not passed any resolution at the above Annual General Meetings which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 1956 ("the Act") and the rules framed thereunder.

Your Company has not conducted any Postal Ballot exercise for passing any resolution during the year under review.

7. DISCLOSURES

During the year under review, there were no materially significant related party transactions with your Company's promoters, the Directors or the management their subsidiaries or relatives that may have potential conflict with the interests of your Company at large. Details of related party transactions form part of Notes to Accounts.

Your Company has complied with all the statutory requirements comprised in the Listing Agreement / Regulations / Guidelines / Rules of the Stock Exchanges/SEBI/other statutory authorities. No penalties or strictures have been imposed by the Stock Exchanges or SEBI or any statutory authority since incorporation of your Company on any matter related to capital markets.

8. MEANS OF COMMUNICATION

The unaudited quarterly and half-yearly results are sent to all the Stock Exchanges where the shares of your Company are listed. The results are normally published in Business Standard and Vijaya Karnataka.

The results and presentation to analysts/ investors are displayed on your Company's website www.flykingfisher.com.

The Ministry of Corporate Affairs has undertaken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode, pursuant to which companies can now send various notices/ documents (including annual reports) through electronic mode to the registered e-mail addresses of its Members. This welcome move will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment. It will also save costs on paper and postage, ensure prompt receipt of communication and avoid loss in postal transit. Considering all these aspects, your Company has taken a step forward to participate in this initiative by sending letter dated July 6, 2011 to all Members intimating them about the said initiative. We are sure that as responsible citizens, Members will whole-heartedly support and co-operate with your Company in the implementation of this initiative.

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion & Analysis Report forms part of this Annual Report.

10. GENERAL SHAREHOLDERS' INFORMATION

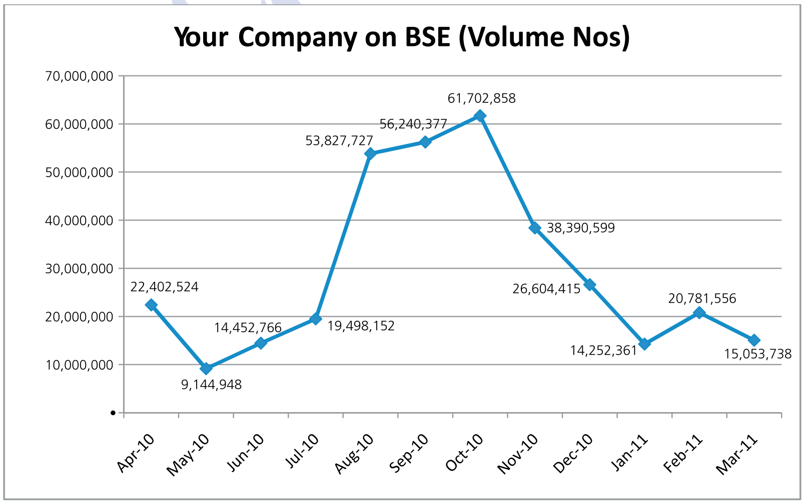
a)	Annual General Meeting	
	Date	September 28, 2011
	Time	11.30 a.m.
	Venue	Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore -560 025.
b)	Financial Year	April 1, 2010 to March 31, 2011
c)	Dates of Book Closure	September 23, 2011 to September 28, 2011 (both days inclusive)
d)	Dividend Payment Date	Your Company has not declared any dividend for the period April 1, 2010 to March 31, 2011.
e)	Listing Fees	The listing fees for the year 2011-12 have been paid to both the Stock Exchanges where your Company's equity shares are listed.
f)	Registered Office	UB Tower, Level 12, UB City, 24, Vittal Mallya Road, Bangalore 560 001.
g)	Listing on Stock Exchanges in India	Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Mumbai 400 001. National Stock Exchange of India Limited, Exchange Plaza, C/1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051.
h)	Stock Code	BSE- 532747 NSE- SYMBOL - KFA
i)	ISIN No.	INE438H01019
j)	Financial Calendar for the period April 1, 2011 to March 31, 2012 is as given below:	
	First Quarterly Results	By August 14, 2011
	Second Quarterly Results	By November 14, 2011
	Third Quarterly Results	By February 14, 2012
	Fourth Quarterly Results	By May 15, 2012
k)	**Market Price Data**	
	The shares of the Company are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The table below sets out the monthly high and low quotations of the shares traded during the year under review. Your Company's Management cautions the readers that the share price performance shown in the table below should not be considered to be indicative of the share price in the future.	

l) Share Price of your Company

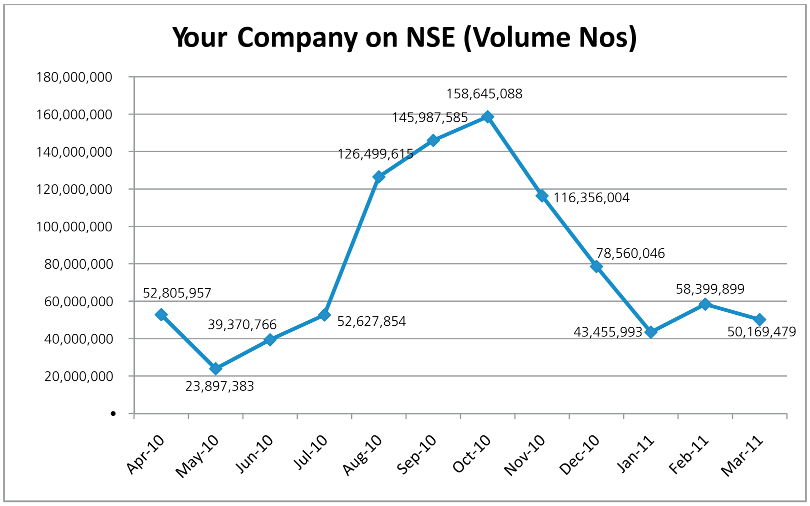
	ON BSE				ON NSE			
Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (Nos.)
April 2010	52.70	46.30	49.60	22402524	52.60	46.60	49.70	52805957
May 2010	50.30	39.20	44.85	9144948	50.25	39.30	44.85	23897383
June 2010	49.95	42.00	49.55	14452766	50.00	42.00	49.55	39370766
July 2010	53.95	48.40	52.95	19498152	53.95	48.15	52.95	52627854
August 2010	64.50	50.10	59.35	53827727	64.50	50.00	59.35	126499615
September 2010	75.50	59.75	74.10	56240377	75.45	59.85	74.15	145987585
October 2010	91.00	72.65	76.10	61702858	86.90	72.65	76.10	158645088
November 2010	90.40	61.60	66.75	38390599	90.15	61.25	66.80	116356004
December 2010	73.80	56.50	66.20	26604415	73.90	56.35	66.30	78560046
January 2011	67.70	49.70	50.60	14252361	67.70	49.60	50.65	43455993
February 2011	50.90	36.85	37.75	20781556	51.00	36.80	37.75	58399899
March 2011	43.50	37.05	39.90	15053738	42.30	37.05	39.80	50169479

The Company's performance for the period from April 1, 2010 to March 31, 2011 vis-à-vis BSE SENSEX & NSE NIFTY.

Your Company vis-à-vis BSE



Your Company vis-à-vis NSE



m) Registrar and Share Transfer Agents

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081
Tel. No. : 91 - 040 - 44655000
Fax No. : 91 - 040 - 23420814
Email : einward.ris@karvy.com

n) Share Transfer System

The power to consider and approve share transfers/ transmission/ transposition/ consolidation/ subdivision etc. has been delegated to a Committee of Directors as indicated under the heading "Share Allotment, Transfers and Investor Grievance Committee". The Committee meets when necessary. The requirements under the Listing Agreement/ Statutory regulations in this regard are being followed.

o) Distribution of Shareholding as on March 31, 2011

Shareholding of nominal value (Rs.)	Shareholders		Share Amount	
	Number	% to total	In Rs.	% to total
upto - 5,000	87,349	88.70	113,588,550	2.28
5,001 - 10,000	5,809	5.90	48,528,720	0.97
10,001 - 20,000	2,503	2.54	39,289,790	0.79
20,001 - 30,000	856	0.87	22,395,740	0.45
30,001 - 40,000	398	0.40	14,452,700	0.29
40,001 - 50,000	414	0.42	19,880,810	0.40
50,001 - 100,000	548	0.56	41,753,140	0.84
100,001 and above	596	0.61	4,677,902,780	93.98
Total	**98,473**	**100.00**	**4,977,792,230**	**100.00**

p) Shareholding Pattern as on March 31, 2011

Sl. No.	Name of Shareholder	No. of shares	% of holding
1.	Promoters	291,757,626	58.61
2.	Mutual Funds / UTI	3,915,184	0.79
3.	Financial Institutions / Banks	116,426,338	23.39
4.	Insurance Companies	1,136,595	0.23
5.	Bodies Corporate	28,693,469	5.76
6.	Individuals	38,172,157	7.67
7.	Trusts	517,059	0.10
8.	Clearing Members	1,554,903	0.31
9.	Foreign Institutional Investors	13,793,712	2.77
10.	Non Resident Indians	1,105,835	0.23
11.	Foreign Nationals	705,800	0.14
12.	Overseas Corporate Bodies	545	0.00
	Total	**497,779,223**	**100.00**

q) Percentage of Shares held in Physical & Electronic Form as on March 31, 2011

Sl. No.	Category	Holders	Total Shares	% To Equity
1.	Physical	55	238,713,358	47.95
2.	NSDL	65,819	151,912,361	30.52
3.	CDSL	32,599	107,153,504	21.53
	Total	**98,473**	**497,779,223**	**100.00**

Your Company has not issued GDRs/ADRs/Warrants.

Loans / Inter corporate deposits from certain business associates aggregating to Rs.7,093 million were converted into 7,09,31,985 8% optionally convertible debentures of Rs.100/- each ("**OCDs**") which are convertible into equity shares for a period of 18 months from their issue, after which they are redeemable. These OCDs are convertible into equity shares at the option of the holder, and at a conversion price to be determined as per applicable SEBI regulations with reference to the date of conversion. As a result, it is not presently possible to determine either the date of conversion of the OCDs, or the number of equity shares which may be issued and allotted if and when OCDs are converted.

It is proposed that the terms of the OCDs be varied such that, in the event the Board decides to undertake the Rights Issue which is to occur prior to 18 months from the date of allotment of the OCDs, the OCDs shall become redeemable, in part or in full and in one or more tranches, at the option of the Board, and in such quantity as may be mutually agreed by the Board and the holders of the OCDs. The redemption proceeds of OCDs along with accrued interest are to be appropriated towards subscription to equity shares in the rights issue. In the event the rights issue has not opened for subscription or after opening for subscription has not successfully closed during the period of 18 months from the date of allotment of the OCDs, the OCDs shall be governed by their original terms of issue. Approval of the Members is being sought at the Annual General Meeting for such variation in the terms of the said OCDs.

r) Dematerialisation of Shares

52.05% of the paid-up capital was held in dematerialized form as on March 31, 2011 and 90.49% as on date.

s) Code of Conduct

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has adopted a Code of Business Conduct and Ethics for its Board Members and Senior Management Personnel, a copy of which is available at the Company's website, www.flykingfisher.com. All members of the Board and senior management personnel affirmed compliance with the Code for the year ended March 31, 2011 and a declaration to this effect signed by the CEO forms part of this report.

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a 'Code of Conduct for Prevention of Insider Trading". This Code is applicable to all the Directors and designated employees of the Company.

t) Address for Correspondence

Shareholder correspondence should be addressed to your Company's Registrar and Share Transfer Agents:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Tel. No. : 91-040 - 44655000
Fax No. : 91-040 - 23420814
Email ID : einward.ris@karvy.com

Investors may also write to or contact Mr. Bharath Raghavan, Chief Legal Officer & Company Secretary at:

Kingfisher Airlines Limited
The Qube, 6th Floor, A/2, M. V. Road
Marol, Andheri (East),
Mumbai – 400 059
Tel No. : 91-022-28566000
Fax No. : 91-022-28566225

In compliance with the provisions of Clause 47(f) of the Listing Agreement with the Stock Exchanges, an exclusive email Id, viz investor.relations@flykingfisher.com has been designated for registering complaints by investors, which has been displayed on the website of your Company www.flykingfisher.com.

u) Clause 5A of the Listing Agreement

The Company's Registrar & Transfer Agents are in the process of sending reminders to the shareholders whose shares remain unclaimed. If no response is received after three reminders, the unclaimed shares shall be transferred to one folio in the name of "Unclaimed Suspense Account" and the voting rights on such shares shall remain frozen till the rightful owners claims the shares. Your Company is taking all necessary actions to ensure compliance with clause 5A of the Listing Agreement.

NON MANDATORY REQUIREMENTS

a.	Remuneration Committee	Your Company has constituted a "Remuneration & Compensation" Committee.
b.	Shareholders Rights	Your Company's half-yearly results are published in English and Kannada newspapers. Hence the same are not sent to the shareholders.
c.	Training of Board Members	The Board of Directors comprises of well experienced and accomplished members and their formal training is considered not necessary.
d.	Whistle Blower Policy	Your Company has a Whistle Blower Policy in place.

CERTIFICATE ON CORPORATE GOVERNANCE

The Members of
Kingfisher Airlines Limited

We have examined the compliance of conditions of Corporate Governance by Kingfisher Airlines Limited for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended March 31, 2011, no grievances are pending against the Company as per records maintained by the Company and presented to the Share Allotment, Transfers and Investor Grievance Committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Bangalore
August 25, 2011

M. R. GOPINATH
Company Secretary (in practice)
FCS 3812 CP 1030

CEO / CFO CERTIFICATE

In terms of the requirement of the amended Clause 49 of the Listing Agreement with the Stock Exchanges, the certificates from CEO / CFO have been obtained.

On behalf of the Board of Directors

Mumbai
August 25, 2011

Dr. Vijay Mallya
Chairman & Managing Director

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and Senior Management personnel of the Company have affirmed compliance with the Code of Business Conduct and Ethics of the Company for the financial year ended March 31, 2011.

Mumbai
August 25, 2011

Sanjay Aggarwal
Chief Executive Officer

1. **Industry structure and development**

   a. The global economy is on a hesitant path towards recovery. The outlook for India though continues to remain positive with the real Gross Domestic Product (GDP) growth for 2010-11 estimated at over 8.6%. Air traffic growth shows a strong correlation with economic growth.

   b. The global airline industry in 2010-11 demonstrated strong recovery with industry load factors and passenger volumes back to pre-recession levels. Overall it was a much better year for the global airline industry.

   c. International Air Transport Association (IATA), that represents 230 airlines comprising over 93% of scheduled international traffic across 118 countries, has forecast global airline traffic growth of nearly 5%, primarily driven by the demand growth in Asia Pacific and Middle-East regions.

   d. Jet fuel continues to remain a significant element of cost with IATA forecasts pegging this element at 30% of operating costs in 2011 (up from 26% in 2010) with an average crude oil price of over US$ 100 per barrel. In India, fuel costs are higher than international benchmarks due to the incidence of custom duties and high state sales taxes.

2. **Industry Operating Environment**

   a. As per the International Air Transport Association (IATA) outlook for June 2011, the global airline industry is forecasted to produce a net profit of US$ 4 billion in 2011. This is half of IATA's original outlook for 2011 and the revision in the forecast was forced by demand shocks due to the earthquake and tsunami in Japan and political turmoil in the Middle-East coupled with the rise in crude oil prices. However, profitability is forecast to be higher in regions where capacity is closely matched or lags demand. This is especially true for the Asia-Pacific region which is expected to produce over 50% of the global airline industry's net profit in 2011.

   b. For the year under review, the domestic passenger traffic in India increased by more than 19% over the previous year. The domestic industry capacity grew by only 12% during the same period and this led to a record industry load factor of 78%; an increase of 6 percentage points over the previous year.

   c. Yields remained stable over the year and premium traffic has experienced growth. The rise in fuel prices towards the end of the year compelled the industry to pass on a portion of the price increase to the consumer through revision of fuel surcharge.

3. **Segment–wise or product-wise performance of the airline**

   During the year under review, your Company ended with a domestic market share of 19.8% in FY11. The airline carried more than 12 million passengers across domestic and international sectors. Fleet size of aircraft used in scheduled operations at year end comprised of 66 aircraft, having an average schedule of 366 domestic and 28 international flights daily and a route network covering 59 domestic and 8 international destinations.

   Reflecting your Company's uniquely flexible network model which is capable of calibrating seat offerings in response to shifts in demand, Kingfisher Airlines offers the following classes of world class service:

   - Kingfisher First – Premium Business class of service
   - Kingfisher Class – Premium Economy class of service
   - Kingfisher Red – Low fare class of service

   <u>DOMESTIC SECTOR</u>

   a. During the year under review, your Company was the single largest player in the Indian domestic aviation sector and had the widest reach covering more destinations and carrying more passengers than any other domestic carrier.

   b. The airline achieved a seat factor of 83% in the year under review, an improvement of 11 percentage points over the previous year.

   c. As a result of the above measures, your Company's domestic operations have shown steady improvement.

      - The airline's domestic EBITDAR margin improved from 12.8% in FY10 to 19.8% in FY11.
      - The airline's RASK (Revenue per Available Seat Kilometer) on domestic operations improved by 19% for FY11 over FY10.
      - The airline's CASK (Cost per Available Seat Kilometer) on domestic operations reduced by 7% over FY10 on the back of several cost saving initiatives including expat pilot reduction, fuel consumption reduction, etc.

INTERNATIONAL SECTOR

During the year under review, your Company undertook a further expansion in its international operations by introduction of a new wide-body route from Delhi to Hong Kong and narrow- body routes from Delhi to Kathmandu and from Delhi and Mumbai to Bangkok and Dubai.

Your Company is the only Indian airline to be a member-elect of **one**world, which is the premier global airline alliance. It brings strong brand recognition comprising leading airlines such as American Airlines, British Airways, Cathay Pacific, Qantas and Finnair. **one**world serves airports in 150 countries through 9,000 daily flights with member airlines based in every continent.

Kingfisher Airlines' code share arrangements with British Airways has accelerated the growth trajectory of your Company into key international markets providing enhanced connectivity and traffic. Your Company has achieved market share leadership in most of the international sectors where operations have been launched, within a short span of 1 to 2 years of launch.

4. Internal control systems and their adequacy

a. Your Company has a proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes, codes of conduct and corporate policies are duly complied with.

b. The Internal audit department reviews the adequacy and efficacy of the key internal controls, guided by the Audit Committee of the Board.

c. One of the objectives of the Company's Audit Committee is to review the reports submitted by the Internal Audit Department and to monitor follow-up and corrective actions by Management.

d. Your Company has a compliance procedure to ensure that all laws, rules and regulations applicable to it are complied with.

e. The Company Secretary is the designated Compliance Officer to ensure compliance with Securities and Exchange Board of India regulations and with the Listing Agreement with National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

f. Your Company has a process of both external and internal safety audits for each area of operation. Your Company is in full compliance with all laws, rules and regulations relating to airworthiness, air safety and other statutory operational requirements.

g. Your Company, as part of its Risk Management strategy, reviews, on a continuous basis, its strategies, processes, procedures and guidelines to effectively identify and mitigate risks. Further, the Management has developed a procedure to ensure adequate disclosures of key risks and mitigation initiatives to the Audit Committee of the Board.

5. Analysis of operational performance for the period ended March 31, 2011

The current financial period is for the twelve month period from April 2010 to March 2011 (FY11).

Financial Results of Operations:

	FY11 (Rs. million)	FY10 (Rs. million)	(% difference)
Income			
Passenger	56,210	47,106	19%
Cargo	4,519	2,452	84%
Excess Baggage	306	156	96%
Rebooking charges/ cancellation	1,299	965	34%
Other Income	2,622	2,031	29%
Total Income	64,956	52,710	23%
Expenditure			
Employees' costs	6,760	6,888	(2%)
Aircraft / engine lease rentals	9,840	10,938	(10%)
Aircraft fuel expenses	22,740	18,030	26%
Operating and other expenses	24,213	23,756	2%
Depreciation/ Amortisation	2,410	2,173	11%
Interest & Finance charges	13,129	11,026	19%
Exceptional Item	912	3,577	(75%)
Foreign exchange translation difference	158	502	(69%)
Total expenditure (inc. exceptional item)	80,162	76,890	4%

Income

Your Company's total income stood at Rs. 64,956 million during the twelve month period from April 2010 to March 2011.

a. Income from services formed 96% of total income at Rs. 64,956 million. Domestic revenues recorded for the period under review was Rs. 47,731 million as against Rs. 45,220 million in FY10. This was despite the fact that the airline deployed 11% lesser seats YoY on account of capacity rationalization in its domestic operations.

b. During the twelve-month period ending 31 March 2011, your Company's International revenues increased to Rs. 14,602 million, an increase of over 167% as compared to Rs. 5,460 million in the previous year ended March 2010. The growth increased disproportionate to capacity increase, reflecting higher capacity utilisation on an expanded network.

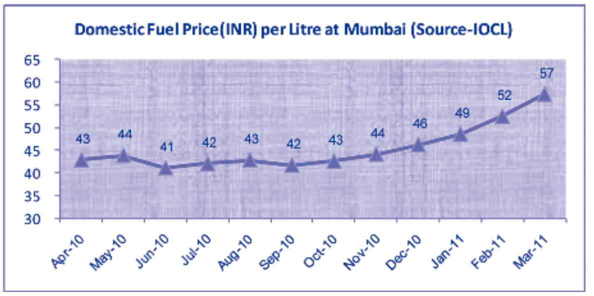
c. Other Operating Income which comprised duty free entitlement stood at Rs. 1,263 million during the twelve month period ending 31 March 2011 an increase of 475% as compared to Rs. 220 million in the previous year ended 31 March 2010.

d. Other income stood at Rs. 1,359 million during the twelve month period from April 2010 to March 2011, a decrease of 25% when compared to the previous year. Other Income comprised mainly of liabilities no longer required written back of Rs. 730 million.

Expenditure

Total expenditure including exceptional items stood at Rs. 80,163 million during the twelve month period from April 2010 to March 2011, an increase of 4% when compared to the previous year ended March 2010.

a. **Aircraft fuel expenses:** Expenditure on fuel stood at Rs. 22,740 million during the twelve month period from April 2010 to March 2011 accounting to 28% of the total costs. While the average fuel prices have come down from a high of Rs. 74 per litre in August 2008, prices have steadily risen through the year and ended 34% higher than prices at beginning of the year. Domestic ATF price movement in INR is given below:



Your Company has been able to contain overall fuel costs by a combination of route rationalization which saw cut on capacity on unprofitable routes and fuel consumption saving programs.

b. **Aircraft Engine/Lease Rentals:** Aircraft/engine lease rentals stood at Rs. 9,840 million during the twelve month period from April 2010 to March 2011. Your Company operated 67 aircraft (scheduled and non scheduled) in the year under review, 13 of which are owned through finance leases and 54 are held under operating leases.

c. **Employee Remuneration and Benefits (Personnel Costs):** Employee remuneration and benefits stood at Rs. 6,760 million during the twelve month period from April 2010 to March 2011. Your Company saw a reduction of 2% costs on employee remuneration. The headcount for the airline for the period ending March 2011 was 7,317 as against an average of 7,681 employees in the previous year ending March 2010. The employees per aircraft ratio declined in line with the fleet rationalization programs.

d. **Other Operating Expenses:** Other operating expenses stood at Rs. 24,213 million during the twelve month period from April 2010 to March 2011. While Airport and Ground handling charges increased by 17% YoY amounting to over Rs. 940 million, Aircraft Maintenance costs reduced by 9%, resulting in a cost saving of over Rs 370 million.

e. **Interest and Finance Charges:** Interest and finance charges amounted to Rs.13,129 million during the twelve month period from April 2010 to March 2011. Loan funds reduced to Rs. 70,571 million as against Rs. 79,226 million. The airline incurred interests of Rs. 11,199 million on fixed and other loans as against Rs. 10,077 million incurred in FY10. Bank charges and guarantee commission stood at Rs. 1,916 million for the year under review as compared to Rs. 888 million in the previous year ended March 2010.

f. **Depreciation and Amortization:** Depreciation charges were Rs. 2,030 million during the year ended March 31, 2011 versus Rs. 1,628 million in the previous year ended March 2010. Amortization charges stood at Rs. 380 million during the year ended March 31, 2011 versus Rs. 545 million in FY10.

6. Material developments in Human Resources / Industrial Relations front, including number of people employed

a. The number of employees for the year under review was 7,317.

b. There were no material developments as regards human resources / industrial relations front during the period under review.

7. Your Company's major initiatives undertaken in FY11 and planned initiatives for FY12

7.1 Initiatives undertaken in the year under review to enhance your Company's cost competitiveness:

- Increased aircraft utilization.
- Implemented an effective Fuel Management system that has proven results.
- Re-negotiated several aircraft leases to reduce lease rentals.
- Removal of expats from the A320 fleet and reduction on the ATR fleet.
- Comprehensive MRO agreement with IAE for engine maintenance.
- Only airline in India to implement SMS (Safety Management System).
- Your Company has moved from GSA handling to self handling in North India and Hong Kong markets.
- Your Company is in the process of changing its technology interface for its website, to reduce website costs.

7.2 Initiatives undertaken in the year under review to enhance your Company's revenue productivity:

- Improvement in increasing network traffic flows by introducing point of sale control and network pricing techniques.
- Increased focus on higher customer retention by focusing on return traffic.
- Continue the improvements started in Revenue Management processes and systems to deliver higher revenues for your Company.
- Improvements in cargo revenues through revenue management opportunities.

7.3 Catering and Airport Services related initiatives undertaken in the year under review to enhance your Company's revenue productivity and cut further costs:

- **Catering:**
  - o Your Company introduced the Buy on Board concept on all its Kingfisher Red flights with effect from January 15, 2011. This change has reduced our catering expenditure while earning a commission on total sales.
  - o Your Company introduced Regional Menus across all Domestic stations giving the widest range of cuisines offered in Indian skies which has been highly appreciated by all our discerning travelers.
- **Airport Services:**

  Operations Excellence:
  - o First airline in India to achieve 100 % Bar Coded Boarding Pass.
  - o First Indian carrier to have introduced a Centralized Load Control Unit. This unit handles aircraft documentation for all our flights throughout the network.
  - o Only airline in the country to have received the coveted "Gate Check" status from the UK immigration and Border Protection in view of its excellent track record since the inception of services to London.
  - o Only Indian Carrier to aggressively promote and use Kiosk check-in facility at 4 Metros.
  - o Exclusive Kingfisher First Lounges opened at DEL T3 (International).
  - o First airline globally to successfully introduce Radio Frequency Identification Device (RFID) technology, enabling real-time tracking of cargo.

- o Launched Kingfisher Cargo & Kingfisher Xpress web portals, giving complete product information.

Revenue / Cost Related Initiatives

- o Excess baggage allowance was amended downwards. This brought in additional revenue in the year under review of approximately Rs. 120 million.
- o Launched Kingfisher Xpress – a new initiative of "Kingfisher Cargo" offering "Door-To-Door" cargo services and the first of its kind in India and in Asia Pacific by an airline offering direct service to the end customers – which generated incremental revenue of Rupees 520 million in the first year of operations.

The following initiatives are proposed to be implemented during the current financial year:

- o Promotion of Web check-in and common user kiosks at airports including priority services for guests using this facility. This will allow your Company to rationalize its manpower.
- o Develop a Centralized Baggage Handling Unit to effectively track, control and monitor baggage related issues.
- o Use of Customer Relationship Management tool to manage Guest Experience of Platinum guests.
- o Starting "Valuable Cargo" business on domestic & international network.
- o Increase bonded cargo movement upon receiving approval at BOM and DEL.
- o Launching online cargo booking engine in Kingfisher Cargo & Xpress web portals.
- o Add 70 new locations to Kingfisher Xpress network.
- o Implementation of E-Airway Bill at all cargo operational locations.

7.4 Marketing and Commercial Initiatives undertaken during the year under review to enhance your Company's consumer connect :

- To aggressively drive choice for Kingfisher First, our business class product to corporate flyers.
- To win market share in key markets through innovative offers for consumers.
- To leverage properties such as Force India and Royal Challengers Bangalore (IPL team) and offer unique experiences to our guests.
- To further strengthen our relationship with travel agents.
- Increase penetration in the corporate segment.
- Increased rigor in driving sales from global markets.

Domestic operations:

- Your Company commenced flight operations to new sectors such as Mysore and Belgaum during the year 2010-11, and thereby continued to remain the widest airline network in India covering 67 domestic destinations and international destinations.
- During the year under review, your Company developed and successfully executed consumer and trade promotions which contributed towards incremental revenue for FY 2010-11, as well as built consumer and guest engagement through interactive contests across the social media network.
- Your Company has launched media campaigns covering print, radio, on ground activation and outdoors to promote awareness and increase loads on new sector launches and reinstated sectors across 20 top markets and remained India's most visible airline brand in the country.
- Your Company also undertook several product enhancement activities such as the introduction of the new English movie channel/ Air Premiere English, Indian regional movies and world cinema to cater to the diverse tastes of consumers. It also increased the depth of In-flight Entertainment with increased number of movies and television programs, music and games.

International operations:

- Your Company commenced 4 new international destinations out of Delhi i.e. Delhi - Hong Kong, Delhi – Bangkok, Delhi – Dubai and Delhi – Kathmandu and 2 out of Mumbai i.e. Mumbai – Bangkok and Mumbai – Dubai. This was supported by a mega marketing blitz to create awareness of sectors.

- Your Company joined hands with British Airways in a codeshare agreement on flights to India, Sri Lanka, the United Kingdom and Europe. As codeshare partner, Kingfisher Airlines flight numbers are placed on 9 routes from the United Kingdom and Europe i.e. Aberdeen, Edinburgh, Glasgow, Manchester, Amsterdam, Brussels, Dusseldorf, Lisbon and Paris, while the British Airways' code is placed on 11 domestic Indian routes and one route to Sri Lanka operated by your Company.
- Your Company also launched various promotions & offers during lean season. This included companion free offer, free gift vouchers on on-board sale, tie-up with 'Visa Facilitation Services' around the world that helped in enhancing productivity in various sectors.

7.5 Marketing Initiatives and launches proposed to further improve consumer connect:

- Launch of Business Mileage – our privilege program for the SME segment.
- Promote our website as the preferred channel of booking.
- Reinforce brand imagery through a new thematic campaign.
- Continue to leverage properties such as Force India and Royal Challengers Bangalore, to provide unique experiences to guests and trade.
- Extension of King Miles as a preferred loyalty currency by increasing width of partners.
- Increased Customer Relationship Management based analytics and campaigns.

7.6 Key Marketing Initiatives from King Club:

King Club achieved key milestones in the year 2010-11.

Your Company has exclusively partnered with the prestigious Starwood Preferred Group in India, allowing King Club members to earn Star-points which can be converted into King Miles and earn King Club rewards faster.

King Club announced an auto sweep cobranded credit card in association with ICICI Bank and MasterCard in September 2010. To cater to the different needs of customers, the card is available in 3 variants – World, Platinum and Titanium. The cards are powered by a uniquely rewarding miles program coupled with exclusive travel and lifestyle privileges for discerning customers. Some key benefits of the card include accelerated miles earnings for all card spends, bonus miles on joining and renewal, complimentary upgrade vouchers, complimentary membership of King Club and a wide range of special offers on shopping, golfing, dining and more. The miles earned can be redeemed for free flight tickets and upgrade vouchers on your Company's Airline.

King Club launched the first of its kind loyalty program in India – Little Wings for young flyers aged between 2 to 12 years. Upon enrollment, the young flyers get a passport filled with fun trivia and which can be autographed by the onboard captain every time they fly. Apart from this, our young members can also earn King Miles which can be redeemed by the parent/guardian for free flights and many exciting rewards with every Kingfisher Airlines flight.

From the overall **one**world perspective, King Club has successfully entered into a bilateral frequent flyer partnership with British Airways and Finnair allowing King Club members to earn and redeem King Miles by flying on these airlines anywhere in the world. Similar rewarding partnerships with American Airlines and Cathay Pacific Airways is expected to follow during the FY 2012.

8. Your Company and oneworld Alliance

Your Company is a member – elect of **one**world, the world's leading quality Airline Alliance that brings 12 of the biggest and best names in the Airline Industry. OJSC Siberia Airlines (S7) – the leading Airline from Russia has since fully integrated into the **one**world Alliance and your Company is scheduled to be the next integrated Carrier followed closely by Air Berlin. On 6 June, 2011, oneworld Alliance announced the addition of Malaysia Airlines to the **one**world family as member-elect.

The complex 15-18 month integration process began toward the latter part of 2010 and is now well on track for complete integration of your Company into the alliance in the 4th fiscal quarter of 2011-12.

oneworld Alliance was once again voted the world's best Alliance for the eighth year running. As the only Alliance with a Member Airline based in just about every Continent, **one**world continues to advance its membership cause globally in what is considered to be competitive "white space" areas.

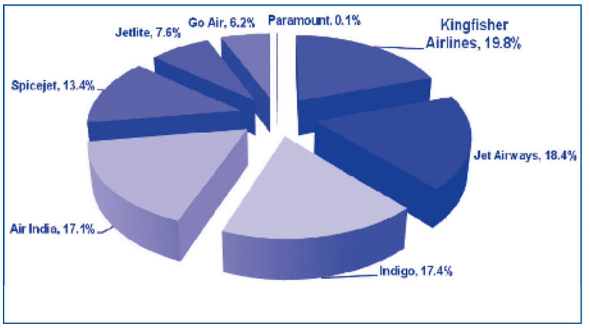
To reiterate some of the macro benefits that your Company will have by joining the Alliance:

- Access to 800 Airports served in 150 Countries.
- Access to market share and network synergies without significant addition of financial investments.
- Access to landing/parking slots typically leased to larger Carriers.
- Opportunities for co-location at various key Airports globally.
- Opportunities for co-location of global Sales offices with potential of cost reduction in these areas.
- Global co-branding holistically and on a bilateral basis.
- Significant enhancement of the Customer proposition of your Company with respect to Top-Tier Qualifying miles, Top-Tier recognition and Global Lounge Access.
- Review of joint cost saving opportunities e.g. where feasible – joint fuel purchase.
- Implementation of Management "best practices".

In addition to the above, your Company has undertaken commitment to implement a number of code-shares with not only carriers within the **one**world Alliance, but also significant globally positioned and independent carriers.

9. Your Company's Outlook

a. Your Company which commenced scheduled airline operations in August 2003 continues to be perched atop the industry as India's single largest domestic carrier by passengers flown. Despite forced capacity reduction due to unplanned grounding of aircraft, your airline recorded 19.8% market share whilst serving over 90% of the addressable passenger base in India with an unparalleled wide and far-reaching domestic network.



Supplementing its status further as India's best airline, your Company has maintained its record of securing an impressive line-up of awards from global aviation experts including the "Best Airlines in India and Central Asia". Your Company continues to be rated as India's only "5-Star Airline" by Skytrax.

b. The Indian economy continues its strong growth trajectory with GDP growth estimated to be around 8% for 2011-12 and is a significant contributor to growth of the global economy.

c. Passenger traffic continues to rise backed by strong macro-economic fundamentals and sustained growth across most industry sectors. Industry traffic increased by over 20% in 2010-11 compared to 2009-10 and such growth is forecasted to sustain through 2011-12.

d. Yields are expected to remain stable, given the demand/supply situation.

e. Fuel price has shown steep increase in the last quarter of 2010-11 and as future price movements remain uncertain, industry experts believe jet fuel price will correspond to an average crude oil price of around US$100 per barrel. Airline operators will need to continue partial offsetting of any fuel price hike through fuel surcharge in the ticket prices.

f. After announcing its first-ever positive annual EBITDA, your Company has budgeted for future years of operating profit even in the wake of high fuel prices. This will primarily be driven by capacity addition through phased recovery of grounded aircraft, growth of premium traffic, higher yields and a focused cost reduction plan.

g. International operations have now stabilized and are headed for profitability. Your Company looks forward to further expansion of its international network subject to government and regulatory authority approvals.

10. Opportunities and Threats, Risks and Concerns

a. Your Company has undertaken a phased and pragmatic approach to capacity addition as well as further market expansion. Progressive policies initiated by the Government of India as regards new bilateral agreements with various countries provide an opportunity to expand international operations.

b. Your Company will continue to closely monitor key market trends as well as macro-economic environment in the country from a global perspective. Given the strength of its domestic network and stable international operations, your Company is well-placed to take advantage of emerging business and tourist destinations in the country as well as augment services on established routes to further strengthen the domestic network.

c. Your Company continues to demonstrate leadership by proactively reviewing and undertaking measures to maximize profits and reduce losses, including:

- Planning for phased capacity addition over and above recovery of grounded aircraft.
- Continuously reviewing the mix of the full-service and low-cost airline business models.
- Strengthening route structures and overall airline network.
- Improving aircraft utilization.
- Focusing on driving revenue premium through strong yield management.
- Optimizing human resources through right-sizing, cross-utilization and process automation.
- Comprehensively reviewing costs across all key functions.
- Reviewing sales and distribution channels and associated costs.

d. Your Company continues to actively manage fuel consumption in a bid to contain the adverse impact of steep increases in jet fuel prices.

e. Sales tax on jet fuel in India continues to be significantly higher compared to global markets. Sales Tax is currently a State subject and follows an Ad Valorem methodology. The airline industry has made several representations to both the Central and State governments seeking reduction in sales rate on jet fuel as well as proposing a rationalization of the tax structure to a fixed rate that eliminates direct exposure to sales tax because fluctuations in crude oil price. A change in the fuel regime on these lines would provide a significant upside to the airline's operations as fuel constitutes nearly 40% of the operating cost.

f. The current FDI policy of the Government of India does not allow foreign airlines to invest in domestic operators. However, a 49% investment is allowed to foreign institutional investors. The government is currently considering extending this to foreign airlines as well based on representations made by domestic carriers. This change in policy could provide your Company with better access to equity capital and strategic business partners.

g. The Government of India has been making significant progress with respect to aviation infrastructure development in the country and thereby reduce air traffic congestion at key airports. The results are already showing with the opening of the modern, world-class Terminal-3 at Delhi. Expediting these initiatives in other key metros such as Mumbai and Kolkata coupled with focus on some of the fast-growing Tier-2 and Tier-3 airports will benefit your Company by allowing a richer consumer experience.

11. Awards & Accolades

a) Your Company has continued to remain India's most awarded airline with the following prestigious awards from which include 'India's Favourite Full Service Airline' for the year 2010 by Outlook Traveller Awards. The Outlook Traveller Awards is a reader survey award conducted by the Nielsen Company where readers are polled through the magazine and the Outlook Traveller website. It is an authoritative benchmark of consumer preferences in travel and tourism across 17 categories including hotels, airlines and holiday destinations.

b) Recognized as 'Power Brand of India' for the year 2010-11, by Power Brands India and "India's Most Promising And Admired Aviation Company" award at the India Leadership Conclave Awards.

c) Voted Most Preferred Domestic Airline - Low Cost Carrier & Most Preferred Domestic airline - Economy Class at CNBC Awaaz travel awards 2010.

d) Voted second runner up (for fleet size below 25 aircraft equipped with IFE) at the Passenger Choice Awards 2010.

e) King Club, the frequent flyer program of your Company, won laurels at the prestigious Frequent Traveler Awards 2010 which include the Best Program of the Year, Best Elite Program, Best Loyalty Credit Card, Best Redemption Ability and Best Earning Promotion from Middle East, Asia and Oceania region, being the only airline from India to make it to the top. The Frequent Traveler Awards are voted for by frequent travelers worldwide, allowing them to rate the loyalty programs of the airlines and hotels from their point of view. Over a million people from more than 200 countries worldwide participated, casting online ballots, choosing their favorite loyalty programs and campaigns.

Cautionary Statement

Statements in the management discussion and analysis describing your Company's objectives, projections, estimate, expectations may be 'forward-looking statement' 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 your Company's operations include economic conditions in the domestic markets and overseas markets in which your Company operates, changes in the Government Regulations, tax laws and other statutes and incidental factors.

TO

THE MEMBERS OF KINGFISHER AIRLINES LIMITED

1. We have audited the attached Balance Sheet of Kingfisher Airlines Limited (formerly known as Deccan Aviation Limited) ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. 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 auditing 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 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 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 (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ("the Act"), as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (herein after collectively referred to as the "Order") we enclose in the annexure a statement on matters specified in paragraphs 4 and 5 of the Order.

4. *Other Income for the fifteen months ended June 30, 2006 included a sum of Rs. 2,672.20 Lacs towards certain subsidy provided to the Company by one of its suppliers in conjunction with lease of aircrafts on operating lease basis. The previous auditors had reported that they were of the opinion that such accounting treatment was not in accordance with Accounting Standard 19 on "Leases" and the subsidy should be recorded on a straight-line basis over the period of the lease. Their audit report on the financial statements for the fifteen months ended June 30, 2006 was modified in this matter. We concur with the views of the said auditors in principle that such subsidy should be recognized on a systematic basis in the Profit and Loss Account over the periods necessary to match them with the related costs, which they are intended to compensate although the matter does not appear to be covered explicitly by the said AS 19.*

5. *As reported in paragraph 6 of our report dated July 28, 2009, the Company novated its rights in certain aircrafts purchase agreements during the year ended March 31, 2009 in favor of certain lessors and took such aircrafts back on operating lease from the same persons. The Company incurred a loss of Rs. 14,437.15 Lacs on such novation (including interest on loans borrowed for making pre-delivery payments to aircraft manufacturers of Rs. 5,305.34 Lacs). As already reported in the said report, in the absence of an independent valuation report, we had relied on the representations of the management that the novation was not established at fair value, the fair value of the aircrafts is at least equal to or more than the cost of acquisition and the preconditions specified in AS 19 for deferring the said loss are satisfied. We do not express any independent opinion in the matter.*

6. *Attention is invited to note 27 of schedule 19 regarding method of accounting of costs incurred on major repairs and maintenance of engines of aircrafts taken on operating lease during the year aggregating to Rs.12,256.85 lacs (year ended March 31, 2010 Rs. 207,00.76 lacs) which have been included under fixed assets and amortized over the estimated useful life of the repairs. In our opinion, this accounting treatment is not in accordance with current accounting standards.*

7. *Attention is invited to note 28 of Schedule 19 regarding use fees payable by the Company in respect of certain assets taken on operating lease aggregating to Rs 5,576.45 Lacs as maintenance reserves, in accordance with its understanding. Pending formalization of the matter with the relevant lessor, we do not express any independent opinion in the matter.*

8. *We further report that, except for the effect, if any, of the matters stated in paragraph 5 and 7 above and 13(a) below, paragraph 1(b) of the annexure to this report and notes 23 and 25 of schedule 19, whose effect are not ascertainable, had the observations made in paragraphs 4 & 6 above been considered, the loss after tax for the year ended March 31, 2011 would have been Rs.104,951.58 Lacs (March 31, 2010 – Rs.175,350.66 Lacs) as against the reported loss of Rs.102,739.80 Lacs (March 31, 2010 – Rs 164,722.06 Lacs), debit balance in profit and loss account as at March 31, 2011 would have been Rs.548,493.43.Lacs (March 31, 2010 – Rs. 443,541.85 lacs) as against the reported figure of Rs. 534,847.43 Lacs (March 31,*

2010 – Rs. 432,107.63 Lacs), other liabilities would have been Rs. 58,553.65 Lacs (March 31, 2010 – Rs.44,043.05 Lacs) as against the reported figure of Rs.58,275.12 Lacs (March 31, 2010 – Rs.43,311.74. Lacs), and fixed assets (excluding capital work in progress) would have been Rs. 137,071.61 Lacs (March 31, 2010 – Rs. 139,061.17 Lacs) as against the reported figure of Rs. 157,188.69 Lacs (March 31, 2010 – Rs.155,451.42 Lacs).

9. *Attention of the members is invited to note 24 of schedule 19 regarding the financial statements of the Company having been prepared on a going concern basis, notwithstanding the fact that its net worth is completely eroded. The appropriateness of the said basis is interalia dependent on the Company's ability to infuse requisite funds for meeting its obligations.*

Further to our comments in the annexure referred to above, we report that:

10. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

11. In our opinion, the Company has kept proper books of account as required by Law so far as appears from our examination of those books.

12. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

13. (a) *Attention of the members is invited to note 16 of schedule 19 regarding recognition of deferred tax credit during the year aggregating to Rs. 49,341.80 Lacs (year ended March 31, 2010 Rs.76,463.31lacs) (Total amount recognized up to March 31, 2011 Rs. 292,778.31 Lacs) by virtue of which its loss for the year and debit balance in Profit and Loss Account stand reduced by Rs. 493,41.80 Lacs (year ended March 31, 2010 Rs. 76,463.31 Lacs) and Rs. 292,778.31 Lacs (as at March 31, 2010 Rs.243,436.51 Lacs) respectively. In view of explanation 1 to clause 17 of Accounting Standard 22, we cannot express any independent opinion in the matter.*

    (b) In our opinion, subject to the *effect of the matters stated in paragraphs 4 to 6 and 13(a) above,* the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply in all material respects, with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Act.

14. On the basis of written representations received from Directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the Directors of the Company, are disqualified as on that date from being appointed as a director, under clause (g) of sub-section (1) of section 274 of the Act.

15. In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said accounts subject to note 21 of schedule 19 and read with other notes on accounts, give the information required by the Act in the manner so required and *subject to the effect of the matters stated in paragraphs 4 to 8 & 13(a) above, note 23 of schedule 19 regarding certain accounts detailed in the said note being under review and reconciliation and note 25 of schedule 19 regarding the basis of computation of unearned revenue as at March 31, 2011 (Data of number of unflown tickets and their average value, based on which management has estimated the amount of unearned revenue, not being drawn from accounting records, could not be verified by us) (Effect thereof on revenue not ascertainable)* give a true and fair view in conformity with the accounting principles generally accepted in India.

    i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,
    ii. In the case of Profit and Loss account, of the loss for the year ended on that date and
    iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **B. K. RAMADHYANI & CO.**
Chartered Accountants
Firm registration number: 002878S

Place : Bangalore
Date : June 29, 2011

(Shyam Ramadhyani)
Partner
Membership No. 019522

B. K. Ramadhyani & Co.
Chartered Accountants
4B, Chitrapur Bhavan
No. 68, 8th Main, 15th Cross
Malleswaram
Bangalore – 560 055

(AS REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KINGFISHER AIRLINES LIMITED)

1. a. The Company has maintained records showing full particulars including quantitative details and situation of fixed assets. *However, comprehensive description of assets and current location are to be incorporated in the asset records after completion of reconciliation referred to in paragraph 1(b) below.*

   b. *Fixed assets have been physically verified by the management during the year. Pending completion of reconciliation which is reportedly in progress, discrepancies, if any, cannot be ascertained (refer note 30 of schedule 19).*

   c. There was no substantial disposal of fixed assets during the year.

2. a. Management has conducted physical verification of inventory at reasonable intervals during the year.

   b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   c. No material discrepancies were noticed on physical verification.

3. a. As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.

   b. As informed, the Company has taken loans from four companies covered in the register maintained under section 301 of the Act. The total loan amount outstanding as at year end was Rs. 6,554.14 lacs and the maximum amount outstanding at any time during the year were Rs. 113,433.14 lacs. The rate of interest and terms and conditions on which the said loans are taken is not prima-facie prejudicial to the interests of the Company. No stipulations for repayment have been prescribed and as such no comments regarding regularity of payments are being made.

4. In our opinion and according to the information and explanation given to us, and taking into consideration management's representation that a large number of items purchased are of a special nature for which alternative quotations cannot be obtained, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of inventory and sale of services *(subject to note 25 of schedule 19). Internal controls in respect of purchase of fixed assets to be strengthened. Subject to our observations in paragraph 1(b) above and note 25 of schedule 19,* during the course of our audit, no continuing failure to correct major weakness in internal controls has been noticed.

5. a. According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

   b. Further, contracts or arrangements referred to in section 301 of the Act and aggregating to Rs. 5.00 lacs or more per party have been entered into at prices which are reasonable as compared to similar services rendered to / by other parties except in respect of advertisement & sales promotional expenses of Rs 630.65 lacs and miscellaneous income of Rs.787.36 lacs where we are unable to make any comments on reasonability of rates since there were no similar transactions with third parties at the relevant time.

6. The Company has not accepted any deposits from the public.

7. The Company has an internal audit system commensurate with the size and nature of its business.

8. To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Act for the products of the Company.

9. a. *Undisputed statutory dues in respect of service tax, withholding taxes, provident fund, fringe benefit tax, investor education and protection fund and employees' state insurance dues have not been regularly deposited with the appropriate authorities.* Undisputed statutory dues in respect of wealth tax, customs, excise duty, cess as applicable, have generally been regularly deposited with the appropriate authorities. Since to the best of our knowledge, the Central Government has till date not prescribed the

amount of cess payable under section 441A of the Act, no comments in this respect have been made.

b. According to the information and explanations given to us:-

(i) No amounts were outstanding as at year end on account of undisputed amounts payable in respect of investor education and protection fund, sales tax, customs duty, excise duty and cess for a period of more than six months from the date they became payable.

(ii) *Undisputed amounts payable in respect of employees state insurance of Rs.0.75 lacs, provident fund of Rs.43.80 lacs, tax deducted at source of Rs. 42,297.52 lacs, service tax of Rs.1,047.76 lacs, professional tax of Rs.2.46 lacs (In all cases relating to the years 2008-09, 2009- 2010 and 2010 - 2011) and fringe benefit tax of Rs. 450.70 lacs (balance of tax and interest for the financial year 2008-09) were outstanding for a period of more than six months from the date they became payable (excluding applicable interest in all cases except in respect of fringe benefits tax) (to the extent identified pending review and reconciliation of the relevant accounts). The due dates for these amounts are as per respective statutes.*

c. According to the information and explanations given to us, the following dues have not been deposited with the concerned authorities on account of dispute

Year	Amount (Rs in lacs)	Pending before
Tax deducted at source		
2006-07 and 2007-08	333.25	Commissioner of Income Tax (Appeals)
Estimated total liability arising out of rejection of approvals under section 10(15A) of the Income Tax Act, 1961.	6,019.06	Delhi High Court. In certain cases, writs proposed by the Company are yet to be filed.
Service Tax		
2004-05 to 2007-08	448.63	Customs, Excise and Service Tax Appellate Tribunal
January 2005 to September 2007	16,164.30	Customs, Excise and Service Tax Appellate Tribunal.

10. *The Company's accumulated losses at the end of the financial year were more than fifty percent of its net worth. The Company has incurred cash losses during the financial year and in the immediately preceding financial year.*

11. Based on our audit procedures and as per the information and explanations given by the management, the Company has defaulted in repayment of loans and interest to banks and financial institutions. Delays were noticed in payment of interest & principal on several occasions during the year. *The unpaid overdue installments and interest to banks and institutions as at March 31, 2011 were Rs.3,750.00 lacs and Rs.2,066.14 lacs respectively. The unpaid installments fell due on December 31, 2010. Unpaid interest relate to the months of December 2010 to March 2011.* There were no dues payable to the debenture holders as at March 31, 2011.

12. According to the information and explanations given to us and based on the documents and records produced 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. Accordingly, the provisions of the clause 4(xii) of the Order are not applicable to the Company.

13. In our opinion, the Company is not a chit fund or a nidhi, mutual benefit fund / society. Accordingly, the provisions of the clause 4(xiii) of the Order are not applicable to the Company.

14. In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

15. According to the information and explanations given to us, the Company has not given guarantees during the year for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable to the Company.

16. Based on information and explanations given to us by the management, term loans taken during the year have been applied for the purpose for which they were obtained, wherever specified by the bank in the relevant sanction letters.

17. *According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that funds raised on short- term basis to an aggregate extent of Rs.279,659.60 Lacs has been used for long term investment as at March 31, 2011.*

18. The Company has made preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. In our opinion, the price at which such shares were issued is prima facie not prejudicial to the interests of the Company.

19. Debentures issued during the year are unsecured. Accordingly, the provisions of clause 4(xix) of the Order are not applicable to the Company.

20. The Company has not raised any money by public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.

21. As per the information and explanations furnished to us by the management, no material frauds on or by the Company and causing material misstatements to financial statements have been noticed or reported during the course of our audit, *except for charge backs received by the Company from credit card service providers due to misutilisation of credit cards by third parties of Rs.107.76 lacs.*

For **B. K. RAMADHYANI & CO.**
Chartered Accountants
Firm registration number: 002878S

Place : Bangalore
Date : June 29, 2011

(Shyam Ramadhyani)
Partner
Membership No. 019522

B. K. Ramadhyani & Co.
Chartered Accountants
4B, Chitrapur Bhavan
No. 68, 8th Main, 15th Cross
Malleswaram
Bangalore – 560 055

Balance Sheet as at March 31, 2011

	Schedules	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	**105,087.92**	36,290.89
Employees Stock Option Outstanding (Net of deferred compensation cost)		**295.09**	748.17
Reserves and Surplus	2	**134,345.16**	8,022.19
		239,728.17	45,061.25
Loan Funds			
Secured Loans	3A	**518,452.82**	484,242.55
Unsecured Loans	3B	**187,254.71**	308,017.12
		705,707.53	792,259.67
TOTAL		**945,435.70**	837,320.92
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		**225,425.92**	204,813.71
Less : Accumulated Depreciation / Amortisation		**68,237.23**	49,362.29
Net Block		**157,188.69**	155,451.42
Capital Work-in-Progress		**67,334.63**	98,060.50
		224,523.32	253,511.92
Investments	5	**5.00**	5.00
Foreign Currency Monetary Item Translation Difference Account		**-**	2,798.27
Deferred Tax Asset			
Deferred Tax Asset		**328,690.40**	284,103.11
Less: Deferred Tax Liability		**35,912.09**	40,666.60
		292,778.31	243,436.51
Current Assets, Loans and Advances			
Inventories	6	**18,764.55**	16,487.74
Sundry Debtors	7	**44,052.70**	32,248.53
Cash and Bank Balances	8	**25,236.25**	20,646.70
Other Current Assets	9	**223.93**	238.83
Loans and Advances	10	**209,105.16**	176,088.58
		297,382.59	245,710.38
Less: Current Liabilities and Provisions	11		
Current Liabilities		**410,474.14**	350,136.49
Provisions		**6,210.78**	4,676.53
		416,684.92	354,813.02
Net Current Assets		**(119,302.33)**	(109,102.64)
Initial Cost on Leased Aircrafts	12	**12,583.97**	14,564.23
Profit and Loss Account		**534,847.43**	432,107.63
TOTAL		**945,435.70**	837,320.92
Notes and additional information	19		

As per our report of even date

For **B. K. Ramadhyani & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Shyam Ramadhyani
Partner
Membership No. 019522

Dr. Vijay Mallya
Chairman & Managing Director

A. K. Ganguly
Director

A. K. Ravi Nedungadi
Director

Bangalore
June 29, 2011

Bangalore
May 23, 2011

A. Raghunathan
Chief Financial Officer

Bharath Raghavan
Chief Legal Officer & Company Secretary

Profit and Loss Account for the year ended March 31, 2011

	Schedules	2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
INCOME			
Income from Services	13	**623,337.90**	506,791.82
Duty free Credit entitlement		**12,626.17**	2,195.62
Other Income	14	**13,592.16**	18,116.67
TOTAL		**649,556.23**	527,104.11
EXPENDITURE			
Employees' Costs	15	**67,600.85**	68,875.49
Aircraft Fuel Expenses		**227,402.58**	180,298.76
Aircraft / Engine Lease Rentals		**98,399.56**	109,381.52
Operating and Other Expenses	16	**242,126.40**	237,564.95
Depreciation / Amortisation on fixed assets		**20,302.45**	16,279.75
Amortisations	17	**3,801.31**	5,449.00
Financial Charges	18	**131,294.00**	110,258.63
TOTAL		**790,927.15**	728,108.10
Loss before foreign exchange translation difference, exceptional item and Tax expense		**141,370.92**	201,003.99
Add : Exceptional Item		**9,124.65**	35,765.47
Foreign Exchange Translation Difference		**1,582.72**	5,022.09
Loss after foreign exchange translation difference, exceptional item but before Tax expense		**152,078.29**	241,791.55
Provision for Tax expense			
- Current Tax		**-**	-
- Deferred Tax Charge		**(49,341.80)**	(76,463.31)
- Fringe Benefit Tax		**3.31**	(606.18)
(Net of provision for tax no longer required written back)			
Loss After Tax expense		**102,739.80**	164,722.06
Balance in Profit and Loss Account - Loss balance brought forward from previous year		**432,107.63**	257,658.57
Foreign exchange Gain in respect of long term monetary items adjusted		**-**	14,590.50
Less: Adjustment for depreciation pertaining to previous year		**-**	3,544.03
Less: Amortisation of foreign exchange gain for previous year		**-**	(8,407.53)
		-	9,727.00
Loss carried to Balance Sheet		**534,847.43**	432,107.63
Loss per share before exceptional items (par value Rs 10/-) basic and diluted (in Rupees)		**37.85**	52.96
Loss per share after exceptional item (par value Rs 10/-) basic and diluted (in Rupees)		**40.16**	61.95
Weighted average number of equity shares (in nos.)		**266,544,144**	265,908,883
Notes and additional information	19		

As per our report of even date

For **B. K. Ramadhyani & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Shyam Ramadhyani
Partner
Membership No. 019522

Dr. Vijay Mallya
Chairman & Managing Director

A. K. Ganguly
Director

A. K. Ravi Nedungadi
Director

Bangalore
June 29, 2011

Bangalore
May 23, 2011

A. Raghunathan
Chief Financial Officer

Bharath Raghavan
Chief Legal Officer & Company Secretary

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SCHEDULE - 1		
Share Capital		
Authorised:		
1,65,00,00,000 (March 31, 2010 - 90,00,00,000) Equity shares of Rs. 10/- each	**165,000.00**	90,000.00
260,00,00,000 (March 31, 2010 - 1,00,00,000) Preference shares of Rs. 10/- each (March 31, 2010 Rs. 100/- each)	**260,000.00**	10,000.00
	425,000.00	100,000.00
Issued, Subscribed and Paid-up :		
49,77,79,223 (March 31, 2010 - 26,59,08,883) Equity shares of Rs. 10/- each.	**49,777.92**	26,590.89
Nil (March 31, 2010 - 97,00,000) Preference Shares of Rs. 100/- each.	**-**	9,700.00
55,31,00,000 (March 31, 2010 - Nil) 8% Cumulative Redeemable Preference Shares of Rs. 10/- each.	**55,310.00**	-
	105,087.92	36,290.89

Notes:

1) 13,00,33,350 equity shares and 97,00,000, 6% redeemable non cumulative preference shares were allotted during the year 2008 - 2009 pursuant to the Scheme of Arrangement under sections 391 to 394 of the Companies Act 1956 approved by the honourable High Court of Karnataka dated June 16, 2008 which resulted in demerger of the scheduled airline business of Kingfisher Training and Aviation Services Limited.
2) 2,72,84,390 (March 31, 2010 - 2,72,84,390) equity shares of Rs. 10/- each have been allotted as fully paid up bonus shares by capitalisation of securities premium of Rs. 2,537.50 Lacs (March 31, 2010 - Rs. 2,537.50 Lacs) and balance in Profit & Loss Account of Rs. 190.94 Lacs (March 31, 2010 - Rs. 190.94 Lacs).
3) Movement of share capital (number) during the year 2010-2011 is as follows:

Particulars	Equity shares of Rs. 10 each	6% redeemable preference shares of Rs 100 each	8% cumulative redeemable preference shares of Rs 10 each	7.5% compulsorily convertible preference shares (CCPS) of Rs 10 each	6% CCPS of Rs 10 each
At the beginning of the year	265,908,883	9,700,000	-	-	-
Issued during the year	231,870,340	-	553,100,000	1,398,100,000	97,000,000
	497,779,223	9,700,000	553,100,000	1,398,100,000	97,000,000
Amendment of terms and conditions to result in 970,00,000 6% CCPS	-	9,700,000	-	-	-
Converted into equity shares	-	-	-	1,398,100,000	97,000,000
At the close of the year	**497,779,223**	**-**	**553,100,000**	-	-

Notes:

a) 7.5% CCPS of Rs 10 each were issued in conversion of loans and interest due to banks and certain promoter companies in terms of the Master Debt Recast Agreement dated December 21, 2010 (MDRA).
b) 8% cumulative redeemable preference shares of Rs 10 each were issued in conversion of loans and interest due to banks in terms of the MDRA.
c) 21,68,26,916 & 1,50,43,424 Equity shares were issued in conversion of 7.5% CCPS and 6% CCPS respectively.

4) Number of shares held by the holding company & its subsidiaries (as certified by the management)
Equity Shares - 27,66,40,305 (March 31, 2010 - 16,11,00,604)
6% Redeemable Preference Shares - Nil (March 31, 2010 - 97,00,000)
5) 8% cumulative redeemable preference shares are redeemable at par not later than the expiry of 12 years from the date of allotment.
6) Optionally Convertible Debentures (OCDs) vide schedule 3B shall each be optionally converted into equity shares of the Company of the face value of Rs. 10/- each, at the option of the holder, at such time as may be determined by the Board which shall be not later than 18 months from the date of allotment of the OCDs and at a conversion price determined in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SCHEDULE - 2		
Reserves and Surplus		
Securities Premium		
Balance as at the beginning of the year	**8,022.19**	8,022.19
Add: Received during the year	**126,322.97**	-
Balance as at the end of the year	**134,345.16**	8,022.19
SCHEDULE - 3A		
Secured Loans		
A. Term Loans from Banks	**422,307.49**	302,888.92
B. Cash Credit / Overdraft facility from Banks	**28,256.44**	50,734.57
C. Short Term Loans from Banks	**-**	47,846.84
D. Vehicle Loan from Banks	**-**	3.05
E. Finance Lease Obligations	**61,040.75**	72,537.66
F. Term Loan from Others	**6,848.14**	10,231.51
	518,452.82	484,242.55

Notes:

1. **Securities Offered:**

A) Term Loans from banks are secured as given below:

			As at March 31, 2011	As at March 31, 2010
Assignment of right under purchase agreement entered with aircraft manufacturer for purchase of the aircrafts			**16,927.26**	33,721.08
	As at March 31, 2011	As at March 31, 2010		
Additionally to be secured by second charge on fixed assets	**1,943.28**	6,474.82		
Additionally by personal guarantee of a director of the Company	**641.54**	2,825.35		
Hypothecation of certain aircrafts			**6,363.04**	-
Other Term Loans / Cash credit / Overdraft facilities from Banks:				
Secured by hypothecation of all movables assets of the Company (both fixed and current) other than fixed assets acquired on hire purchase/lease basis and aircrafts but including Helicopters, all trade marks and goodwill of the company,all credit card receivables, IATA collections and other receivables of the company and mortgage of Kingfisher House			**427,273.63**	367,749.25

The company has also furnished non disposal undertakings in respect of aircrafts taken on finance lease/ hire purchase aircraft

The securties referred to above shall rank pari passu interest amongst the lenders

Personal guarantee of a director of the Company.

	As at March 31, 2011	As at March 31, 2010
B) Vehicle Loans are secured by the hypothecation of the respective assets	**-**	3.05
C) Finance Lease is secured by the hypothecation of the respective assets	**61,040.75**	72,537.66
D) Term Loans from others are secured as given below:		
Hypothecation of Aircraft and assignment of documents of title to such assets	**5,161.81**	5,120.16
Second priority on mortgage of aircraft	**1,677.65**	1,508.91
Hypothecation of furnitures & fixtures	**-**	768.66
Hypothecation of ground handling equipments	**8.68**	2,833.78
E) Amount Repayable within One year	**45,494.88**	143,873.55

2. Previous year's data rearranged inline with the securities position prevailing as on 31st March 2011.

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SCHEDULE - 3B		
Unsecured Loans		
A. Long Term Loan from Banks	**49,905.96**	107,674.65
B. Short Term Loan from Banks	**5,761.53**	83,605.41
C. Term Loan from Others	**60,655.23**	116,737.06
D. 8% Optionally Convertible Debentures	**70,931.99**	-
	187,254.71	308,017.12
Notes:		
A) Short Term Loan guaranteed by a director	**1,105.00**	20,650.46
B) Long Term Loan guaranteed by a director	**49,905.96**	-
C) Term loan from others guaranteed by a director	**10,000.00**	-
D) Amount Repayable within One year	**56,360.76**	194,844.95

SCHEDULE - 4

FIXED ASSETS

(Rs. in Lacs)

Particulars	Gross Block				Depreciation / Amortisation				Net Block	
	As at April 1, 2010	Additions during the year	Deletions during the year	As at March 31, 2011	As at April 1, 2010	For the year	On Deletions	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Owned Assets										
Intangible Assets										
Computer Software	1,484.21	680.97	-	2,165.18	924.36	420.06	-	1,344.42	820.76	559.85
Trademarks	100.00	-	-	100.00	83.56	16.44	-	100.00	-	16.44
Design - Aircraft Interiors	246.46	-	-	246.46	117.32	35.21	-	152.53	93.93	129.14
Non Compete Fees	3,000.00	-	-	3,000.00	1,301.64	600.00	-	1,901.64	1,098.36	1,698.36
Tangible Assets										
Land & Buildings	3,010.87	-	-	3,010.87	71.40	49.08	-	120.48	2,890.39	2,939.47
Building on Rented Land	903.89	-	-	903.89	64.03	14.73	-	78.76	825.13	839.86
Leasehold Improvements - on Buildings	2,732.63	869.63	27.71	3,574.55	1,273.25	765.31	18.05	2,020.51	1,554.04	1,459.38
- on Aircraft	28,863.52	12,834.50	-	41,698.02	9,478.16	9,465.75	-	18,943.91	22,754.11	19,385.36
Ground Support and Other Equipment	12,831.50	287.27	1.40	13,117.37	2,361.04	599.33	0.55	2,959.82	10,157.55	10,470.46
Computers	5,575.55	220.14	240.36	5,555.33	2,631.13	889.09	208.26	3,311.96	2,243.37	2,944.42
Office Equipment	1,740.08	70.67	86.62	1,724.13	365.61	101.79	82.41	384.99	1,339.14	1,374.47
Furniture and Fixtures	4,103.98	674.38	29.17	4,749.19	1,097.08	337.94	21.24	1,413.78	3,335.41	3,006.90
Vehicles	2,926.42	103.41	-	3,029.83	770.24	282.69	-	1,052.93	1,976.90	2,156.18
Aircraft & Helicopter	16,802.28	6,353.50	-	23,155.78	2,093.90	1,262.41	-	3,356.31	19,799.47	14,708.38
Leased Assets										
Aircrafts	120,492.32	-	1,097.00	119,395.32	26,729.57	5,462.62	1,097.00	31,095.19	88,300.13	93,762.75
	204,813.71	**22,094.47**	**1,482.26**	**225,425.92**	**49,362.29**	**20,302.45**	**1,427.51**	**68,237.23**	**157,188.69**	**155,451.42**
Previous Year	189,180.24	25,219.16	9,585.69	204,813.71	31,628.58	19,823.78	2,090.07	49,362.29		
Capital Work-in-Progress									67,334.63	98,060.50
									224,523.32	**253,511.92**

Notes :

1) Certain Trademarks are pending registration.

2) Land and Buildings were purchased for a consolidated amount. Value of Land and Buildings have not been segregated. Depreciation has been provided on the entire amount.

3) Additions to leasehold improvements - aircrafts includes Rs. 12,256.85 Lacs (March 31, 2010 - Rs. 20,700. 26 Lacs) representing cost of major engine repairs to aircrafts taken on operating lease (Refer note 27 on schedule 19).

4) (a) Additions includes foreign currency monetary translation differences capitalised - Rs. Nil (March 31, 2010 - Rs. 1,097.00 Lacs (net)).

(b) Depreciation for the year includes Nil (2009-2010 - Rs. 3,544.03 Lacs) representing amortisation of foreign currency monetary translation differences relating to 2008 - 2009.

5) Additions and deletions do not include aircrafts, in respect of which rights to purchase have been transferred.

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SCHEDULE - 5		
Investments		
Long Term (at Cost)		
Trade (unquoted), fully paid up		
In Subsidiary		
50,000 Equity Shares in Vitae India Spirits Limited of Rs. 10/- each fully paid up	5.00	5.00
	5.00	5.00
Aggregate value of unquoted investments at cost	5.00	5.00
SCHEDULE - 6		
Inventories		
Rotables, Tools and Engineering Consumables	16,573.68	13,826.24
Less: Provision for Obsolescence	543.71	643.71
	16,029.97	13,182.53
Inflight Stores and Consumables	2,585.65	3,196.44
Fuel	148.93	108.77
	18,764.55	16,487.74
SCHEDULE - 7		
Sundry Debtors (Unsecured and considered good unless otherwise stated)		
Considered Good		
Debts for the period a exceeding six months	2,169.03	1,602.51
Other Debts	41,883.67	30,646.02
	44,052.70	32,248.53
Considered Doubtful		
Debts for a period exceeding six months	80.00	-
Less: Provision for doubtful debts	(80.00)	-
	-	-
	44,052.70	32,248.53

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SCHEDULE - 8		
Cash and Bank Balances		
Cash on hand	**120.19**	107.65
Balances with Scheduled Banks:		
- On Current Accounts	**7,069.36**	4,232.81
- On Deposit Accounts	**16,418.00**	15,555.92
(Includes Rs. 99.81 Lacs (March 31, 2010 - Rs. 90.50 Lacs) pledged with airport authorities and Rs. 13,862.79 Lacs (March 31, 2010 - Rs. 9,090.49 Lacs) under lien with banks towards guarantees / letters of credit issued by them.)		
Balances with Non Scheduled Banks:		
- On Current Accounts	**1,628.70**	750.32
Closing balance as at the year end		
First Commerce Bank - I $ 1,297 (March 31, 2010 $2155)		
First Commerce Bank - II $ 901 (March 31, 2010 $ 979)		
HSBC Bank UK- I GBP 65,629 (March 31, 2010 GBP 35,490)		
HSBC Bank UK- II GBP 104,250 (March 31, 2010 GBP 144,897)		
HSBC Bank UK(EURO) II EURO 59,526 (March 31, 2010 EURO 438,869)		
HSBC Bank UK (USD) $172,430 (March 31, 2010 $ 5,523)		
Citibank New York (USD) $ 584,167 (March 31, 2010 $62,208)		
Citibank Dhaka - I (BDT) 59,576,072 (March 31, 2010 (BDT) 50,417,120)		
Citibank Dhaka - II (BDT) 62,890 (March 31, 2010 (BDT) 256,631)		
Royal Bank of Canada (CAD)34,393 (March 31, 2010 (CAD) 16,243)		
HSBC Bank Hongkong HKD 739,339 (March 31, 2010 Nil)		
HSBC Bank Singapore SGD 418,984 (March 31, 2010 Nil)		
HSBC Bank Dubai AED 991,305 (March 31, 2010 Nil)		
HSBC Bank Thailand THB 17,901,296 (March 31, 2010 Nil)		
Citibank New York (USD) $1,672 (March 31, 2010 NIL)		
HSBC INR Current Account Rs. 15,915,054 (March 31, 2010 NIL)		
Maximum amount outstanding during the year		
First Commerce Bank - I $ 2,155 (March 31, 2010 $ 131,843)		
First Commerce Bank - II $ 979 (March 31, 2010 $1000)		
HSBC Bank UK- I GBP 5,697,598 (March 31, 2010 GBP 1,137,114)		
HSBC Bank UK- II GBP 5,516,515 (March 31, 2010 GBP 1,027,264)		
HSBC Bank UK(EURO) II EURO 1,212,413 (March 31,2010 EURO 438,869)		
HSBC Bank UK(USD) $ 1,818,804 (March 31,2010 $101,440)		
Citibank New York (USD) $ 3,426,207 (March 31, 2010 $1,786,516)		
Citibank Dhaka - I (BDT) 65,638,630 (March 31, 2010 (BDT) 51,543,342)		
Citibank Dhaka - II (BDT) 15,015,210 (March 31, 2010 (BDT)428,243)		
Royal Bank of Canada (CAD) 1,223,827 (March 31, 2010 (CAD) 31,131)		
HSBC Bank Hongkong HKD 739,191 (March 31, 2010 NIL)		
HSBC Bank Singapore SGD 418,984 (March 31, 2010 NIL)		
HSBC Bank Dubai AED 5,901,792 (March 31, 2010 NIL)		
HSBC Bank Thailand THB 42,521,107 (March 31, 2010 NIL)		
Citibank New York (USD) $5,334,734 (March 31, 2010 NIL)		
HSBC INR Current Account Rs. 685,497,132 (March 31, 2010 NIL)		
* Includes Cash of Rs. 2.87 Lacs (March 31, 2010 Rs. 2.87 Lacs) on which restriction is placed by the High Court of Karnataka		
	25,236.25	20,646.70

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SCHEDULE - 9		
Other Current Assets		
Accrued interest on Deposits with Banks	**223.93**	236.89
Receivable from Deccan Charters Limited	**-**	1.94
	223.93	238.83
SCHEDULE - 10		
Loans and Advances		
(Unsecured and considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered Good	**87,845.43**	77,279.48
Considered Doubtful		
Advances	**527.21**	-
Less: Provision for doubtful advances	**(527.21)**	-
	-	-
Deposits with Lessors towards:		
- Aircraft	**12,438.81**	12,342.90
- Aircraft Major Maintenance	**73,253.38**	61,011.97
	85,692.19	73,354.87
Deposits with :		
- Airport Authorities	**2,137.55**	1,913.55
- Other Parties	**6,322.62**	7,278.70
	8,460.17	9,192.25
Duty Free Credit Entitlement Receivable	**14,464.36**	2,486.09
Service Tax Credit Receivable	**9,888.50**	12,046.32
Tax Deducted at Source/Tax paid under protest	**2,754.51**	1,729.57
	209,105.16	176,088.58

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
SCHEDULE - 11		
Current Liabilities and Provisions		
Current Liabilities:		
Sundry Creditors	**286,316.26**	260,266.04
Deposits	**2,285.80**	2,889.95
Advances Received / Forward Sales (Refer note 25 on schedule 19)	**61,354.40**	40,639.45
Gain on sale and lease back transaction	**573.98**	615.40
Less : Income for the year	**41.42**	41.42
	532.56	573.98
Interest Accrued but not due on Loans	**1,703.89**	599.03
Temporary Overdrawn Bank Balances	**3.35**	1,694.62
Unclaimed Dividend	**2.76**	2.76
Stamp Duty Payable (pursuant to the Scheme)	**-**	158.92
Other Liabilities	**58,275.12**	43,311.74
	410,474.14	350,136.49
Provisions:		
Provision for Wealth Tax	**6.40**	6.40
Fringe Benefit Tax	**450.70**	643.82
Gratuity	**1,476.15**	1,056.35
Leave Encashment / Compensated Absences	**1,411.78**	1,239.62
Frequent Flyer Scheme	**2,165.75**	1,730.34
Provision for Contingencies	**700.00**	-
	6,210.78	4,676.53
SCHEDULE - 12		
Initial Cost on Leased Aircrafts		
(Refer note 3(s) on Schedule 19)		
Per last Balance sheet	**860.26**	1,961.43
Less: Amortised during the year	**(260.61)**	(1,101.17)
	599.65	860.26
Loss on novation / assignment of rights & interest on loans taken for financing pre delivery payments (per last Balance Sheet)	**13,703.97**	14,683.37
Additions during the year	**-**	807.54
Less: Amortised during the year	**(1,719.65)**	(1,786.94)
	11,984.32	13,703.97
	12,583.97	14,564.23

	2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
SCHEDULE - 13		
Income from Services		
Passenger*	**562,098.26**	471,059.75
Cargo	**45,194.52**	24,517.20
Excess Baggage	**3,052.79**	1,555.23
Rebooking Charges / Cancellation	**12,992.33**	9,659.64
	623,337.90	506,791.82

* Net of credit card chargeback amount of Rs. 107.76 Lacs
(Previous Year - Rs. 475.44 Lacs)

	2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
SCHEDULE - 14		
Other Income		
Interest on deposits with banks (gross) [Tax deducted at Source - Rs. 71.01 Lacs (Previous Year - Rs. 118.03 Lacs)]	**873.42**	919.13
Income on sale and lease back transaction	**41.42**	41.42
Profit on sale / settlement of claims on account of Fixed Assets (net)	**-**	249.70
Miscellaneous Income	**5,378.73**	4,051.79
Liability no longer required written back (net)	**7,298.59**	12,854.63
	13,592.16	18,116.67

	2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
SCHEDULE - 15		
Employees Costs		
Salaries and Allowances*	**65,059.86**	66,879.13
Contribution to Provident & other funds	**893.97**	684.56
Gratuity	**489.19**	211.99
Leave encashment / Compensated absences	**277.69**	50.81
Staff welfare	**1,333.24**	1,111.77
Employee Compensation Cost	**(453.10)**	(62.77)
	67,600.85	68,875.49

* Includes Rs. 29.34 Lacs relating to prior years

	2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
SCHEDULE - 16		
Operating and Other Expenses		
Landing, Parking, Housing and Navigation Charges *	43,336.91	39,696.36
Ground Handling	22,353.61	16,577.63
Aircraft Maintenance :		
- Maintenance and Component Support Services **	28,562.91	32,670.48
- Stores and Spares Consumed ***	5,668.88	4,088.77
- Others****	3,065.88	4,253.82
	37,297.67	41,013.07
Insurance:		
- Aircraft	7,276.45	5,617.39
- Others	371.95	540.38
	7,648.40	6,157.77
Inflight and Other Amenities	21,960.76	18,949.84
Selling and Distribution *****	27,846.86	29,307.54
Commission paid to selling agents	19,497.40	15,981.73
Discounts other than trade discounts	4,025.46	7,824.49
Rent	4,854.44	5,477.55
Rates and Taxes	691.63	426.99
Rates and Taxes - Service Tax	3,803.05	7,069.13
Repairs and Maintenance - Buildings	67.70	144.73
Repairs and Maintenance - Others	2,183.17	1,550.67
Advertising and Sales Promotion ******	14,537.25	15,248.02
Communication	2,592.66	3,284.05
Electricity	664.78	756.43
Printing and Stationery	509.34	480.08
Legal and Professional Fees	9,451.40	9,710.40
Travelling, Conveyance & Boarding expenses	6,558.53	6,939.70
Hire Charges	4,338.09	5,527.29
Training	1,815.20	2,466.65
Recruitment	149.75	122.40
Directors' fees	9.30	9.30
Loss on sale of Fixed Assets (net)	54.75	-
Provision for Contingencies	700.00	-
Bad Debts written off	1,136.02	-
Provision for Doubtful Debts/ Advances	607.21	-
Miscellaneous expenses	3,435.06	2,843.13
	242,126.40	237,564.95

* Includes Rs. 570.60 Lacs relating to prior years

** Includes Rs. 560.68 Lacs relating to prior years

*** Includes amortisation of inventory Rs. 418.95 Lacs.

**** Includes Rs. 197.46 Lacs relating to prior years

***** Includes Rs. 7.41 Lacs relating to prior years

****** Includes Rs. 49.02 Lacs relating to prior years

	2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
SCHEDULE - 17		
Amortisations		
Initial Costs amortised on Leased Aircrafts	**1,980.26**	2,888.11
Amortisation of Share issue expenses	**-**	450.88
Amortisation of slot charges	**1,821.05**	2,110.01
	3,801.31	5,449.00
SCHEDULE - 18		
Financial Charges		
Interest *	**111,892.92**	100,766.60
Bank charges and guarantee commission **	**19,151.08**	8,883.92
Others	**250.00**	608.11
	131,294.00	110,258.63

* Includes Rs. 89,955.28 Lacs (Previous year Rs. 55,208.92 lacs) on fixed loans

** Includes Rs. 1,500.73 Lacs relating to prior years.

SCHEDULE - 19

Notes to the financial statements for the year ended March 31, 2011

1. Background

Kingfisher Airlines Limited (formerly known as Deccan Aviation Limited) ("the Company") is engaged in rendering scheduled and unscheduled aircraft passenger and cargo services, including charter services. The Company was incorporated on June 15, 1995 as a private limited company and converted itself into a public limited company on January 31, 2005. Consequently, the Company changed its name from Deccan Aviation Private Limited to Deccan Aviation Limited. On June 12, 2006, the Company's shares were listed on the Bombay Stock Exchange Limited and the National Stock Exchange Limited, pursuant to the Company's initial public offer of shares. The scheduled airline business of Kingfisher Training and Aviation Services Limited ("KTASL") (previously known as Kingfisher Airlines Limited) demerged on a going concern basis with the Company, with effect from April 1, 2008 as the demerger appointed date, vide scheme of arrangement approved by the honourable High Court of Karnataka vide its order dated June 16, 2008 under sections 391 to 394 of the Companies Act, 1956 ('Scheme"). The helicopter charter division of the Company was also hived off pursuant to the Scheme. The Company changed its name from Deccan Aviation Limited to Kingfisher Airlines Limited, with effect from September 5, 2008.

2. Demerger of the commercial airline division of KTASL

a) Order of the Karnataka High Court in form 42 of the Companies (Court) Rules, 1949 in respect of the Scheme is yet to be passed.

b) Documentation in respect of transfer of certain assets and liabilities taken over pursuant to Scheme, to the name of the Company are pending. The Company is in the process of transfer of charges created by KTASL to its name in respect of securities granted for loans so taken over by the Company, in consultation with the Registrar of Companies.

3. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Further, the financial statements are presented in the general format specified in schedule VI to the Companies Act, 1956 ('the Act').

(b) Use of estimates

In preparation of the financial statements in conformity with generally accepted accounting principles, estimates and assumptions, where necessary, have been made based on management's best knowledge and experience. Accordingly, actual results may differ from such estimates.

(c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Revenue from charter services is recognized based on services provided and billed as per the terms of the contracts with the customers provided that the collection is reasonably certain. Revenue from sale of tickets of the airline and cargo operations is recognized in the period, in which the service is provided, i.e. on flown / carried basis. Such revenue is net of statutory fees to be collected from customers as per government *(c) Revenue recognition (Contd.)*

regulations. Unearned revenue represents consideration on sale of passenger tickets and cargo against which the Company has to provide services in future periods and is included under Advances received / Forward sales. The same is released to the profit and loss account as the services are rendered.

Fees for passenger initiated changes and cancellations of tickets are recognized as revenue in the period in which such changes / cancellations are effected.

Interest income is recognized on a time proportionate method when the right to receive income is established and that collection is reasonably certain. Income from sale of advertisement space is recognized on accrual basis over the period the advertisements are displayed.

The Company enters into barter arrangements with other parties for advertising in exchange for the Company's advertising in the other party's media or in exchange for other services or goods. Such transactions are recorded at the fair value of the services / goods received from the other party, or at the fair value of the services provided by the Company if it is not feasible to determine the fair value of the services / goods received.

(d) Fixed assets and Intangible assets

Fixed assets and intangible assets are stated at cost of acquisition less accumulated depreciation / amortization and impairment losses (if any). Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use and also includes cost of modification and improvements to leased assets. Borrowing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Advances paid towards the acquisition of fixed assets and the cost of fixed assets not ready for intended use as of the balance sheet date are disclosed under capital work-in-progress.

(e) Depreciation

Depreciation on fixed assets, except non-compete fees, trademarks, design – aircraft interiors, software, leasehold improvements, is provided on a straight line basis at the rates prescribed under schedule XIV to the Companies Act, 1956 which are estimated to be the useful life of fixed assets by the management. Additions are depreciated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

- Non-compete fees are amortized over the period of agreement (i.e. five years).
- Trademarks are amortized over the period of four years.
- Design – Aircraft Interiors are amortized over the period of seven years.
- Software is depreciated over a period of 1 - 4 years, based on estimated useful life as ascertained by the management.
- Leasehold improvements on operating leases are depreciated over the shorter of the period of the lease and their estimated useful lives.
- Cost of major maintenance and overhaul of the engines are amortized over the period of estimated useful life of the repairs (3 years).
- Movable cabins and mobile phones are depreciated over the period of five and two years, respectively, on a straight-line method.

(f) Borrowing Costs

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalized as a part of the cost of the assets. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs include amortization of ancillary costs incurred in connection with the arrangement of borrowings. The unamortized portion of ancillary costs incurred in connection with the arrangement of borrowings is included under 'Loans and Advances'.

***(g) Leases** – Where the Company is a lessee*

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessors effectively retain substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease payments including expenses incurred for bringing the leased asset to its working condition for intended use are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

Profit or loss on sale and leaseback arrangements resulting in operating leases are recognized immediately in case the transaction is established at a fair value, else the excess over the fair value is deferred and amortised over the period for which the asset is expected to be used. If the sale price is below the fair value and the loss is compensated by future lease payments at below market price, the same is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the fair value at the time of sale and lease back transaction is less than the carrying amount of the asset, a loss equal to the amount of difference between the carrying amount and fair value is recognised immediately. In case of sale and lease back arrangement resulting in a finance lease, any excess or deficiency of sales proceeds over the carrying value is deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

(h) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(i) Maintenance costs

In respect of aircraft, aircraft engines and helicopters, the Company has entered into maintenance arrangements. Payments made to lessors for major maintenance expenditure as per the related maintenance agreements, comprising fixed period-based amounts and variable activity-based amounts are initially considered as maintenance deposits and expensed as and when maintenance expenditure is incurred/termination of agreements.

(j) Inventory

Inventories are valued at lower of cost or net realizable value. Cost of engineering inventories is determined on first in first out basis except at one of the divisions where the weighted average basis was followed till December 31, 2008. In respect of reusable items such as rotables, special tools etc, provision for amortization / obsolescence is made based on the estimated useful life of the aircraft as derived from schedule XIV to the Companies Act, 1956. In-flight inventory is valued on weighted average basis, while inventory of fuel is valued on the basis of last fuel uplifted rates in respective aircrafts.

(k) 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. Current investments are carried at lower of cost and fair value determined on an individual investment basis. 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.

(l) Employee Benefits

i. Defined Contribution Plan

The Company contributes on a defined contribution basis to employees' provident fund and pension scheme towards post employment benefits, all of which are administered by the respective government authorities. The Company also contributes to social security schemes in respect of its employees at certain overseas offices. It has no further obligation beyond making its contribution which is expected in the year in which it pertains.

ii. Defined Benefit Plan

The Company has a defined benefit plan namely gratuity for all its employees. The liability for the defined benefit plan of gratuity is determined on the basis of an actuarial valuation by an independent actuary at the year-end, which is calculated using Projected Unit Credit Method. Actuarial gains and losses are adjusted in the Profit and Loss Account.

iii. Other long-term employee benefits

The employees of the Company are entitled to leave as per the leave policy of the Company. The liability in respect of unutilized leave balances is provided based on an actuarial valuation carried out by an independent actuary as at the year-end and charged to the Profit and Loss Account. Actuarial gains and losses are adjusted in the Profit and Loss Account.

(m) Income taxes

Tax expense comprises current, deferred and fringe benefit taxes. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income-tax Act, 1961. Deferred income taxes reflects the impact of current period timing differences between taxable and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognized on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

(n) *Foreign currency transactions*

i. Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting and foreign currencies at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported at rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognized as income or as expenses in the period in which they arise except that the Company has availed the option provided by notification (No. G.S.R. 225(E), dated March 31, 2009) issued by the Ministry of Corporate Affairs read with accounting standard 11 in respect of foreign exchange differences in respect of long term monetary assets and liabilities.

iv. Forward exchange contracts

The Company uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Company does not use the forward exchange contracts for trading or speculation purposes. In respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, the premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the period. Pursuant to The Institute of Chartered Accountants of India's announcement 'Accounting for Derivatives', the Company marks-to-market all such outstanding derivative contracts at the end of the period and the resulting mark-to-market losses, if any, are recognized in the Profit and Loss Account.

(o) *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and relevant taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(p) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(q) Deferred revenue expenses

Share issue expenses are amortized over a period of three years on a straight- line basis following the year of incurring the expenses.

(r) Stock option compensation expense

The Company accounts for stock option compensation expense based on the intrinsic value of the options granted which is the difference between the fair value of the share underlying the option and the exercise price of the option determined at the grant date. Compensation expense is amortized over the period of vesting on a straight-line basis. The accounting value of the options net of deferred compensation expense is reflected as Employee stock option outstanding.

(s) Initial costs on leased aircrafts

Expenses directly attributable and incurred in relation to aircrafts acquired on operating lease arrangement are deferred and amortized over the period of lease of aircrafts. Such expenses interalia include initial borrowing costs incurred on pre delivery payments for aircrafts till the Company novates / assigns the right to acquire the aircrafts in favor of the lessors.

(t) Incentives from aircraft manufacturers

Incentives from aircraft manufacturers are credited to Profit and Loss Account in the year when such incentives are made available to the Company as per the terms of aircraft purchase agreements. This includes incentives granted for the purpose of meeting certain revenue expenses.

(u) Commission

Commission to travel agents is recognized when the corresponding revenues are recognized as income on flown / carriage basis.

4. Commitments and contingent liabilities not provided for:

(Rs. in Lacs)

	Particulars	As at March 31, 2011	As at March 31, 2010	Remarks
a.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) & as certified by management	**2,227,287.48**	2,267,640.57	Pertains to acquisition of aircrafts & other capital assets in future.
b.	Guarantees / letters of credit given by banks on behalf of the Company	**128,636.99**	71,331.52	Pertains to guarantees and letters of credit given / issued by banks to Airport Authorities, lessors, suppliers of spares, stores & components and others.

4. Commitments and contingent liabilities not provided for: (Contd.)

(Rs. in Lacs)

	Particulars	As at March 31, 2011	As at March 31, 2010	Remarks
c.	Claims against the Company not acknowledged as debts (including civil and customer suits) in the normal course of business (to the extent ascertainable)	**21,923.74**	26,418.00*	Pertains to litigations filed against the Company which are pending with various authorities / arbitration, including National Consumer Disputes Redressal Commission, Consumers' Disputes Forums, Courts, Civil Court and invoices / claims of suppliers and service providers not accepted by the Company. The Company has a claim against one of the parties to an extent of Rs. Nil (as at March 31, 2010 Rs. 10,100.00 Lacs).
d.	Demands raised by Income Tax authorities under appeal	**1,399.71**	1,336.84	An aggregate sum of Rs. 1,060.17 lacs paid has been included under 'Loans and Advances'.
e.	Demands and show cause notices raised by service tax authorities	**23,392.50**	6,928.51*	The Company has preferred/furnished appeals/objections /is in the process of replying. Amount indicated does not include any demands that may be raised for other years, based on the stand taken by tax authorities in orders passed/show cause notices issued.
f.	Show cause notices raised by entry tax authorities	**14.37**	Nil	The Company has furnished objections.
g.	Lease rentals payable in respect of assets taken on operating lease in the event of the Company not meeting certain contractual obligations	**13,216.86**	Nil	The Company has taken certain assets from a lessor on operating lease. The lessor has undertaken to waive the lease rentals in the event the Company meets certain contractual obligations. The Company is confident of meeting these obligations
h.	Redelivery and other costs in respect of assets taken on operating lease at the end of the lease period	**Not ascertainable**	Not ascertainable	In respect of operating leases, the Company is required to return the aircrafts as per prescribed terms. However, the lease periods are extendable for a longer period and considering on going maintenance of aircrafts, a reliable estimate cannot be made of the redelivery costs.
i.	Amounts payable, if any for breach of contractual obligations	**Not ascertainable**	Not ascertainable	

4. *Commitments and contingent liabilities not provided for: (Contd.)*

(Rs. in Lacs)

	Particulars	As at March 31, 2011	As at March 31, 2010	Remarks
j.	Liability for deduction of tax at source on lease payments in respect of aircrafts and engines, where agreements were entered into with lessors on or before March 31, 2007 (excluding interest)	**17,993.99**	8,644.15	a) The Company has filed applications under section 10(15A) of the Income Tax Act, 1961 with the Central Board of Direct Taxes (CBDT) seeking exemption from deduction of tax, which are pending. These are being followed up by the Company. b) In respect of agreements involving tax of Rs.6,019.06 Lacs up to March 31, 2011, applications made by the Company have been rejected. In respect of certain agreements, the Company has filed writs before the Delhi High Court. In respect of others, the Company will do so shortly.
k.	True up charges payable to a service provider (difference between guaranteed volume of business and actual)	**Nil**	2,608.87	Based on legal advice, the Company has disputed the amount of the said charges payable as computed by the service provider and has sought refund of amounts paid, wherever applicable. The Company has also contended that the relief agreement executed is not binding. Amount paid so far has been included in loans and advances. Such claim of the Company has been disputed by the concerned service provider. The Company is in the process of examining options open to it in the matter.
l.	Lease rentals claimed by a vendor in respect of spare engines supplied not acknowledged as debt	**Nil**	4,596.57	Certain aircraft engines supplied by a vendor failed prematurely and the Company has incurred substantial amounts on repair and overhaul of the same. Pending repair and overhaul of the said engines, the Company has taken certain spare engines on lease from the said vendor. The Company has preferred claims against the said vendor and has requested the party to conclude arrangements to settle matter at zero cost to it. The party has submitted, without prejudice, a term sheet for settlement of the matter, which envisages waiver of the lease rentals payable.
m.	Arrears of fixed cumulative preference dividends (including tax thereon)	**4,305.89**	Nil	Arrears of fixed cumulative preference dividends on CCPS (till date of conversion) and cumulative redeemable preference shares and tax thereon.

*Reclassified

4. Commitments and contingent liabilities not provided for: (Contd.)

The Company has entered into agreements for purchase of aircrafts / engines under which the Company has commitments to purchase aircrafts / engines over a period stipulated in the agreements. Such agreements involve complex pricing arrangements wherein the Company receives discounts / credits on such purchases, which are based on the commitments to purchase, which the Company is confident to fulfill currently. Accordingly, amount of contingent liability, if any, as at the balance sheet date is not ascertainable.

In addition to the above, there are certain arbitration proceedings with customers / suppliers / contractors, in respect of which claims are currently not ascertainable.

The management believes, based on internal assessment and / or legal advice, that the probability of an ultimate adverse decision and outflow of resources of the Company is not probable and accordingly, no provision for the same is considered necessary.

5. Auditors' remuneration*

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Statutory audit fees	**60.00**	50.00
Other services (limited review, certification, etc)	**56.25**	50.05
Out of pocket expenses reimbursed	**3.21**	2.45
Total	**119.46**	102.50

* excluding service tax

6. Earnings in Foreign Currency (on accrual basis):

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Passenger / cargo revenue	**83,248.76**	68,466.78
Profit / (Loss) on transfer of assets	**Nil**	1,421.86

7. CIF value of imports (as certified by management)

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Capital goods	**7,336.71**	626.07
Stores, Spares & Components	**7,088.72**	3,142.56

8. Expenditure in foreign currency (on accrual basis)

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Salaries	**9,039.73**	11,112.62
Traveling & Conveyance	**3,115.97**	2,128.45
Professional & Consultancy expenses	**2,515.31**	3,909.59
Training expenses	**986.81**	2,145.77
Aircraft and other maintenance expenses	**34,025.74**	63,820.64*
Lease rentals	**98,399.56**	109,381.52
Ticket distribution and reservation system	**27,108.04**	27,238.15
Interest	**3,476.65**	4,524.28
Fuel Purchase	**39,841.23**	30,618.22
Airport Charges	**13,629.23**	6,823.39
Ground Handling	**6,024.96**	3,868.98
Redelivery costs	**2,061.63**	22,755.80
Others	**2,892.37**	7,290.08

*Recast

9. Value of components and spare parts consumed (as certified by Management)

(Rs. in Lacs)

Particulars	2010-2011		2009-2010	
	Amount	%	Amount	%
Imported	1,463.38	26	2,332.16	57
Indigenous	4,205.50	74	1,756.61	43
Total	5,668.88	100	4,088.77	100

10. a) Buildings constructed at a cost of Rs. 88.74 Lacs are on land rented from the State Government, for which lease has been transferred to Deccan Charters Limited (DCL). Such rental agreement is renewable on an annual basis. The Company has in turn entered into a rental arrangement with DCL.

b) Buildings constructed at a cost of Rs. 865.86 Lacs are on land belonging to the Airport Authority of India. Such rental agreements are renewable on a periodical basis.

11. a) Capital work-in-progress includes capitalized interest on borrowings for purchase of fixed assets. The movement in the account is given below:

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Opening Balance	12,328.29	19,355.96
Add: Interest capitalized during the year	4682.14	6,154.67
Less: Deletions on account of delivery and cancellation of orders of aircrafts	441.77	13,182.34
Closing Balance	16,568.66	12,328.29

An aircraft wise schedule of interest capitalized is under preparation and review.

b) Capital work in progress includes Rs. 2,098.25 lacs paid for purchase of a flight simulator. The Company is to pay the balance consideration and take delivery of the asset. The Company is exploring various options to fund the balance consideration payable. Management is confident that it will be in a position to fund the balance consideration & take delivery of the flight simulator. Accordingly, the said amount is considered good of recovery.

12. Employee Stock Option Plan [ESOP]

On March 16, 2005, the shareholders of the Company approved an employee stock option plan [ESOP 2005]. Further on December 21, 2005, the Board of Directors approved the ESOP 2006 scheme, which will govern issuance of options on or after January 1, 2006. Options issued under ESOP 2005 would continue to be governed under ESOP 2005. The shareholders have approved the issuance of 8,181,779 options in aggregate subject to a maximum of 10% of the aggregate number of issued and outstanding equity shares (calculated on an as converted basis), under both the options put together.

During the year ended March 31, 2011, no options under ESOP 2006 scheme have been issued. Details of number and weighted-average exercise prices of options are given below:

Particulars	2010-2011		2009-2010	
	Number of options	Weighted average exercise price (per share) (In Rupees)	Number of options	Weighted average exercise price (per share) (In Rupees)
Outstanding at the beginning of the year	822,310	65.00	1,793,180	65.00
Granted during the year	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	Nil	Nil
Forfeited during the year	351,710	65.00	363,470	65.00
Outstanding at the end of the year	470,600	65.00	1,429,710	65.00
Exercisable at the end of the year	426,380	65.00	822,310	65.00

12. *Employee Stock Option Plan [ESOP] (Contd.)*

The weighted average contractual remaining life of the options is 5.71 years as at March 31, 2011.
The Company has determined intrinsic values, based on the fair value of the shares on the date of grant, as follows:

Month & year of grant	Intrinsic value determined (In Rupees)
June 2005	62.97
December 2005	62.97
April 2007	49.90
September 2007	83.80
February 2008	91.95

The Company has written back deferred compensation expense of Rs.453.10 Lacs (Previous year - Rs. 62.77 Lacs) during the year, on account of forfeiture of options issued.

(Rs. in Lacs)

Accounting value of stock options outstanding	**298.36**
Less: Deferred stock compensation expense to be amortized in future years	**3.27**
Employee stock option outstanding	**295.09**

The following table illustrates the effect on net loss per share if the Company had applied the fair value method under Black-Scholes model to measure stock-based compensation.

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Net loss after tax as reported (after extraordinary items)	**102,739.80**	164,722.06
Add: Compensation expense as recognized	**453.10**	62.77
Add: Arrears of fixed cumulative preference dividends including tax thereon	**4,305.89**	Nil
Total	**107,498.79**	164,784.83
Less: Compensation expense under the fair value method (Black Scholes Method)	**662.17**	89.87
Net Loss after tax, proforma used for computation of loss per share (after extra ordinary items)	**106,836.62**	164,694.96
Loss per share, as reported, basic and diluted (Rs. 10 par value) in Rupees	**40.16**	61.95
Loss per share, pro forma, basic and diluted (Rs. 10 par value) in Rupees	**40.08**	61.94

The Company has not issued any options during the year. Accordingly, the assumptions used in determination of the fair value of the Company's stock options for pro forma net loss per share disclosures using the Black-Scholes option-pricing model have not been furnished.

The Board of Directors of the Company are yet to formulate the stock option plan to the employees of the commercial airline division of KTASL taken over by the Company, pursuant to clause 11.1 of the Scheme.

13. Related Party Disclosures *(Parties identified by the Management and relied upon by the auditors):*

Names of related parties

Holding Company	United Breweries (Holdings) Limited
Fellow Subsidiaries	Kingfisher Finvest India Limited (KFIL) (formerly known as Kingfisher Radio Limited and subsequently renamed as Kingfisher Finvest India Limited) UB Infrastructure Projects Limited (UBIPL) Kingfisher Training and Aviation Services Limited (KTASL) UBSN Limited
Subsidiary of the Company	Vitae India Spirits Limited
Key Management Personnel (KMPs)	Dr. Vijay Mallya Mr. Sanjay Aggarwal (from September 27, 2010)

(Rs. in lacs)

Transactions during the year		Holding Company	Fellow Subsidiaries	Subsidiary	KMPs
Remuneration to Mr. Sanjay Aggarwal	Mar-11				212.22^
	Mar-10				NA
Guarantee and security commission (expense)	Mar-11	5,800.95&	40.33#		5,086.90$$
	Mar-10	4,948.20	17.50#		
License fees (expense)	Mar-11	617.68			
	Mar-10	642.50			
Interest expense	Mar-11	6,324.80	1,512.91**		
			133.79 #		
	Mar-10	2,493.86	1,892.30**		
			164.77 #		
Reimbursement of expenses	Mar-11	0.14	Nil		
	Mar-10	0.62	(1.44)**	0.06	
Purchase of goods/Services	Mar-11		0.64 ##		
	Mar-10				
Income from rendering of services	Mar-11				
	Mar-10				
Loans borrowed $	Mar-11	57,511.59	5,000.00**		
	Mar-10	13,962.00	11,300.00** 1,000.00 #		
Loans repaid	Mar-11	25,500.00	24,500.00**		
	Mar-10	3,067.54	700.00**		
Outstanding payable(net of receivables)	Mar-11	12,303.56	2,712.01**		
			470.99 #		
			0.62##		
	Mar-10	32,122.75	20,850.38**		
			1,814.28 #		
			0.28##		
Outstanding receivables (net of payable)	Mar-11		76.69@	0.06	
	Mar-10		Nil	0.06	
Loans due by the Company converted into 7.5% CCPS	Mar-11	63,300.00	1500.00#		
	Mar-10	Nil	Nil		
Conversion of 6% redeemable non cumulative preference shares of Rs. 100 each to 6% CCPS of Rs. 10 each	Mar-11	9700.00			
	Mar-10	Nil			

13. ***Related Party Disclosures*** *(Parties identified by the Management and relied upon by the auditors): (Contd.)*

(Rs. in lacs)

Transactions during the year		Holding Company	Fellow Subsidiaries	Subsidiary	KMPs
Equity shares allotted by the Company pursuant to conversion of CCPS (face value)	Mar-11	11,321.34	232.63#		
	Mar-10	Nil	Nil		
Guarantees given on behalf of the Company for loans taken & other liabilities	Mar-11	1,685,295.00			617,563.12$$
	Mar-10	698,546.06			279,956.42$$
Investments held by the Company in Vitae India Spirits Limited	Mar-11			5.00	
	Mar-10			5.00	

** UBIPL

KFIL

@ KTASL

UBSN Limited

$ conversion of interest & other dues payable as loan of Rs. 9,239.00 Lacs and Rs. 2,370.00 Lacs respectively.

$$ Dr. Vijay Mallya

& Excludes amortization of amounts paid in prior years of Rs. 221.69 Lacs

^ Entitled to free use of Company car & telephone. Excludes accrued leave encashment and gratuity since the same have been recognized for the Company as a whole and cannot be determined at an employee level

NA: Not applicable

In addition the Company has derived revenue from certain related parties from sale of tickets / cargo space in the normal course of business. These have not been quantified & shown separately.

14. Leases and Hire Purchase

a) The Company has entered into operating and finance lease agreements. Disclosures required under AS 19 on "Leases" is as given below:

Operating leases

Operating lease arrangements comprise of leases of aircraft, helicopters and spare engines. The salient features of such lease agreements are as follows:

- Lease periods range up to twelve years and are usually non-cancelable.
- Lease rentals are usually fixed over the term of the lease while some arrangements are subject to adjustments linked to the Libor rates movements.
- The Company also has agreements for maintenance and lease of stores and spares for such aircrafts for which fixed and variable rentals are paid. Variable rentals are paid on a pre determined rate payable on the basis of actual flying hours / cycles. Such variable rentals are subject to annual escalations as stipulated in the agreements. However, the Company is eligible to claim reimbursement of maintenance costs to the extent eligible under the agreements.
- The Company does not have an option to buy the aircraft or helicopters and spare engines or to renew the leases.
- In case of default by the Company, in addition to repossession of the aircraft, penalties are stipulated in the agreements.
- The Company is required to deposit a commitment fee and a security deposit with the lessor or provide a letter of credit for such amounts.

14. Leases and Hire Purchase (Contd.)

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Lease contributions for the year (excluding maintenance reserves) (for aircrafts and engines)	**98,399.56**	109,381.52
Minimum lease payments contributions		
- Not later than one year	**93,616.34**	100,419.03
- Later than one year but not later than five years	**264,319.46**	314,551.95
- Later than five years	**103,822.35**	172,918.21

In addition to the above, the Company has entered into agreements to lease aircrafts / engines in respect of which the aircrafts / engines are pending delivery / the lease was yet to commence as at March 31, 2011. The above table of minimum lease payments does not include amounts that may become payable in respect of leases yet to commence as at March 31, 2011.

Finance leases

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
Total minimum lease payments at the balance sheet date in case of balance fixed non cancelable lease term	**76,630.00**	92,087.81
Less: Amount representing finance charges	**15,589.25**	19,550.15
Present value of minimum lease payments	**61,040.75**	72,537.66
Lease payments for the year	**9,985.54**	13,763.13
Minimum Lease Payments :		
Not later than one year [Present Value as at March 31, 2011 Rs. 9,126.57 Lacs (As at March 31, 2010 Rs. 13,047.38 Lacs)]	**13,133.68**	17,311.57
Later than one year but not later than five years [Present Value as at March 31, 2011 Rs. 37,687.80 Lacs (As at March 31, 2010 Rs. 34,803.42 Lacs)]	**47,258.46**	46,694.54
Later than 5 years [Present value as at March 31, 2011 Rs 14,226.38 Lacs (As at March 31, 2010 Rs 24,686.86 Lacs)]	**16,237.86**	28,081.70

Salient features of Finance Lease Agreement (Aircraft):

- Monthly aircraft lease rentals are paid in the form of fixed rentals.
- The Company is responsible for keeping the aircraft airworthy in all respects and in good condition and insuring the same throughout the lease period.
- The Company has an option to purchase the aircraft either during the term of the lease on payment of the outstanding principal amount or at the end of the lease term on payment of a nominal option price.
- In the event of default, the Lessee is responsible for payment of all costs of the Owner including financing costs, and other associated costs. Further, a right of repossession is available to the Owner / Lessor.

b) In addition, the Company has entered into cancelable leasing arrangements for office and residential premises which are renewable at mutual consent. Lease rentals of Rs. 4,854.44 lacs (Previous year - Rs. 5,477.55 Lacs) have been included under the head “Operating and Other Expenses - Rent” under Schedule 16 in the Profit and Loss Account.

15. Segment disclosures

a) **Geographical segments** – Considering the internal reporting framework, the Company has considered geographical segments as the primary segments. Such segments consist of domestic air transportation within India and international air transportation outside India.

(Rs. in Lacs)

Particulars	Domestic sectors	International sectors	Total
Revenue			
2010-11	477,314.68	146,023.22	623,337.90
2009-10	452,204.66	54,587.16	506,791.82
Segment results - gain / (loss) before tax and interest			
2010-11	77,600.05	(7,810.91)	69,789.14
2009-10	33,548.94	(34,008.46)	(459.52)
Less:			
Interest and finance charges			
2010-11			(131,294.00)
2009-10			(110,258.63)*
Depreciation and other amortisations			
2010-11			(24,103.76)
2009-10			(21,728.75)
Other unallocable expenditure			
2010-11			(81,980.63)
2009-10			(88,869.38)*
Exceptional items and foreign exchange translation differences			
2010-11			(10,707.37)
2009-10			(40,787.56)
Add: Unallocable income			
2010-11			26,218.33
2009-10			20,312.29
Total loss before tax expense			
2010-11			(152,078.29)
2009-10			(241,791.55)

* Recast

The value of assets and liabilities, capital expenditure incurred during the year and depreciation on fixed assets segment wise cannot be segregated and identified to any reportable segment.

Note: The above data is as certified by management, since part of the data is drawn from non-financial records.

b) **Business segments**

The Company operates in a single business segment, i.e. of providing scheduled and unscheduled air transportation services. Accordingly, no separate segment disclosures for business segments are required to be given.

16. Deferred taxes

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
Liability		
On account of depreciation on fixed assets	**31,829.22**	35,828.73
On account of timing differences in recognition of expenditure	**4,082.87**	4837.87
Deferred tax liability (A)	**35,912.09**	40,666.60
Asset		
On account of timing differences in recognition of expenditure	**936.99**	976.49
On account of disallowance under section 40a (ia)	**66,115.48**	58,522.54
On account of Unabsorbed losses and depreciation under the Income Tax Act, 1961	**261,637.93**	224,604.08
Deferred tax asset (B)	**328,690.40**	284,103.11
Net deferred tax asset (B) – (A)	**292,778.31**	243,436.51

Deferred tax asset on unabsorbed depreciation and business losses has been recognized on the basis of business plan prepared by the management, which takes into account certain future receivables arising out of contractual obligations. The management is of the opinion that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which the deferred tax asset can be realized.

17. Provisions

In accordance with Accounting Standard – 29 'Provisions, Contingent Liabilities and Contingent Assets', following is the movement in provision towards cost for frequent flyer program.

Frequent Flyer Program:

The Company has a Frequent Flyer Program (King Club), wherein passengers who fly frequently are entitled to accumulate miles to their credit. Passengers are eligible to redeem such miles in the form of tickets, either on the Company or its partners' airlines. The cost of allowing free travel to members is accounted considering the members' accumulated mileage on an incremental basis. However, in the light of inadequate historical data, the Company has not factored costs that would be incurred by it while estimating provisions required, in case eligible passengers redeem such miles for services/ tickets of partners. The movement in the provision towards cost for frequent flyer program during the year is as under:

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
Opening Balance	**1,730.34**	902.49
Add: Provision during the year	**1,445.24**	1,038.64
Less: Amounts utilized during the year	**1,009.83**	210.79
Closing Balance	**2,165.75**	1,730.34

The outflow with regard to above would depend upon utilization of accumulated mileage by the members and hence, the Company is not able to reasonably ascertain the timing of outflow.

Leave encashment / compensated absences

The movement in the provision towards cost of leave encashment / compensated absences during the year is as under:

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
Opening Balance	**1,239.62**	1,329.13
Add: Provision during the year	**277.68**	50.81
Less: Amounts utilized during the year	**105.52**	140.32
Closing Balance	**1,411.78**	1,239.62

18. Loss per share (EPS)

(Rs. in Lacs)

Particulars	2010-2011	2009-2010
After exceptional items		
Loss as per Profit and Loss Account	**(102,739.80)**	(164,722.06)
Arrears of fixed cumulative preference dividends (including tax thereon)	**(4,305.89)**	Nil
Loss for computation of basic and diluted EPS	**(107,045.69)**	(164,722.06)
Before exceptional items		
Loss before exceptional items and tax expense	**(142,953.64)**	(206,026.08)
Arrears of fixed cumulative preference dividends (including tax thereon)	**(4,305.89)**	Nil
Less: Tax expense after reworking deferred tax credit on account of exceptional items.	**46,378.00**	65,189.09
Loss for computation of basic and diluted EPS	**(100,881.53)**	(140,836.99)
Weighted average number of shares considered for basic EPS (Rs 10 par value) – nos.	**266,544,144**	265,908,883
Weighted average number of shares considered for diluted EPS* - nos.	**266,544,144**	265,908,883

* The effect of employee stock options and options vested in certain lenders / debenture holders to convert their outstanding to equity, on weighted average number of shares for diluted EPS is not considered since their effect is anti-dilutive.

19. There were no forward or derivative contracts outstanding as at March 31, 2011 and March 31, 2010. Foreign currency exposures as at March 31, 2011 and March 31, 2010 that had not been hedged by any derivative instrument or otherwise are estimated as follows:

(Rs. in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
Capital Advances	**50,301.17**	84,855.64
Prepaid Maintenance Reserve	**73,253.38**	61,011.97
Other Assets (Receivables)	**39,864.59**	34,063.19
Finance Lease for aircrafts and other term loan from financial institution	**67,888.89**	76,880.36
Other Liabilities (Payables)	**54,018.29**	122,143.08

20. Employee Benefits:

a) Contribution to defined benefit plans-gratuity plan (unfunded) (as certified by the management)

(Rs. in Lacs)

	Particulars	2010-2011	2009-2010
I)	**Change in benefit obligation:**		
	Defined benefit obligation (DBO), at the beginning of the year	**1,056.35**	911.04
	Service Cost	**337.09**	341.00
	Interest Cost	**108.70**	91.87
	Past service cost- vested benefit	**8.50**	
	Actuarial loss / (gain)	**34.90**	(220.88)
	Benefits paid	**(69.39)**	(66.68)
	Defined benefit obligation at the end of the year	**1,476.15**	1,056.35

20. Employee Benefits : (Contd.)

	Particulars	2010-2011	2009-2010
II)	**Components of cost for the year:**		
	Service cost	**337.09**	341.00
	Interest on defined benefit obligation	**108.70**	91.87
	Past service cost- vested benefit	**8.50**	
	Net actuarial gain recognized in the year	**34.90**	(220.88)
	Net gratuity recognized in the Profit and Loss Account	**489.19**	211.99
III)	**Actuarial assumptions:**		
	Discount rate (p.a.)	**8%**	8%
	Salary Escalation Rate (p.a.)	**5%**	5%
	Retirement Age	**58 years**	58 years
	Mortality	**Rates of LIC (1994-1996) mortality table**	Rates of LIC (1994-1996) mortality table
	Withdrawal rate	2%	2%

b) **Contribution to defined contribution plans**

Contribution to provident fund Rs. 193.10 Lacs (Previous year - Rs. 602.13 Lacs).
Contribution to social security schemes Rs. 200.01 Lacs (Previous year - Rs. 198.23 Lacs).

21. The Company is not aware of the registration status of its suppliers regarding registration under the MSME Act, 2006 ("Micro Small and Medium Enterprises Development Act 2006"). Accordingly, information relating to outstanding balance or interest due have not been disclosed as it is not determinable.

22. Details of non-resident shareholdings (as certified by management):

Particulars	As at March 31, 2011	As at March 31, 2010
Number of nonresident share holders	**1073**	789
Number of shares held by nonresident shareholders	**44,286,393**	41,900,829

23. Accounts of certain creditors, debtors, loans & advances, advances on capital account, bank accounts, passenger service fees and charges payable to airport operators, service tax payable (including under reverse mechanism) , input service tax credit recognized are subject to review / reconciliation / confirmation. Adjustments, if any will be made on completion of such review / reconciliation / receipt of confirmations.

24. The Company has incurred substantial losses and its net worth has been eroded. However, having regard to improved passenger and cargo load in recent months, improvement in economic sentiment and business prospects, cost savings schemes being implemented, premature termination of certain lease / purchase contracts, recently launched international routes, route rationalization programs, the master debt recast agreement signed with banks in December 2010, augmentation of capital by conversion of a part of loans from banks and group companies, capital raising plans etc, the financial statements have been prepared on the basis that the Company is a going concern and that no adjustments are required to the carrying value of assets and liabilities.

25. The Company's centralized ticket reservation system (CRS) does not support captured of unearned revenue. Accordingly, such unearned revenue has been estimated by management by multiplying the estimated aggregate number of unflown tickets as on the reporting date by the average estimated tickets value prevailing in each of the months to which such unflown ticket relate to. Management is taking continuing steps to streamline the process of determination of unearned revenue.

26. The Company's Cargo Revenue Management (CRM) system is yet to stabilized. Mistakes noticed in revenue recognized, sundry Debtors and other relevant accounts have been corrected to the extent identified. The Company's of the view that unadjusted differencies will not be material. Management is taking steps to further steemline the process in stabilized system.

27. Accounting of costs on major repairs and maintenance of its engines: During the current and immediate previous year, the Company has adopted the exposure draft on Accounting Standard - 10 (Revised) 'Tangible Fixed Assets' which allows costs on major repairs and maintenance incurred to be amortized over the incremental life of the asset. The Company has extended the same treatment to costs and maintenance on engines pertaining to aircrafts acquired on operating lease. Such expenditure has been included in 'Lease hold improvements- Aircrafts' vide schedule of fixed assets. This accounting policy has been confirmed by an independent expert and in the opinion of the management, has resulted in a fair depiction of the working results and the state of affairs of the company. But for such accounting practice, the loss before & after tax for the year would have been higher by Rs. 3,726.83 Lacs and Rs. 2,517.66 Lacs respectively.

28. Use fees payable by the Company in respect of certain assets taken on operating lease aggregating to Rs. 5,576.45 lacs have, in accordance with the Company's understanding, been treated as maintenance reserves. In terms of the Company's accounting policy, these fees are initially included under Loans and Advances and are expensed out to the Profit and Loss Account at the time of incurrence of major expenditure /termination of agreements. The Company is taking steps to formalize this understanding with the relevant lessor.

29. The Company has not prepared consolidated financial statements (CFS) as required by the AS 21, since the transactions of subsidiary during the year/its assets and liabilities were not material.

30. Fixed assets have been physically verified by the management during the year. Pending completion of reconciliation, discrepancies, if any, have not been finalized and adjusted. As a matter of abundant caution, provision of Rs. 500 lakhs has been made for the possible effect of any discrepancies.

31. Details of exceptional items:

(Rs. in lacs)

Particulars	**2010-11**	2009-10
Costs incurred on account of premature termination of lease/purchase contracts	**3,965.52**	35,765.47
Amount paid/ provided as payable to a service provider on settlement of disputes	**5,159.13**	Nil
Total	**9,124.65**	35,765.47

32. Previous year's figures have been regrouped / reclassified wherever necessary to conform to the current year's presentation.

Statement pursuant to Section 212 of the Companies Act, 1956, related to the Subsidiary Company

Particulars	Vitae India Spirits Limited
1. Financial year of the Subsidiary ended on	**March 31, 2011**
2. Shares of the Subsidiary held by the Company on the above date:	
(a) Number & face value	**50000 Equity Shares of Rs.10/- each**
(b) Extent of holding	**100%**
3. Net aggregate amount of profits/(losses) of the Subsidiary so far as they concern members of Kingfisher Airlines Limited:	
(a) For the financial year of the Subsidiary	
(i) Dealt within the accounts of the Company for the year ended March 31, 2011 (Rs. Lacs)	**NIL**
(ii) Not Dealt with the accounts of the Company for the year ended March 31, 2011 (Rs. Lacs)	**(2.43)**
(b) For the previous financial year of the subsidiary since it became a subsidiary	
(i) Dealt within the accounts of the Company for the previous financial year ended March 31, 2010 (Rs. Lacs)	**NIL**
(ii) Not Dealt with the accounts of the Company for the previous financial year ended March 31, 2010 (Rs. Lacs)	**(2.05)**

For and on behalf of the Board of Directors

Dr. Vijay Mallya
Chairman & Managing Director

A. K. Ganguly
Director

A. K. Ravi Nedungadi
Director

Bangalore
May 23, 2011

A. Raghunathan
Chief Financial Officer

Bharath Raghavan
Chief Legal Officer & Company Secretary

Cash Flow Statement for the year ended March 31, 2011

		2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
A.	**Cash Flow from Operating Activities**		
	Loss Before Tax	**152,078.29**	241,791.55
	Adjustments for :		
	Depreciation / Amortisation on fixed assets	**20,302.45**	16,279.75
	Provision for Gratuity	**419.80**	145.31
	Provision for Leave Encashment / Compensated Absences	**172.16**	(89.51)
	Provision for Frequent Flyer Scheme	**435.41**	827.85
	Initial Costs amortised on Leased Aircrafts	**1,980.26**	2,888.11
	Amortisation of Share issue expenses	**-**	450.88
	Amortisation of slot charges	**1,821.05**	2,110.01
	Employee Compensation (Income) / Expense	**(453.10)**	(62.76)
	Baddebts written off	**1,136.02**	-
	Provision for Doubtful Debts/ Advances	**607.21**	-
	Provision for Contingencies	**700.00**	-
	(Profit) / Loss on sale of assets	**54.75**	(249.70)
	Interest expense	**111,892.92**	100,766.60
	Interest Income on deposits with Banks	**(873.42)**	(919.13)
	Unrealised Exchange Gain on Short term liabilities	**2,798.28**	(3,873.77)
		140,993.79	118,273.64
	Operating Loss Before Working Capital Changes	**11,084.50**	123,517.91
	Adjustment for changes in working capital:		
	(Increase) / decrease in inventories	**(2,276.82)**	(1,763.04)
	(Increase) / decrease in sundry debtors	**(13,020.20)**	(4,825.24)
	(Increase) / decrease in Loans and Advances and Other Current Assets	**(32,518.84)**	(39,369.59)
	Increase / (decrease) in Current Liabilities and Provisions	**60,144.55**	3,436.66
		12,328.69	(42,521.21)
	Add : Taxes paid (including fringe benefit tax)	**1,021.63**	469.67
	Net Cash used in / (from) Operating Activities	**(222.56)**	166,508.79
B.	**Cash Flow From Investing Activities**		
	Movement in fixed assets (including changes in Capital work-in -progress)	**(8,631.40)**	(27,217.12)
	Sale of fixed assets	**-**	(7,745.32)
	Initial Costs incurred on Leased Aircrafts	**-**	807.54
	Slot charges incurred during the year	**1,827.67**	2,849.78
	Repayment of Finance Lease obligation during the year (principal portion)	**11,496.91**	8,869.58
	Interest on deposits with Banks	**(888.33)**	(1,077.76)
	Net Cash used in / (from) Investing Activities	**3,804.85**	(23,513.30)

Cash Flow Statement for the year ended March 31, 2011 (Contd.)

		2010-2011 Rs. in Lacs	2009-2010 Rs. in Lacs
C.	**Cash Flow from Financing Activities**		
	Repayments/ (Proceeds) from Loans from Banks and Others (net)	**(92,314.61)**	(241,284.35)
	Interest Paid	**84,142.77**	94,828.83
	Net Cash used in / (from) Financing Activities	**(8,171.84)**	(146,455.52)
	Net (increase) / decrease in Cash and Cash equivalents	**(4,589.55)**	(3,460.00)
	Cash and Cash equivalents at beginning of the year	**20,646.70**	17,186.70
	Cash and Cash equivalents at the end of the year	**25,236.25**	20,646.70

	As at March 31, 2011 Rs. in Lacs	As at March 31, 2010 Rs. in Lacs
Cash and Cash equivalents comprise		
Cash in Hand	**120.19**	107.65
Balance with Banks	**25,116.06**	20,539.05
TOTAL	**25,236.25**	20,646.70

Notes:

1) The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3.
2) Figures in bracket indicate cash inflow.
3) Previous year's figures have been regrouped/ rearranged to conform with current year's classifications.

As per our report of even date

For **B. K. Ramadhyani & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Shyam Ramadhyani
Partner
Membership No. 019522

Dr. Vijay Mallya
Chairman & Managing Director

A. K. Ganguly
Director

A. K. Ravi Nedungadi
Director

Bangalore
June 29, 2011

Bangalore
May 23, 2011

A. Raghunathan
Chief Financial Officer

Bharath Raghavan
Chief Legal Officer & Company Secretary

KINGFISHER AIRLINES

Additional Information Pursuant to Part IV of Schedule VI to the Act

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

REGISTRATION NUMBER	L85110KA1995PLC018045
STATE CODE	08
BALANCE SHEET DATE	31 - 03 - 2011 (Date Month Year)

II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

PUBLIC ISSUE	NIL	RIGHTS ISSUE	NIL
BONUS ISSUE	NIL	PRIVATE PLACEMENT	19512000

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

TOTAL LIABILITIES (including shareholder's Funds)	136212062	TOTAL ASSETS #	136212062

includes Deferred Tax Asset

SOURCES OF FUNDS

PAID-UP CAPITAL	10508792	RESERVES & SURPLUS*	13434515
SECURED LOANS	51845282	UNSECURED LOANS	18725471

*excluding Employee Stock Option Outstanding

APPLICATION OF FUNDS

NET FIXED ASSETS	22452331	MISCELLANEOUS EXPENDITURE	NIL
INVESTMENTS	500		
(Please tick appropriate box + for Positive, - for Negative)	+ ✓		
NET CURRENT ASSETS $	18605994	ACCUMULATED LOSSES	43210765

$ includes initial Cost on Lessed Aircrafts and Deferred Tax Asset and Foreign Currency Monetary item Translation Difference Account

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

TURNOVER (including other income)	64955622	TOTAL EXPENDITURE	80163450
(Please tick appropriate box + for profit - for Loss)	- ✓	(Please tick appropriate box + for Profit - for Loss)	- ✓
PROFIT/LOSS BEFORE TAX	15207828	PROFIT/LOSS AFTER TAX	10273979
(Please tick appropriate box + for Positive, - for Negative)	- ✓		
EARNING PER SHARE (In Rs.)	40·16	DIVIDEND RATE %	– –

V GENERIC NAMES OF PRINCIPLE PRODUCTS / SERVICES OF COMPANY (as per monetary terms)

ITEM CODE NO. (ITC CODE)	PRODUCT DESCRIPTION
Not Applicable	**Airline Services**

For and on behalf of the Board of Directors

Dr. Vijay Mallya
Chairman & Managing Director

A. K. Ganguly
Director

A. K. Ravi Nedungadi
Director

Bangalore
May 23, 2011

A. Raghunathan
Chief Financial Officer

Bharath Raghavan
Chief Legal Officer & Company Secretary

Directors' Report

To The Members,

Your Directors present the 3rd Annual Report along with the Audited Accounts of your Company for the financial year ended March 31, 2011.

Operations

Your Company has not carried on any business during the year under review. For the financial year ended March 31, 2011, your Company has incurred a loss of Rs. 38,833/- comprising mainly of professional charges.

Share Capital

The Authorised, Issued, Subscribed and Paid up Equity Share Capital of your Company remains unchanged at Rs. 5,00,000/- divided into 50,000 equity shares of Rs. 10/- each.

Your Company continues to remain a wholly owned subsidiary of Kingfisher Airlines Limited.

Directors

Mr. A. Raghunathan, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Auditors

M/s Vishnu Ram & Co., your Company's Auditors have confirmed that they are eligible for re-appointment at the ensuing Annual General Meeting and it is proposed to re-appoint them and to fix their remuneration.

Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956 and the rules framed there under are not applicable to your Company.

Foreign Exchange Earnings and Outgo

There is no earning or outgoing of Foreign Exchange during the year under review.

Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956 the Directors of your Company hereby confirm that:

- in the preparation of the Accounts for the year ended March 31, 2011 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at March 31, 2011 and of the loss of your Company for the year ended March 31, 2011;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- the accounts for the year ended March 31, 2011 have been prepared on a going concern basis.

Particulars of Employees' Remuneration

Your Company has no employees on its payroll and accordingly, the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 are not applicable.

For and on Behalf of the Board of Directors

Bangalore	**A. Raghunathan**	**Bharath Raghavan**
May 23, 2011	*Director*	*Director*

Auditors' Report

To

The Members of

VITAE INDIA SPIRITS LIMITED

1. We have audited the attached Balance Sheet of **VITAE INDIA SPIRITS LIMITED**, as at 31st March 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. 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 auditing 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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. Further to our comments in the annexure referred to above, we report that:

   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

   ii) 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.

   iii) The Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;;

   v) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956..

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Companies Act, 1956 (1 of 1956) in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India;

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31-03-2011;

      (b) in the case of the Profit and Loss account of the loss for the year ended on that date; and

      (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Vishnu Ram & Co.**
Chartered Accountants

(S. Vishnumurthy)
Proprietor
Membership No. 22715
Firm Registration No. 004742S

Bangalore
May 23, 2011

Re: VITAE INDIA SPIRITS LIMITED

Referred to in paragraph 3 of our report of even date

(a) There were no fixed assets. Therefore, the provisions of clause 4(i)(a) to 4(i)(c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(b) There were no stocks of goods. Therefore, the provisions of clause 4(ii)(a) to 4(ii)(c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(c) The company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(a) to 4(iii)(d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(d) The company has not taken any loans from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii)(e) to 4(iii)(g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(e) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(f) According to the information and explanations given to us, there are no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(v)(a) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(g) In our opinion and according to the information and explanation given to us, there have not been any transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(v)(b) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(h) The company has not accepted any deposits from the public in contravention of the provisions of sections 58A, 58AA and any other relevant provisions of the Act and the Companies (Acceptance of deposits) Rules, 1975. Therefore, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(i) The paid up capital of the company does not exceed Rs. 50 lakhs. There has not been any turnover during the year. Therefore, the provisions with regard to internal audit of clause 4(vii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(j) Provisions with regard to maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 are not applicable to this company.

(k) The company is regular in depositing with appropriate authorities undisputed statutory dues including income tax and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(l) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty were in arrears, as at 31-3-2011 for a period of more than six months from the date they became payable.

(m) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax and excise duty which have not been deposited on account of any dispute.

(n) The company has been registered for a period of less than five years. Therefore, the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(o) The company has not taken any loans from banks or financial institutions nor issued any debentures. Therefore, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(p) The company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's) Order, 2003 are not applicable to the company.

(q) 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.

(r) The company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(s) The company has not given any guarantees for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(t) The company has not raised any term loans during the year. Therefore, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(u) According to the information and explanations 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.

(v) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(w) According to the information and explanations given to us, the company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(x) During the year, the company has not raised any money by public issue. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(y) 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 **Vishnu Ram & Co.**
Chartered Accountants

(S. Vishnumurthy)
Proprietor
Membership No. 22715
Firm Registration No. 004742S

Bangalore
May 23, 2011

Balance Sheet as at March 31, 2011

	Schedule	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
I. SOURCES OF FUNDS			
(1) ***Shareholders' funds***			
(a) Share capital	1	**500,000**	500,000
(b) Reserves and surplus		**-**	-
(2) ***Loan funds***			
(a) Secured loans		**-**	-
(b) Unsecured loans		**-**	-
		500,000	500,000
II. APPLICATION OF FUNDS			
(1) ***Fixed Assets***		**-**	-
(2) ***Investments***		**-**	-
(3) ***Current assets, loans and advances***			
(a) Inventories		**-**	-
(b) Sundry debtors		**-**	-
(c) Cash and bank balances	2	**343,178**	343,406
(d) Loans and advances		**-**	-
		343,178	343,406
Less: ***Current liabilities and provisions:***			
(a) Current liabilities	3	**86,562**	47,957
(b) Provisions		**-**	-
		86,562	47,957
Net current assets		**256,616**	295,449
(4) (a) **Miscellaneous expenditure to the extent not written off or adjusted**		**-**	-
(b) **Profit & loss account**		**243,384**	204,551
		500,000	500,000
Significant Accounting Policies and Notes on Accounts	4		

Schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

For and on behalf of the Board of Directors of
Vitae India Spirits Limited

Per our report of even date
For **Vishnu Ram & Co.**
Chartered Accountants

Bangalore
May 23, 2011

A. **Raghunathan**
Director

Bharath Raghavan
Director

(S. Vishnumurthy)
Proprietor
Membership No. 22715
Firm Registration No. 004742S

Profit and Loss Account for the year ended March 31, 2011

	Schedule	Year ended 31-03-2011 Rupees	Year ended 31-03-2010 Rupees
Income			
		-	-
Expenditure:			
Bank charges		228	228
Filing fees		-	7,226
Printing & Stationery		-	800
Professional charges		38,605	41,363
Miscellaneous expenses		-	2,000
		38,833	51,617
Loss for the year before tax provision		(38,833)	(51,617)
Less: Income tax provision		-	-
Loss for the year after tax provision		(38,833)	(51,617)
Loss of the previous year brought forward		(204,551)	(152,934)
Balance carried forward to the Balance Sheet		(243,384)	(204,551)
Earnings per share (Basic/Diluted (in Rs.))		(0.78)	(1.03)
Significant Accounting Policies and Notes on Accounts	4		

Schedules referred to above and notes thereon form an integral part of the Profit & Loss Account.

For and on behalf of the Board of Directors of
Vitae India Spirits Limited

Per our report of even date
For **Vishnu Ram & Co.**
Chartered Accountants

Bangalore
May 23, 2011

A. Raghunathan
Director

Bharath Raghavan
Director

(S. Vishnumurthy)
Proprietor
Membership No. 22715
Firm Registration No. 004742S

	As at 31-03-2011 Rupees	As at 31-03-2010 Rupees
Schedule 1		
Share Capital		
Authorised		
50,000 Equity Shares of Rs.10 Each	**500,000**	500,000
Issued, subscribed and paid up		
50,000 Equity Shares of Rs.10 Each	**500,000**	500,000
(All the shares are held by the holding company KingfisherAirlines Ltd. and its nominees)		
	500,000	500,000
Schedule 2		
Cash and bank balances		
Cash in hand	**600**	600
Balance in current account with Syndicate Bank	**342,578**	342,806
	343,178	343,406
Schedule 3		
Current Liabilities		
Vishnu Ram & Co.	**74,495**	35,890
G Krishna	**6,067**	6,067
Kingfisher Airlines Limited	**6,000**	6,000
	86,562	47,957

Schedule 4

Notes forming part of the accounts

A. Basis for preparation

1. **Accounting Convention:**

The financial Statements are prepared under the historical cost convention, having due regard to the fundamental accounting assumptions of going concern, consistency, accrual and in compliance with the mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006.

2. **Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

B. Significant Accounting Policies

1. **Tax expense:**

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

2. **Revenue recognition:**

All revenues are generally recognized on accrual basis except where there is an uncertainty of ultimate realization.

3. **Provision and contingencies:**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

4. **Earning per Share:**

The basic earning / loss per share are computed by dividing the net profit / loss attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the period.

5. **Related party transaction:**

Transactions between the related parties are disclosed as per Accounting Standard 18 - Related Party Disclosure specified by the Companies (Accounting Standards) Rules, 2006. Accordingly, disclosures regarding names of the transacting related party, description of the relationship between the parties, nature of transactions and the amount outstanding as at end of the accounting year, are made.

C. Notes to accounts

1. **Retirement benefits:**

Since there are no employees on the rolls of the company, no provision for gratuity or leave salary is made in the financial statements.

2. Figures in the Balance Sheet, Profit and Loss account and schedules have been rounded off to the nearest rupee.

3. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. Nil.

4. **Related Party Disclosures:**

i) **List of related parties:**

Sl. No.	Name of the related party	Nature of relationship
1.	United Breweries (Holdings) Limited	Ultimate Holding Company
2.	Kingfisher Airlines Limited	Holding Company
3.	Kingfisher Finvest India Limited	Fellow Subsidiary
4.	Kingfisher Training & Aviation Services Ltd.	Fellow Subsidiary
5.	Bangalore Beverages Limited	Fellow Subsidiary
6.	UB Electronic Instruments Limited	Fellow Subsidiary
7.	UB Infrastructure Projects Limited	Fellow Subsidiary
8.	UB International Trading Limited	Fellow Subsidiary
9.	City Properties Maintenance Company Bangalore Limited	Fellow Subsidiary
10.	Kingfisher Aviation Training Limited	Fellow Subsidiary
11.	Rigby International Corp.	Fellow Subsidiary
12.	United Breweries of America Inc., Delware	Fellow Subsidiary
13.	Inversiones Mirabel, S A	Fellow Subsidiary
14.	Mendocino Brewing Company Inc., USA	Fellow Subsidiary
15.	Rubic Technologies Inc.	Fellow Subsidiary
16.	Releta Breweing Company, LLC	Fellow Subsidiary
17.	UBSN Limited	Fellow Subsidiary
18.	United Breweries International (U.K.) Limited	Fellow Subsidiary
19.	UB Overseas Limited	Fellow Subsidiary
20.	UBHL (BVI)	Fellow Subsidiary
21.	UB Sports Limited	Fellow Subsidiary

ii) **Related Party Transactions:**

Sl. No.	Nature of Transactions	Holding Company	
1	Kingfisher Airlines Limited	2010 – 11	2009-10
	Share capital	Rs. 500,000	Rs. 500,000
	Advance received towards expenses	-	Rs. 6,000

5. The company has adopted Accounting Standard - 20 on "Earning Per Share" specified in the Companies (Accounting Standards) Rules, 2006 for calculation of EPS and the disclosures in this regard are as given below:

Particulars	**Year ended 31.03.2011**	Year ended 31.03.2010
	Rupees	Rupees
Net loss after tax	**(38,833)**	(51,617)
Weighted average number of equity shares of Rs. 10/- each outstanding during the year (No. of shares)	**50,000**	50,000
Basic / diluted earnings per share (Rs) (not annualised)	**(0.78)**	(1.03)

6. Segment information is not furnished since there is no reportable segment.

7. Information under paragraph of 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956 are not furnished, as they are not applicable.

For and on behalf of the Board of Directors of
Vitae India Spirits Limited

Per our report of even date
For **Vishnu Ram & Co.**
Chartered Accountants

Bangalore
May 23, 2011

A. Raghunathan
Director

Bharath Raghavan
Director

(S. Vishnumurthy)
Proprietor
Membership No. 22715
Firm Registration No. 004742S

Cash Flow Statement for the year ended March 31, 2011

	Year ended 31-03-2011 Rupees	Year ended 31-03-2010 Rupees
I. Cash Flow from operating activities		
Profit / (Loss) before tax	**(38,833)**	(51,617)
Adjustment for :		
Increase in current liabilites	**38,605**	28,500
Net cash used in operating activities	**(228)**	(23,117)
II. Cash flows from investing activities	**-**	-
III. Cash flow from financing activities	**-**	-
Net increase in cash & cash equivalents	**(228)**	(23,117)
Cash and cash equivalents at the beginning of the year	**343,406**	366,523
Cash and cash equivalents at the end of the period	**343,178**	343,406
Cash and cash equivalents comprises of:		
Cash on hand	**600**	600
Balance at Bank	**342,578**	342,806
	343,178	343,406

Note : The cash flow is prepared under the indirect method as mentioned under AS - 3 Cash Flow Statements.

For and on behalf of the Board of Directors of
Vitae India Spirits Limited

Per our report of even date
For **Vishnu Ram & Co.**
Chartered Accountants

Bangalore
May 23, 2011

A. **Raghunathan**
Director

Bharath Raghavan
Director

(S. Vishnumurthy)
Proprietor
Membership No. 22715
Firm Registration No. 004742S

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	08/045717	State Code	08
Balance Sheet Date	March 31, 2011		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	500.00

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

Total Liabilities	500.00	Total Assets	500.00
Sources of Funds:			
Paid up Capital	500.00	Reserves & Surplus	NIL
Share application money	NIL	Unsecured Loans	NIL
Secured Loans	NIL	Deferred tax	NIL
Application of Funds:			
Net Fixed Assets	NIL	Investments	NIL
Net Current Assets	256.62	Misc. Expenditure	NIL
		Accumulated loss	243.38

IV Performance of Company (Amount in Rs. Thousands)

Total income	NIL	Total Expenditure	38.83
Profit (Loss) before tax	(38.83)	Profit (Loss) after tax	(38.83)
Earning per Share in Rs.	(0.78)	Dividend rate %	NIL

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

Item Code No. (ITC Code)	Not applicable
Product description	Not applicable

For and on behalf of the Board of Directors of
Vitae India Spirits Limited

Bangalore	A. **Raghunathan**	Bharath Raghavan
May 23, 2011	*Director*	*Director*

Kingfisher Airlines Limited

Regd. Office: UB Tower, Level 12, UB City, 24, Vittal Mallya Road, Bangalore - 560 001

ATTENDANCE SLIP

I hereby record my presence at the **SIXTEENTH ANNUAL GENERAL MEETING** of the Company being held on **Wednesday, September 28, 2011 at 11.30 a.m.** at **Good Shepherd Auditorium, Opp. St. Joseph's Pre-university College, Residency Road, Bangalore 560 025.**

SIGNATURE OF THE ATTENDING MEMBER/PROXY

Folio No. :

DP & Client ID No. :

No. of Shares :

NOTE:

1. The Meeting is for Members of the Company only. Members are requested not to bring non-members or children.
2. The Company will accept only the Attendance slip of a person personally attending the Meeting as a Member or a valid Proxy duly registered in time with the Company. The Company will not accept Attendance Slip from any other person even if signed by a Member.
3. Member/Proxy holder attending the Meeting should bring his/her copy of the **Annual Report** for reference at the Meeting.
4. To facilitate Members, registration of attendance will commence at 10.45 a.m. on September 28, 2011.

Kingfisher Airlines Limited

Regd. Office: UB Tower, Level 12, UB City, 24, Vittal Mallya Road, Bangalore - 560 001

PROXY FORM

I/We____________________of____________________being a Member / Members of **KINGFISHER AIRLINES LIMITED** do hereby appoint ____________________ of____________________or failing him/her ____________________ of____________________as my /our proxy to vote for me/ us and on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held on Wednesday, September 28, 2011 at 11.30 a.m. and at any adjournment or adjournments thereof.

Signed this ____________________day of September, 2011.

Signature (across the stamp) ____________________

Name ____________________

Registered Folio No. ____________________

DP & Client ID No. ____________________

AFFIX RS. 1/- REVENUE STAMP

NOTE :

The Proxy Form duly completed must reach the Registered Office of the Company not later than 48 hours before the time for holding the Meeting. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.

Members are advised that no gifts will be distributed at the Annual General Meeting

Kingfisher Airlines Limited

Registered Office: UB Tower, Level 12, UB City, 24, Vittal Mallya Road, Bangalore - 560 001

NOTICE

NOTICE IS HEREBY GIVEN OF THE SIXTEENTH ANNUAL GENERAL MEETING of the Company to be held at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore – 560 025 on Wednesday, September 28, 2011 at 11.30 a.m. for the following purposes:

1. To receive and consider the accounts for the year ended March 31, 2011 and the reports of the Auditors and Directors thereon;
2. To elect a Director in the place of Mr. Ghyanendra Nath Bajpai who retires by rotation and being eligible, offers himself for re-appointment;
3. To elect a Director in the place of Mr. Subhash R. Gupte, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint Auditors and fix their remuneration. The retiring Auditors M/s. B. K. Ramadhyani & Co., are eligible for re-appointment;
5. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT in accordance with

1. the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956, as amended (the "Companies Act") including any amendments or re-enactment thereof for the time being in force;
2. the provisions of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ("the SEBI ESOP Guidelines") including any amendment(s) of the Guidelines for the time being in force;
3. the provisions of the Memorandum and Articles of Association of the Company;
4. the provisions of the listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed;
5. the provisions of Foreign Exchange Management Act, 1999, as amended and guidelines, rules and regulations framed thereunder,

and subject to

1. applicable statutes, guidelines, regulations, laws and subject to such approvals, consents, permissions or sanctions as may be applicable of the Government of India, the Securities and Exchange Board of India, the Reserve Bank of

India, the Foreign Investment Promotion Board and any other appropriate authorities, institutions or bodies (the "Approvals"); and

2. such conditions as may be prescribed by any of the concerned authorities while granting any such Approvals, which may be agreed to, in its sole discretion, by the board of directors of the Company (hereinafter called the "Board" which term shall be deemed to include the Remuneration & Compensation Committee constituted by the Board to exercise its powers, including the powers conferred by this resolution),

the consent, authority and approval of the Company be and is hereby accorded to the Board to introduce and implement an Employees Stock Option Plan 2011 (hereinafter referred to as "ESOP 2011"), the salient features of which are detailed in the Explanatory Statement to this Notice, to create, offer, issue and allot at any time, in one or more tranches, to or for the benefit of such person(s) who are in permanent employment of the Company whether working in India or overseas including Directors of the Company, whether whole-time or otherwise (hereinafter referred to as "Employee" or "Employees"), except employees who are Promoters or belong to the Promoter Group of the Company, under ESOP 2011, such number of equity shares and/or equity linked instruments (including options), and/or any other instruments or securities which could result in issue / allotment of equity shares (hereinafter collectively referred to as "Securities") of the face value of Rs.10/- each of the Company, not exceeding 25,000,000 equity shares of Rs. 10/- each and at such price and on such terms and conditions as may be determined by the Board in accordance with the terms of ESOP 2011.

RESOLVED FURTHER THAT the Securities may be allotted in accordance with ESOP 2011 directly to such Employees or through any appropriate mechanism including through an existing trust or a trust or any other entity which may be setup in any permissible manner and that ESOP 2011 may also contain provisions for providing any financial assistance to the Employees / the trust / entity to acquire, purchase or subscribe to the Securities.

RESOLVED FURTHER THAT the number of Securities specified above to be issued / allotted pursuant to this resolution and the price of acquisition payable by the Securities grantees shall be proportionately adjusted in the event of corporate actions such as stock splits / consolidations, rights issues, bonus issues, merger, amalgamation, demerger, sale of division(s) and all such other actions which may call for proportionate adjustment in the number of Securities, without affecting any other rights or obligations of the Securities grantees.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company upon exercise of Securities from time to time shall rank *pari passu* in all respects with the then existing equity shares of the Company including dividend to be declared if any, for the concerned financial year.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all actions and necessary steps for listing of the Equity Shares to be allotted under ESOP 2011 on the Stock Exchanges where the Equity Shares of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchange(s) concerned, the SEBI ESOP Guidelines and other applicable laws and regulations.

RESOLVED FURTHER THAT the existing Employees Stock Option Plan 2006 (ESOP 2006) be and is hereby discontinued effective September 28, 2011 and no further options shall be granted in terms of ESOP 2006, provided that those options already granted to Employees under ESOP 2006 which have not vested or are validly vested but not exercised under the terms and conditions of ESOP 2006, shall survive and be governed in accordance with the terms and conditions of ESOP 2006.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary to give effect to this resolution and with power on behalf of the Company to settle any question, difficulties or doubts that may arise in this regard without requiring any further consent or approval of the Members of the Company."

6. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

   "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 16 (1) (b) of Articles of Association of the Company be and is hereby substituted with the following Article:

   "Such offer shall be open for subscription for a minimum period of fifteen days and for a maximum period of thirty days."

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

   "RESOLVED THAT, subject to:

   (i) the relevant provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (hereinafter referred to as the "**SEBI Regulations**"),

   (ii) all other applicable laws, rules, regulations and guidelines of the Securities and Exchange Board of India (hereinafter referred to as the "**SEBI**"), Foreign Exchange Management Act, 1999 along with the rules and regulations framed thereunder, as amended from time to time and any other applicable laws, rules, regulations, guidelines, notifications and circulars in force, and applicable provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the stock exchanges where the equity shares of the Company (hereinafter referred to as the "**Equity Shares**") are currently listed (hereinafter referred to as the "**Stock Exchanges**"),

   (iii) requisite approvals, consents, permissions and/or sanctions of, *inter alia*, the SEBI, the Stock Exchanges, the Reserve Bank of India ("**RBI**"), the Foreign Investment Promotion Board, as may be required, and all other authorities, entities and parties as may be required and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and/or sanction,

   the consent, authority and approval of the Company be and is hereby accorded to the board of directors of the Company (hereinafter referred to as the "**Board**", which term shall be deemed to include any committee or committees constituted/ to be constituted by the Board to exercise its powers, including the powers conferred by this resolution) to create, issue, offer, allot and list on the Stock Exchanges, Equity Shares of face value of Rs. 10/- each, fully paid up on rights basis in such ratio and in one or more tranches, for an aggregate amount not exceeding Rs. 20,000,000,000/- (Rupees Twenty Thousand Million only) inclusive of such premium as decided by the Board ("**Rights Issue**") to the equity shareholders of the Company whose names appear on the Register of Members or on the list of depositories as beneficial owners, as at the end of the business hours on such date as may hereafter be fixed for the purpose by the Board (hereinafter referred to as the "**Record Date**") or to such person or persons who may or may not be shareholders of the Company in whose favour (in full or in part), the rights may be renounced by respective shareholders on such terms and conditions, as the Board may in its absolute discretion think fit, in consultation with the Lead Manager(s) to the Rights Issue and /or such other persons as it may think fit and subject to the terms and conditions as may be mentioned in the Letter of Offer, Abridged Letter of Offer and Composite Application Form (collectively referred to as "**Issue Documents**").

   RESOLVED FURTHER THAT the details of all monies utilized out of the Rights Issue, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised and the form in which such unutilized monies have been invested.

RESOLVED FURTHER THAT the said new equity shares proposed to be issued pursuant to the proposed Rights Issue shall rank *pari passu* in all respects with the then existing fully paid-up Equity Shares in the capital of the Company including dividend to be declared if any, for the concerned financial year.

RESOLVED FURTHER THAT notwithstanding the above the Board shall be entitled to increase or decrease the size of the Rights Issue, the kind of security to be issued, and vary, modify and alter the ratio of Equity Shares to be issued pursuant to the Rights Issue to the existing Equity Shares and other terms and conditions, as it may deem fit and expedient in the interest of the Company including to extend the time for acceptance of the offer made pursuant to the Rights Issue from time to time, either generally or in respect of any particular applicants or dispose of the same in its absolute discretion to such person(s), whether or not members of the Company and in such manner as the Board may deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all decisions relating to the Rights Issue including but not limited to timing for the Rights Issue, final pricing, fixing the Record Date, the size of the Rights Issue, appointment and ratification of appointment of various intermediaries and other advisors for the Rights Issue such as, *inter alia*, lead managers and legal advisers to the Rights Issue, bankers to the Rights Issue, monitoring agency, registrar and printers, decide on the fees and other terms and conditions of appointment of such intermediaries and advisors, to prepare and finalize, along with the legal advisor and the Lead Managers, the draft letter of offer and the Issue Documents, do all requisite filings with SEBI, the Stock Exchanges, and any other concerned authority, to execute all documents and contracts for the Rights Issue, including the Issue Agreement with the Lead Managers, memorandum of understanding with the registrar to the Rights Issue, and underwriting agreement, if any, to determine and finalize the Rights Issue price, approve and confirm the allotment of the Equity Shares pursuant to the Rights Issue and do all such acts, deeds, matters and things as it may, in its absolute discretion deem fit, proper, necessary or expedient for, and incidental and ancillary to, the Rights Issue and in the best interest of the Company, without requiring any further approval of the Equity Shareholders.

RESOLVED FURTHER THAT the Board or any official of the Company authorized in writing by the Board shall have all powers and authority to prepare, file, finalize, modify, reapply, redo, make necessary changes and do all such acts, deeds, matters and things that are necessary in respect of the draft letter of offer and the Issue Documents, all approvals thereunder and as required under applicable law, and to approach SEBI, the Stock Exchanges and/or any other statutory authority to submit/resubmit any such documentation in this regard.

RESOLVED FURTHER THAT the Board or any official of the Company authorized in writing by the Board, be and are hereby severally authorized to sign and execute all documents on behalf of the Company and to do all such further acts, deeds, matters or things as may be required to give effect to above resolutions."

8. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT, subject to:

(i) the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, including any amendment thereto or statutory modification(s) or re-enactment(s) thereof for the time being in force ,

(ii) the regulations/guidelines, if any, issued/prescribed by the Government of India, the Securities and Exchange Board of India (**"SEBI"**) (including the provisions of Chapter VII and other applicable provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the **"SEBI Regulations"**)) and the Reserve Bank of India, and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, the listing agreements entered into by the Company with the respective stock exchanges where the equity shares of the Company are listed, and all other concerned and relevant authorities from time to time, to the extent applicable and subject to such approvals of relevant statutory/governmental authorities and subject to such other approvals as may be required and applicable and further subject to such terms and conditions or modifications thereto as may be prescribed by any of the above while granting such approvals,

the consent, authority and approval of the Company be and is hereby accorded to the board of directors of the Company (hereinafter referred to as the "**Board**", which term shall be deemed to include any committee or committees constituted/to be constituted by the Board to exercise its powers, including the powers conferred by this resolution) to amend the terms and conditions of the following 70,931,985 8% Optionally Convertible Debentures of face value of Rs. 100/- (Rupees One Hundred only) each ("**OCDs**"):

Allottee	Number of OCDs held	Distinctive Nos.	
		From	To
Star Investments Private Limited	19,977,570	1	19,977,570
Margosa Consultancy Private Limited	24,970,264	19,977,571	44,947,834
Redect Consultancy Private Limited	25,984,151	44,947,835	70,931,985
Total	**70,931,985**		

such that, in the event the Company undertakes a rights issue which is to occur prior to 18 months from the date of allotment of the OCDs i.e. prior to 2nd July, 2012, the OCDs shall become redeemable, prior to the expiry of 18 months from the date of allotment of the OCDs, in part or in full and in one or more tranches, at the option of the Board, and in such quantity as may be mutually decided by the Board along with the holders of the OCDs, provided that the amounts due to the holders of the OCDs upon such early redemption along with interest accrued till the date of redemption shall be appropriated towards subscription to equity shares in the rights issue of the Company by the OCD holders and/or persons acting in concert with the OCD holders, and such amounts shall not be repaid to the holders of the OCDs prior to the expiry of 18 months from the date of allotment of the OCDs, subject to not triggering an open offer under the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (including any statutory modification(s) or re-enactment thereof, for the time being in force).

RESOLVED FURTHER THAT in the event a rights issue has not opened for subscription or after opening for subscription has not successfully closed during the period of 18 months from the date of allotment of the OCDs as set out hereinabove, the OCDs shall be governed by their original terms of issue.

RESOLVED FURTHER THAT the Board be and is hereby authorized, for the purpose of giving effect to the redemption of the OCDs, to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary or appropriate for such purpose, without being required to seek any further clarification, consent or approval of the Members and that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its powers to any official authorized in writing by the Board (as it may consider appropriate) to give effect to the aforesaid resolutions including to execute any documents on behalf of the Company before any governmental authority(ies)/Depositories/Stock Exchanges or any other regulatory body and to appoint any professional advisers/consultants/legal advisors in that regard."

Registered Office:
UB Tower, Level 12,
UB City, 24, Vittal Mallya Road,
Bangalore - 560 001

August 25, 2011

By Order of the Board

Bharath Raghavan
Chief Legal Officer & Company Secretary

Notes :

1. Please refer to the explanatory statement given hereunder.

2. **A SHAREHOLDER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF ONLY ON A POLL. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

   The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for the holding of the Meeting.

3. The Register of Members and Share Transfer Books will remain closed from Friday, September 23, 2011 to Wednesday, September 28, 2011 (both days inclusive).

4. Members are required to intimate immediately to the Company's Registrars and Transfer Agents, M/s Karvy Computershare Private Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 (Telephone No: 040-44655000, Fax. No: 040-23420814) any change in their Registered addresses along with PIN Code Number.

5. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address stated in Note No. 4 above.

6. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address stated in Note No.4 above.

7. Nomination facility for shares is available for Members. The prescribed format in this regard can be obtained from Company's Registrars and Transfer Agents, at the address stated in Note No. 4 above.

8. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members holding shares in physical form are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerializing their shareholdings in the Company.

9. In terms of Section 205A and 205C of the Companies Act, 1956, the amount of dividend declared for the financial year 2003-04 and thereafter remaining unpaid for a period of seven years from the due date of payment shall hereafter be transferred to the Investor Education and Protection Fund.

10. Members attending the Annual General Meeting are requested to bring with them the following:

    a. Members holding shares in dematerialised form, their DP & Client ID Numbers.

    b. Members holding shares in physical form, their Folio Numbers.

    c. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.

    d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

    The Company would accept Attendance Slip from a Member actually attending the Meeting; or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting. Attendance Slips of Members/valid proxies not personally present at the Meeting, or relating to Proxies which are invalid, will not be accepted from any other Member/person.

   The Meeting is for Members or their proxies only. Please avoid being accompanied by non-Members/children.

11. As Members are aware, the Ministry of Corporate Affairs has undertaken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode, pursuant to which companies can now send various notices/ documents (including annual reports) through electronic mode to the registered e-mail addresses of its Members. This welcome move will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment. It will also save costs on paper and postage, ensure prompt receipt of communication and avoid loss in postal transit. Your Company has taken a step forward to participate in this initiative by sending letter dated July 6, 2011 to all Members intimating them about the said initiative. Members who wish to receive annual reports and other communication from the Company by electronic delivery and have not intimated their email id to the Company, may please do so by sending a mail to investor.relations@flykingfisher.com (duly indicating their registered folio number / D. P. & Client ID number).

12. The Company has designated an exclusive email Id viz. **investor.relations@flykingfisher.com** to enable the investors to post their grievances and monitor its redressal.

13. Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days (Monday to Friday) between 10.00 a.m and 4.00 p.m upto the date of the Meeting and will also be available for inspection at the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

In view of the expanding operations of the Company and the unique nature of the aviation industry, the board of directors of the Company (hereinafter referred to as "the Board" which term shall include the 'Remuneration & Compensation Committee' of the Board) has approved the implementation of an Employees Stock Option Plan 2011 (ESOP 2011) for retaining and rewarding key management personnel, subject to approval of the Members.

The salient features of ESOP 2011 as required to be provided under clause 6.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are as follows:

(a) **The total number of options to be granted -** The maximum number of options that can be granted under ESOP 2011 shall be such number that are exercisable into and result in not more than 25,000,000 equity shares of a face value of Rs. 10/- each of the Company, subject to such other adjusted figure for any bonus, stock splits or consolidations or other re-organisation of the capital structure of the Company as may be applicable from time to time. Each such option shall confer a right upon the Employee to apply for one Equity Share of the Company, in accordance with the terms and conditions of ESOP 2011. If an option expires or becomes un-exercisable without having been exercised in full, the unpurchased equity shares, which were subject thereto, shall become available for future grants or sale.

(b) **Identification of classes of Employees entitled to participate in the ESOP -** Such permanent Employees and Directors as may be decided by the Board in its sole discretion from time to time but excluding the Employees who are Promoters or belong to the Promoter Group of the Company, shall be entitled to be granted options under ESOP 2011.

(c) **Requirements of vesting and period of vesting -** The options granted shall vest after one year but before five years from the date of grant, in one or more tranches, subject to the terms and conditions of vesting, as may be decided by the Board in its sole discretion from time to time. The vesting of options may be subject to various parameters comprise tenure and/or performance of the Company and/or performance of the individual Employee and/or performance of his functional area and / or such other parameters or any combination thereof as may be decided by the Board in its sole discretion. The specific vesting schedule and conditions / requirements subject to which vesting would take place would be outlined in the document given to the option grantee at the time of grant of options.

(d) **Maximum period within which the options shall be vested -** The maximum period within which options shall vest shall be five years from the date of grant, unless a shorter period is provided for by the Board in its sole discretion.

(e) **Exercise price or pricing formula -** The Exercise Price, at which the Employee shall be entitled to acquire the equity shares pursuant to the options granted and vested in him/her under ESOP 2011, shall, subject to not being less than the face value of the shares, be decided by the Board at its sole discretion at the time of granting options.

(f) **Exercise period and process of exercise -** The exercise period would commence from the date of vesting, and will expire on completion of five years from the date of vesting of options or such earlier period as may be determined by the Board in its sole discretion.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board from time to time in its sole discretion. The options will lapse qua the Employee if not exercised by the Employee within the specified exercise period unless otherwise decided by the Board at its sole discretion. The options may also lapse qua the Employee under certain circumstances even before the expiry of the specified exercise period as may be decided by the Board at its sole discretion.

All options that have lapsed or remain unexercised shall be available for future grants under ESOP 2011.

(g) **The appraisal process for determining the eligibility of Employees to the ESOP** - The Board shall determine the eligibility criteria for the Employees and Directors of the Company in its sole discretion. The eligibility criteria may, *inter alia*, include parameters based on individual performance, grade of and / or length of service of Employees or such other parameters or a combination thereof, as may be deemed appropriate by the Board at its sole discretion.

(h) **Maximum number of options to be issued per Employee and in aggregate** - Not more than 25,000,000 options / Equity Shares are proposed to be offered and allotted in aggregate under ESOP 2011.

Currently it is not proposed to offer and allot options/ Equity Shares equivalent to or more than 1% of the issued and paid-up equity share capital of the Company existing as on the date of grant of options, to any single Employee in any one year, under ESOP 2011. However, the Board may in its sole discretion decide to grant options / Equity Shares to any single Employee equal to or in excess of this limit in any one year, in which case the same shall be subject to the Company complying with applicable laws including SEBI Regulations.

(i) **Corporate Action -** The number of options granted and /or the exercise price will be proportionately adjusted in the event of corporate actions such as stock splits / consolidation, rights issues, bonus issues, merger, amalgamation, demerger, sale of division(s) and all such other actions which may call for proportionate adjustment in the number of options and / or the exercise price.

(j) **Disclosure of Accounting Policies -** The Company shall conform to the accounting policies prescribed by the Securities and Exchange Board of India (SEBI) and any other authorities in this regard.

(k) **The method which the Company shall use to value its options whether fair value or intrinsic value -** The Company shall follow the intrinsic value method for computing the compensation cost, if any, for the options granted.

The difference between the employee compensation cost so calculated and the Employee compensation cost that would have been recognized if the Company had used the fair value method and its impact on the profits and earnings per share would be disclosed in the Directors Report. The fair value would be determined using the Black – Scholes model.

(l) **Other terms –** The Board shall have the absolute authority to vary, modify or alter the terms of ESOP 2011 in its sole discretion provided that such variation, modification or alteration is not detrimental to the interest of the Employees.

The Securities may be allotted in accordance with ESOP 2011 directly to such Employees or through any appropriate mechanism including through an existing trust or a trust or any entity which may be setup in any permissible manner and that ESOP 2011 may also contain provisions for providing any financial assistance to the Employees / the trust / entity to acquire, purchase or subscribe to the Securities.

Clause 6 of the SEBI ESOP Guidelines requires that any ESOP scheme offering stock options to employees of a company must be approved by the members of such company by way of a special resolution. Further, as ESOP 2011 would entail further shares to be offered to persons other than existing Members of the Company, consent of the Members is sought pursuant to the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956.

Discontinuation of Employees Stock Option Plan 2006 - The existing Employees Stock Option Plan 2006 (ESOP 2006) shall be discontinued effective September 28, 2011 and no further options shall be granted in terms of ESOP 2006, provided that those options already granted to Employees under ESOP 2006 which have not vested or are validly vested but not exercised under the terms and conditions of ESOP 2006, shall survive and be governed in accordance with the terms and conditions of ESOP 2006.

Any Director, who may be granted options / Equity Shares at the sole discretion of the Board, will be deemed to be concerned or interested in this item of business to the extent of the options / Equity Shares that may be granted to them under ESOP 2011.

Your Directors recommend the Special Resolution set out in Item No. 5 of the Notice for approval by the Members.

Item No. 6

As per Article 16 (1)(b) of the existing Articles of Association of the Company, Shareholders shall be given at least 30 days to accept an offer of shares made by the Company pursuant to a Rights issue. As per Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI (ICDR) Regulations"), the offer should be kept open for a minimum period of 15 days and maximum period of 30 days. It is, accordingly, proposed to substitute the current Article 16 (1)(b) to align it with the SEBI (ICDR) Regulations.

Your Directors recommend the Special Resolution set out in Item No. 6 of the Notice for approval by the Members.

None of the Directors is interested or concerned in the said Resolution.

Item Nos. 7 & 8

The Company requires funds for the purposes of the business of the Company, in order to, *inter alia*, meet its working capital requirements, for future expansion plans, and to achieve the objectives set forth below, and has explored various options for fresh issue of equity shares, including a GDR issue, in order to raise funds. However, despite its best efforts the Company has been unable to undertake such a fresh issue of equity shares due to adverse market conditions and other factors. As a result, the board of directors of the Company ("**Board**") wishes to raise funds by undertaking an issue of equity shares on a rights basis, with the issue size not exceeding Rs. 20,000,000,000/- ("**Rights Issue**").

At the present time, there are 70,931,985 8% Optionally Convertible Debentures of face value of Rs. 100/- (Rupees One Hundred only) each of the Company (“**OCDs**”) held by Star Investments Private Limited, Margosa Consultancy Private Limited and Redect Consultancy Private Limited (collectively the “**OCD holders**”), which were issued and allotted on January 3, 2011. As per the present terms of issue and allotment of the OCDs, the OCDs are convertible at the option of the OCD holders, into equity shares at such time as may be decided by the Board of Directors, within a period of 18 months from their date of issue i.e. before 2nd July, 2012, subsequent to which they would be redeemable. The OCD holders had indicated their intention to convert the OCDs into equity shares simultaneously with the raising of further capital by the Company by way of a GDR issue or issue of any other equity-based securities, provided that the conversion would not trigger an open offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (including any statutory modification(s) or re-enactment thereof, for the time being in force) (“**SEBI Takeover Regulations**”). As the promoters of the Company currently hold more than 55% of the shares/voting rights in the Company, the OCD holders, who are persons acting in concert with the promoters of the Company in connection with the issue and conversion of the OCDs, would not be able to convert the OCDs without triggering the SEBI Takeover Regulations. As a result, if the terms of the OCDs are not varied, it is likely that the Company may be obliged to redeem the OCDs at the end of the 18 month period from issue of the OCDs in the event the conversion option is not exercised, which would result in a substantial cash outflow from the Company.

It is proposed that the terms of the OCDs be varied such that, in the event the Board decides to undertake a Rights Issue which is to occur prior to 18 months from the date of allotment of the OCDs, the OCDs shall become redeemable, in part or in full and in one or more tranches, at the option of the Board, and in such quantity as may be mutually agreed by the Board and the holders of the OCDs. The amounts due to the holders of the OCDs upon such early redemption along with accrued interest until redemption is to be appropriated towards subscription to equity shares in the Rights Issue of the Company by the OCD holders and / or persons acting in concert with the OCD holders, and such amounts shall not be repaid to the holders of the OCDs, subject to not triggering an open offer under the provisions of the SEBI Takeover Regulations. The OCD holders have consented in writing to such variation in the terms of the OCDs.

In the event the Board undertakes the Rights Issue, in order for the Rights Issue to be successful under the SEBI (ICDR) Regulations, 2009 and to reduce the likelihood of having to redeem the OCDs at the expiry of 18 months from their date of issue, it is presently contemplated that (a) subject to the approval of the promoters/promoter group entities, the promoters/ promoter group of the Company renounce their entitlement in the Rights Issue in favour of the OCD holders in part or in full, (b) the terms of the OCDs are varied in the manner indicated above, making them redeemable prior to the Rights Issue, and (c) the OCDs are redeemed prior to the Rights Issue in part or in full and in one or more tranches, at the option of the Board, and in such quantity as may be mutually agreed by the Board and the OCD holders, and the amounts which become due to the OCD holders upon such early redemption, including accrued interest, are utilized as share application money/ subscription money by the OCD holders or persons acting in concert with the OCD holders to subscribe to equity shares of the Company in the Rights Issue. Further, the Board shall have the right to allot any unsubscribed portion of the Rights Issue to any third party (including to the OCD holders to the extent of any part of the redemption proceeds that may remain after subscription to the entitlement of the promoters/promoter group in the Rights Issue renounced in favour of the OCD holders subject to not triggering an open offer under the provisions of the SEBI Takeover Regulations).

It is contemplated that the extent of renunciation of rights entitlement and the utilization of OCD redemption proceeds as described hereinabove, would be fully disclosed in the offering documents related to the Rights Issue.

The proposed variation in the terms of the OCDs which is subject to the undertaking of the Rights Issue as described hereinabove would (i) facilitate raising of fresh funds by the Company through a successful rights issue, (ii) reduce the liabilities of the Company in connection with amounts which may be payable to the OCD holders upon redemption of the OCDs at the expiry of 18 months from their allotment, and (iii) reduce the interest expenditure in the books of the Company, since early redemption of the OCDs would reduce the interest burden of the Company by eliminating the obligation to pay the coupon on the OCDs for the remaining period.

It may be noted that in the event a Rights Issue has not opened for subscription or after opening for subscription has not successfully closed during the period of 18 months from the date of allotment of the OCDs as set out hereinabove, the OCDs shall be governed by their original terms of issue.

Further, it may be noted that the actions contemplated hereinabove, including the undertaking of the Rights Issue by the Company, would be subject to such consents from regulatory authorities and/or other entities/parties as may be applicable.

While the present resolutions are not required to be passed by the Members, they are being placed before the Members for consent in the interests of good corporate governance.

Your Directors recommend the Ordinary Resolution and Special Resolution set out in Item Nos. 7 and 8 respectively of the Notice for approval by the Members.

None of the Directors is concerned or interested in the said resolutions except (i) Dr. Vijay Mallya who may be deemed to be interested in the said resolutions in his capacity as a promoter shareholder of the Company to the extent of his shareholding, as well as in his capacity as a Director/ Chairman of the Company as well as of United Breweries (Holdings) Limited, the holding company and part of the Promoter Group of the Company and (ii) Mr. Piyush Mankad who may be deemed to be interested in the said resolutions in his capacity as a Director of the Company as well as of United Breweries (Holdings) Limited, the holding company and part of the Promoter Group of the Company.

By Order of the Board

Bharath Raghavan
Chief Legal Officer & Company Secretary

Registered Office:
UB Tower, Level 12,
UB City, 24, Vittal Mallya Road,
Bangalore - 560 001

August 25, 2011

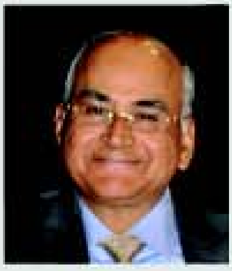
Board of Directors

Dr. Vijay Mallya

S.R. Gupte

Ravi Nedungadi

Vijay Amritraj



G.N. Bajpai

Anil Kumar Ganguly

Piyush Mankad

The Team

Sanjay Aggarwal
Chief
Executive Officer

Hitesh Patel
Executive
Vice President

Rajesh Verma
Executive
Vice President

Manoj Chacko
Executive
Vice President

A. Raghunathan
Chief
Financial Officer

Bharath Raghavan
Chief Legal Officer
& Company Secretary

KINGFISHER AIRLINES LIMITED

UB Tower, Level 12, UB City, 24 Vittal Mallya Road, Bangalore - 560 001.
www.flykingfisher.com