

BOARD OF DIRECTORS

SALIL TANEJA
(Chairman)

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

AUDITORS

M/S HARESH UPENDRA & CO.

BANKERS

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

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd

REGISTERED OFFICE & WORKS

Bellagondapalli Village, Thally Road,
Denakanikotta Taluk, Krishnagiri Dist.,
Bellagondapalli, 635114, Tamil Nadu

CORPORATE OFFICE

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

Annual General Meeting at Bellagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri Dist.,
Bellagondapalli, 635114, Tamil Nadu on Wednesday, September 29, 2010 at 11.00 a.m.

DIRECTORS' REPORT

To the Members of Taneja Aerospace and Aviation Limited

Your Directors present herewith the Twenty-first Annual Report and the Audited Accounts for the nine months period ended on March 31, 2010.

FINANCIAL HIGHLIGHTS

	(₹ in Lakhs)	
	2009-10 (9 Months)	2008-09 (15 Months)
Gross Income	2584.63	3545.20
Expenditure	2124.92	2332.32
Finance Charges	245.25	365.88
Depreciation	222.64	294.17
Profit before Tax	(8.19)	552.83
Provision for Taxation (including Deferred and Fringe Benefit Tax)	169.79	8.97
Prior Period Items	78.84	40.40
Profit/(Loss) after Tax and Prior Period Items	(256.82)	503.46

DIVIDEND

Your Directors do not recommend dividend for the period under review ended on March 31, 2010.

SCHEME OF ARRANGEMENT

In terms of the Scheme of Arrangement approved by the Hon'ble High Court, Madras, TAAL Technologies Private Limited a wholly owned subsidiary of the Company merged with the Company effective from April 01, 2008.

OPERATIONS

The sales revenue for the period under review has shown consistent growth in the areas of manufacturing and infrastructure. As you are aware, the Company has re-structured its business areas and now has three distinct business, being Aircraft Manufacturing Complex, Aircraft Sales & Services and Airfield Services & MRO. While the aero-structure business registered steady growth, due to the depressed business conditions in the aviation industry in general and in particular in aircraft sales, the

overall business was negatively impacted, denting the top line and the bottom line of the Company. Your Directors are confident that the fruits of restructuring would be clearly seen in the years to come.

Aero Structure designing business of TAAL Technologies, a division of the Company pursuant to the merger has shown improvements and the effects on the financials of the Company would be seen from next year onwards.

FINANCE

With the objective of augmenting the manufacturing capabilities and working capital requirements, the Company raised additional resources through regular banking channels.

DIRECTORS

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

AUDITORS

Haresh Upendra & Co. Chartered Accountants, retire as Statutory Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The qualifications made by the Auditors have been explained in the relevant Accounting Policies and Notes to Accounts in Schedule 15, which are self explanatory and therefore do not call for any further comments.

SUBSIDIARY COMPANY

The Annual Accounts of First Airways Inc. (USA) the wholly owned subsidiary has not been attached hereto. The Company is awaiting approval from the Central Government, for seeking exemption from attaching the Annual Accounts of the aforesaid subsidiary company. The Annual Accounts of the said subsidiary will be made available to the members for inspection at the Registered Office of the Company.

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

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

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

DISCLOSURE PARTICULARS

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

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 is given in Annexure II to this report.

DIRECTOR'S RESPONSIBILITY STATEMENT.

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

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected accounting policies and applied them consistently and made judgments and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the

Company for the nine months period ended on March31, 2010 and of the Profit and Loss of the Company as on that date;

- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT.

The Board takes this opportunity to thank its Customers, Bankers, Shareholders, Suppliers, Business Partners, Defense Research and Developmental Organizations, Aviation Authorities, Indian Service Force, Central and State Government for their continued support and encouragement to the Company. The Directors also wish to place on record their gratitude and sincere appreciation to all the employees of the Company for their hard work and commitment.

For and on behalf of the Board of Directors

Pune
August 30, 2010

Salil Taneja
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

Your Company has three distinct activities, namely Aircraft Manufacturing Complex, Aircraft Sales & Services and Airfield Services & MRO. The global economies, though have started looking up, continue to be vulnerable and have placed the aviation industry in difficulty and in particular has affected the Aircraft sales Division of the Company. However, despite this your Company expects the industry fundamentals to be strong in the near and long term.

Opportunities

Your Company is always looking out for opportunities that emerge in the aviation sector. A number of opportunities have already been identified and are being currently pursued in the manufacturing as well as Airfield Services division. Given your Company's competence and facilities, it is uniquely positioned to cater to the existing and emerging requirements in Aviation Sector. Your Company intends to take up activities with a medium to long term perspective, which can be built up and nurtured on the core competence of the Company.

Product wise Performance

	₹ in lacs	
	2009-10 (9 months)	2008-09 (15 months)
Aero Structure	1636.76	1568.19
Agency Sales and Air Management	247.28	523.63
MRO	575.48	1191.72
Total	2459.52	3283.54

Outlook

On the general aviation front, your Company sees an increasing requirement of Corporate Jets from various Industries for their business use. Your Company with its quality system also sees tremendous business opportunities for its manufacturing activities with favorable Government policies and increase in outsourcing from Indian Defence and Aviation Sector. Similarly, with the increase in demand for MRO services there is an increase in demand for your company's airfield.

Risks and Concerns

Frequent changes in the aviation fuel pricing and consequent slow down in the Airline Operations coupled with economic slow down can have an impact on the operations and revenues of the Company. One of the

other area of concern is of technology obsolescence since technological advancements play important role in aviation industry. Apart from these, the other risks relate to natural disaster, economic and geopolitical problems.

Internal Control Systems and Adequacy

Your Company is augmenting its internal control system with regard to financial and operating functions. The Company however continues its efforts to strengthen the same through periodical reviews.

Financial Performance

The Financial performance for the Nine months period ended on March 31, 2010 as compared to the previous period is given below:

	2009-10 (9 months)	₹ in lacs 2008-09 (15 months)
Gross Income	2584.63	3545.20
Profit after Interest but before Depreciation	214.46	847.00
Less: Depreciation	222.64	294.17
Profit before Tax	(8.19)	552.83
Provision for Taxation (including Deferred and Fringe Benefit Tax)	169.79	8.97
Less: Prior Period Items	78.84	40.40
Profit/(Loss) after Tax and Prior Period Items	(256.82)	503.46

Material Developments in Human Resources / Industrial Relations

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

Cautionary Statement

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

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

BOARD OF DIRECTORS

The composition of the Board of Directors, their attendance at Board Meetings held during the period and at the last Annual General Meeting and also the number of directorships in other public companies and memberships in various committees across all Public companies as on March 31, 2010 are as follows:

Name of the Director	Category	Attendance at		As on Date		
		Board Meetings	Last AGM	No. of Directorships in other public companies*	Committee positions in other public companies	
					Member	Chairman
Salil Taneja	Promoter-NED	3	No	2	-	-
A K Jain	NED, Independent	4	No	1	-	1
S K Newlay	NED, Independent	4	Yes	1	-	-
J P Sureka	NED, Independent	4	No	3	1	-
R Surie	NED, Independent	1	No	-	-	-
B R Taneja	Promoter-NED	4	No	1	-	-
C S Kameswaran	Executive-(MD)	4	Yes	-	-	-

NED - Non Executive Director, MD - Managing Director

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

During the period under review four Board Meetings were held on:

Sr. No.	Date of Meeting
1	July 30, 2009
2	October 28, 2009
3	December 05, 2009
4	January 30, 2010

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

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

Appointment/Re-appointment of Directors

In terms of the Articles of Association of the Company and the relevant provisions of the Companies Act, 1956, Mr B

R Taneja and Mr A K Jain will retire by rotation and being eligible, offer themselves for re-appointment in the ensuing Annual General Meeting.

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

AUDIT COMMITTEE

The composition of Audit Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman / Member	No. of Meetings Attended
SK Newlay	Chairman	4
JP Sureka	Member	4
AK Jain	Member	4

During the period under review, four meetings of Audit Committee were held on July 30, 2009, October 28, 2009, December 05, 2009 and January 30, 2010.

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

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

MANAGERIAL REMUNERATION

a) Remuneration Committee:

The composition of remuneration committee is as under

Name of Director	Chairman/Member
JP Sureka	Chairman
SK Newlay	Member
AK Jain	Member

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

During the period under review Remuneration Committee Meeting was held on October 28, 2009 which was attended by all the Members

b) Remuneration Policy:

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

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

The Company paid sitting fees of ₹ 5,000/- each for attending Board Meetings and ₹ 2,500/- each for attending Committee Meeting. The Board of Directors in their meeting held on December 05, 2009 increased sitting fees payable to Non Executive Directors for attending Board Meeting and Committee Meeting to ₹ 10,000/-. There has been no change in the Remuneration Policy of the Company.

c) Remuneration to Directors:

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

Name of Director	Salary & Perquisites p.a (Rs)	Sitting fees (Rs)	Shareholding of Director
Sailesh Taneja	NA	20,000	3,200
AK Jain	NA	60,000	2,12,100
SK Newlay	NA	60,000	-
JP Sureka	NA	60,000	250
BR Taneja	NA	25,000	300
R Surie	NA	5,000	22,800
CS Kameswaran	16,43,044	NA	-

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

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

The composition of Shareholders Grievance Committee and attendance of each member is indicated alongside their names:

Name of Director	Chairman/Member	No. of Meetings Attended
AK Jain	Chairman	3
JP Sureka	Member	3
SK Newlay	Member	3

During the period under review the Committee has held three meetings on July 30, 2009, October 28, 2009 and January 30, 2010.

During the period under review all the complaints/grievances that were received from the shareholders/investors, have been attended to and satisfactorily resolved. No valid transfer / transmission of shares were pending as on March 31, 2010.

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

Nature of Complaints	No. of Complaints received during the period under review	No. of Complaints redressed during the period under review
Non receipt of shares after transfer	Nil	Nil
Non receipt of demat credit	Nil	Nil

The Company has paid listing fees for the financial year 2010-11 to the Bombay Stock Exchange Limited where the Equity Shares of the Company are Listed.

COMPLIANCE OFFICER

Mr. Rohit Kumar Singh was appointed as a Compliance Officer of the Company for complying with the requirements of the Listing Agreement with the Stock Exchanges and requirements of SEBI (Prohibition of Insider Trading), Regulations 1992 as amended from time to time on November 26, 2009. He ceased to be

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Compliance Officer with effect from on March 31, 2010 due to resignation.

CODE OF CONDUCT

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

CORPORATE SOCIAL RESPONSIBILITY

As part of Corporate Social Welfare, in a modest way, the Company has taken up the responsibility of providing Healthy and Conducive Education Environment for the Government School Children at Belagondapalli Village. Your Company also participates in village developmental programs in association with Government of Tamil Nadu. Tailor made Education programs are organized mainly for Aeronautical Engineering stream in conjunction with academic studies.

OTHER DISCLOSURES

- Details of related party transaction are furnished in Note No 11 of Schedule 15 under Notes on Accounts.
- There were no instances of material non-compliances and no strictures or penalties imposed on the Company either by SEBI, Stock Exchange or any other statutory authorities on any matter related to capital markets during the last three years.

CEO/CFO CERTIFICATION

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

MEANS OF COMMUNICATION

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

No presentations were made to Institutional Investors or Analysts.

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

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

GENERAL MEETINGS

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

Year	Type	Date	Venue	Time	No. of Special Resolutions passed
2008-09	AGM	31/12/09	Regs. Off.- Belagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri District, Belagondapalli- 635114 Tamil Nadu	11:00AM	-
2007-08	AGM	30/9/08	Regs. Off.- Belagondapalli Village, Thally Road, Denakanikotta Taluk, Krishnagiri District, Belagondapalli-635114 Tamil Nadu	11:00AM	2
2006-07	AGM	28/2/08	Taj Blue Diamond, Koregaon Road, Pune 411001	11:00AM	-

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

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

GENERAL SHAREHOLDERS INFORMATION

AGM Date and Time	September 29, 2010 - 11-00 AM
Venue	Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli- 635114, Tamil Nadu
Financial Period	July 01, 2009 to March 31, 2010
Date of Book Closure	September 23, 2010 to September 29, 2010
Equity Share Listed on	Bombay Stock Exchange Limited
GDR Listed on	Luxembourg Stock Exchange
Security Code (BSE)	522229
ISIN No Allotted to Equity Shares	INE 692C01020
Luxembourg Stock Exchange Security Code	US 8753891089
Registered Office & Plant Location	Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli- 635114, Tamil Nadu
Address for Correspondence	2nd Floor, Panchashila No. 42, Dickenson Road, Bangalore - 560 042

Market Price Data

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

Month	Share Price		BSE 500 Index	
	High ₹	Low ₹	High	Low
July 2009	45.15	30.00	5987.42	4983.95
August 2009	40.45	32.15	6107.39	5600.61
September 2009	47.35	33.15	6556.46	5932.85
October 2009	45.55	37.10	6779.19	6126.03
November 2009	46.30	33.00	6714.11	5927.59
December 2009	42.75	36.50	6872.18	6529.80
January 2010	53.00	39.05	7070.37	6338.25
February 2010	49.25	39.20	6639.59	6280.99
March 2010	46.95	39.05	6987.88	6576.07

Dematerialization of Shares

Nearly 94.59 per cent of total Equity Capital is held in demat form with NSDL and CDSL as on March 31, 2010.

Share Transfer System

The Equity Shares of the Company are traded compulsorily in Demat segment on the Stock Exchange. Shares received for transfer in physical mode are processed and valid transfers are approved within stipulated time frame. Duly transferred share certificates are dispatched within 30 days from the date of receipt.

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

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

Distribution of Shareholding of the Company as on March 31, 2010:

Share holding of nominal value of ₹	No. of Share Holder(s)	% to Total	No. of Shares	% to Total
Upto 5,000	18431	94.103	3408365	13.671
5,001 10,000	468	2.389	735948	2.952
10,001 20,000	337	1.721	968175	3.883
20,001 30,000	119	0.608	596484	2.393
30,001 40,000	48	0.245	343737	1.379
40,001 50,000	42	0.214	403384	1.618
50,001 1,00,000	86	0.439	1274542	5.112
1,00,001 and above	55	0.281	17200101	68.992
Total	19586	100.00	24930736	100.00

REGISTRAR AND SHARE TRANSFER AGENT

In accordance with the Securities and Exchange Board of India (SEBI) directive, the Company has appointed M/s Sharepro Services (India) Pvt Ltd as a common agent for all investor services viz. processing of transfers, sub-division and consolidation and for rendering demat services such as dematerialization and rematerialisation of shares, etc. Shareholders may contact Share Transfer Agent, on the following address:

Sharepro Services (India) Pvt Ltd

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

Sharepro Services (India) Pvt Ltd

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

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

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

The Company has no outstanding GDRs and nor the Company has issued any ADRs during the period under review.

For and on behalf of the Board of Directors

Salil Taneja
Chairman

Pune, August 30, 2010

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

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

I confirm that the Company has in respect of Nine months period ended on March 31, 2010, received from the senior management team of the Company and the Members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team comprises of employees in the Vice President and above cadre as on March 31, 2010 and Chief Executive Officers of the Company.

For and on behalf of the Board of Directors

Pune, August 30, 2010

Salil Taneja
Chairman

CEO/CFO CERTIFICATION TO THE BOARD

(Under Clause 49(V) of Listing Agreement)

To
The Board of Directors
Taneja Aerospace and Aviation Limited

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

1. We have reviewed the financial statements and the cash flow statement for the nine months period ended March 31, 2010 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the period ended March 31, 2010 which are fraudulent, illegal or violative of the Company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls for financial reporting

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

4. We have indicated to the auditors and Audit Committee
 - (i) there are no significant changes in internal control during the nine months period ended March 31, 2010;
 - (ii) all significant changes in accounting policies during the period ended March 31, 2010 and that the same have been disclosed in the notes to the financial statements; and
 - (iii) there are no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Salil Taneja
Chairman

C S Kameswaran
Managing Director

Pune, August 30, 2010

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To
The Shareholders
Taneja Aerospace and Aviation Limited

1. We have examined the compliance of conditions of Corporate Governance by Taneja Aerospace and Aviation Limited for the Nine months period ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchange.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. The objective of our examination is to give our opinion on whether the company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the Listing Agreement entered into by the company with the Stock Exchange.
4. **In our opinion, role of Audit Committee needs to**

be expanded to cover update on internal audits, interaction with representatives of internal and statutory auditors in respect of accounts, limited review of quarterly results, review of internal control systems and applicability of accounting standards.

5. We have conducted our examination on the basis of the relevant records and documents maintained by the company and furnished to us for examination and the information and explanations given to us by the company and based on that we report that except what is mentioned in Para 4 above, the company has complied with most of the important conditions of the Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
6. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

For Haresh Upendra & Co
Chartered Accountants

Haresh B. Shah
Partner
Membership No. : 32208

Pune, August 30, 2010

AUDITORS' REPORT

To,
The Members of Taneja Aerospace and Aviation Limited

1. We have examined the attached Balance Sheet of Taneja Aerospace and Aviation Limited ("the company") as at 31st March 2010 and also the Profit and Loss account and Cash-flow Statement of the Company for the period 1st July 2009 to 31st March 2010. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the accounting standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comment in the Annexure referred to above, we report that:
 - 4.1 As detailed in Note No. 17 of Schedule 15 of Notes on Accounts,
 - The Company has transferred Rs. 12,97,08,425/- from the Reserve for Business Restructuring to the Profit and Loss Account. The company has adjusted excess of liabilities over assets of Rs 9,11,84,896/- of TAAL Technologies Pvt. Ltd. (TTPL) transferred as a result of merger, against the above credit.
 - The Company has transferred Rs. 12,38,88,545/- of revaluation reserve to general reserve. Both the above adjustments were done through the scheme of Amalgamation approved by the honorable High Court.
 - 4.2 As detailed in note no. 17 of schedule 15 of Notes on Accounts the company invested Rs 10,00,50,000/- in TTPL which became subsidiary of the company during the period. The company proposed amalgamation of the said company

with retrospective effect from 1st April 2008. We are unable to comment on the rational of this merger provided by the management in note no. 17.

4.3 Evidence provided in respect of quantity and valuation of inventory is inadequate.

5. Subject to our comments in paragraph 4.2 & 4.3 above and our comments in the annexed report,
 - (a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by our report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with the report comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of written representations received from the Directors as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, read with the schedules thereto and the notes thereon give information required by the Companies Act, 1956, in the manner so required except as mentioned in clause 4 and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2010.
 - ii. in the case of Profit and Loss account, of the Loss for the period ended on that date; and
 - iii. In the case of Cash Flow Statement, of the cash flows for the period ended on that date.

For **Haresh Upendra & Co**
Chartered Accountants

Haresh B. Shah
Partner

Pune, August 30, 2010

Membership No. : 32208

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) a. The company maintains the Fixed Asset Register disclosing all the required particulars.
- b. According to the information provided and explanation given to us, the physical verification of the fixed assets was undertaken by the management and the discrepancies noticed as informed to us were not material, the provision for impairment made in the previous financial year is sufficient to cover such discrepancies.
- c. According to the information and explanations given to us, the company has not disposed off major part of fixed asset during the period under audit, which would affect the going concern of the company.
- (ii) a. The company has produced stock audit report for physical verification for the period under audit, which has been used as basis.
- b. The company has valued its inventory of raw material, stores and work in progress at cost / realizable value. The company has written off inventory based on management's estimates as referred to in Note No. 17.
- (iii) In respect of unsecured loans granted to companies covered in register maintained under section 301 of the Companies Act, 1956 and according to the information and explanation given to us-
 - a. During the year, the Company has not granted any fresh advances to company/companies covered in the register (maintained under section 301) of the Companies Act, 1956. Out of advances granted in earlier years, the amount outstanding as on 31st March, 2010 is Rs.449 lacs.
 - b. As explained to us, the advance is repayable on demand. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which advance have been granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
 - c. As the advance is repayable on demand, we are unable to comment on regularity of receipt of principal and interest amount.
 - d. No loan or interest can be termed as overdue in absence of time of repayment and thus the question of taking reasonable step for recovery of principal amount and interest there on dose not arise.
 - e. During the year, the Company has taken advances aggregating to Rs.1149 lacs from one of the companies covered in the register maintained under section 301 of the Companies Act, 1956 (Previous year Rs.3160 lacs). At the year end, the aggregate amount outstanding was Rs. 705 lacs (Previous year Rs.995 lacs). The maximum balance outstanding during the year is Rs.1490 lacs (Previous year Rs.1511 lacs).
 - f. As explained to us, the advance is repayable on demand. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of advance taken by the company; are prima facie not prejudicial to the interest of the company;
 - g. As the advance is repayable on demand, we are unable to comment on the regularity of repayment of principal and interest amount.
- (iv) In our opinion and according to the information and explanations given to us, internal control in stores, purchase procedure and in accounting of revenue of the company needs to be strengthened.
- (v) a) According to the information and explanations given to us and to the best of our knowledge and belief, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the companies act, 1956 and exceeding the value of Rupees five lakhs have been made at prices which are reasonable having regard to prevailing market prices at the relevant time subject to our comments contained in clause (iii) (b).
- (vi) As per explanation given to us, the company has not accepted any deposits from public to which the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 would apply. Therefore, the provisions of clause 4 (vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (vii) The company appointed a firm of Chartered Accountants as their internal auditor and audit report was received for the nine month period ended 31st December, 2009 only for one of the division. Further the extent of internal audit needs to be strengthened to bring it in line with size and structure of the organization and complexities of the operation.
- (viii) The Central Government has not prescribed the maintenance of the cost record u/s 209(1) (d) of the Companies Act, 1956 and hence the provisions of clause 4 (viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (ix) a) According to the information and explanations given to us, the company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues with the appropriate authorities during the period under review.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, cess and other material statutory dues,

were in arrears, as at 31st March 2010, for a period of more than six months from the date they became payable, except

Name of Statute	Nature of Dues	Amount (Rs. In Lacs)	Period to which it relates
Chapter V of Finance Act, 1994	Service Tax (Self Assessment Tax)	67.24	July'09 to Mar'10

- c) According to the explanation and information given to us, there are no dues of income tax/sales tax/wealth tax/service tax/custom duty/excise duty/cess which have not been deposited on account of any dispute.
- (x) The company does not have any accumulated losses. The company has not incurred any cash losses during the period covered by our audit and in the immediately preceding financial year.
- (xi) According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues of any financial institutions or bank. The company is paying the interest on the Bank Loans that have been computed and provided in the accounts based on restructuring scheme as approved by banks subject to continuance of compliance of conditions of scheme.
- (xii) According to the explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institution. Hence, the provisions of clause 4 (xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvi) As per the information and explanations given to us, during the period the company has not taken over any Term Loan.
- (xvii) According to information and explanation given to us, and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, during the period covered by our audit report, the company has not made preferential allotment of equity shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) In our opinion and according to the information and explanations given to us, the company has not issued any secured debentures during the period of our audit. Therefore, clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xx) The company has disclosed the end use of the funds raised through preferential issue by way of notes to accounts.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Haresh Upendra & Co
Chartered Accountants

Haresh B. Shah
Partner

Pune, August 30, 2010

Membership No. : 32208

Annual Report 2009-10

BALANCE SHEET AS AT MARCH 31, 2010

	Schedule	As at March 31, 2010 Rs.	As at June 30, 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	124,653,680	124,653,680
Reserves & Surplus	2	907,538,501	1,062,928,632
LOAN FUNDS			
a) Secured Loans	3	209,119,516	149,325,121
b) Unsecured Loans	4	76,649,112	110,231,763
DEFERRED TAX LIABILITY (Refer Note No. 4)		56,437,979	39,458,845
	Total	1,374,398,788	1,486,598,041
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	1,150,954,936	1,088,946,311
Less: Depreciation & Impairment		193,707,161	174,429,526
Net Block		957,247,775	914,516,785
CAPITAL WORKS IN PROGRESS		233,732,227	252,555,823
INVESTMENTS	6	47,770,595	144,919,720
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventory	7	56,440,398	86,079,699
b) Sundry Debtors	8	14,850,999	24,941,181
c) Cash & Bank Balances	9	63,476,493	88,296,692
d) Loans & Advances	10	145,866,900	126,711,724
		280,634,790	326,029,296
Less : CURRENT LIABILITIES & PROVISIONS	11	144,986,599	152,202,372
NET CURRENT ASSETS		135,648,191	173,826,924
MISCELLANEOUS EXPENDITURE (To the extent not written off)		-	778,789
	Total	1,374,398,788	1,486,598,041
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	15		

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

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

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

Salil Taneja
Chairman

C S Kameswaran
Managing Director

Pune, August 30, 2010

Pune, August 30, 2010

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2010

	Schedule	March 31, 2010 (9 Months)	June 30, 2009 (15 Months)
		Rs.	Rs.
INCOME			
Sales and Other Income	12	258,463,068	354,520,490
EXPENDITURE			
Manufacturing and Other Expenses	13	212,492,019	233,232,218
Operating Profit before Interest and Depreciation		45,971,049	121,288,272
Finance Cost	14	24,525,535	36,587,873
Depreciation	5	22,264,210	29,417,006
Profit / (Loss) before Tax and Exceptional and Prior Period Items		(818,696)	55,283,393
Provision for Taxation			
Current Tax		-	-
Deferred Tax		16,979,134	-
Fringe Benefit Tax		-	897,264
Profit / (Loss) after Tax but before Exceptional and Prior Period Items		(17,797,830)	54,386,129
Less : Prior Period Items (Refer Note No. 9 (vi))		7,883,876	4,040,032
Profit / (Loss) after Tax and Prior Period Items		(25,681,706)	50,346,097
Less : Write offs (Refer Note No.17 (e))		129,708,425	194,697,885
Add : Transfer from Reserve for Business Restructuring (Refer Note No.17 (e))		129,708,425	-
Add : Transfer from Revaluation Reserve (Refer Note No.17 (i))		-	200,000,000
Profit / (Loss)		(25,681,706)	55,648,212
Balance brought forward		128,381,621	72,733,409
Balance carried to Balance Sheet		<u>102,699,916</u>	<u>128,381,621</u>
Earning Per Share (Refer Note No.5)		(0.71)	2.18
Accounting Policies and Notes on Accounts	15		

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

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

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

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

Pune, August 30, 2010

Pune, August 30, 2010

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2010

	March 31, 2010 (9 months)		June 30, 2009 (15 months)	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit / (Loss) before tax, exceptional & prior period items	(818,696)		55,283,393	
Adjustments for:				
i) Depreciation (Net)	22,264,210		29,417,006	
ii) Prior period Items	(7,883,876)		(4,040,032)	
iii) Legal & Professional Fees	-		(19,862,877)	
iv) Rates & Taxes	(16,456,711)		-	
v) Profit on sale of Investments	(120,000)		-	
vi) Interest paid	24,525,535		36,587,873	
vii) Interest Received	(7,791,335)		(17,593,782)	
viii) Dividend Received	-		(230)	
Operating Profit before Working Capital Changes	13,719,127		79,791,351	
Adjustments for:				
i) Trade and Other Receivables	3,055,986		132,461,527	
ii) Inventories	10,062,516		(10,207,295)	
iii) Trade Payables	(22,407,850)		371,699	
iv) Decrease/(Increase) in Deferred Revenue Expenditure	778,789		811,140	
Cash Generated from Operations	5,208,568		203,228,422	
Direct Taxes Paid	-		(897,264)	
Net cash flow from Operating Activities		5,208,568		202,331,158
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets/Capital WIP	(39,780,661)		(199,422,648)	
Investment in Equity (Net)	200,000		(38,569,883)	
Net Cash used in Investing Activities		(39,580,661)		(237,992,531)
C. CASH FLOW FROM FINANCING ACTIVITIES				
i) Interest Received	7,791,335		17,593,782	
ii) Addition/(Repayment) of Loans	26,211,744		68,514,750	
iii) Dividend Received	-		230	
iv) Payment of Interest	(24,525,535)		(36,587,873)	
Net Cash flow from Financing Activities		9,477,544		49,520,889
Net increase / (decrease) in Cash and Cash Equivalents		(24,894,549)		13,859,516
Cash and Cash Equivalents as at 01-07-2009 (01-04-08)	88,296,692		74,437,175	
Cash and Cash Equivalents on Merger	74,349		-	
		88,371,041		74,437,175
Cash and Cash Equivalents as at 31.03.2010 (30-6-2009)		63,476,493		88,296,692
NET INCREASE / (DECREASE) IN CASH AND CASH EQUILENTS		(24,894,548)		13,859,517

Effects given to financial statements as per the Scheme of Arrangement have been treated as Non-Cash and as such are excluded from the Cash Flow Statement, in terms of Accounting Standard - 3 : Cash Flow Statement, issued by The Institute of Chartered Accountants of India.

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

Haresh B. Shah
Partner
Membership No.: 32208

Pune, August 30, 2010

For and on behalf of the Board of Directors

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

Pune, August 30, 2010

SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2010 Rs.	As at June 30, 2009 Rs.
SCHEDULE - 1 : SHARE CAPITAL		
Authorised Capital		
(4,00,00,000 (Previous Period 4,00,00,000) Equity Shares of Rs.5/- each)	200,000,000	200,000,000
10,00,000 (Previous Period 10,00,000) - 15% Redeemable Cumulative Preference Shares of Rs.50 each	50,000,000	50,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and paid up Capital		
2,49,30,736 (Previous Period 2,49,30,736) Equity Shares of Rs.5/- each	124,653,680	124,653,680
	<u>124,653,680</u>	<u>124,653,680</u>
SCHEDULE - 2 : RESERVES & SURPLUS		
Capital Reserve	583,000	583,000
Security Premium Account	660,075,465	660,075,466
Revaluation Reserve	273,888,545	24,988,545
Add : Revaluation during the period	-	448,900,000
Less: Transfer to Reserve for Business Restructuring (as per the Scheme)	150,000,000	-
Less: Transfer to General Reserve (as per the Scheme)	123,888,545	
Less: Transfer to Profit & Loss A/c Reserve for Business Restructuring :	-	<u>200,000,000</u>
Transfer from Revaluation Reserve (as per the Scheme)	150,000,000	-
Less: Transfer to Profit & Loss A/c (as per the Scheme)	129,708,425	-
General Reserve :		
Transfer from Reserve for Business Restructuring (as per the Scheme)	123,888,545	-
Balance in Profit & Loss Account	102,699,916	128,381,621
	<u>907,538,501</u>	<u>1,062,928,632</u>
SCHEDULE - 3 : SECURED LOANS		
(Refer Note No. 2)		
i) Term Loan from Banks	129,098,626	112,337,723
ii) Working Capital Borrowings from Banks	80,020,890	36,894,205
iii) Hire Purchases	-	93,193
	<u>209,119,516</u>	<u>149,325,121</u>
SCHEDULE - 4 : UNSECURED LOANS		
i) Inter-Corporate Deposits	70,500,000	99,467,500
ii) Interest Free Sales Tax Loan	6,149,112	10,764,263
	<u>76,649,112</u>	<u>110,231,763</u>

SCHEDULES TO THE BALANCE SHEET (continued)

SCHEDULE - 5 Fixed Assets

Rupees

Particulars	Gross Block				Depreciation			Net Block			
	As on 30-Jun-09	Additions due to Merger	Additions During the year	Sales/ Adjustment	As on 31-Mar-10	Upto 30-Jun-09	For the year Adjustments	Sales/ Adjustments	Upto 31-Mar-10	As on 31-Mar-10	As on 30-Jun-09
Free Hold Land	575,695,268	-	10,809,756	-	586,505,024	-	-	-	-	586,505,024	575,695,268
Building	104,639,567	-	1,553,273	-	106,192,840	29,176,894	2,641,726	-	31,818,620	74,374,220	75,462,673
Plant & Machinery	380,683,656	-	41,487,161	-	422,170,817	119,930,903	14,262,926	-	134,193,829	287,976,988	260,752,753
Office Equipments	14,753,473	5,041,518	1,493,907	-	21,288,898	6,733,392	1,462,080	-	8,195,472	13,093,426	8,020,081
Furniture & Fixtures	9,028,269	-	100,994	-	9,129,263	6,349,151	371,031	-	6,720,182	2,409,081	2,679,118
Hardware	-	1,349,426	172,586	-	1,522,012	-	169,265	-	169,265	1,352,747	-
Vehicles	4,146,078	-	-	-	4,146,078	2,239,186	370,609	-	2,609,795	1,536,283	1,906,892
Total	1,088,946,311	6,390,944	55,617,677	-	1,150,954,932	164,429,526	19,277,637	-	183,707,163	967,247,769	924,516,785
Add:Provision for impairment						10,000,000			10,000,000	(10,000,000)	(10,000,000)
Total	1,088,946,311	6,390,944	55,617,677	-	1,150,954,932	174,429,526	19,277,637	-	193,707,163	957,247,769	914,516,785
Previous Year	547,087,282	-	542,523,029	664,000	1,088,946,311	135,676,520	29,417,006	664,000	174,429,526	914,516,785	

Plant & Machinery (Runway CWIP) 2,986,576

Total 22,264,212

Note :- Assets of TAAL Tech have been taken over at Fair Market Value, which is the WDV as on 30-6-09

SCHEDULES TO THE BALANCE SHEET (continued)

	As at March 31, 2010 Rs.	As at June 30, 2009 Rs.
SCHEDULE – 6 : INVESTMENTS (At Cost)		
A. Long Term		
(Quoted & Trade)		
115 Equity Shares (Previous period 115) of ABG Shipyard Ltd (Market Value as on March 31, 2010 was Rs. 28,750/- Previous period Rs. 22,879/-)	21,275	21,275
(Unquoted and Trade)		
TAAL Technologies Pvt Ltd of Rs.10/- each	-	50,000
B. In Subsidiary Companies (Fully Paid up)		
a) 11,50,000 Shares (Previous Period 11,50,000) of First Airways Inc., USA of USD 1/- each	47,749,320	47,749,320
b) Nil Shares (Previous Period 10,000) of MM Infoproc Services Pvt Ltd of Rs. 10/- each	-	70,000
c) Nil Shares (Previous Period 10,000) of TAAL Infrastructure Pvt. Ltd., of Rs 10/- each	-	10,000
C. Share Application Money	-	97,019,125
	<u>47,770,595</u>	<u>144,919,720</u>
SCHEDULE – 7 : INVENTORIES		
(As Certified by the Management) (Refer Note No. 17 [e])		
i) Parts & Components	16,020,776	39,262,118
ii) Work-in-Progress	33,298,264	30,090,581
iii) Finished Goods	7,121,358	16,727,000
	<u>56,440,398</u>	<u>86,079,699</u>
SCHEDULE – 8 : SUNDRY DEBTORS		
(Unsecured and Considered Good)		
i) Over Six Months	2,696,156	72,61,949
ii) Other Debts	12,154,843	17,679,232
	<u>14,850,999</u>	<u>24,941,181</u>
SCHEDULE – 9 : CASH AND BANK BALANCES		
Cash Balance	151,331	12,196
Bank Balance with Scheduled Banks		
Current Account	10,213,115	32,938,490
Deposit Account	53,112,047	55,346,006
	<u>63,476,493</u>	<u>88,296,692</u>
SCHEDULE – 10 : LOANS AND ADVANCES		
(Unsecured and Considered Good)		
i) Advances Recoverable in cash or kind for the value to be received	22,885,626	6,629,108
ii) Intercompany Deposits	44,929,704	42,997,419
iii) Advance Tax (including TDS)	59,288,204	47,138,035
iv) Deposits	18,763,366	17,679,261
v) Revalorisation of Interest Free Sales Tax Loan	-	12,267,901
	<u>145,866,900</u>	<u>126,711,724</u>

SCHEDULES TO THE BALANCE SHEET (continued)

	As at March 31, 2010 Rs.	As at June 30, 2009 Rs.
SCHEDULE – 11 : CURRENT LIABILITIES & PROVISIONS		
A Current Liabilities		
i) Sundry Creditors	36,849,736	14,912,782
ii) Advances from Customers	68,438,996	16,866,014
iii) Other Liabilities	28,164,731	109,259,348
	<u>133,453,463</u>	<u>141,038,144</u>
B Provisions		
i) Provision for Income Tax and Fringe Benefit Tax (Net of payment)	1,504,963	1,504,963
ii) Provision for Retirement Benefits	10,028,173	9,659,265
	<u>11,533,136</u>	<u>11,164,228</u>
	<u>144,986,599</u>	<u>152,202,372</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT

	March 31, 2010 (9 months) Rs.	June 30, 2009 (15 months) Rs.
SCHEDULE – 12 : INCOME		
Sales	163,676,242	156,819,128
Services :		
Charter Income	15,647,631	42,080,811
Aircraft Upkeep & Hanger Charges	55,052,017	72,428,750
Other Services	11,576,003	57,026,047
	<u>82,275,651</u>	<u>171,535,608</u>
Other Income (Refer Note No. 9 [iv])	12,511,175	26,165,754
	<u>258,463,068</u>	<u>354,520,490</u>

SCHEDULE – 13 : EXPENDITURE

1. Part and Components Consumed

(Refer Note No. 17 [e])

Opening Stock	39,262,118	120,093,971
Add :Purchases	38,548,743	57,162,257
Less: Closing Stock *	28,476,202	117,010,118
	<u>49,334,659</u>	<u>60,246,110</u>

2. (Increase) / Decrease in Stocks

Closing Stock *		
Work-in-Process	33,298,264	75,145,581
Finished Goods	14,242,716	16,727,000
	<u>47,540,980</u>	<u>91,872,581</u>
Less: Opening Stock		
Work-in-Process	30,090,581	64,338,717
Finished Goods	16,727,000	14,242,715
	<u>46,817,581</u>	<u>78,581,432</u>
	(723,399)	(13,291,149)

(* Amounts before write off)

SCHEDULES TO PROFIT & LOSS ACCOUNT (continued)

	March 31, 2010 (9 months)	June 30, 2009 (15 months)
	Rs.	Rs.
SCHEDULE - 13 : EXPENDITURE [continued]		
3. Personnel		
Salaries, Wages & Bonus	67,475,437	78,000,794
Contribution to Provident Fund, Gratuity & Other Funds	2,653,576	7,849,820
Welfare Expenses	4,866,169	5,883,777
	<u>74,995,182</u>	91,734,391
4. Rent, Rates, Taxes and Insurance (Refer Note No. 9 [ii])	19,744,082	8,125,760
5. Operational Expenses		
Power & Fuel	5,504,120	7,319,685
Repairs & Maintenance - Plant & Machinery	1,741,960	1,308,034
Repairs & Maintenance - Building	462,827	585,005
Other Direct Expenses:		
Charter Expenses	25,540,169	44,311,527
Other Expenditure on Aircraft	355,415	3,451,542
Other Expenses (Refer Note No. 9 [iii])	873,014	1,863,349
	<u>34,477,505</u>	58,839,142
6. Administrative Expenses		
Travelling And Conveyance	10,675,056	10,207,061
Communication Expenses	1,385,363	1,534,228
Auditors' Remuneration (Refer Note No. 9 [i])	483,253	469,839
Selling Expenses	3,127,782	3,685,515
Office Expenses	3,469,050	2,918,967
Other Expenses	4,010,897	4,161,647
Legal & Professional Fees	8,357,980	3,547,068
Sitting Fees	230,000	242,500
Foreign Exchange Variation Loss	2,145,823	-
Deferred Revenue Expenditure written off	778,789	811,140
	<u>34,663,990</u>	27,577,965
	<u>212,492,019</u>	<u>233,232,218</u>
SCHEDULE - 14 : FINANCE COST		
Interest on: Fixed Loans	6,335,960	8,392,677
Term Loans	11,744,223	4,939,540
Other Interest	8,099,265	29,930,625
Bank and other Charges	4,140,571	5,033,573
Interest Capitalised	(5,794,484)	(11,708,542)
	<u>24,525,535</u>	<u>36,587,873</u>

SCHEDULE 15

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

- i) The financial statements have been prepared to comply in all material aspects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- ii) The financial statements have been prepared under the historical cost convention on an accrual basis, except for certain fixed assets which are revalued in accordance with the generally accepted accounting principles in India.

2. Use of estimates

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

3. Fixed Assets

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

4. Depreciation

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

5. Leases

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

6. Impairment Of Assets

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

7. Foreign Currency Transactions

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

8. Provision for employee benefits

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

9. Investments

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

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

10. Revenue Recognition

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

11. Inventories

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

12. Taxation

The deferred tax resulting from timing difference between book and taxable profit is accounted for using tax rates and tax laws that have been enacted or substantively enacted as at the Balance Sheet date. The deferred tax asset is recognized and carried forward only to the extent there is a reasonable certainty that the asset will be realized in the future.

13. Segment Reporting

The Company is primarily engaged in manufacturing, selling of products and services connected with aviation and also in design and engineering activities.

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

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

15. Provisions and Contingencies

Provisions are recognized when the company has a legal and constrictive obligation as a result of past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of obligation. Contingent Liabilities are not recognized but disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

1. Provisions and Contingencies

- a) Bank Guarantees Rs. 10,34,69,787 /- (Previous Period Rs.7,42,07,703/-),
- b) Indemnity issued to customers Rs.13,75,97,000/- (Previous Period Rs.13,00,16,800/-)
- c) EPCG obligation to be fulfilled Rs.3,98,00,209/- (Previous Period Rs.3,98,00,209/-)
- d) Capital commitment towards the new project is Rs.2,58,47,562/- (Previous Period Rs.2,60,82,116/-)
- e) Forfeiture of advance from a customer Rs.1,00,00,000/- (Previous Period Rs.1,00,00,000)
- f) Case filed by the company against its debtor Rs. 1,08,11,940/- (Previous Period Rs. Nil)

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

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

c) During the period 2008-09 the company took over a term loan on an assignment basis amounting to Rs 12,00,00,000/- sanctioned by a bank to a company which was a subsidiary company earlier. The loan is secured by deposit kept with the bank by a third party.

3. The Company has capitalized the following expenses to New Project, in accordance with the accounting policy consistently followed:

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Particulars	2009-10	2008-09
	(9 months) Rs.	(15 months) Rs.
1 Personnel Expenses (including Salary of Managing Director)	14,37,608	35,24,093
2 Office Expenses	-	1,97,909
3 Communication Expenses	-	80,312
4 Electricity Expenses	-	1,27,500
5 Traveling Expenses	45,577	3,98,770
6 Interest	57,94,484	1,17,08,542
Total	72,77,669	1,60,37,126
4. The Deferred Tax Liability arising on account of timing differences as at the year end and provided by the Company is as follows:		
	2009-10	2008-09
	(9 months)	(15 months)
Particulars		
a) Deferred Tax Asset (Unabsorbed Tax Depreciation)	-	50,07,127
b) Deferred Tax Liability	5,64,37,979	4,44,65,972
c) Net Deferred Tax Liability	5,64,37,979	3,94,58,845
As a matter of prudent accounting policy the Company during the period has not accounted for deferred tax asset.		
5. Computation of Earning Per Share		
	2009-10	2008-09
	(9 months)	(15 months)
Particulars		
Profit/(Loss) after tax available for equity shareholders*	(1,77,97,830)	5,43,86,129
Adjusted Weighted Average number of Equity Shares of Nominal value of Rs.5 each.	2,49,30,736	2,49,30,736
Computation of EPS – Basic** (in Rs)	(0.71)	2.18
*Net profit/(loss) on stand alone basis before prior period items of Rs. 78,83,876/- (Previous Period Rs.40,40,032/-) and withdrawal from revaluation reserve and write offs there from.		
**Diluted EPS same as Basic as there are no outstanding potential equity shares as on date.		
6. Revenue on long term fixed price contracts for supply of certain sets of components and assemblies is recognized on the basis of proportionate completion method and billed in terms of agreement with and certification by the customer. Cost of processing incurred on sets of components which are not billable is included in work in process.		
7. During the year 2007-08, Company acquired an Aircraft on lease from an overseas lease finance company for the period of 120 months. Based on the legal opinion obtained by the company, the lease has been accounted in books as Operating Lease that is grouped under the head of Charter Expenses.		
The payments under lease for the future period are:		
		Equivalent (Rs.)
Not later than one year	USD 6,60,562	2,98,17,769/-
Later than one year and not later than 5 years	USD 26,42,247	11,92,71,030/-
Later than 5 years	USD 19,81,724	8,94,54,999/-
There are no transactions in the nature of sublease.		
8. The Term Loans repayable within one year is Rs.3,90,06,336/- (Previous Period Rs.4,42,76,560/-).		
9. (i) Auditors' Remuneration includes		
	2009-10	Rupees
	(9 months)	(15 months)
Particulars		
i. Audit Fees	2,56,670	1,93,025
ii. Tax Audit Fees	85,000	82,725
iii. Taxation	1,00,000	55,150
iv. Out of Pocket Expenses	41,583	56,214
v. Other Services	-	82,725
Total	4,83,253	4,69,839
(ii) Rent, Rates Taxes and Insurance includes		
Rent	1,04,79,743	12,80,880
Insurance	40,80,962	47,35,132
Rates and Taxes	48,40,229	20,02,096
(iii) Other Direct Expenses includes		
Pilot Hiring Charges	1,77,998	84,458
Operating Lease payment	92,105	92,105
Aircraft Manual	1,79,417	4,46,467
Airfield & Other Expenses	2,96,635	8,29,344
Aircraft Parking & Landing Charges	1,26,859	4,10,975
Total	8,73,014	18,63,349
(iv) Other Income includes		
Interest (TDS deducted Rs. 11,84,801/-)	77,91,335	1,75,93,782

Dividend	-	230
Lease Rentals	86,000	36,800
Profit on sale of assets	-	2,36,250
Profit on sale of Investments	1,20,000	-
Foreign Exchange variance	6,959	33,26,520
(v) Details of Managerial Remuneration (including the amount capitalised)		
Remuneration	12,24,000	20,40,000
LTA	1,27,494	2,12,490
Provident Fund	91,800	1,53,000
Superannuation	1,14,750	1,91,250
Perquisites	85,000	-
Total	16,43,044	25,96,740

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

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

	2009-10	Rupees
	(9 months)	2008-09
		(15 months)
Profit before Taxation as per Profit and Loss Account	(8,18,696)	5,52,83,393
Add: Depreciation provided in accounts	2,22,64,210	2,94,17,006
Remuneration paid to Managing Director	16,43,044	25,96,740
Less: Profit (net) on Assets sold or discarded as per profit and loss account	-	2,36,250
Less: Profit (net) on Investments sold as per profit and loss account	1,20,000	-
	2,29,68,558	8,70,60,889
Less: Depreciation computed in accordance with Section 350 of the Companies Act, 1956	6,48,83,096	5,77,41,012
Less: Amount charged to Reserve as per profit and loss account	12,97,08,425	19,46,97,885
Profit as per Section 349 of the Companies Act, 1956	(17,16,22,963)	(16,53,78,008)
Maximum permissible remuneration to the whole time Director under section 198 of the Companies Act, 1956 @ 5% of the profit computed above	-	-

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

	2009-10	Rupees
	(9months)	2008-09
		(15months)
Particulars		
Lease Rent	-	10,33,794
Canteen Expenses	-	2,76,636
Rate and Taxes	65,06,794	-
Others	36,24,242	27,29,602
Prior Period Income	(22,47,160)	-
Total	78,83,876	40,40,032

10. Disclosure required by Clause 32 of the Listing Agreement.

Amount of Loans and Advances in nature of loans outstanding from subsidiaries and associates for the year ended March 31, 2010;

Sr. No.	Name of the Company	Nature of Relation	Nature of Transaction	Maximum Balance during the period	As at March 31, 2010	As at June 30, 2009
1.	First Airways Inc.	Subsidiary	-	-	-	-
2.	ISMT Ltd	Associate	Loan (Cr.)	13,86,50,160	7,35,59,541	9,90,96,819
2.	Indian Seamless Enterprises Ltd	Associate	Loan (Dr.)	99,50,766	99,50,766	99,50,766
3.	Vishkul Leather Garments Pvt. Ltd	Associate	Loan (Dr.)	4,49,29,704	4,49,29,704	4,29,97,419

The Company has made the following investment in its subsidiary in the previous years.

Sr. No.	Name of the Subsidiary	No. of Equity Shares
a)	First Airways Inc.	11,50,000

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

A. Related Parties	Name of the Party
i) Subsidiary Company	First Airways Inc
ii) Associate Companies	ISMT Ltd Indian Seamless Enterprises Ltd Vishkul Leather Garments Pvt. Ltd

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iii) Key Management Personnel

Mr. C S Kameswaran (Managing Director)
Mr. Salil Taneja (Chairman)

Transactions with the Related Parties: Particulars	Subsidiaries	Associates	Rupees Key Management Personnel
Inter-corporate Deposit Received during the period	-	11,48,89,500	-
Aircraft Hiring Charges	(-)	(25,09,67,500)	(-)
Sitting Fees	-	1,89,50,000	-
Interest paid	(-)	(3,00,00,000)	(-)
Interest Received	-	-	20,000
Managerial Remuneration	(-)	(-)	(35,000)
Investment in equity	-	80,54,258	-
Share Application Money paid	(-)	(1,62,87,729)	(-)
Balance payable	-	28,87,500	-
Balance receivable	(-)	(1,05,69,560)	(-)
	-	-	16,43,044
	(-)	(-)	(25,96,740)
	10,00,50,000	-	-
	(1,00,54,000)	(50,000)	(-)
	-	-	-
	(-)	(9,70,19,125)	(-)
	-	8,25,00,000	-
	(-)	(9,94,67,500)	(-)
	-	6,38,20,930	-
	(-)	(4,29,97,419)	(-)

(Figures in brackets relate to previous period)

12. The balances in debtors and creditors accounts are subject to confirmations.
13. As informed to us by management, company owes no dues, which are outstanding for more than 45 days as at 31.03.2010 to any "Micro, Small and Medium Enterprises" as required under "Micro, Small and Medium Enterprise Development Act 2006"
14. In the opinion of the Board, adequate steps are taken to make sufficient provision for all liabilities.
15. Current Assets, Loans and Advances are of the value stated if realised in the ordinary course of business.
16. The Accounting Standard 15 (Revised 2005) on "Employee Benefits" has been adopted by the Company effective from April 1, 2007.

i) Defined Contribution Plan :

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

	2009 – 10	Rupees 2008 - 09
Employer's Contribution to Provident Fund, Family Pension Fund and Other Funds	29,27,486	31,45,699

In respect of Provident Fund trust set up by the Company, there is no deficit of interest Shortfall as on the date of Balance Sheet. With regards to future obligation arising due to interest shortfall (i.e. government interest to be paid on the Provident Fund Scheme exceeding rate of interest earned on investment), pending issuance of the Guidance Note from Actuarial Society of India, the actuarial liability against the same can not be reliably measured and quantified.

ii) Defined Benefit Plan:

- a) Changes in present value of Defined Benefit obligations:

	2009-10	Rupees 2008-09
Gratuity (Funded)		
Present value of obligation as at 1st July,2009 (1st April,2008)	48,45,582	23,30,945
Current Service Cost	6,57,076	12,22,513
Interest Cost	2,64,162	3,66,845
Past Service Cost	6,55,787	-
Actuarial (gain)/loss	(3,50,344)	11,72,396
Benefits paid	(3,71,205)	(2,47,117)
Present value of obligation as at 31st March,2010 (30th June, 2009)	57,01,058	48,45,582

- b) Changes in fair value of plan Assets: The Company has not made any investment in plan assets and therefore, there are no changes in fair value and returns thereon.

- c) Amounts recognised in the Balance Sheet in respect of:

	Gratuity (Funded)		Leave Encashment (Non Funded)	
	2009-10	2008-09	2009-10	2008-09
Present value of obligation as at 31st Mar,2010 (30th June,2009)	57,01,058	48,45,582	43,27,115	42,41,315
Net liability	57,01,058	48,45,582	43,27,115	42,41,315

- d) Expenses recognised in the Profit & Loss Account (under the head "Personnel Cost")

	Gratuity (Funded)		Leave Encashment
	2009-10	2008-09	2009-10
Current service cost	6,57,076	12,22,513	8,26,797
Interest cost	2,64,162	3,66,845	2,26,760
Expected return on Plan Assets	Nil	Nil	Nil
Past service cost	6,55,787	-	-
Actuarial (gain) / loss	(3,50,344)	11,72,396	(4,90,447)
Expenses recognized in Profit and Loss Account	12,26,681	27,61,754	5,63,110

e) Percentage of each Category of Plan Assets to total Fair Value of Plan Assets as at 31st March, 2010 (30th June,2009).

	2009-10	2008-09
i) Government of India Securities	Nil	Nil
ii) Corporate Bonds	Nil	Nil
iii) Special Deposit Scheme	Nil	Nil
iv) Insurer Managed Funds	Nil	Nil
v) Others	Nil	Nil
Total	Nil	Nil

f) Principal Actuarial Assumptions used as at the balance sheet date :

	Gratuity (Funded)		Leave Encashment (Non Funded)	
	2009-10	2008-09	2009-10	2008-09
Discount Rate	8.30%	7.60%	8.30%	7.60%
Expected rate of return on plan assets	Nil	Nil	Nil	Nil
Salary escalation rate	8.00%	8.00%	8.00%	8.00%

17. Scheme of Arrangement of TAAL Technologies Private Limited with Taneja Aerospace & Aviation Limited

- a) During the current financial year TAAL purchased 5000 Equity Shares at par from the existing shareholder by which TAAL Technologies Private Limited becomes the wholly owned subsidiary of the Company. The Company subsequently made further investment in the Subsidiary i.e 10,00,000 Equity Shares of Rs 10/- each at a premium of Rs 90/- per share on 27.10.2009.
- b) In order to augment and strengthen the design engineering capabilities of the Company, the Company [the "Transferee" or "TAAL"] filed the scheme of arrangement of TAAL Technologies Private Limited [the "Transferor" or TTPL] and their respective shareholders as on November 12, 2009 in the High Court of judicature at Madras. The Honorable High Court approved the scheme via Order dated January 08, 2010 and the scheme comes into effect from February 24, 2010.
- c) On the scheme becoming operative from the effective date the accounting treatment in the books of TAAL has been duly given in the current financial year ended March, 31, 2010.
- d) As per the approved scheme all the assets and liabilities of TTPL shall be transferred and vested in the Transferee Company at their fair values which suggests that the accounting is under the "Purchase Method" of Accounting Standard (AS) 14 – Accounting for Amalgamation.
- e) As per clause 6 of the approved scheme, The Company revalued its land located at Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri Dist. Belagondapalli, Tamilnadu at the fair market value based on the report of recognized valuer as on 1st April 2009(Though Appointed Date was 1st April 2008). The difference between the cost of acquisition and fair market value is Rs 44.89 Crore which has been credited to Revaluation Reserve in previous financial year ended June 30, 2009 prior to the approval of the scheme of arrangement by the Honorable High Court, Madras. In the current financial year the Company has transferred Rs 15 Crore to the Reserve for Business Restructuring. Out of the Reserve for Business Restructuring, the Company has transferred Rs 12,97,08,425/- to the Profit and Loss account to set off various debits being total of difference between book value of assets and liabilities of TTPL of Rs 9,11,84,896/- and write off of various assets/items (as per details given in the Table below).

Particulars	2009-10
Profit & Loss Account [Write offs]	Rs.
Inventory	1,95,76,784
Debtors	24,90,034
Sales Tax Deferral	1,24,63,589
Sales Tax Liability	39,93,122
TOTAL	3,85,23,529

- f) The scheme of arrangement provides for all amounts in connection with giving effect thereof shall be debited to the Profit & Loss account in the books of the Transferee Company and a corresponding transfer from the General Reserve and/or Business Restructuring account shall be made to the Profit & Loss account. Under the purchase method as per AS 14 – Accounting for Amalgamation the deficit of assets over the liabilities and investment in the shares of TPPL (including the fresh allotment as mentioned above) should have been debited to "Goodwill" account. The details of such excess amount as on June 30, 2009 debited to Profit & Loss account is as under –

Particulars	Rs.
Fixed Assets	63,90,944
Net Current Assets	(6,75,840)
Total	57,15,104
Less : Advance subscription to Share Capital	9,68,00,000
Amount of Equity Shares issued to the shareholders of erstwhile TAAL Technologies Private Limited	1,00,000
Debit to the Profit and Loss Account	9,11,84,896

- g) In terms of the Scheme, all employees in service of erstwhile TAAL Technologies Private Limited have become employees of the Company without any break or interruption in service. All rights, duties, power and obligations of erstwhile TAAL Technologies Private Limited, in relation to Provident Fund, Gratuity Fund, etc. are in the process of being transferred in the name of the Company.
- h) The figures for the current period 1st July, 2009 to 31st March, 2010 includes operations of the erstwhile TAAL Technologies Private Limited, and therefore, not comparable with previous period.
- i) The company has transferred to the General Reserve, the balance in revaluation reserve (including opening balance before the present revaluation) of Rs 12,38,88,545/- remaining after adjusting Rs 20 Crore transferred to profit and loss account in the previous year and Rs 15 Crore to the reserve for business restructuring in the current year. This is in accordance with the scheme.

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18 Segment Reporting

Sr.	Particular	Avation	Engg. Design Service	Unallocable	Rs. Total
1)	Segment Revenue				
	Total External Sales & Services	23,93,60,067	65,91,826	-	24,59,51,893
2)	Segment Result before Interest & Taxation				
	& Taxation	4,70,26,783	(2,33,19,944)	-	2,37,06,839
	Less: Finance Charges	2,43,96,992	1,28,543	-	2,45,25,535
	Profit/ (Loss) before Taxation	2,26,29,791	(2,34,48,487)	-	(8,18,696)
	Less: Taxation				1,69,79,134
	Profit/ (Loss) after Taxation				(1,77,97,830)
3)	Other Information				
	Total Segment Assets	1,50,86,11,303	1,07,74,084	-	1,51,93,85,387
	Total Segment Liabilities	14,23,17,690	26,68,909	-	14,49,86,599
	Total cost incurred for acquiring Segment Assets	3,66,21,499	65,63,530	-	4,31,85,029
	Segment Depreciation	2,15,68,508	6,95,702	-	2,22,64,210
4)	Total Unallocable Liabilities				
	Secured Loans				20,91,19,516
	Unsecured Loans			7,66,49,112	
	Deferred Tax Liability				5,64,37,979

19. The Company has taken physical count of its inventory and the same being updated and reconciled with inventory records. Valuation as per Accounting Standard 2 is also being worked out, The Management is of the opinion that the impact of this exercise, when completed, will not be material.

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

a) Licensed and Installed Capacity and Actual Production

Description	Capacity		Production		
	Licensed	Installed	2010	2009	
Light Transport Aircraft		2010	2009	2010	2009
- P68C	NA	24	24	NIL	NIL
- Thorp	-	-	-	-	-
- Aircraft parts	-	-	-	-	-
- Labour Work	-	-	-	-	-

b) Particulars in Respect of Sales / Income

	Quantity (Nos)		Value (Rs.)	
	2010	2009	2010	2009
Light Transport Aircraft	NIL	NIL	NIL	NIL
Aircraft Sale Commission	-	-	28,14,375	5,23,63,805
Air Management	-	-	7,94,61,276	11,91,71,803
Aero-Structures and others	-	-	15,70,84,416	15,68,19,128
Engineering Design Services	-	-	65,91,826	-
Total			24,59,51,893	32,83,54,736

c) Details of Finished Goods. (Light Transport Aircraft)

	Quantity (Nos.)		Value (Rs.)	
	2010	2009	2010	2009
Opening Stock	0.5	0.5	1,67,27,000	1,42,42,715
Closing Stock	0.5	0.5	71,21,358	1,67,27,000

d) Value of Raw Materials and Components consumed during the period

	Percentage (%)		Value (Rs.)	
	2010	2009	2010	2009
Imported	14%	17%	69,69,182	1,02,41,839
Indigenous	86%	83%	4,23,65,477	5,00,04,271
Total	100%	100%	4,93,34,659	6,02,46,110
			2009-10	2008-09
			(9 months)	(15 months)

e) Earnings in Foreign Currency

i) Export of Goods/Services	65,91,826	52,27,797
ii) Commission	28,14,375	5,23,63,805

f) Expenditure in Foreign Currency

Travelling Expenses	11,28,257	7,39,117
Professional fees	2,91,800	51,54,153
Lease Rent	1,87,00,332	3,09,76,406
Others	-	15,98,372

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

43,44,460 61,47,045

21. Previous year figures have been regrouped / recast, wherever necessary.

As per our report of even date

For and on behalf of the Board of Directors

For **Haresh Upendra & Co**
Chartered Accountants

Haresh B. Shah
Partner
Membership No.: 32208

Salil Taneja
Chairman

C S Kameswaran
Managing Director

Pune, August 30, 2010

Pune, August 30, 2010

BALANCE SHEET ABSTRACT AND COMPANY GENERAL BUSINESS PROFILE

I Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

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

Public Issue N I L Rights Issue N I L

Bonus Issue N I L Private Placement N I L

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

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability

Application of Funds

Net Fixed Assets Investments

Deferred Tax Asset N I L Misc. Expenditure N I L

Net Current Assets

IV Performance of Company (Amount in Rs. Thousands)

Turnover (Gross Revenue) Total Expenditure

Profit Before Tax - Profit After Tax -

Earnings Per Share in Rs. (0.71) Dividend Rate % Nil

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

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

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

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208
Pune, August 30, 2010

Salil Taneja
Chairman

C S Kameswaran
Managing Director

Pune, August 30, 2010

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

Sr. No.	Particulars	First Airways Inc.
1	Financial Year Ended	March 31, 2010
2	Holding Company's Interest	100%
3	Shares held by the Holding Company in the Subsidiary	11, 50,000 Equity Shares of \$ 1 each
4	The net aggregate of profit or losses of the subsidiary for the current period so far as it concerns the members of the holding company	Loss of Rs. 74,72,583/-
a)	Dealt with or provided for in the accounts of the Holding Company	Loss of Rs. 74,72,583/-
b)	Not dealt with or provided for in the accounts of the Holding Company	NA
5	The Net aggregate of profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the Holding Company	Loss of Rs. 47,73,766/-
a)	Dealt with or provided for in the accounts of the Holding Company	Loss of Rs. 47,73,766/-
b)	Not dealt with or provided for in the accounts of the Holding Company	NA

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,

The Members of Taneja Aerospace and Aviation Limited

1. We have audited the attached consolidated balance sheet of Taneja Aerospace and Aviation Limited ("the company" and its subsidiaries constitute "the Group") as at March 31, 2010 and also the consolidated Profit and Loss account and the consolidated Cash Flow Statement for the period ended on that date both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of its subsidiary, whose financial statement reflect total assets (net) of Rs. 402.28 lakhs as at March 31, 2010, the total revenue of Rs. Nil and net cash outflows amounting to Rs. 2.38 lakhs for the year then ended. These Financial Statements and other financial information have been audited by other auditors, whose report have been furnished to us and our opinion is based solely on the reports of other auditors.
4. Further to our comment in the Annexure referred to in paragraph 3 of our report on standalone financials, we report that:
 - 4.1 As detailed in note no. 17 of Schedule 15 of Notes on Accounts,**
 - **The Company has transferred Rs. 12,97,08,425/- from the Reserve for Business Restructuring to the Profit and Loss Account. The company has adjusted excess of liabilities over assets of Rs 9,11,84,896/- of TAAL Technologies Pvt. Ltd. (TTPL) transferred as a result of merger, against the above credit .**
 - **The company has transferred Rs12,38,88,545/- of revaluation reserve to general reserve.****Both the above adjustments were done through the Scheme of Amalgamation approved by The Honorable High Court.**
 - 4.2 As detailed in note no. 17 of Schedule 15 of Notes on Accounts the company invested of Rs 10,00,50,000/- in TAAL Technologies Pvt. Ltd. (TTPL) which became subsidiary of the company during the period. The company proposed amalgamation of the said company with retrospective effect from 1st April 2008, we are unable to comment on the rational of this merger provided by the Management in note no. 17**
 - 4.3 Evidence provided in respect of quantity and valuation of inventory is inadequate.**
5. Subject to the matters referred to in paragraphs 4.2 and 4.3 above,
 - a) We report that the consolidated financial statements have been prepared by the management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 11 (Revised 2003) – The Effect of Changes in Foreign Exchange Rates, issued by the Institute of Chartered Accountants of India.
 - b) Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Consolidated Balance Sheet, of the state of affairs of TAAL Group as at March 31, 2010.
 - ii. in the case of Consolidated Profit and Loss account, of the Loss for the period ended on that date and
 - iii. in the case of Consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

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

Haresh B. Shah
Partner
Membership No. : 32208
Pune, August 30, 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	As at March 31, 2010 Rs.	As at June 30, 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	124,653,680	124,653,680
Reserves & Surplus	2	900,016,775	1,065,396,897
LOAN FUNDS			
a) Secured Loans	3	209,119,516	149,325,121
b) Unsecured Loans	4	76,649,112	110,241,763
DEFERRED TAX LIABILITY		56,437,979	39,458,845
	Total	1,366,877,062	1,489,076,306
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	1,150,954,936	1,088,946,311
Less: Depreciation & Impairment		193,707,161	174,429,526
Net Block		957,247,775	914,516,785
CAPITAL WORKS IN PROGRESS		233,732,227	252,555,823
INVESTMENTS	6	21,275	97,090,400
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventory	7	56,440,398	86,079,699
b) Sundry Debtors	8	14,850,999	24,941,181
c) Cash & Bank balances	9	63,843,707	89,005,534
d) Loans & Advances	10	159,709,442	136,295,464
		294,844,546	336,321,878
Less : CURRENT LIABILITIES & PROVISIONS	11	152,435,060	152,213,964
NET CURRENT ASSETS		142,409,486	184,107,914
MISCELLANEOUS EXPENDITURE		33,466,299	40,805,384
(To the extent not written off)			
	Total	1,366,877,062	1,489,076,306
ACCOUNTING POLICIES & NOTES ON ACCOUNTS			
	15		

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

As per our report of even date

For **Haresh Upendra & Co**
Chartered Accountants

Haresh B. Shah
Partner
Membership No.: 32208

For and on behalf of the Board of Directors

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

Pune, August 30, 2010

Pune, August 30, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2010

	Schedule	March 31, 2010 (9 Months)	June 30, 2009 (15 Months)
		Rs.	Rs.
INCOME			
Sales and Other Income	12	258,463,068	354,567,790
EXPENDITURE			
Manufacturing and Other Expenses	13	218,656,577	237,907,491
Operating Profit before Interest and Depreciation		39,806,491	116,660,299
Finance Cost	14	25,833,560	36,587,873
Depreciation	5	22,264,210	29,417,006
Profit/(Loss) before Tax and Exceptional Items and Prior Period Items		(8,291,279)	50,655,420
Provision for Taxation :			
Current Tax		-	-
Deferred Tax (Net)		16,979,134	-
Fringe Benefit Tax		-	897,264
Profit/(Loss) after Tax but before Exceptional and Prior Period Items		(25,270,413)	49,758,156
Less : Prior Period Items		7,883,876	4,040,032
Profit/(Loss) after Tax and Prior Period Items		(33,154,289)	45,718,124
Less : Write offs		129,708,425	194,697,885
Add : Transfer from Reserve for Business Restructuring		129,708,425	-
Add : Transfer from Revaluation Reserve		-	200,000,000
Profit / (Loss)		(33,154,289)	51,020,239
Balance brought forward		123,607,855	72,579,340
Balance carried to Balance Sheet		90,453,566	123,599,579
Earning Per Share		(1.01)	2.00
Accounting Policies and Notes on Accounts	15		
The Schedules referred to herein form an integral part of the accounts			

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

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

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

Pune, August 30, 2010

Pune, August 30, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2010

	March 31, 2010 (9 months)		June 30, 2009 (15 months)	
	Rs.	Rs.	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax, exceptional & prior period items (8,291,279)			50,655,420	
Adjustments for:				
i) Depreciation (Net)	22,264,210		29,417,006	
ii) Prior period Items	(7,883,876)		(4,040,032)	
iii) Legal & Professional Fees	-		(19,862,877)	
iv) Rates & Taxes	(16,456,711)		-	
v) Profit on sale of Investments	(120,000)			
vi) Interest paid	25,833,560		36,587,873	
vii) Interest Received	(7,791,335)		(17,593,782)	
viii) Dividend Received	-		(230)	
Operating Profit before Working Capital Changes	7,554,569		75,163,378	
Adjustments For:				
i) Trade and other receivables	3,055,986		122,877,787	
ii) Inventories	10,062,516		(10,207,296)	
iii) Trade Payables	(14,959,389)		383,291	
iv) Decrease/(Increase) in Deferred Revenue Expenditure	778,789		(2,027,440)	
Cash Generated from Operations	6,492,471		186,189,720	
Direct Taxes Paid	-		(897,264)	
Net cash flow from Operating Activities		6,492,471		185,292,456
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets/Cap WIP	(39,780,661)		(199,422,648)	
Foreign Currency Translation Reserve	(213,932)		6,807,947	
Investment in Equity (Net)	200,000		(28,515,883)	
Net Cash Used in Investing Activities		(39,794,593)		(221,130,584)
C CASH FLOW FROM FINANCING ACTIVITIES				
i) Interest Received	7,791,335		17,593,782	
ii) Addition/(Repayment) of Loans	26,211,744		68,514,750	
iii) Dividend Received	-		230	
iv) Payment of Interest	(25,833,560)		(36,587,873)	
Net Cash flow from Financing Activities		8,169,519		49,520,889
Net increase/decrease in Cash and Cash Equivalents		(25,132,603)		13,682,761
Cash and Cash Equivalents as at 01-07-2009 (01-04-08)	88,901,960		75,322,773	
Cash and Cash Equivalents on Merger	74,349		-	
		88,976,309		75,322,773
Cash and Cash Equivalents as at 31.03.2010 (30-6-2009)		63,843,707		89,005,534
NET INCREASE/DECREASE IN CASH AND CASH EQUILENTS		(25,132,603)		13,682,761

Effects given to financial statements as per the Scheme of Arrangement have been treated as Non-Cash and as such are excluded from the Cash Flow Statement, in terms of Accounting Standard - 3 : Cash Flow Statement, issued by The Institute of Chartered Accountants of India.

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

For and on behalf of the Board of Directors

Haresh B. Shah
Partner
Membership No.: 32208

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

Pune, August 30, 2010

Pune, August 30, 2010

SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As at March 31, 2010 Rs.	As at June 30, 2009 Rs.
SCHEDULE - 1 : SHARE CAPITAL		
Authorised Capital (4,00,00,000 (Previous Year 4,00,00,000) Equity Shares of Rs.5/- each)	200,000,000	200,000,000
10,00,000 (Previous Year 10,00,000) - 15% Redeemable Cumulative Preference Shares of Rs.50 each	50,000,000	50,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and paid up Capital 2,49,30,736 (Previous Year 2,49,30,736) Equity Shares of Rs.5/- each	124,653,680	124,653,680
	<u>124,653,680</u>	<u>124,653,680</u>
SCHEDULE – 2 : RESERVES & SURPLUS		
Capital Reserve	583,000	703,000
Security Premium Account	660,075,465	660,075,466
Revaluation Reserve	273,888,545	24,988,545
Add : Revaluation during the period	-	448,900,000
Less: Transfer to Reserve for Business Restructuring (as per the Scheme)	150,000,000	
Less: Transfer to General Reserve	123,888,545	
Less: Transfer to Profit & Loss A/c	-	200,000,000
Reserve for Business Restructuring :		273,888,545
Transfer from Revaluation Reserve (as per the Scheme)	150,000,000	-
Less: Transfer to Profit & Loss A/c (as per the Scheme)	129,708,425	-
General Reserve :	20,291,575	-
Transfer from Reserve for Business Restructuring (as per the Scheme)	123,888,545	-
Foreign Currency Translation Reserve	4,724,623	7,130,307
Balance in Profit & Loss Account	90,453,567	123,599,579
	<u>900,016,775</u>	<u>1,065,396,897</u>
SCHEDULE - 3 : SECURED LOANS		
(Refer Note No. 2)		
I Term Loan from Banks	129,098,626	112,337,723
II Working Capital Borrowings from Banks	80,020,890	36,894,205
III Hire Purchases	-	93,193
	<u>209,119,516</u>	<u>149,325,121</u>
SCHEDULE - 4 : UNSECURED LOANS		
I Inter-Corporate Deposits	70,500,000	99,467,500
II Interest free Sales tax Loan	6,149,112	10,764,263
III Others	-	10,000
	<u>76,649,112</u>	<u>110,241,763</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET (continued)

SCHEDULE - 5 Fixed Assets

Rupees

Particulars	Gross Block				Depreciation			Net Block			
	As on 30-Jun-09	Additions due to Merger	Additions During the year	Sales/ Adjustment	As on 31-Mar-10	Upto 30-Jun-09	For the year Adjustments	Sales/ Adjustments	Upto 31-Mar-10	As on 31-Mar-10	As on 30-Jun-09
Free Hold Land	575,695,268	-	10,809,756	-	586,505,024	-	-	-	-	586,505,024	575,695,268
Building	104,639,567	-	1,553,273	-	106,192,840	29,176,894	2,641,726	-	31,818,620	74,374,220	75,462,673
Plant & Machinery	380,683,656	-	41,487,161	-	422,170,817	119,930,903	14,262,926	-	134,193,829	287,976,988	260,752,753
Office Equipments	14,753,473	5,041,518	1,493,907	-	21,288,898	6,733,392	1,462,080	-	8,195,472	13,093,426	8,020,081
Furniture & Fixtures	9,028,269	-	100,994	-	9,129,263	6,349,151	371,031	-	6,720,182	2,409,081	2,679,118
Hardware	-	1,349,426	172,586	-	1,522,012	-	169,265	-	169,265	1,352,747	-
Vehicles	4,146,078	-	-	-	4,146,078	2,239,186	370,609	-	2,609,795	1,536,283	1,906,892
Total	1,088,946,311	6,390,944	55,617,677	-	1,150,954,932	164,429,526	19,277,637	-	183,707,163	967,247,769	924,516,785
Add:Provision for impairment						10,000,000			10,000,000	(10,000,000)	(10,000,000)
Total	1,088,946,311	6,390,944	55,617,677	-	1,150,954,932	174,429,526	19,277,637	-	193,707,163	957,247,769	914,516,785
Previous Year	547,087,282	-	542,523,029	664,000	1,088,946,311	135,676,520	29,417,006	664,000	174,429,526	914,516,785	
Plant & Machinery (Runway CWIP)										2,986,576	
Total										22,264,212	

Note :- Assets of TAAL Tech have been taken over at Fair Market Value, which is the WDV as on 30-6-09

SCHEDULES TO CONSOLIDATED BALANCE SHEET (continued)

	As at March 31, 2010 Rs.	As at June 30, 2009 Rs.
SCHEDULE – 6 : INVESTMENTS (At Cost)		
A. Long Term (Quoted & Trade)		
115 Equity Shares (Previous period 115) of ABG Shipyard Ltd (Market Value as on March 31,2010 was Rs.28,750/- Previous period Rs. 22,879/-)	21,275	21,275
(Unquoted and Trade)		
TAAL Technologies Pvt Ltd of Rs.10/- each	-	50,000
B. Share Application Money	-	97,019,125
	<u>21,275</u>	<u>97,090,400</u>
SCHEDULE – 7 : INVENTORIES		
(As Certified by the Management) (Refer Note No. 17 (e))		
i) Parts & Components	16,020,776	39,262,118
ii) Work-in-Progress	33,298,264	30,090,581
iii) Finished Goods	7,121,358	16,727,000
	<u>56,440,398</u>	<u>86,079,699</u>
SCHEDULE – 8 : SUNDRY DEBTORS		
(Unsecured and Considered Good)		
Over Six Months	2,696,156	7,261,949
Other Debts	12,154,843	17,679,232
	<u>14,850,999</u>	<u>24,941,181</u>
SCHEDULE – 9 : CASH AND BANK BALANCES		
Cash Balance	151,331	12,196
Bank Balance with Scheduled Banks		
Current Account	10,580,329	33,647,332
Deposit Account	53,112,047	55,346,006
	<u>63,843,707</u>	<u>89,005,534</u>
SCHEDULE – 10 : LOANS AND ADVANCES		
(Unsecured and Considered Good)		
1. Advances Recoverable in cash or kind for the value to be received	22,885,626	6,629,108
2. Intercompany Deposits	44,929,704	42,997,419
3. Advance Tax (including TDS)	59,288,204	47,147,775
4. Deposits	32,605,908	27,253,261
5. Revolarisation of Interest Free Sales Tax Loan	-	12,267,901
	<u>159,709,442</u>	<u>136,295,464</u>
SCHEDULE – 11 : CURRENT LIABILITIES & PROVISIONS		
A Current Liabilities		
1. Sundry Creditors		
Due to :-		
Subsidiary Companies	-	-
Due to Micro, Small Enterprises	-	-
Others	36,849,736	14,912,782
2. Advances from Customers	68,438,996	16,866,014
3. Other Liabilities	35,613,192	109,270,940
	<u>140,901,924</u>	<u>141,049,736</u>
B Provisions		
Provision for Income Tax and Fringe Benefit Tax (Net of payment)	1,504,963	1,504,963
Provision for Retirement Benefits	10,028,173	9,659,265
	<u>11,533,136</u>	<u>11,164,228</u>
	<u>152,435,060</u>	<u>152,213,964</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

	March 31, 2010 (9 Months)	June 30, 2009 (15 Months)	
SCHEDULE – 12 : INCOME			Rs.
Sales	163,676,242		156,819,128
Services :			
Charter Income	15,647,631		42,080,811
Aircraft Upkeep & Hanger Charges	55,052,017		72,428,750
Other Services	11,576,003		57,026,047
Profit from sale of investments in subsidiaries			
Taal Infrastructure Pvt. Ltd.	90,000		-
MM Infoproc Services Pvt. Ltd.	30,000		-
Other Income	12,391,175		26,213,054
	<u>258,463,068</u>		<u>354,567,790</u>
SCHEDULE – 13 : EXPENDITURE			
1. Parts and Components Consumed			
Opening Stock	39,262,118	120,093,971	
Add :Purchases	38,548,743	57,162,257	
Less: Closing Stock *	28,476,202	117,010,118	
	<u>49,334,659</u>	<u>60,246,110</u>	60,246,110
2. (Increase) / Decrease in Stocks			
Closing Stock *			
Work-in-Process	33,298,264	75,145,581	
Finished Goods	14,242,716	16,727,000	
	<u>47,540,980</u>	<u>91,872,581</u>	
Less: Opening Stock			
Work-in-Process	30,090,581	64,338,717	
Finished Goods	16,727,000	14,242,715	
	<u>46,817,581</u>	<u>78,581,432</u>	
	<u>(723,399)</u>	<u>(13,291,149)</u>	(13,291,149)
(* Amounts before write off)			
3. Personnel			
Salaries, Wages & Bonus	67,475,437	78,000,794	
Contribution of Provident Fund, Gratuity & Other Funds	2,653,576	7,849,820	
Welfare Expenses	4,866,169	5,883,777	
	<u>74,995,182</u>	<u>91,734,391</u>	91,734,391
4. Rent Rates, Taxes and Insurance	19,744,082		8,125,759
5. Operational Expenses			
Power & Fuel	5,504,120	7,319,685	
Repairs & Maintenance - Plant & Machinery	1,741,960	1,308,034	
Repairs & Maintenance - Building	462,827	585,005	
Other Direct Expenses :			
Charter Expenses	25,540,169	44,311,527	
Other Expenditure on Aircraft	355,415	3,451,542	
Other Expenses	873,014	1,863,349	
	<u>34,477,505</u>	<u>58,839,142</u>	58,839,142
6. Administrative Expenses			
Travelling And Conveyance	10,675,055	10,207,061	
Communication Expenses	1,385,363	1,534,228	
Auditors' Remuneration	699,888	472,839	
Selling Expenses	3,127,782	3,685,515	
Office Expenses	3,469,050	3,232,732	

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT (continued)

	March 31, 2010 (9 Months)	June 30, 2009 (15 Months)
Other Expenses	5,506,296	4,210,784
Legal & Professional Fees	8,357,980	3,549,878
Sitting Fees	230,000	242,500
Foreign Exchange Variation Loss	2,145,823	-
Deferred Revenue Expenditure written off	5,231,311	5,117,701
	<u>40,828,548</u>	<u>32,253,238</u>
	<u>40,828,548</u>	<u>32,253,238</u>
	<u>218,656,577</u>	<u>237,907,491</u>
SCHEDULE - 14 : FINANCE COST		
Interest on : Fixed Loans	6,335,960	8,392,677
Term Loan	11,744,223	4,939,540
Other Interest	9,407,290	29,930,625
Bank and other Charges	4,140,571	5,033,573
Interest Capitalised	(5,794,484)	(11,708,542)
	<u>25,833,560</u>	<u>36,587,873</u>

SCHEDULE 15

NOTES TO THE CONSOLIDATED ACCOUNTS

A. Significant Accounting Policies:

1 Principles of Consolidation

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

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

Aircraft purchase option

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

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

Assets	Estimated useful life
Aircraft purchase option	120 months

3 Other Significant Accounting Policies

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

4 Companies included in consolidation

Name of the company	Country of Incorporation	Proportion of ownership interest of TAAL	Reporting date
First Airways Inc.	USA	100%	31-03-2010

MM Info Proc Services Pvt. Ltd. and TAAL Infrastructure Pvt. Ltd. are desubsidiarised during the year.

B. OTHER NOTES

1. Financial Statements of Taneja Aviation and Aerospace Limited. used in consolidation are drawn for nine months ending 31st March,2010 whereas the financial statements of subsidiary used in consolidation are drawn for twelve months ending 31st March, 2010. It is not practical to draw up the financial statements of subsidiaries up to the date of the parent's financial statements and there are no significant transactions or other events that occur between these two dates.

2. Aircraft Purchase Option

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

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

As per the agreement, the Stipulated Loss Value at the end of the 120 month lease term is \$ 1,279,929. The Company is estimating the use of the Aircraft purchase option at the end of the 120 month lease term with mid-quarter convention.

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

	As at March-10	As at March-09
Aircraft purchase option-current portion	\$ 92,674	\$ 92,674
Less: Accumulated amortization	-	-
	\$ 92,674	\$ 92,674
Aircraft purchase option-noncurrent portion	\$ 6,48,715	\$ 7,41,389
Total	\$ 7,41,389	\$ 8,34,063

Since, the payment for Aircraft Purchase Option is a sunk cost and non refundable irrespective of whether the option is exercised or not, in preparation of consolidated financial statements of TAAL, the entire payment of around Rs.3,34,66,299/- (USD 7,41,389) for Aircraft Purchase Option (current as well as non current portion) has been considered as "Deferred Revenue Expenditure" to be written off over lease period of 120 months.

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

3. Earning per Share

Computation of Earning Per Share

Particulars	2009-10 (9 months)	2008-09(15 months)
Profit/(Loss) after tax available for equity shareholders*	(2,52,70,413)	4,97,58,156
Adjusted Weighted Average number of Equity Shares of Nominal value of Rs.5 each.	2,49,30,736	2,49,30,736
Computation of EPS – Basic** (in Rs)	(1.01)	2.00

*Net profit/(loss) on consolidated basis excluding prior period items of Rs.78,83,876/- and withdrawal from revaluation reserve and write off's there from.

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

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

As per our report of even date

For **Haresh Upendra & Co**
Chartered Accountants

Haresh B. Shah
Partner
Membership No.: 32208
Pune, August 30, 2010

For and on behalf of the Board of Directors

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

Pune, August 30, 2010

TANEJA AEROSPACE AND AVIATION LIMITED 

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

PROXY

I/We..... of..... in the State of being a Member/Members of Taneja Aerospace and Aviation Limited, hereby appoint of or failing him/ her of as my/ our proxy to attend and vote for me/us and on my/ our behalf, at the 21st Annual General Meeting of the Company to be held on Wednesday, September 29, 2010 at Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli-635114,Tamil Nadu at 11:00 AM and at any adjournment thereof.

In witness thereof I/We put my/our hand/ hands this day of September, 2010

L.F. No./DP ID/ Client ID/

No. of Shares held

Date

Affix
Re.1
Revenue
Stamp

Note: The proxy must be deposited with the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting. A proxy need not be a Member. The Proxy Form should be signed across the Revenue Stamp as per specimen signature(s) registered with the Company.

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TANEJA AEROSPACE AND AVIATION LIMITED 

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

ATTENDANCE SLIP

21st Annual General Meeting

L.F. No./DP ID/ Client ID/

Mr./Mrs./Miss.....

I/We certify that I/We am/are registered Shareholder/ Proxy for the registered Shareholder of the Company.

I hereby record my/our presence at the 21st Annual General Meeting of the Company held on Wednesday, September 29, 2010 at Belagondapalli Village, Thally Road, Denkanikotta Taluk, Krishnagiri District, Belagondapalli-635114 ,Tamil Nadu at 11:00AM.

Member's/ Proxy's Signature

