

ANNUAL REPORT 2010-11

KARNAVATI AVIATION PRIVATE LIMITED

DIRECTORS' REPORT

To,
The Members,

Your Directors present herewith Fourth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2011.

Financial Highlights:

During the year under review, total income earned from Aircraft Operation is Rs. 2259.77 Lacs against expenditure of Rs. 3224.90 Lacs after providing depreciation of Rs. 955.51 Lacs. The Net loss after tax during the year under review is Rs. 578.43 Lacs.

Dividend:

Due to inadequate profit, your Directors do not recommend any dividend.

Fixed Deposits:

During the year under review, your Company has not accepted any deposits from the Public.

Holding Company:

Your Company is a subsidiary of Mundra Port and Special Economic Zone Limited (MPSEZL).

During the year under review, it has become step down subsidiary of Adani Enterprises Limited (AEL) pursuant to section 4 of the Companies Act, 1956 due to merger of erstwhile Holding Company Adani Infrastructure Services Pvt. Ltd. (AISPL) into AEL.

Share Capital:

During the year under review, the Authorised Share Capital of the company is increased from 1,00,00,000 (Rupees One Crore Only) divided into 10,00,000 (Ten Lacs) equity shares of Rs. 10/- each to Rs. 5,00,00,000 (Rupees Five Crores Only) divided into 50,00,000 (Fifty Lacs) equity shares of Rs. 10/- each ranking pari passu with the existing Equity Shares.

Directors:

Mr. B. Ravi and Mr. Shrikumar Nair were appointed as an Additional Directors of the Company. Pursuant to the provisions of Section 260 of the Companies Act, 1956, these Directors hold office upto the date of ensuing Annual General Meeting and being eligible offer themselves for appointment.

As per Section 256 of the Companies Act, 1956 and Articles of Association of the Company; Mr. S. S. Bhatti is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for reappointment.

Board recommends the appointment of the Directors of the Company.

Directors' Responsibility Statement:

Pursuant to the requirements under 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors hereby confirm the following:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanatory statement relating to material departures;
2. That the directors have selected such 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 at the end of the financial period;
3. That directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the directors have prepared the annual accounts on a going concern basis.

Auditors:

The Company's Auditors' M/s Dharmesh Parikh & Co., Chartered Accountants, Ahmedabad, will retire on the conclusion of forthcoming Annual General Meeting and being eligible, have expressed their willingness for reappointment.

Auditors' Report:

Notes forming part of accounts are self-explanatory and therefore, do not call for any comments.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & outgo:

In view of the nature of activities which are being carried on by the company, Rules 2A and 2B of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively are not applicable to the Company.

The details of Foreign Exchange Earnings and outgo are set out in Note 10 of Schedule 15(B) of Notes to Accounts.

Personnel:

The particulars of employees as required by Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975 as amended from time to time is not given as no employee is in receipt of remuneration as required under section 217(2A) of the Companies Act, 1956.

Appreciation and Acknowledgement:

Your Directors have pleasure in taking this opportunity to thank the Government Agencies and all other personnel.

For & on behalf of the Board of Directors

Date: 28.06.2011
Place: Ahmedabad

S. S. Bhatti
Chairman

Auditor's Report to the members of**KARNAVATI AVIATION PRIVATE LIMITED**

1. We have audited the attached Balance Sheet of KARNAVATI AVIATION PRIVATE LIMITED as at 31st March, 2011 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Read with para 3 above and further to our comments in the annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit & Loss Account and Cash-flow statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit & Loss account and Cash Flow Statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so

required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2011;
- b) in the case of Profit & Loss Account, of the Loss for the year ended on that date; and
- c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Ahmedabad
Date : May 2, 2011

For **DHARMESH PARIKH & CO.**
Chartered Accountants

(Anuj Jain)
Partner
Membership No. 119140
Firm Reg. No. 112054W

**ANNEXURE TO THE AUDITOR'S REPORT
RE: KARNAVATI AVIATION PRIVATE LIMITED**

(Referred to in Paragraph 1 of our Report of even date.)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management at reasonable intervals, in a phased verification-programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business.
- (c) As the Company has not disposed off any fixed assets during the year, accordingly paragraph 4(i)(c) of the Companies (Auditors' Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- (ii) The Company holds inventory in the form of Stores and spares. Such items are used for replacement at which time they are charged to revenue. As the company does not hold inventories as defined in Accounting Standard 2 on valuation of inventories, clause 4 (ii-a) to (ii-c) of the order is not applicable.
- (iii) (a) As informed to us, the company has not granted any loans, secured or unsecured, to any company, firm or other party covered in the Register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4 (iii-a) to (iii-d) of the order is not applicable.
- (b) According to the information and explanation given to us and the records produced to us for our verification, the company has not taken any loan from any company, firm or party covered in the register maintained under section 301 of the Companies Act, 1956, accordingly the provisions of paragraph 4 (iii) (e) to (iii) (g) of the Order are not applicable. However the company has taken loan from the Holding Company.
- (iv) According to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the providing of services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) According to the information and explanation provided by the management, there have been no contracts or arrangements during the year that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of paragraph 4(v) (a) and (b) of the Order are not applicable.
- (vi) The Company has not accepted deposits from the public within the meaning of section 58A & 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the Rules framed there under. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

- (vii) As per the information and explanations given to us by the management, the Company's internal control procedures together with the internal checks conducted by the group internal audit team during the year can be considered as an internal audit commensurate with the size and nature of its business.
- (viii) The maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 is not applicable to the Company.
- (ix) (a) As explained to us and according to the records of the Company produced before us, the Company is generally regular in depositing undisputed applicable statutory dues with the appropriate authorities. There are no undisputed statutory dues as referred to above as at March 31, 2011 outstanding for a period of more than six months from due date they become payable.
- (b) According to the records of the Company and representation made by the Management, the following are the disputed amounts in respect of statutory:

Name of Statute	Nature of Dues	Amount (Rupees)	Period to which it relates	Forum where dispute is pending
Service Tax	Service Tax, Interest & Penalty thereon	30374964/- + Interest & Penalty on the above	2008-2009 2009-2010	Customs, Excise and Service Tax appellate Tribunal, Ahmedabad

- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is 50% or more of its net worth. However the company has not incurred any cash losses in the current financial year or in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to the banks and financial institutions. The Company has not issued any debentures.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause (xii) of paragraph 4 of the Order is not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order is not applicable to the Company.

- (xv) According to the information & explanations given to us, the company has not given any guarantee for any loans taken by associates and others from banks or any financial institution. Accordingly clause (xv) of paragraph 4 of the order is not applicable.
- (xvi) On the basis of review of utilization of funds pertaining to term loans on an overall basis and related information as made available to us, the term loans taken by the company were applied during the year for the purpose for which they were obtained.
- (xvii) According to the Cash-flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have not, prima facie, been used during the year for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable.
- (xix) As the Company has not issued any debentures, paragraph 4(xix) of the Order is not applicable.
- (xx) During the year, since the Company has not raised money by way of public issue, paragraph 4(xx) of the Order is not applicable.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended 31st March, 2011.

For **DHARMESH PARIKH & CO.**
Chartered Accountants

Place: Ahmedabad
Date : May 2, 2011

(Anuj Jain)
Partner
Membership No. 119140
Firm Reg. No. 112054W

BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	SCHEDULE	AS AT 31-03-2011		AS AT 31-03-2010	
		RUPEES	RUPEES	RUPEES	RUPEES
A SOURCES OF FUNDS					
I. SHAREHOLDERS' FUND					
(A) Share Capital	" 1 "	50,000,000		10,000,000	
(B) Reserves & Surplus		-	50,000,000	-	10,000,000
II. LOAN FUNDS					
(A) Secured Loans	" 2 "	1,380,113,909		1,442,223,000	
(B) Unsecured Loans		423,500,000	1,803,613,909	300,000,000	1,742,223,000
III. DEFERRED TAX LIABILITY					
Deferred Tax Liabilities		-		185,642,090	
Less : Deferred Tax Assets		-		180,853,455	
TOTAL			1,853,613,909		1,757,011,635
B. APPLICATION OF FUNDS					
I. FIXED ASSETS					
(A) Gross Block	" 3 "	1,706,330,869		1,700,901,720	
(B) Less: Depreciation		182,027,277		86,476,748	
(C) Net Block		1,524,303,592		1,614,424,972	
(D) Capital Work In Progress (Including Advances)		177,471,420	1,701,775,012	-	1,614,424,972
II. INVESTMENT					
	" 4 "		60,000		-
III. DEFERRED TAX ASSETS					
Deferred Tax Assets		305,660,081		-	
Less : Deferred Tax Liabilities		271,779,523	33,880,558	-	
IV CURRENT ASSETS, LOANS & ADVANCES					
(A) Inventories	" 5 "	3,177,316		1,909,877	
(B) Receivables	" 6 "	35,718,561		41,157,255	
(C) Cash & Bank Balances	" 7 "	6,876,717		96,635,898	
(D) Loans & Advances	" 8 "	40,492,528		20,817,781	
		86,265,122		160,520,811	
LESS : CURRENT LIABILITIES & PROVISIONS					
(A) Current Liabilities	" 9 "	46,500,834		39,265,483	
(B) Provisions		1,992,415		952,332	
NET CURRENT ASSETS		48,493,248	37,771,874	40,217,815	120,302,996
V PROFIT AND LOSS ACCOUNT					
			80,126,466		22,283,667
TOTAL			1,853,613,909		1,757,011,635

Notes forming part of the Accounts

" 15 "

As per our attached report of even date

For **DHARMESH PARIKH & CO.**
Chartered Accountants
Firm Registration No: 112054 W

For and on behalf of the Board

(Anuj Jain)
PARTNER
Membership No. 119140

S. S. Bhatti
Director

K. Venugopal
Director

Paresh Patel
Company Secretary

PLACE : AHMEDABAD
DATE : MAY 2, 2011

PLACE : AHMEDABAD
DATE : MAY 2, 2011

KARNAVATI AVIATION PRIVATE LIMITED



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2011

Particulars	Schedule	2010-2011	2009-2010
		RUPEES	RUPEES
Income			
Operating Income	" 10 "	225,977,646	196,025,377
TOTAL		225,977,646	196,025,377
Expenditure			
Operating Expenses	" 11 "	119,680,324	97,719,499
Personnel Expenses	" 12 "	27,832,644	12,143,601
Administration and Other Expenses	" 13 "	18,422,379	9,713,302
Finance Charges	" 14 "	61,003,762	39,386,182
Depreciation		95,550,529	55,534,679
TOTAL		322,489,638	214,497,262
(Loss) for the year before Taxation		(96,511,992)	(18,471,885)
Provision for Taxation			
- Current Tax		-	-
Deferred Tax (Assets)/Liability		(38,669,192)	4,440,538
(Loss)/ Profit for the Year after Taxation		(57,842,800)	(22,912,423)
Add: Balance brought forward from Previous Year		(22,283,667)	628,756
Balance carried to Balance Sheet		(80,126,467)	(22,283,667)
Earning Per Share of Rs.10/- each			
- Basic and Diluted		(24.24)	(22.91)
- Annualized		(24.24)	(22.91)

Notes forming part of the Accounts

" 15 "

As per our attached report of even date

For and on behalf of the Board

For **DHARMESH PARIKH & CO**

Chartered Accountants

Firm Registration No: 112054 W

(Anuj Jain)

Partner

Membership No. 119140

S. S. Bhatti

Director

K. Venugopal

Director

Paresh Patel

Company Secretary

PLACE : AHMEDABAD

DATE : MAY 2, 2011

PLACE : AHMEDABAD

DATE : MAY 2, 2011

Cash Flow Statement for the Year Ended 31st March, 2011

	Particulars	FY 2010-11 (Rupees)	FY 2009-10 (Rupees)
A	CASH-FLOW FROM OPERATING ACTIVITIES		
	(Loss) for the year before Taxation	(96,511,992)	(18,471,885)
	Adjustment for:		
	Depreciation	95,550,529	55,534,679
	Interest and Other Financial Expenses	63,156,644	46,148,404
	Interest Income	(2,213,146)	(6,864,856)
	Operating Profit before Working Capital Changes	59,982,035	76,346,342
	Adjustment for:		
	Trade and Other Receivables	5,438,694	(30,142,110)
	Loans and Advances	(18,632,694)	610,761
	Trade Payable & Provisions	10,644,458	14,698,250
	Inventory	(1,267,439)	12,930
	Cash Generated From Operations	56,165,054	61,526,173
	Direct Tax (Paid)/ Refund	(5,332,953)	(5,011,509)
	Net Cash From Operating Activities	50,832,103	56,514,663
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Purchase of Fixed Assets (Including Indirect Costs)	(1,861,603)	(1,001,561,938)
	Increase in Capital Work In Progress	(177,471,420)	-
	Interest Received	6,504,045	6,692,337
	Purchase of Investments	(60,000)	-
	Net Cash Used in Investing Activities	(172,888,979)	(994,869,601)
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from Long Term Borrowings	123,500,000	963,645,500
	Repayment of Long Term Borrowing	(65,676,637)	-
	Proceeds from Issue of Share Capital	40,000,000	-
	Interest and Other Financial Expenses Paid	(65,525,668)	(24,177,854)
	Net Cash From Financing Activities	32,297,695	939,467,646
D	Net Changes in Cash and Cash Equivalants (A+B+C)	(89,759,181)	1,112,708
E	Cash and Cash Equivalent at Beginning of the Year	96,635,898	95,523,190
F	Cash and Cash Equivalent at the close of the year (D+E)	6,876,717	96,635,898
G	Component of Cash and Cash equivalents		
	Cash on Hand	69190	45787
	Balance with Schedule Banks :		
	On Current Accounts	6807527	8981188
	On Deposit Accounts *	-	87608923
	Cash and Bank Balances as per Schedule 7	6,876,717	96,635,898

Notes forming part of the Accounts

" 15 "

As per our attached report of even date

For **DHARMESH PARIKH & CO.**

Chartered Accountants

Firm Registration No: 112054 W

For and on behalf of the Board

(Anu Jain)**PARTNER**

Membership No. 119140

S. S. Bhatti

Director

K. Venugopal

Director

Paresh Patel

Company Secretary

PLACE : AHMEDABAD**DATE : MAY 2, 2011****PLACE : AHMEDABAD****DATE : MAY 2, 2011**

**SCHEDULE " 1 " TO " 9 " FORMING PART OF BALANCE SHEET
AS AT 31ST MARCH 2011**

PARTICULARS	AS AT 31-Mar-2011 RUPEES	AS AT 31-Mar-2010 RUPEES
SCHEDULE " 1 "		
<u>SHARE CAPITAL</u>		
AUTHORISED		
50,00,000 (Previous Year 10,00,000) Equity Shares of Rs.10/- each	50,000,000	10,000,000
ISSUED, SUBSCRIBED & PAID-UP		
50,00,000 (Previous Year 10,00,000) Equity Shares of Rs.10/- each fully Paid Up (All the above 50,00,000 (Previous Year 10,00,000) shares are held by Mundra Port & Special Economic Zone Limited, the holding company and its nominees.)	50,000,000	10,000,000
TOTAL	50,000,000	10,000,000
SCHEDULE " 2 "		
<u>LOAN FUNDS</u>		
<u>1.SECURED LOANS</u>		
<u>Term Loan from Banks</u>		
- Buyers Credit in Foreign Currency (Note - I)	609,088,630	607,133,000
<u>Term Loan from Financial Institution</u>		
- Foreign Currency Loan (Note - II)	771,025,279	835,090,000
	1,380,113,909	1,442,223,000
<u>2.UNSECURED LOANS</u>		
- Intercompany Loans from Holding Co.	423,500,000	300,000,000
	423,500,000	300,000,000
Notes:-		
I) Buyers Credit availed against Letter of Credit issued against Secured Term Loan from a Scheduled Bank which is secured by hypothecation of receivable arising from the operation of Aircraft and mortgage on Aircraft purchased under the L/c		
II) Secured by mortgage on Aircraft - Challenger		
TOTAL	1,803,613,909	1,742,223,000
SCHEDULE " 4 "		
<u>INVESTMENTS</u>		
Long Term Investments (Non Trading) (Unquoted) Government Securities (Lodged with Government Department) In 6 Years National Saving Certificates	60,000	-
TOTAL	60,000	-
SCHEDULE " 5 "		
<u>INVENTORIES</u>		
Long Term Investments Spares & Consumables	3,177,316	1,909,877
TOTAL	3,177,316	1,909,877
SCHEDULE " 6 "		
<u>RECEIVABLES</u>		
<u>(Unsecured)</u>		
Debts Outstanding for a period more than Six months		
- Considered good	9,124,669	-
- Considered doubtful	7,570,140	-
	16,694,809	-
Less: Provision for Doubtful Debts	(7,570,140)	-
Debtors Outstanding for a period more than Six months (Net)	9,124,669	-
Other Debts		
- Considered good	26,593,892	41,157,255
TOTAL	35,718,561	41,157,255
SCHEDULE " 7 "		
<u>CASH & BANK BALANCES</u>		
Cash on hand	69,190	45,787
Balances with Scheduled Bank:		
- in Current Account	6,807,527	8,981,188
- in Fixed Deposit Account	-	87,608,923
TOTAL	6,876,717	96,635,898

SCHEDULE : 3										
FIXED ASSETS										
PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION				(Amount in Rupees) NET BLOCK	
	AS AT 01/04/2010	ADDITION DURING THE YEAR	DELETION DURING THE YEAR	AS AT 31/03/2011	UP TO 01/04/2010	PROVIDED DURING THE YEAR	DEDUCTION DURING THE YEAR	UP TO 31/03/2011	AS AT 31/03/2011	AS AT 31/03/2010
AIRCRAFT	1,698,782,330	3,567,546	-	1,702,349,876	86,303,988	95,355,667	-	181,659,655	1,520,690,221	1,612,478,342
OFFICE EQUIPMENT	103,137	48,545	-	151,682	103,137	44,975	-	148,112	3,570	-
TOOLS, JIGS & FIXTURES	222,416	-	-	222,416	22,949	-	-	22,949	199,467	199,467
PORTA CABIN	1,575,030	-	-	1,575,030	26,728	25,673	-	52,401	1,522,629	1,548,302
FIRE EXTINGUISHER - PORTACABIN	6,800	-	-	6,800	6,800	-	-	6,800	-	-
AIRCONDITIONER - PORTACABIN	25,000	-	-	25,000	1,648	-	-	1,648	23,352	23,352
FURNITURE & FIXTURE	187,007	2,625	-	189,632	11,498	14,466	-	25,964	163,668	175,509
COMPUTER HARDWARE	-	122,686	-	122,686	-	9,245	-	9,245	113,441	-
VEHICLES	-	1,687,747	-	1,687,747	-	100,503	-	100,503	1,587,244	-
TOTAL :	1,700,901,720	5,429,149	-	1,706,330,869	86,476,748	95,550,529	-	182,027,277	1,524,303,592	1,614,424,972
PREVIOUS YEAR	699,339,782	1,001,561,938	-	1,700,901,720	30,942,069	55,534,679	-	86,476,748	1,614,424,972	

PARTICULARS	AS AT 31-Mar-2011 RUPEES	AS AT 31-Mar-2010 RUPEES
SCHEDULE " 8 "		
<u>LOANS & ADVANCES</u>		
<u>(Unsecured, Considered Good)</u>		
Advances recoverable in cash or kind or for value to be received	26,904,368	8,189,636
Service Tax Receivable	196,913	278,951
Interest Accrued but not due	-	4,290,899
Advance payment of Taxes	13,391,248	8,058,295
TOTAL	40,492,528	20,817,781
SCHEDULE " 9 "		
<u>CURRENT LIABILITIES & PROVISIONS</u>		
<u>(A) CURRENT LIABILITIES</u>		
Sundry Creditors	12,149,797	11,652,307
Duties & Taxes Payable	1,748,726	532,857
Interest Accrued but not due	19,601,525	21,970,549
Other Liabilities	13,000,786	5,109,770
TOTAL	46,500,833	39,265,483
<u>(B) PROVISION</u>		
Provision for Employee Benefits	1,880,215	840,132
Provision for Taxation	112,200	112,200
TOTAL	1,992,415	952,332

**SCHEDULE " 10 " TO " 14 " FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	2010-2011	2009-2010
	RUPEES	RUPEES
SCHEDULE " 10 "		
<u>OPERATING INCOME</u>		
Income from Aircraft Operation (net)	225,977,646	196,025,377
Total	225,977,646	196,025,377
SCHEDULE " 11 "		
<u>OPERATING EXPENSES</u>		
Aircraft Insurance	4,949,615	3,620,444
Aircraft Fuel	46,271,711	30,237,304
Repair & Maintenance - Aircraft	36,931,752	27,488,298
Aircraft Hiring	2,161,666	12,147,958
Airport Charges	16,234,850	8,499,809
Aircraft Running and Operating Expenses	3,670,965	3,845,706
Pilot Hiring Charges	9,459,765	11,879,980
Total	119,680,324	97,719,499
SCHEDULE " 12 "		
<u>PERSONNEL EXPENSES</u>		
Salary, Wages & Bonus Expenses	23,709,193	10,902,212
Staff Welfare Expenses	266,069	32,518
Super Annuation	548,338	317,202
Leave Encashment	1,136,559	308,391
Gratuity Expenses	811,536	188,648
Provident Fund Contribution and Charges	1,360,948	394,630
Total	27,832,644	12,143,601
SCHEDULE " 13 "		
<u>ADMINISTRATION & OTHER EXPENSES</u>		
Rent	1,685,362	1,138,908
Insurance Expenses	234,925	318,276
Advertisement, Publicity and Business Development Expenses	129,450	255,390
Repair & Maintenance Exp - Computer	391,520	6,570
Repair & Maintenance Exp - Building & Others	148,902	140,033
Legal & Professional Charges	2,053,750	3,280,051
Travelling & Conveyance	4,006,922	3,193,785
Payment to Auditors	139,501	116,000
Postage ,Telephone and Telex Expenses	732,203	563,889
Other Administration Expenses	928,704	700,401
Provision for Doubtful Debts	7,570,140	-
Expenditure for Increase in Authorised Capital	401,000	-
Total	18,422,379	9,713,302
SCHEDULE " 14 "		
<u>FINANCE CHARGES</u>		
Bank Charges & Commission	12,491,728	13,719,927
Interest on Term Loan	13,098,582	13,782,870
Interest on Other Bank Borrowing	37,566,334	18,645,607
Foreign Exchange Fluctuation	60,265	102,634
	63,216,909	46,251,038
Less:		
Interest Income on FDR (Gross) (Tax Deducted at Source Rs.1,46,320 (Previous Year: 822,511)	2,213,146	6,864,856
Total	61,003,762	39,386,182

SCHEDULE "15"

NOTES FORMING PART OF THE ACCOUNTS

(A) SIGNIFICANT ACCOUNTING POLICIES

1) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared under the historical cost convention, on going concern concept and in compliance with the all the mandatory Accounting Standards as specified in the Companies (Accounting Standard) Rules 2006 and relevant provisions of the Companies Act, 1956, as adopted consistently by the company.

2) USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized in the period in which such revision is made.

3) INVENTORIES

Spares and consumables are valued at Cost.

4) CASH FLOW STATEMENTS

The Cash Flow Statement is prepared in accordance with the format given under Accounting Standard-3 prescribed by The Companies (Accounting Standards) Rules, 2006 which separately identifies the cash flows from operating, investing and financing activities.

5) DEPRECIATION

- i) Depreciation on Fixed Assets is provided on Straight Line Method at rates and in the manner specified in Schedule XIV to the Companies Act, 1956 read with the relevant circulars issued by the Department of Company Affairs.
- ii) Depreciation of addition on account of increase in Rupee value due to foreign exchange fluctuation is being provided at the rate of depreciation over the future life of the said assets.
- iii) Depreciation on Fixed Assets acquired / disposed off during the year is provided on pro-rata basis with reference to the date of addition/ disposal.
- iv) Depreciation on Mobile phones included under Office Equipment is provided at the rate of 100% in the year of purchase.

- v) Individual assets costing less than Rs.5,000/- are fully depreciated in the year of purchase.

6) **REVENUE RECOGNITION**

- i) Income from Operation of Aircraft rendered is accounted for when the service is performed under contractual obligation.
- ii) Interest revenues are recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

7) **FIXED ASSETS**

Fixed Assets are stated at cost of acquisition including any attributable cost for bringing the assets to its working condition for its intended use, less accumulated depreciation.

All direct cost attributable to respective assets are capitalized to the assets. Preoperative expenses are capitalized to major assets.

8) **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) **Exchange Differences**

Exchange difference relating to Fixed Assets is adjusted in the cost of the assets. Any other exchange differences are dealt with in the profit and loss account.

9) **RETIREMENT BENEFITS**

- i) **Provident Fund and Pension Fund:** Contribution to provident and pension fund maintained with the Provident fund authorities is charged to Profit & Loss account on accrual basis.
- ii) **Gratuity:** Accrued gratuity liability is provided on the assumption that it has become payable to employees at the end of the accounting year.
- iii) **Leave Encashment:** Leave Encashment benefit is determined on the assumption that it has become payable to employees at the end of the accounting year and accordingly is charged to revenue in the year of accrual.

10) INVESTMENTS

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

11) BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

12) SEGMENT REPORTING

There are no separate reportable segments in accordance with the requirements of Accounting Standard 17 – Segment Reporting prescribed under The Companies (Accounting Standards) Rules, 2006.

13) RELATED PARTY TRANSACTIONS

Disclosure of transactions with Related Parties, as required by Accounting Standard 18 “Related Party Disclosures” has been set out in a separate note forming part of this Schedule. Related parties as defined under clause 3 of the Accounting Standard 18 have been identified on the basis of representations made by key managerial personnel and information available with the Company.

14) LEASES

The Company's significant leasing arrangements are in respect of operating leases for premises (portacabin). The leasing arrangements which are not cancelable range between 11 months and five years generally, and are usually renewable by mutual consent on agreed terms. The aggregate lease rentals payable are charged as rent including lease rentals.

15) EARNING PER SHARE

The Company reports basic and diluted earnings per share (EPS) in accordance with Accounting Standard-20 issued under The Companies (Accounting Standards) Rules, 2006. The Basic EPS has been computed by dividing the income available to equity shareholders by the weighted average number of equity shares outstanding during the accounting year.

16) ACCOUNTING FOR TAXATION**i) DEFERRED TAXATION**

In accordance with the Accounting Standard 22 – Accounting for Taxes on Income, prescribed under The Companies (Accounting Standards) Rules, 2006, the deferred tax for timing differences between the book and tax profits for the period is accounted for by using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet Date.

Deferred tax assets arising from timing differences are recognised to the extent there is virtual certainty that the assets can be realised in future.

Net outstanding balance in Deferred Tax account is recognized as deferred tax liability/asset. The deferred tax account is used solely for reversing timing difference as and when crystallized.

ii) CURRENT TAXATION

Provision for taxation has been made in accordance with the income tax laws prevailing for the relevant assessment years.

17) IMPAIRMENT OF FIXED ASSETS

The carrying amount of assets, other than inventories, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

The impairment loss is recognised whenever the carrying amount of an asset or its cash generation unit exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in the uses which is determined based on the estimated future cash flow discounted to their present values. All impairment losses are recognised in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is recognised in the profit and loss account.

18) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurements are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

19) EXPENDITURE

Expenditures are accounted net of taxes recoverable, wherever applicable.

(B) NOTES ON ACCOUNTS**1. Contingent Liabilities not provided for include:**

- (a) In term of the Show Cause cum Demand Notice issued by the Office of the Commissioner of Customs Preventive Section dated 27/02/2009, a demand of Rs. 14.67 Crore along with applicable interest and penalty thereon for the differential amount of Customs Duty in respect of import of Aircraft under Non-Scheduled Operation Permit (NSOP) has been raised on the company against which Corporate Guarantee from Holding Company and Bank Guarantee given to customs department: Rs.14.81 Crore (P.Y. Rs. 14.81 Crore).
- (b) Bank Guarantee given to Deputy Commissioner of Custom for Rs.18.33 Crore (P.Y. Nil) on Import of Aircraft Bombardier Challenger CI-600 2B16 under the Notification No.21/2002 Sr. No. 347 B notified by the Govt. of India.
- (c) Notice received from Superintendent of Service Tax Department and Show cause from Directorate General of Central Excise Intelligence for Non- Payment of Service Tax on Domestic Journey and on certain Foreign Service on reverse base mechanism amounting to Rs.30,374,964/- (Previous Year-Rs.Nil). Company has filled an appeal before the Customs, Excise and Service Tax Appellate Tribunal against the Notice, the company has taken an external opinion in the matter based on which the management is of the view that no liability shall arise on the company.
- (d) Estimated amount of Contract (Net of Advances) remaining to be executed on Capital Account and not provided for Rs. 43,82,53,200/- (Previous Year : Rs Nil). Advance given of Rs.177,471,420 (Previous Year : Rs. Nil)

2. Payment to auditors includes (excluding Service Tax) :-**(Amount in Rs.)**

Particulars	2010-11	2009-10
Audit Fees	35,000	15,000
Tax Audit Fees	15,000	10,000
Certification Fees	89,501	91,000
	1,39,501	1,16,000

3. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realized in the ordinary course of business, except unless stated otherwise. The provision for all the known liabilities is adequate and not in excess of amount considered reasonably necessary.
4. The company will identify the suppliers who are covered under "The Micro, small and Medium Enterprises Development Act, 2006" on receiving the information from them, after which necessary information as required under the said Act will be compiled.
5. Management has carried out a review, of the carrying value of assets as March 31, 2011 in accordance with the provisions of Accounting Standard – 28 Impairment of Assets. Based on this review, the management is of the opinion, that there are no impairment indicators that necessitate any adjustments to the carrying value of the assets.

6. Pursuant to the Accounting Standard (AS- 20) – Earnings Per Share, the disclosure is as under:

(Amount in Rs.)

Particulars	2010-11	2009-10
(Loss) attributable to Equity Shareholders	(5,78,42,800)	(2,29,12,423)
No of Weighted Average Equity Shares outstanding During the year for basic EPS.	23,86,301	10,00,000
Nominal Value of Equity Shares (in Rs.)	10	10
Basic Earning per Share (in Rs.)	(24.24)	(22.91)

The Company does not have any outstanding dilutive potential equity shares. Consequently the basic and diluted earning per share of the company remain the same.

7. Pursuant to the Accounting Standard (AS-18) – Related Party Transactions, the disclosure relating to transactions entered into with related parties at arms length basis by the company, as identified by the management are disclosed as under.

i) Name of related parties & description of relationship

Criteria	Name of Company
Ultimate Holding Entity	Adani Enterprises Ltd. [Holding Company of MPSEZL] [w.e.f 01.04.2010]
Holding Entity	Mundra Port And Special Economic Zone Limited
Fellow Subsidiary (MPSEZL) (Companies with whom transaction has been made during the year)	1. Adani Hazira Port Pvt. Ltd.
Fellow Subsidiary (AEL) (Companies with whom transaction has been made during the year)	1. Adani Power Ltd. 2. Adani Gas Ltd. 3. Adani Welspun Exploration Ltd.
Associate Entities (Companies with whom transaction has been made during the year)	1. Adani Properties Pvt. Ltd. 2. Adani Wilmar Ltd.
Key Management Personnel	1. Mr. S.S. Bhatti 2. Mr. K.Venugopal 3. Relatives of above

ii) Nature & Volume of transaction with related parties.

(Rs. in Lacs)

Particulars	Holding Company	Ultimate Holding Company	Fellow Subsidiaries			Associate Concerns	
	Mundra Port & SEZ Ltd	Adani Enterprises Ltd	Adani Power Ltd	Adani Hazira port Pvt. Ltd.	Adani Welspun Exploration Ltd.	Adani Wilmar Ltd	Adani Properties Pvt. Ltd.
1. Services Rendered							
2010-11	716.51	7.35	1010.07	286.11	21.78	25.28	----
2009-10	689.31	----	651.67	----	----	22.86	----
2. Funds Received							
2010-11	3060.00	----	----	----	----	----	----
2009-10	2600.60	5.50	----	----	----	----	----
3. Funds Given							
2010-11	1825.00	----	----	----	----	----	----
2009-10	533.60	5.50	----	----	----	----	----
4. Rent Paid							
2010-11	----	----	----	----	----	----	2.15
2009-10	----	----	----	----	----	----	0.60
5. Share Application							
2010-11	4000.00	----	----	----	----	----	----
2009-10	----	----	----	----	----	----	----
6. Share Issued							
2010-11	4000.00	----	----	----	----	----	----
2009-10	----	----	----	----	----	----	----
7. Guarantee & Collateral Securities							
Given							
2010-11	----	----	----	----	----	----	----
2009-10	----	----	----	----	----	----	----
Availed							
2010-11	17713.81	----	----	----	----	----	----
2009-10	14400.00	----	----	----	----	----	----
8. Balance O/s as at							
2010-11	4226.65	(6.61)	(55.80)	----	(21.34)	----	0.85
2009-10	2862.18	----	(8.11)	----	----	----	----

8. Pursuant to the Accounting Standard (AS- 22) – Accounting for taxes on Income, the disclosure is as under:

a) Deferred Tax**(Amount in Rs.)**

	As At	As At
	31-03-2011	31-03-2010
Deferred Tax Liability on account of		
(i) Depreciation	27,17,79,523	18,56,42,090
Total	27,17,79,523	18,56,42,090
Deferred Tax Assets on Account of		
(i) Unabsorbed Losses/ Depreciation	30,55,45,010	18,07,41,264
(ii) Preliminary Expenses	2,880	-
(iii) MAT Credit	112,191	112191
Total	30,56,60,081	18,08,53,455
Net Deferred Tax (Assets) / Liability	(3,38,80,558)	47,88,635

- b) In accordance with the Accounting Standard 22, the deferred tax Assets of Rs.3,86,69,192/- (PY Deferred tax Liabilities of Rs.44,40,538) for the year has been recognized in the Profit & Loss Account.

9. Provision for taxation for the period has been made after considering allowance, claims and relief available to the Company as advised by the Company's tax consultants.
10. Additional information as required under part II of Schedule VI of the Company Act, 1956 has been given to the extent applicable to the company.

Value of imports calculated on CIF Basis in respect of**(Rs. in Lacs)**

Particulars	2010-11	2009-10
Capital Goods	-	11,107.68
Others	1872.88	34.84

Expenditure in Foreign Currency**(Rs. in Lacs)**

Particulars	2010-11	2009-10
Foreign Bank Charges	41.52	24.34
Traveling Expenses	17.87	11.43
Others	1392.31	380.18

11. Previous year's figures have been recast, regrouped and re-arranged wherever necessary to confirm to this year's classification. Further the figures have been rounded off to the nearest rupee.

12. Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile:-

I.	Registration Details :-	
	Registration No.	: U63090GJ2007PTC051309
	State Code	: 04
	Balance Sheet Date	: 31-03-2011
II.	Capital Raised during the period (Amount in Rs. Thousands):-	
	Public Issue - NIL	Right Issue - NIL
	Bonus Issue - NIL	Private Placement - 40,000
III	Position of Mobilisation and Deployment of Funds(Amount in Rs. Thousands)	
	Total Liabilities	: 18,53,614
	Total Assets	: 18,53,614
	Sources of Funds:	
	Paid –up Capital	: 50,000
	Share Application Pending Allotment	: ---
	Reserves & Surplus	: ---
	Secured Loans	: 13,80,114
	Unsecured Loans	: 4,23,500
	Application of Funds :	
	Net Fixed Assets (Including CWIP)	: 17,01,775
	Investments	: 60
	Deferred Tax Assets	: 33,880
	Net Current Assets	: 37,772
	Miscellaneous Expenditure	: ---
	Accumulated Losses	: 80,126
IV	Performance of Company (Amount in Rs. Thousands)	
	Turnover(Including other Income)	: 2,25,978
	Total expenditure	: 3,22,490
	Profit/(Loss) before tax	: (96,512)
	Profit/(Loss) after tax	: (57,842)
	Earning per share (Rs.)	: (24.24)
	Dividend Rate %	: ---
V	Generic Names of Three Principal products/services of Company(as per monetary terms)	
	Item Code No. (ITC Code)	Not Ascertainable
	Product Description	Aviation Services
	Item Code No. (ITC Code)	As Above
	Product Description	
	Item Code No. (ITC Code)	As Above
	Product Description	
Signature to Schedule "1" to "14".		

For and On Behalf of Board

Place : Ahmedabad
Date: May 2, 2011

S. S. Bhatti
Director

K. Venugopal
Director

Paresh Patel
Company Secretary