

**DHARMESH PARIKH & CO.**  
CHARTERED ACCOUNTANTS

303/304, "Milestone", Nr. Drive-in-Cinema, Opp. T.V Tower, Thaltej,  
Ahmedabad-380 054. Phone: 91-79-27474466 Fax: 91-79-27479955

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of KARNAVATI AVIATION PRIVATE LIMITED**

**Report on the Financial Statements**

We have audited the accompanying standalone financial statements of Karnavati Aviation Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.



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### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its losses and its cash flows for the year ended on that date.

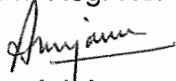
### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e) on the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B";
  - g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 28(a) to the financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Place : Ahmedabad  
Date : 26 April 2016



For, **DHARMESH PARIKH & CO.**  
Chartered Accountants  
Firm Reg. No. 112054W

  
**Anuj Jain**  
Partner  
Membership No. 119140

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

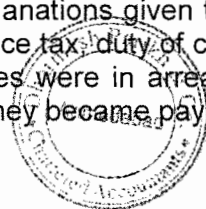
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(Referred to in Paragraph 1 of our Report of even date)

The Annexure referred to in our Independent Auditor's Report to the members of the Company on the standalone financial statements for the year ended 31 March 2016, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, fixed assets, according to the practice of the Company, 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) According to the information and explanations given to us and representations made by the Management, the Company does not have any immovable property except temporary structures, which have been fully depreciated. Accordingly the provisions of paragraph 3 (i) (c) of the Order are not applicable.
- (ii) The Company being in the service industry is primarily carrying inventory in the nature of stores and spares and do not hold any inventory as defined in Accounting Standard 2 on Valuation of Inventories. Accordingly the provisions of paragraph 3 (ii) of the Order is not applicable.
- (iii) According to the information and explanation given to us and the records produced to us for our verification, the company has not granted loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly the provisions of paragraph 3 (iii) (a) to (c) of the Order are not applicable.
- (iv) According to the information and explanations given to us and representations made by the Management, the Company has not done any transactions covered under section 185 and 186 in respect of loans, investments, guarantees and security. Accordingly the provisions of paragraph 3 (iv) of the Order are not applicable.
- (v) In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable. Accordingly, the provisions of clause 3 (v) of the Order are not applicable to the Company.
- (vi) According to the information and explanations given to us, in our opinion, the maintenance of cost records under section 148(1) of the Act as prescribed by the Central Government are not applicable to the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including income tax, sales tax, service tax, duty of customs, value added tax, cess, provident fund and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities generally. As explained to us, the Company did not have any dues on account of employees' state insurance and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, service tax, duty of customs, value added tax, cess, provident fund and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.



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- (b) According to the information and explanations given to us, there are no material dues of provident fund, sales tax, wealth tax, value added tax, cess which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of duty of customs, income tax and entry tax have not been deposited by the Company on account of disputes:

Name of Statute	Nature of the dues	Forum where dispute is pending	Amount (*) (INR)	Amount paid under protest (INR)	Period to which the amount relates
Finance Act, 1994	Service Tax	Appellate Tribunal	3,71,30,634	35,00,000	2008-2009 & 2009-2010
Customs Act, 1962	Customs Duty	Appellate Tribunal	29,34,30,972	Nil	2008-2009
		Assessing Authority	36,65,63,102	Nil	2009-2010

(\*)Including Interest/ Penalty where the notice specifies the same.

- (viii) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank or financial institution during the year. The company has not borrowed funds from any debenture holders.
- (ix) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable.
- (x) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practice in India, and according to the information and explanation given to us, we have neither come across any instance of material fraud by the company or on the company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.
- (xi) According to the information and explanations given to us and on the basis of our examination of the records of the Company, managerial remuneration has not been paid /provided. Accordingly the provisions of Clauses 3(xi) of the Order are not applicable.
- (xii) In our opinion, the Company is not a nidhi Company. Accordingly the provisions of Clauses 3 (xii) of the Order are not applicable.
- (xiii) As per information and explanation given to us and on the basis of our examination of the records of the Company, all the transaction with related parties are in compliance with section 177 and 188 of Companies Act 2013 and all the details have been disclosed in financial statements as required by the applicable Accounting Standards.
- (xiv) According to the information and explanations given to us and on the basis of our examination of the records, the Company has not made any preferential allotment or private placement or not issued any debenture during the year under review. Accordingly the provisions of paragraph 3(xiv) of the Order are not applicable.

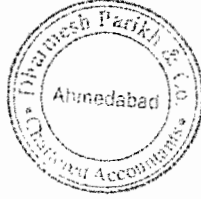


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- (xv) According to the information and explanations given to us and on the basis of our examination of the records, Company has not entered into any non-cash transactions with any director or any person connected with him. Accordingly the provisions of Clauses 3(xv) of the Order are not applicable to the Company.
- (xvi) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3(xvi) of the Order are not applicable.

Place : Ahmedabad  
Date : 26 April 2016



For, **DHARMESH PARIKH & CO.**  
Chartered Accountants  
Firm Reg. No. 112054W

A handwritten signature in black ink, appearing to read "Anuj Jain".

**Anuj Jain**  
Partner  
Membership No. 119140

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### ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT RE: KARNAVATI AVIATION PRIVATE LIMITED

(Referred to in paragraph 2 (f) of our Report of even date)

#### Report on the Internal Financial Controls under Clause i of sub-section 3 of section 143 of the Companies Act 2013 (the act).

We have audited the internal financial controls over financial reporting of the company as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the standalone financial statements of the company for the year ended on that date.

#### Management's Responsibilities for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the Guidance Note) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;



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- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place : Ahmedabad  
Date : 26 April 2016



For, **DHARMESH PARIKH & CO.**  
Chartered Accountants  
Firm Reg. No. 112054W

A handwritten signature in black ink that reads "Anuj Jain".

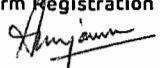
**Anuj Jain**  
Partner  
Membership No. 119140

KARNAVATI AVIATION PRIVATE LIMITED  
BALANCE SHEET AS AT MARCH 31, 2016

PARTICULARS	Notes	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	3	45,00,00,000	45,00,00,000
(b) Reserves and Surplus	4	(62,08,43,654)	(43,54,61,673)
		<b>(17,08,43,654)</b>	<b>1,45,38,327</b>
<b>NON-CURRENT LIABILITIES</b>			
(a) Long-term borrowings	5	3,12,48,50,970	3,12,54,67,606
(b) Long-term provisions	7	56,64,992	22,38,891
		<b>3,13,05,15,962</b>	<b>3,12,77,06,497</b>
<b>CURRENT LIABILITIES</b>			
(a) Trade payables	8	2,48,05,922	2,64,06,251
(b) Other current liabilities	9	23,25,25,087	21,09,00,465
(c) Short-term provisions	7	28,31,596	20,00,654
		<b>26,01,62,605</b>	<b>23,93,07,370</b>
<b>Total</b>		<b>3,21,98,34,913</b>	<b>3,38,15,52,194</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
(a) Fixed assets	10		
(i) Tangible assets		2,78,34,15,599	2,85,13,41,754
(ii) Intangible assets		3,68,047	4,74,411
		<b>2,78,37,83,646</b>	<b>2,85,18,16,165</b>
(b) Non-current investments	11	60,000	60,000
(c) Deferred tax assets (Net)	6	-	-
(d) Long-term loans and advances	12	3,93,30,833	3,51,34,678
		<b>2,82,31,74,479</b>	<b>2,88,70,10,843</b>
<b>CURRENT ASSETS</b>			
(a) Inventories	13	89,86,528	1,65,31,602
(b) Trade receivables	14	37,52,48,546	45,27,86,516
(c) Cash and Cash Equivalents	15	38,22,659	34,28,926
(d) Short-term loans and advances	12	86,02,701	1,94,75,181
(e) Other current assets	16	-	23,19,126
		<b>39,66,60,434</b>	<b>49,45,41,351</b>
<b>Total</b>		<b>3,21,98,34,913</b>	<b>3,38,15,52,194</b>
Summary of significant accounting policies	2.1		


The accompanying notes are an integral part of the financial statements

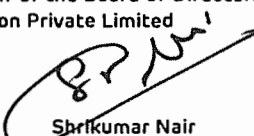
For DHARMESH PARIKH & CO.  
Chartered Accountants  
Firm Registration No.: 112054W


  
Anuj Jain  
Partner  
Membership No. 119140

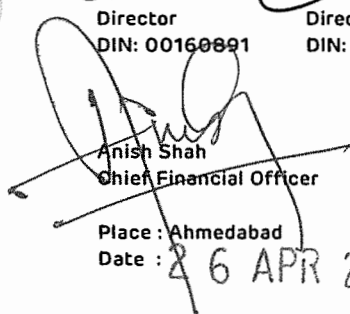


For and on behalf of the Board of Directors of  
Karnavati Aviation Private Limited

  
Ravi  
Director  
DIN: 00160891

  
Shrikumar Nair  
Director  
DIN: 03035537

  
Abhishek Bansal  
Company Secretary

  
Anish Shah  
Chief Financial Officer

Place : Ahmedabad  
Date : 26 APR 2016



Place : Ahmedabad  
Date : 26 APR 2016

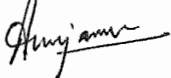


**KARNAVATI AVIATION PRIVATE LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

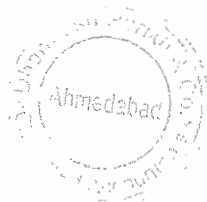
PARTICULARS	Notes	For the year ended March 31, 2016 Amt in Rs.	For the year ended March 31, 2015 Amt in Rs.
<b>I. Income</b>			
Revenue from Operation	17	38,92,16,529	46,74,05,879
Other Income	18	6,16,384	1,90,44,516
<b>Total Revenue (I)</b>		<b>38,98,32,913</b>	<b>48,64,50,395</b>
<b>II. Expenses</b>			
Operating Expense	19	12,50,90,771	14,57,25,201
Employee benefits Expense	20	5,79,91,797	6,18,40,236
Depreciation and Amortization Expense	10	17,51,67,865	16,88,94,145
Finance costs	21	8,21,66,619	8,35,55,814
Other Expense	22	13,47,97,842	9,99,16,062
<b>Total Expenses (II)</b>		<b>57,52,14,894</b>	<b>55,99,31,458</b>
<b>III. (Loss) before tax ( I - II )</b>		<b>(18,53,81,981)</b>	<b>(7,34,81,063)</b>
<b>IV Tax Expense:</b>			
Current Tax		-	-
Deferred Tax Expense		-	-
<b>(Loss) for the year ( III - IV )</b>		<b>(18,53,81,981)</b>	<b>(7,34,81,063)</b>
<b>V Earning per equity share (Rs. 10 each)</b>			
- Basic & Diluted	23	(4.12)	(3.49)
<b>Summary of significant accounting policies.</b>	2.1		

The accompanying notes are an integral part of the financial statements

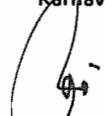
For DHARMESH PARIKH & CO.  
Chartered Accountants  
Firm Registration No.: 112054W



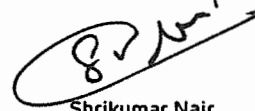
Anuj Jain  
Partner  
Membership No. 119140



For and on behalf of the Board of Directors of  
Karnavati Aviation Private Limited



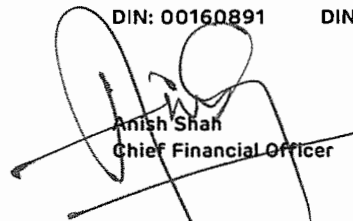
B. Ravi  
Director  
DIN: 00160891



Shrikumar Nair  
Director  
DIN: 03035537



Abhishek Bansal  
Company Secretary



Anish Shah  
Chief Financial Officer



Place : Ahmedabad

Date : 26 APR 2016

Place : Ahmedabad

Date : 26 APR 2016

KARNAVATI AVIATION PRIVATE LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

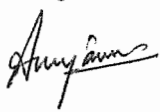
Amt in Rs.

PARTICULARS	For the year ended March 31, 2016	For the year ended March 31, 2015
<b>A. CASH FLOW FROM OPERATIONS</b>		
Net (Loss) before tax	(18,53,81,981)	(7,34,81,063)
Adjustments for :		
Depreciation and Amortisation	17,51,67,865	16,88,94,145
Bad Debts / Provision for Doubtful Debts & Advance	1,24,07,982	470
Unrealised Foreign Exchange (Gain) / Loss	(6,004)	325
Interest Expense	8,05,74,843	8,35,55,814
Expenses for increase in Authorised Share Capital	-	18,76,700
Interest Income	-	(68,60,565)
Dividend	-	(39,960)
<b>Total Adjustment to Net Profit/(Loss)</b>	<b>26,81,44,686</b>	<b>24,74,26,929</b>
<b>Operating Profit/(Loss) before Working Capital Changes</b>	<b>8,27,62,705</b>	<b>17,39,45,866</b>
Adjustments for :		
Decrease/(Increase) in Trade Receivables	7,08,30,078	(19,39,15,163)
Decrease/(Increase) in Inventories	75,45,074	(64,31,540)
(Increase) in other current assets	(33,80,964)	(23,19,126)
Decrease in Loans and Advances	92,48,446	7,83,79,814
(Decrease) in Trade Payables	(15,94,325)	(1,97,08,098)
(Decrease)/Increase in Other Liabilities	20,43,726	(19,70,621)
Increase in Provisions	42,57,043	37,688
<b>Total working capital changes</b>	<b>8,89,49,078</b>	<b>(14,59,27,046)</b>
<b>Cash Generated from Operations</b>	<b>17,17,11,783</b>	<b>2,80,18,820</b>
Direct Taxes (paid) / Refund (Net)	(25,72,121)	(31,22,455)
<b>Net Cash from Operating Activities</b>	<b>16,91,39,662</b>	<b>2,48,96,365</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(6,61,021)	(8,49,999)
Sale of/adjustment to Fixed Assets	32,00,000	25,055
Dividend Received	-	39,960
Interest Received	-	68,60,565
<b>Net Cash Flow from Investing Activities</b>	<b>25,38,979</b>	<b>60,75,581</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Long Term Borrowings	39,45,00,000	35,70,00,000
Repayment of Long Term Borrowings	(48,43,63,985)	(56,88,02,337)
Proceeds from issue of fresh equity	-	25,00,00,000
Expenses for increase in Authorised Share Capital	-	(18,76,700)
Interest paid	(8,14,20,923)	(8,52,54,402)
<b>Net Cash Flow (used in) Financing Activities</b>	<b>(17,12,84,908)</b>	<b>(4,89,33,439)</b>
<b>D. Net Increase in Cash and Bank Balances (A+B+C)</b>	<b>3,93,733</b>	<b>(1,79,61,493)</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>34,28,926</b>	<b>2,13,90,419</b>
<b>Cash and Cash Equivalents at the End of the period</b>	<b>38,22,659</b>	<b>34,28,926</b>
<b>Components of Cash &amp; Cash Equivalents</b>		
Cash on Hand	-	-
In Current Account	38,22,659	34,28,926
	<b>38,22,659</b>	<b>34,28,926</b>

Notes:

- The Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard - 3 on Cash Flow Statements notified under section 133 of the Companies Act 2013, read together with Paragraph 7 of the Companies (Accounts) Rules, 2014.
- Previous year's figures have been regrouped where necessary to confirm to this year's classification.

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

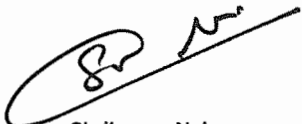
  
Anuj Jain  
Partner  
Membership No. 119140

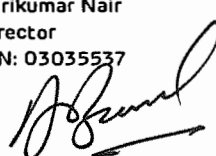


For and on behalf of the Board of Directors of  
Karnavati Aviation Private Limited

  
B. Ravi  
Director  
DIN: 00160891

  
Anish Shah  
Chief Financial Officer

  
Shrikumar Nair  
Director  
DIN: 03035537

  
Abhishek Bansal  
Company Secretary



Place : Ahmedabad  
Date : 26 APR 2016

Place : Ahmedabad  
Date : 26 APR 2016

**1 Corporate information**

Karnavati Aviation Private Limited ("KAPL") is in the business of providing Aviation services under the category of Non-schedule operator. KAPL is wholly owned subsidiary Company of Adani Ports and Special Economic Zone Limited. Presently, Company owns and operates three Aircrafts.

**2 Basis of Preparation**

The financial statements of the Karnavati Aviation Private Limited have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) to comply with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 and the relevant provisions of the 2013 Act, as applicable.

The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The net worth of the Company as on March 31, 2016 has completely eroded however Company is fully backed by the holding company for any financial support. Accordingly the accounts have been prepared on a going concern basis.

**2.1 Summary of Significant Accounting Policies****a) 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 year in which such revision is made.

**b) Current / Non current classification**

All the assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Revised Schedule III to the Companies Act, 2013. Based on the nature of activities and time between the activities performed and their subsequent realisation in cash or cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current / non-current classification of assets and liabilities.

**c) Inventories**

Stores, spares & consumables are valued at lower of cost or Net Realisable Value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

**d) Cash and Cash Equivalents (For Purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**e) Cash Flow Statements**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**f) Depreciation**

- i) Depreciation has been provided on life assigned to each assets in accordance with Schedule II of The Companies Act, 2013
- ii) Depreciation on addition on account of increase in Rupee value due to foreign exchange fluctuation is being provided at the rate of depreciation over the remaining 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.

**g) Revenue Recognition**

- i) Revenue is recognised to the extent it is probable that the economic benefit will flow to the company and revenue can be reliably measured.
- ii) Income from services is recognised based on the terms of the agreement as and when the services are rendered and are net of service tax.
- iii) Dividend is recognised when the share holders' right to receive payment is established on the balance sheet date.
- iv) Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**h) Tangible Fixed Assets**

- i) 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.
- ii) The cost comprises purchase price less discount/rebates, eligible borrowing costs and directly attributable cost of bringing the asset to its working condition for the intended use.
- iii) In line with Notification No. G.S.R. 225(E) dated March 31, 2009 (further amended by notification no. G.S.R.378 (E) dated 11.05.2011) issued by the Ministry of Corporate Affairs, Government of India, the Company has opted for adjusting the exchange differences, arising on long term foreign currency monetary items relating to acquisition of depreciable capital assets to the cost of the capital asset and to depreciate over the balance useful life of the
- iv) Any capital expenditure in respect of assets, the ownership of which would not vest with the Company, is charged off to revenue in the year of incurrence.

**i) Foreign Currency Translation****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 differences arising on long term foreign currency monetary items related to acquisition of a fixed assets are capitalized and depreciated over the remaining useful life of asset. All other exchange differences are recognized as income or as expenses in the period in which they arise.



**j) Employees Retirement Benefits****i) Defined Benefit Plan**

Gratuity with respect to defined benefit schemes are accrued based on actuarial valuations, carried out by an independent actuary as at the balance sheet date. These contributions are covered through Group Gratuity Scheme with Tata AIG Life Insurance Co Ltd and are charged against revenue.

**ii) Defined Contribution Plans**

Company's contribution to Provident Fund, Superannuation Fund, Employees' State Insurance Fund are determined under the relevant schemes and/or statute, charged to the Statement of Profit and Loss when incurred.

iii) Provision is made for leave encashment based on actuarial valuation carried out by an independent actuary as at the balance sheet date.

iv) Termination benefits, if any, are recognised as an expense as and when incurred.

**k) Investments**

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

**l) 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 its intended use. All other borrowing costs are charged to revenue.

**m) Segment Reporting**

In accordance with the Accounting Standard 17 - "Segment Reporting" as prescribed under Companies (Accounting Standards) Rules, 2006 (as amended) the Company has determined its business segment as Aviation services. Since there are no other business segments in which the Company operates there are no other primary reportable segments. Therefore, the segment revenue, results, segment assets, segment liabilities, total cost incurred to acquire segment assets, depreciation charge are all as is reflected in the financial statement.

**n) 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. 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.

**o) Leases**

The Company's significant leasing arrangements are in respect of leases for land (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.

**p) Earnings 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 (as amended). 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.

**q) Accounting for Taxation****i) Deferred Taxation**

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations, where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits. At each balance sheet date the Company reassesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtual certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized.

**ii) Current Taxation**

Provision for current taxation has not been made in the absence of taxable profit.

**r) Impairment**

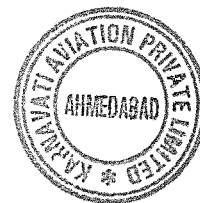
The carrying values of assets / cash generating units are reviewed for impairment at each balance sheet date. If any indication of impairment exists, the recoverable amount is estimated. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Statement of Profit and Loss in the period in which an asset is identified as impaired. The impairment loss, if any, recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**s) Provisions, Contingent Liabilities and Contingent Assets :**

Provision 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 recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**t) Expenditure**

Expenditures are accounted net of taxes recoverable, wherever applicable.



3 Share Capital	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
<b>Authorized shares</b>		
4,50,00,000 Equity Shares (Previous year 4,50,00,000 Equity Shares) of Rs. 10/- each	45,00,00,000	45,00,00,000
	<u>45,00,00,000</u>	<u>45,00,00,000</u>
<b>Issued, subscribed and fully paid-up shares</b>		
4,50,00,000 Equity Shares (Previous year 4,50,00,000 Equity Shares) of Rs. 10/- each fully paid up	45,00,00,000	45,00,00,000
<b>Total issued, subscribed and fully paid-up share capital</b>	<u>45,00,00,000</u>	<u>45,00,00,000</u>

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity Shares	As at March 31, 2016		As at March 31, 2015	
	Nos	Amt in Rs.	Nos	Amt in Rs.
At the beginning of the year	4,50,00,000	45,00,00,000	2,00,00,000	20,00,00,000
Issued during the year	-	-	2,50,00,000	25,00,00,000
<b>Outstanding at the end of the year</b>	<u>4,50,00,000</u>	<u>45,00,00,000</u>	<u>4,50,00,000</u>	<u>45,00,00,000</u>

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

c. Shares held by holding/ultimate holding Company and/or their subsidiaries/associates

Out of equity shares issued by the Company, shares held by its holding Company and its nominees are as below :

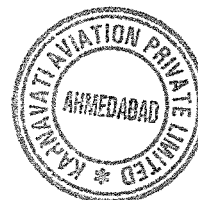
Name of Share Holder	As at March 31, 2016		As at March 31, 2015	
	Nos	Amt in Rs.	Nos	Amt in Rs.
<b>Adani Ports and Special Economic Zone Limited, the holding Company</b>	4,50,00,000	45,00,00,000	4,50,00,000	45,00,00,000
Equity shares of Rs. 10 each fully paid				

d. Details of shareholders holding more than 5% equity shares in the company

Name of Share Holder	As at March 31, 2016		As at March 31, 2015	
	Nos	% Holding	Nos	% Holding
<b>Adani Ports and Special Economic Zone Limited, the holding Company</b>	4,50,00,000	100.00%	4,50,00,000	100.00%
Equity shares of Rs. 10 each fully paid				

4 Reserves and surplus

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
<b>Surplus/(Deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	(43,54,61,673)	(36,05,35,000)
Depreciation charged to retained earning	-	(14,45,610)
Add : (Loss) for the year	(18,53,81,981)	(7,34,81,063)
<b>Net (Deficit) in the statement of Profit and Loss</b>	<u>(62,08,43,654)</u>	<u>(43,54,61,673)</u>
<b>Total reserves and surplus</b>	<u>(62,08,43,654)</u>	<u>(43,54,61,673)</u>



## 5 Long-term borrowings

	Non-current portion		Current maturities	
	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
Loans from holding Company (unsecured) ( Refer below note 3 )	1,53,85,00,000	1,42,90,00,000	-	-
<b>Term Loans</b>				
Foreign Currency Loans (Secured) ( Refer below note 1 & 2)	1,58,63,50,970	1,69,64,67,606	21,20,40,409	19,16,13,433
	<b>3,12,48,50,970</b>	<b>3,12,54,67,606</b>	<b>21,20,40,409</b>	<b>19,16,13,433</b>
Amount disclosed under the head "other current liabilities" (Refer note 9)			-21,20,40,409	-19,16,13,433
	<b>3,12,48,50,970</b>	<b>3,12,54,67,606</b>	-	-

1) Loan from Export Development Canada (Rs 56.23 crore) which carries interest @ of LIBOR + 425 basis point. The Loan is repayable in 20 Half yearly installments along with interest beginning from 27-04-2010. The Loan is secured by hypothecation of Aircraft Challenger 605.

2) Loan from Bank of America ( INR 123.61 crore) which carries interest @ LIBOR + 324 basis point. The Loan is repayable in 28 quarterly installments along with interest beginning from 30-05-2013. The Loan is secured by hypothecation of Aircraft Legacy - 650. Additionally It is secured by corporate guarantee of holding Company.

3) The company has taken loan from Adani Ports and Special Economic Zone Limited at Nil interest rate which is repayable by 31st May, 2017 which may be further extended on mutual terms, if required.

## 6 Deferred tax assets (net)

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
Deferred Tax Liability on Account of Depreciation Total	70,16,97,654	67,42,54,189
Deferred Tax Assets on Account of		
(i) Unabsorbed Depreciation & losses	92,47,29,073	84,23,51,536
(ii) Unpaid Leave encashment	14,57,308	10,67,282
(iii) Unpaid Gratuity	9,32,448	4,00,024
(iv) Unpaid Bonus	4,06,621	2,67,781
Total	92,75,25,450	84,40,86,623
<b>Net Deferred Tax Assets</b>	<b>22,58,27,796</b>	<b>16,98,32,434</b>

In accordance with the Accounting Standard 22, the net deferred tax assets are Rs 22,58,27,796/- ( Previous year Rs 16,98,32,434/-). Due to lack of virtual certainty for realisation of assets, deferred tax assets has been not been recognised.

## 7 Provisions

	Long Term		Short Term	
	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
Provision for gratuity ( Refer Note 24 )	26,94,157	91,653	-	10,64,153
Provision for leave benefits (Note - I)	29,70,835	21,47,238	12,39,820	9,36,501
Provision for Mark to Market	-	-	15,91,776	-
	<b>56,64,992</b>	<b>22,38,891</b>	<b>28,31,596</b>	<b>20,00,654</b>

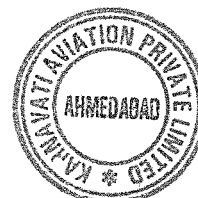
(Note-I : Bifurcation of provision for employee leave benefits between Long term and Short term provisions are based on Actuary report.)

## 8 Trade payables

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
<b>Trade payables</b>		
- Micro, Small and Medium Enterprises ( Refer note 27 )	-	-
- Other Trade Payables	2,48,05,922	2,64,06,251
	<b>2,48,05,922</b>	<b>2,64,06,251</b>

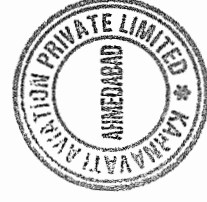
## 9 Other Current Liabilities

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
Interest Accrued but not due on borrowings	1,57,82,697	1,66,28,777
Current Maturities of Long Term Loans (Refer note 5)	21,20,40,409	19,16,13,433
Advance from Customers	-	30,708
Capital Creditors and other payables	39,610	4,134
<b>Statutory Liabilities</b>		
TDS Payable	42,91,264	22,81,137
PF Payable	3,57,657	3,37,714
Other Statutory Liabilities	13,450	4,562
	<b>23,25,25,087</b>	<b>21,09,00,465</b>



KARNAVATI AVIATION PRIVATE LIMITED  
Notes to the financial statements for the year ended March 31, 2016  
Note 10 - Fixed Asset

Particulars	Gross Block					Depreciation/Amortization			Net Block	
	As at April 1, 2015	Additions during the year	Deductions/(Adjustment) during the year	Adjustment for foreign Exchange	As at March 31, 2016	As at April 1, 2015	Provided during the year	Deductions/Adjustments during the year	As at March 31, 2016	As at March 31, 2016
<b>Tangible Assets</b>										
Building	17,05,030	-	-	-	17,05,030	17,05,030	-	-	17,05,030	-
Plant & Machinery	3,60,29,82,187	11,994	32,00,000	10,96,74,325	3,70,94,68,506	75,32,23,726	17,45,04,947	-	92,77,28,673	2,78,17,39,833
Furniture & Fixtures	1,89,632	-	-	-	1,89,632	85,128	23,642	-	1,08,770	80,862
Office Equipments	7,06,416	9,000	-	-	7,15,416	3,58,528	1,19,486	-	4,78,014	2,37,402
Computer Equipment	6,22,272	6,40,027	-	-	12,62,299	3,63,943	1,79,761	-	5,43,704	7,18,595
Vehicles	16,87,747	-	-	-	16,87,747	8,15,175	2,33,665	-	10,48,840	6,38,907
<b>Total</b>	<b>3,60,78,93,284</b>	<b>6,61,021</b>	<b>32,00,000</b>	<b>10,96,74,325</b>	<b>3,71,50,28,630</b>	<b>75,65,51,550</b>	<b>17,50,61,501</b>	<b>-</b>	<b>93,16,13,031</b>	<b>2,78,34,15,599</b>
Previous Year	3,52,66,28,067	3,18,181	37,800	8,09,84,836	3,60,78,93,284	58,62,81,927	17,02,82,348	12,745	75,65,51,530	2,85,13,41,754
<b>Intangible Assets</b>										
Software	5,31,818	-	-	-	5,31,818	57,407	1,06,364	-	1,63,771	3,68,047
<b>Total</b>	<b>5,31,818</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,31,818</b>	<b>57,407</b>	<b>1,06,364</b>	<b>-</b>	<b>1,63,771</b>	<b>3,68,047</b>
Previous Year	-	5,31,818,00	-	-	5,31,818	-	57,407,00	-	57,407	4,74,411
<b>Total</b>	<b>3,60,84,25,102</b>	<b>6,61,021</b>	<b>32,00,000</b>	<b>10,96,74,325</b>	<b>3,71,55,60,448</b>	<b>75,66,08,937</b>	<b>17,51,67,865</b>	<b>-</b>	<b>93,17,76,802</b>	<b>2,78,37,83,646</b>
Previous Year	3,52,66,28,067	8,49,999	37,800	8,09,84,836	3,60,84,25,102	58,62,81,927	17,03,39,755	12,745	75,66,08,937	2,85,18,16,165



**11 Non Current Investments**

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
<u>Unquoted Investments</u>		
Investment in National Saving Certificates (valued at cost) (Lodged with VAT authorities)	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

Note: NSC held in the name of one of the directors.

**12 Loans and advances**

(Unsecured, considered good)

	Non-Current		Current	
	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
Security Deposit	1,19,67,100	1,20,00,600	1,84,600	2,49,100
Advances recoverable in cash or in kind	16,57,534	-	61,84,217	1,34,18,388
Less:- Provision for doubtful advances			(57,00,090)	-
Loans & advances to employees	-	-	7,41,171	8,48,747
Prepaid Expenses	-	-	23,83,980	13,60,473
<b>(A)</b>	<u>1,36,24,634</u>	<u>1,20,00,600</u>	<u>37,93,878</u>	<u>1,58,76,708</u>
<u>Balances with Statutory/ Government authorities</u>				
Deposited against Demand in Dispute	-	-	35,00,000	35,00,000
Cenvat Receivable	-	-	13,08,823	98,473
Tax paid in Advance (Net of Provision)	2,57,06,199	2,31,34,078	-	-
<b>(B)</b>	<u>2,57,06,199</u>	<u>2,31,34,078</u>	<u>48,08,823</u>	<u>35,98,473</u>
<b>Total (A+ B)</b>	<u><b>3,93,30,833</b></u>	<u><b>3,51,34,678</b></u>	<u><b>86,02,701</b></u>	<u><b>1,94,75,181</b></u>

**13 Inventories**

(Valued at lower of cost and net realisable value)

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
Stores and spares	89,86,528	1,65,31,602
	<u>89,86,528</u>	<u>1,65,31,602</u>

**14 Trade receivables**

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good	29,49,89,505	29,91,62,900
Doubtful	67,07,892	87,97,567
	30,16,97,397	30,79,60,467
Provision for doubtful receivables	(67,07,892)	(87,97,567)
<b>(A)</b>	<u>29,49,89,505</u>	<u>29,91,62,900</u>
<b>Others</b>		
Unsecured, considered good	8,02,59,041	15,36,23,616
<b>(B)</b>	<u>8,02,59,041</u>	<u>15,36,23,616</u>
<b>Total (A + B)</b>	<u><b>37,52,48,546</b></u>	<u><b>45,27,86,516</b></u>

**15 Cash and cash equivalents**

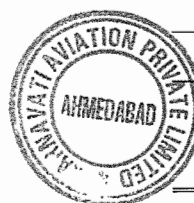
	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
<u>Balances with banks</u>		
In Current accounts	38,22,659	34,28,926
	<u>38,22,659</u>	<u>34,28,926</u>

**16 Other current assets  
(Unsecured, Considered Good )**

	As at March 31, 2016 Amt in Rs.	As at March 31, 2015 Amt in Rs.
Unbilled revenue	-	23,19,126
	-	<u>23,19,126</u>

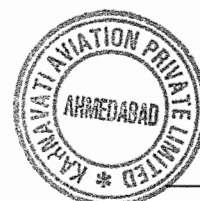
**17 Revenue from operations**

	For the Year ended March 31, 2016 Amt in Rs.	For the Year ended March 31, 2015 Amt in Rs.
Income from Air Craft Operations	38,92,16,529	46,74,05,879
	<u>38,92,16,529</u>	<u>46,74,05,879</u>





18 Other Income	For the Year ended March 31, 2016 Amt in Rs.	For the Year ended March 31, 2015 Amt in Rs.
Interest		
Income tax refund	6,16,364	-
Others	-	68,60,565
Dividend on current investment	-	39,960
<b>Other Non operating income</b>		
Liability no longer required written back	20	-
Expense claim received	-	1,21,43,991
	<b>6,16,384</b>	<b>1,90,44,516</b>
19 Operating Expense	For the Year ended March 31, 2016 Amt in Rs.	For the Year ended March 31, 2015 Amt in Rs.
Aircraft Fuel	5,25,48,084	9,68,62,265
Airport Charges	3,24,56,952	3,55,07,817
Aircraft Hiring Charges	3,28,25,537	40,28,927
Aircraft Running & Operating Expenses	53,66,184	62,57,754
Pilot Hiring Charges	18,94,014	30,68,438
	<b>12,50,90,771</b>	<b>14,57,25,201</b>
20 Employee benefits expense	For the Year ended March 31, 2016 Amt in Rs.	For the Year ended March 31, 2015 Amt in Rs.
Salaries, Wages and Bonus	5,34,28,336	5,76,22,261
Contribution to Provident Fund & Other Funds	23,50,075	19,74,029
Gratuity	15,38,351	6,87,313
Workmen and Staff Welfare Expenses	6,75,035	15,56,633
	<b>5,79,91,797</b>	<b>6,18,40,236</b>
21 Finance costs	For the Year ended March 31, 2016 Amt in Rs.	For the Year ended March 31, 2015 Amt in Rs.
Bank Guarantee & Commission Charge	32,84,071	32,46,487
Loan & Syndication Fees	-	29,11,697
Interest on Term Loan	7,72,69,987	7,73,97,630
Interest on Others	20,785	-
	<b>8,05,74,843</b>	<b>8,35,55,814</b>
Loss on Derivative/Swap Contracts	15,91,776	-
	<b>8,21,66,619</b>	<b>8,35,55,814</b>
22 Other Expense	For the Year ended March 31, 2016 Amt in Rs.	For the Year ended March 31, 2015 Amt in Rs.
Legal & Professional Fees	12,09,692	61,09,469
Travelling and Conveyance Expenses	86,95,409	82,73,846
Stores and Spares Consumed	2,25,16,371	88,65,431
<b>Repairs &amp; Maintenance Expenses</b>		
Aircraft	7,21,91,095	5,37,22,246
Computers	20,539	30,508
Buildings	6,745	9,711
Vehicles	74,095	1,43,687
Office Equipment	1,956	12,804
Others	22,76,415	20,15,395
Rent Expenses	16,75,619	18,62,283
Telephone & Internet Expenses	15,07,580	19,07,824
Rates & Taxes - Permission & License Fees	2,00,409	1,73,058
Printing, Stationery & Postage Expenses	3,34,521	3,45,874
Security Expenses	2,30,143	4,35,993
Office Expenses	12,76,021	14,25,826
Electricity Expenses	2,27,390	2,67,564
Miscellaneous Expenses	7,40,637	1,60,918
Insurance Expenses	83,72,606	1,07,87,675
Bad Debts/Advances written off	87,97,567	-
Provision for Doubtful Debt/ Advances	36,10,415	470
Foreign Exchange Fluctuation Loss	2,27,324	28,05,196
Advertisement & Publicity Expenses	4,32,976	4,65,084
<b>Payment to auditor</b>		
Audit Fee	85,000	35,000
Tax audit fee	15,075	15,000
Other services (certification fees)	72,242	45,200
	1,72,317	95,200
	<b>13,47,97,842</b>	<b>9,99,16,062</b>



## 23 Earnings per share (EPS)

	For the Year ended March 31, 2016	For the Year ended March 31, 2015
	Amt in Rs.	Amt in Rs.
<b>Total operations for the year</b>		
Loss after tax	(18,53,81,981)	(7,34,81,063)
Number of equity shares at the beginning of the year	4,50,00,000	2,00,00,000
Add : Weighted average no of equity shares issued during the year	-	10,27,397
Weighted average no of equity shares in calculating basic and diluted EPS	4,50,00,000	2,10,27,397
<b>Basic and diluted earnings per share (in rupees) (face value of Rs 10/ each)</b>	<b>(4.12)</b>	<b>(3.49)</b>

## 24 Details of employee benefits

1. The Company has recognised in the Statement of Profit and Loss for the current year, an amount of Rs. 18.73 lacs (Previous Year Rs. 15.77 lacs) as expenses under the following defined contribution plan.

	(Amt in Rs.)	
Contribution to	For the Year ended March 31, 2016	For the Year ended March 31, 2015
Contribution to Provident Fund	18,72,536	15,76,813
<b>Total</b>	<b>18,72,536</b>	<b>15,76,813</b>

2. The Company has a defined gratuity plan. Every employee gets a gratuity on separation at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Tata AIG Life Insurance Co Ltd in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

## Gratuity

## Profit and Loss Account

## a) Net Employee benefit expense (recognised in Employee Cost)

	(Amt in Rs.)	
Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Current Service cost	8,29,493	5,62,113
Interest Cost on benefit obligation	1,73,397	2,22,221
Expected return on plan assets	(81,199)	(1,03,865)
Actuarial loss / (gain) recognised in the year	6,16,660	6,844
<b>Net benefit expense</b>	<b>15,38,351</b>	<b>6,87,313</b>

## Balance Sheet

## b) Details of Provision for gratuity

	(Amt in Rs.)	
Particulars	As at March 31, 2016	As at March 31, 2015
Present value of defined benefit obligation	37,86,217	21,73,720
Fair value of plan assets	10,92,060	10,17,914
Surplus/(deficit) of funds	(26,94,157)	(11,55,806)
Net asset/ (liability)	(26,94,157)	(11,55,806)

## c) Changes in Present Value of the defined benefit obligation are as follows:

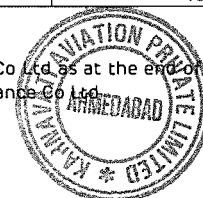
	(Amt in Rs.)	
Particulars	As at March 31, 2016	As at March 31, 2015
Defined benefit obligation at the beginning of the Year	21,73,720	23,69,093
Current Service cost	8,29,493	5,62,113
Interest Cost	1,73,397	2,22,221
Actuarial (gain) / loss on obligations	6,09,607	(14,341)
Benefits paid	-	(9,65,366)
Defined benefit obligation at the end of the Year	37,86,217	21,73,720

## d) Changes in Fair Value of Plan Assets are as follows:

	(Amt in Rs.)	
Particulars	As at March 31, 2016	As at March 31, 2015
Opening fair value of plan assets	10,17,914	11,93,852
Expected return	81,199	1,03,865
Contributions by employer	-	-
Benefits Paid	-	(2,58,619)
Actuarial gains / (losses)	(7,053)	(21,185)
Closing fair value of plan assets	10,92,060	10,17,914

## Note :

The present value of the plan assets represents the balance available with the Tata AIG Life Insurance Co Ltd as at the end of the year. The total value of Plan Assets amounting to Rs. 10.92 Lacs (Previous year Rs. 10.18 lacs) is as certified by the Tata AIG Life Insurance Co Ltd.



## e) The major categories of

Benefit Contribution to	2015-16 %	2014-15 %
Investments with insurers	100%	100%

The overall expected rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation has to be settled.

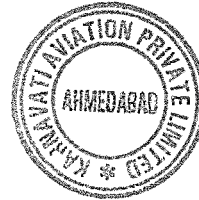
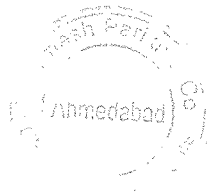
## f) The principal assumptions used in determining Gratuity obligations are as follows:

Particulars	Gratuity (Funded) As at March 31, 2016	Gratuity (Funded) As at March 31, 2015
Discount rate	7.90%	7.96%
Expected rate of return on plan assets	7.96%	7.96%
Rate of Escalation in Salary (per annum)	9.00%	8.50%
Attrition rate	10% for 4 years & below and 1 % thereafter	10% for 4 years & below and 1 % thereafter

The estimates of future salary increases considered in actuarial valuation and take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

## g) Amounts for the current and previous years are as follows:

Gratuity	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined benefit obligation	(37,86,217)	(21,73,720)	(23,69,093)	(11,20,067)
Plan Assets	10,92,060	10,17,914	12,00,484	5,63,349
Surplus / (deficit)	(26,94,157)	(11,55,806)	(11,68,609)	(5,56,718)
Experience adjustments on plan liabilities - Loss / (Gain)	2,97,903	(4,45,391)	12,69,689	(66,576)
Experience adjustments on plan assets Loss / (Gain)	(7,053)	(21,185)	31,983	(8,929)



KARNAVATI AVIATION PRIVATE LIMITED

Notes to Statement of Profit and Loss for the year ended March 31, 2016

25 Related Party Disclosures

The Management has identified the following entities and individuals as related parties of the Company for the year ended March 31, 2016 for the purposes of reporting as per AS 18 – Related Party Transactions, which are as under:

Criteria	Name of Company
<b>Holding Company</b>	Adani Ports and Special Economic Zone Ltd. (APSEZL)
<b>Fellow Subsidiary (APSEZL) (Companies with whom transaction has been done during the year)</b>	1. Adani Hazira Port Pvt Ltd 2. Adani Kandla Bulk Terminal Pvt Ltd 3. Adani Murmugao Port Terminal Pvt Ltd 4. Adani Vizag Coal Terminal Pvt Ltd 5. The Dhamra Port Company Ltd 6. Adani Ennore Container Terminal Pvt Ltd 7. Dhamra LPG Terminal Pvt. Ltd
<b>Entities under common significant influence</b>	1. Adani Power Ltd 2. Adani Enterprises Limited
<b>Key Management Personnel</b>	1. Mr. S. S. Bhatti 2. Mr. B. Ravi 3. Mr. Shrikumar Nair 4. Mr. Anish Shah 5. Mr. Abhishek Bansal

Aggregate of transactions for the year ended with these parties have been given below.

Amt in Rs.

Particulars	Holding Company	Significant Influence		Fellow Subsidiaries						
	Adani Ports and Special Economic Zone Ltd	Adani Enterprise Ltd	Adani Power Ltd	Adani Hazira Port Pvt Ltd	Adani Murmugao Port Terminal Pvt Ltd	Adani Kandla Bulk Terminal Pvt Ltd	Adani Vizag Coal Terminal Pvt Ltd	The Dhamra Port Company Ltd	Dhamra LPG Terminal Pvt. Ltd	Adani Ennore Container Terminal Pvt Ltd
<b>1. Services Rendered</b>										
2015-16	16,10,00,586	-	7,73,76,715	3,47,71,664	81,30,418	85,33,750	81,38,333	1,72,30,784	3,40,000	81,55,416
2014-15	11,35,40,567	-	16,41,14,520	3,27,01,249	-	2,22,32,499	-	-	-	-
<b>2. Fund Received</b>										
2015-16	39,45,00,000	-	-	-	-	-	-	-	-	-
2014-15	35,70,00,000	-	-	-	-	-	-	-	-	-
<b>3. Funds Given</b>										
2015-16	28,50,00,000	-	-	-	-	-	-	-	-	-
2014-15	39,00,00,000	-	-	-	-	-	-	-	-	-
<b>4. Share Issued</b>										
2015-16	-	-	-	-	-	-	-	-	-	-
2014-15	25,00,00,000	-	-	-	-	-	-	-	-	-
<b>5. Service Availed</b>										
2015-16	-	10,55,274	-	-	-	-	-	-	-	-
2014-15	-	11,09,874	-	-	-	-	-	-	-	-
<b>6. Balance O/s - Due From</b>										
As at 31-03-2016	8,52,70,986	-	26,80,85,315	-	-	10,450	-	-	-	-
As at 31-03-2015	2,06,28,458	-	36,83,27,464	1,96,93,283	-	1,26,13,688	-	-	-	-
<b>7. Balance O/s - Due To</b>										
As at 31-03-2016	1,53,85,00,000	2,66,498	-	-	-	-	-	-	-	-
As at 31-03-2015	1,42,90,00,000	2,38,254	-	-	-	-	-	-	-	-
<b>8. Balance - Guarantees &amp; Collateral Securities</b>										
2015-16	3,34,77,71,576	-	-	-	-	-	-	-	-	-
2014-15	3,19,20,00,000	-	-	-	-	-	-	-	-	-

Note:

\* Outstanding Bank Guarantees facilities of Rs 59.94 crore ( Previous Year Rs 59.94 crore ) have been availed from the Bank guarantee limit of Parent company, Adani Ports and Special Economic Zone Ltd.



## 26 The details of outstanding position of derivative instrument is as under:

Nature	As at		Purpose
	March 31, 2016	March 31, 2015	
Option contract	USD 15,82,816.46	Nil	Hedging of foreign currency borrowing principal liability of USD 1.58 Mn

The details of foreign currency exposures those are not hedged by a derivative instrument or otherwise are as under:

Nature	As at March 31, 2016		As at March 31, 2015	
	Amount	Foreign Currency	Amount	Foreign Currency
Foreign Currency Loan	1,69,35,21,875	USD 2,55,60,665	1,88,80,81,039	USD 3,02,09,297
Interest accrued but not due	1,57,82,697	USD 2,38,211	1,66,28,777	USD 2,66,060
Trade Payable	30,06,954	USD 45,385	8,69,761	USD 13,916

## 27 Management represents that, based on the information available, the company has not been informed by any supplier of being covered under the Micro, Small and Medium Enterprises Development Act 2006. As a result, no interest provision or payments have been made by the Company to such suppliers, if any and no related disclosures are made in these accounts.

## 28 Contingent Liabilities (to the extent not provided for)

## (a) Contingent Liabilities not provided for

(Amt in Rs.)

S.No	Particulars	As at 31-03-2016	As at 31-03-2015
a.	In terms 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 Hawker 850 XP 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.	29,34,30,972	29,34,30,972
b.	In terms of the Show Cause Notice issued by the Office of the Commissioner of Customs for a demand of Rs. 18.33 Crore along with applicable interest and penalty thereon for the differential amount of Customs Duty in respect of Import of Bombardier Challenger CI-600 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.	36,65,63,102	18,32,81,551
c.	Show cause notice received from Directorate General of Central Excise Intelligence for Non-Payment of Service Tax on Domestic Journey and on certain Foreign Service on reverse charge mechanism amounting to Rs. 3,03,74,964/-. In this matter Company had filed appeal with Commissioner of Service Tax & Company has also received order for the same. In reference to order passed by Commissioner of Service Tax, the Company has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal against Order of Commissioner for confirmation of tax liability of Rs.3,71,30,634/- (including Penalty). 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. The Company has paid Rs 35,00,000/- under protest.	3,71,30,634	3,71,30,634
d.	Bank Guarantee given to Deputy Commissioner of Customs for Import of Aircraft Legacy 650 under the Notification No. 12/2012 Sr. No. 453 customs condition no. 77 notified by the Govt. of India.	26,80,00,000	26,80,00,000

## (b) Capital Commitment

Particulars	As at March 31, 2016	As at March 31, 2015
Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for	-	-

## 29 Additional Information pursuant to the provisions of Revised Schedule III to The Companies Act, 2013 to the extent applicable:

## a) Expenditure in Foreign Currency (accrual basis)

(Amt in Rs.)

Particulars	For the Year ended March 31, 2016	For the Year ended March 31, 2015
Foreign Bank Charges	31,85,475	29,11,697
Travelling Expenses	39,29,786	-
Others	2,95,89,522	2,03,55,610
Interest	7,72,69,987	7,73,97,631
Repairs & Maintenance	4,32,99,570	3,68,70,994

## b) CIF value of imports

(Amt in Rs.)

Particulars	For the Year ended March 31, 2016	For the Year ended March 31, 2015
Stores, Spares & Capital Goods	1,90,99,746	6,59,98,005

## c) Imported and Indigenous stores and spares consumed

Particulars	For the Year ended March 31, 2016		For the Year ended March 31, 2015	
	Amount	%	Amount	%
Imported	1,85,13,262	82.22%	82,15,428	92.67%
Indigenous	40,03,110	17.78%	6,50,003	7.33%
Total	2,25,16,371	100.00%	88,65,431	100.00%

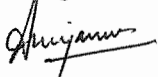
30 Other disclosure

In the opinion of the management and to best of their knowledge and belief the value under the head of Current and Non-current Assets (other than fixed asset and non-current investments) are approximately of the values stated, if realized in ordinary course of business, except unless stated otherwise. The provision for all known current liabilities is adequate and not in excess of amount considered reasonably necessary.

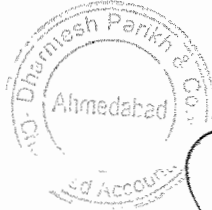
31 Previous year's figures

Previous year's figures have been regrouped wherever necessary to confirm to this year's classification.

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



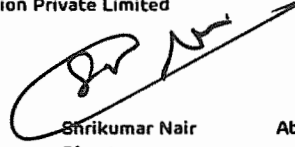
Anuj Jain  
Partner  
Membership No. 119140



For and on behalf of the Board of Directors of  
Karnavati Aviation Private Limited




B. Ravi  
Director  
DIN: 00160891



Shrikumar Nair  
Director  
DIN: 03035537



Abhishek Bansal  
Company Secretary



Anish Shah  
Chief Financial Officer



Place : Ahmedabad  
Date : 26 APR 2016

Place : Ahmedabad  
Date : 26 APR 2016