spicejet

flying for everyone

23rd Annual Report
2006-2007

SpiceJet Limited

Board of Directors

Mr. Ajay Singh

Mr. Atul Sharma

Mr. B. S. Kansagra

Mr. Baljit Sobti (upto 24.05.2007)
(alternate to Mr. R. S. Kansagra)

Mr. Hamed Ahmed Kazim (upto 14.03.2007)

Mr. Khaled Mohammad Ali Al Kamda (w.e.f. 24.05.2007)

Mr. Kishore Gupta

Mr. Mukkaram Jan

Mr. Osman Qureshi

Mr. R. S. Kansagra (upto 24.05.2007)

Mr. Siddhanta Sharma (Chairman)

Mr. Vijay Kumar

Compliance Officer

Mr. A. K. Maheshwary
Associate Vice President (Legal) & Company Secretary

Statutory Auditors

Walker, Chandiok & Co.
L-41, Connaught Circus
New Delhi-110001

Bankers

CITI Bank N.A.
HDFC Bank Ltd.
HSBC
ICICI Bank Ltd.
J&K Bank Ltd.
State Bank of Bikaner & Jaipur

Registrars & Share Transfer Agents

Karvy Computershare Pvt. Ltd.
Karvy House, 46, Avenue 4,
Street no. 1, Banjara Hills
Hyderabad-500034

Registered Office

Cargo Complex
Indira Gandhi International Airport
Terminal-I
New Delhi-110037

Corporate Office

319, Udyog Vihar
Phase-IV, Gurgaon, Haryana

Contents

spiceJet
flying for everyone

SpiceJet Limited

Regd. Office: Cargo Complex, Terminal-1, Indira Gandhi International Airport, New Delhi-110037

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SPICEJET LIMITED WILL BE HELD ON TUESDAY, THE 11TH DAY OF SEPTEMBER 2007 AT 12 NOON AT SRI SATYA SAI INTERNATIONAL CENTRE, PRAGATI VIHAR, LODHI ROAD, NEW DELHI – 110003 TO TRANSACT THE FOLLOWING BUSINESS :

Ordinary Business

1. To consider and adopt the Balance Sheet as at March 31, 2007, Profit and Loss Account for the period ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. To appoint a director in place of Mr. Atul Sharma, who retires by rotation and, being eligible, offers himself for re-appointment.

3. To appoint a director in place of Mr. Kishore Gupta, who retires by rotation and, being eligible, offers himself for re-appointment.

4. To appoint M/s Walker, Chandiok & Company, Chartered Accountants, retiring auditors, as the Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

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

   "Resolved that Mr. Osman Qureshi, in respect of whom the Company has received a notice pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing his candidature to the office of director, be and is hereby appointed as director of the Company liable to retire by rotation."

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

   "Resolved that Mr. Khaled Mohammad Ali Al Kamda, in respect of whom the Company has received a notice pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing his candidature to the office of director, be and is hereby appointed as director of the Company liable to retire by rotation."

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

   "Resolved that pursuant to Section 31 and other applicable provision of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered, amended, changed and modified as per the draft placed before this meeting.

   Resolved further that the Board be and is hereby authorised to take all steps for giving effect to this resolution including filing of these Articles of Association alongwith a copy of the amended Articles of resolution with the concerned authorities."

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

“Resolved that pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, (the Act), the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as “SEBI Guidelines”) or any statutory modification(s) or re-enactment of the Act or the SEBI guidelines, provisions of any other applicable laws or regulations and listing agreement(s) entered into by the Company with the stock exchanges where the securities of the Company are listed and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as the Board, which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), the consent of the Company be and is hereby accorded to the Board to introduce **“Employee Stock Option Scheme - 2007”** (hereinafter referred to as the **“ESOS - 2007”** or the **“Scheme”)** and to create, grant, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, whether in India or not (hereinafter referred to as “the Employees”) options exercisable into not more than 6,016,250 equity shares of Rs.10 each of the Company in aggregate, in one or more tranches, and on such terms and conditions as may be deemed fit by the Board in accordance with the provisions of the law or guidelines issued by relevant authority(ies).

Resolved further that in case of any corporate action(s) such as rights issues, bonus issues, merger, demerger, amalgamation, sale of division and any other form of corporate restructuring, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 6,016,250 equity shares of Rs.10 each shall be deemed to be increased to the extent of such additional equity shares issued in a manner that total value of the shares under the Scheme remains the same after the corporate action(s).

Resolved further that the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the Scheme and such Equity Shares shall rank pari passu in all respects with the then existing equity shares of the Company.

Resolved further that in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the Scheme shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs.10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

Resolved further that the Board be and is hereby authorised to take necessary steps for listing of the securities allotted under the Scheme on the stock exchanges where the securities of the Company are listed as per the provisions of the listing agreement(s) with the concerned stock exchanges, the guidelines and other applicable laws and regulations.

Resolved further that the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the Scheme as it may deem fit, from time to time in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws unless such variation, amendment, modification or alteration is detrimental to the interests of the present and future employees of the Company.

Resolved further that for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things (including delegation of authority to officers of the Company) as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Securities without requiring further consent or approval of the shareholders of the Company."

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

"Resolved that subject to approval of the Central Government and pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force), approval of the Company be and is hereby accorded to appoint Mr. Siddhanta Sharma as a Whole-time Director of the Company to be designated as "Executive Chairman" with effect from the date upon which the approval of Central Government is received upto March 31, 2009, on the terms and conditions, as set out in the Service Agreement dated July 30, 2007 executed between the Company and Mr. Siddhanta Sharma on the remuneration set out below:

(i) **Basic Salary:**	Rs.1,000,000 per month
(ii) **Bonus:**	Performance bonus at the end of financial year 2008 as approved by the Board of Directors.
(iii) **Perquisites & Allowances:**	(a) Housing Rent: Rs.100,000 per month.
	(b) Medical Reimbursement for actual expenses including hospitalisation insurance.
	(c) Leave Travel Concession at actuals for self, wife and one child (by Business Class).
	(d) Electricity charges at actuals at residence.
	(e) Telephone expenses (including residence) at actuals.
	(f) Provident Fund, Gratuity and leave encashment as per Company rules.
	(g) Provision for company maintained car with driver.
	(h) Entertainment and credit card payments (business related).
	(i) Employee Stock Option Scheme: One off lump sum grant and vesting of Options for 75,000 equity shares of the Company.

Resolved further that in the absence of or inadequacy of profits in any financial year, the above remuneration will be paid as minimum remuneration in terms of sub-section I (C) of Section II Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof, for the time being in force).

Resolved further that the Company Secretary, be and is hereby authorised to take appropriate action to apply for the approval of the Central Government to the appointment of and payment of remuneration to Mr. Siddhanta Sharma a Whole-time Director and take such steps as may be desirable to give effect to this resolution."

By order of the Board of Director

A. K. Maheshwary
Associate Vice President
(Legal) & Company Secretary

Place: Gurgaon, Haryana
Date: July 30, 2007

Notes :

1. Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of business under item no. 5 - 9 is annexed hereto.

2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. However, the instrument appointing proxy should be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the Annual General Meeting.**

3. The Register of Shareholder and Transfer Books of the Company will remain closed from 10.09.2007 to 11.09.2007 (both days inclusive).

4. Shareholders who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.

5. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on all working days, except Saturday/ Sunday and other holidays, between 1:00 p.m. and 3:00 p.m. upto the date of Annual General Meeting. A copy of proposed amendments in the Articles of Association can be obtained through post by writing to the Company Secretary at 319, Udyog Vihar, Phase-IV, Gurgaon-122016, Haryana.

6. Corporate shareholders/ Trusts/ Societies are requested to send a duly certified copy of the Board/ Managing Committee Resolution authorising their representative to attend and vote at the Meeting.

7. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

8. Shareholders desiring any information as regards the Accounts are requested to write to the Company in advance so as to enable the Management to keep the information ready at the Annual General Meeting.

9. Shareholders are requested to carry their copy of Annual Report in the Meeting as the Annual Report will not be distributed at the venue of AGM.

10. **Re-appointment of Directors :**
At the ensuing Annual General Meeting Mr. Atul Sharma and Mr. Kishore Gupta retire by rotation and are eligible for re-appointment. Information pertaining to these directors in terms of Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited is as follows :

a) **Mr. Atul Sharma,** aged about 51 years is a graduate in economics and law from Delhi University. He is highly respected member of the legal profession in India, specializing in Corporate and Civil matters. He has acted as consultant and advisor to various large Indian and multinational companies, Mr. Sharma was appointed as director on the Board of the Company with effect from November 27, 2000. He is a member of company's Audit Committee. Mr. Sharma is also a director on the board of Axis IT&T Limited and a member of its Audit Committee. Mr. Sharma does not hold any equity shares of SpiceJet Limited.

b) **Mr. Kishore Gupta,** aged about 47 years is a Science Graduate and fellow of the Institute of Cost and Works Accountants of India. He practices in the field of business and corporate advisory by profession and has extensive experience in business management. Mr. Gupta was appointed as director on the Board of the Company with effect from November 27, 2000. Mr. Gupta is a member of Company's Audit Committee. Mr. Gupta is also a director on the board of Royal Holdings Services Limited. Mr. Gupta does not hold any equity shares of SpiceJet Limited.

The Explanatory Statement for item nos. 5 - 9 to the accompanying Notice set out hereinabove is as under.

ITEM NO. 5 AND 6

In terms of the authority given by the shareholders at the extra-ordinary general meeting held on January 11, 2007 and pursuant to the Subscription Agreement dated February 9, 2007, the Company made allotment of 26,144,860 equity shares of Rs.10 each at price of Rs.52.69 per equity share to Istithmar PJSC (Istithmar). The shareholders, while approving this subscription, also approved grant of certain rights to Istithmar, as finalised in their Subscription Agreement. Accordingly, certain minority protection rights, including board representation were provided to Istithmar. Subsequently Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda were nominated as directors on the Board by Istithmar subject to provisions of Section 260 of the Companies Act, 1956 and Articles of Association of the Company, who shall be liable to retire by rotation and further subject to removal by Istithmar. Mr. Qureshi and Mr. Kamda hold office only upto the date of forthcoming Annual General Meeting of the Company and are eligible for appointment as directors. The Company has received notices under Section 257 of the Companies Act, 1956, in respect of both the candidates, proposing their appointment as directors of the Company, alongwith the requisite deposit.

(a) **Mr. Osman Qureshi** aged about 40 years holds a Master's degree in Political Science from Columbia University and a Bachelor's in History and Government from Lafayette College. He has over twelve years of private equity and investment banking experience and has previously worked for Emerging Markets Partnership, Lehman Brothers and CS First Boston. Mr. Qureshi was appointed on the Board of the Company with effect from March 14, 2007. Mr. Qureshi is also a Managing Director of Istithmar. Mr. Qureshi does not hold any equity shares of SpiceJet Limited.

(b) **Mr. Khaled Mohammad Ali Al Kamda** aged about 47 years holds a Master's degree in Business Administration from the Cranfield School of Management. Mr. Al Kamda has held various senior management positions during his 21 year career. Mr. Al Kamda was previously a Senior Vice President of Corporate Development for Emirates Group, where he was responsible for the company's mergers and acquisitions, foreign investments, and joint ventures. Prior to that, Mr. Al Kamda was a Senior General Manager at Emirates Airlines where he was responsible for all the commercial activities of the company for Middle East, Africa and the Commonwealth of Independent States (CIS). Furthermore, Mr. Al Kamda has served as Chairman of the Board of Directors of Emirates Hotels and Resorts, Chairman of Dubai Express Freight Works, and Board Manager of Arab Air Carriers Organization. Currently, he is the Vice Chairman of the Board of Directors of Tamweel, Dubai Islamic Bank, Nakheel, Limitless, Dubai Maritime City, Dubai Investments Park, and Emirates Post. Mr. Al Kamda was appointed on the Board of the Company with effect from May 24, 2007. Mr. Al Kamda does not hold any equity shares of SpiceJet Limited.

The Directors recommend the resolutions for your approval.

None of the Directors of the Company, except Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda are in any way concerned or interested in the resolution.

ITEM NO. 7

Amendments in the Articles of Association of the Company were approved by the members in the Extra-ordinary General Meeting held on September 30, 2005 giving customary minority protection rights including board representation and corporate governance covenants to enable private equity investment by Istithmar PJSC (Istithmar) in the Company pursuant to Shareholders and Subscription Agreement dated October 13, 2005. Istithmar made further equity investment in the Company pursuant to Subscription Agreement dated February 9, 2007 for issue and allotment of 26,144,860 equity shares. This new Subscription Agreement dated February 9, 2007 replaced the earlier agreement dated October 13, 2005 entered into with Istithmar. Consequently, the Articles of Association of the Company require further amendments to incorporate rights provided to Istithmar under the above mentioned new agreement.

The Directors recommend the resolution for your approval.

None of the Directors of the Company, except Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda, to the extent as nominees of Istithmar on the Board of the Company, are in any way concerned or interested in the resolution.

ITEM NO. 8

Your Company recognizes the critical role human capital plays in growth of the Company. Towards this, it is proposed to introduce the “Employee Stock Option Scheme-2007” (hereinafter referred to as the “ESOS-2007” or the “Scheme”) subject to the approval of the shareholders and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended (the “SEBI Guidelines”). The Board of Directors of your Company has constituted a Compensation Committee comprising of a majority of independent directors to formulate, implement and administer the ESOS-2007 in accordance with the SEBI Guidelines and other applicable regulations.

The approval of the shareholders is, therefore, being sought for issue of stock options to the employees of your Company under ESOS-2007.

The main features of the ESOS-2007 are as under:

(a) Total number of options to be granted

A total of 6,016,250 options shall be available for being granted to the Employees of the Company under the Scheme. The detailed terms of grant shall be formulated by the Board of Directors of the Company (the **“Board”** which expression includes any Committee thereof, including the Compensation Committee) and shall be subject to broad parameters of the Scheme to be approved by the shareholders. Each option when exercised will be converted into one equity share of Rs.10 each fully paid-up of your Company.

Lapsed vested options due to non-exercise or cancelled unvested options due to resignation of the employees or otherwise, will be available for re-grant at a future date. SEBI Guidelines require that in case of any corporate action(s) such as rights issues, bonus issues, merger, demerger, amalgamation, sale of division and any other form of corporate restructuring, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 6,016,250 equity shares of Rs.10 each shall be deemed to be increased to the extent of such additional equity shares issued in a manner that total value of the shares under the Scheme remains the same after the corporate action(s).

(b) Identification of classes of employees entitled to participate in the Employee Stock Option Scheme.

All permanent employees of the Company, including the Directors, as may be decided by the Compensation Committee from time to time, would be entitled to be granted stock options under the Scheme. However the promoters or persons belonging to the promoter group of the Company shall not be eligible under the Scheme.

(c) Requirements of vesting and period of vesting

There shall be a minimum period of one year between the grant of options and vesting of options. The Options granted shall vest so long as the employee continues to be in the employment of the Company or

Director continues as such. The Compensation Committee may, at its discretion, lay down certain criteria including, but not limited to, performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such criteria for vesting and the proportion in which options granted would vest subject to the minimum vesting period as specified above.

The stock options granted to an employee/ director will not be transferable to any person and shall not be renounced, pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee/ director, all the options granted to him till such date shall vest in legal heirs or nominees of the deceased employee/ director.

(d) Maximum period within which the options shall be vested

The options would vest not later than five years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.

(e) Exercise Price

The option would be granted at an exercise price of Rs.30 per equity share or such other price as may be decided by the Compensation Committee.

(f) Exercise Period and the process of Exercise

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.

(g) Appraisal Process for determining the eligibility of the employees to ESOS-2007

The appraisal process for determining the eligibility of the employees will be specified by the Compensation Committee, and will be based on criteria such as role/ level of the employee, past performance record, future potential of the employees, balance number of years of service until normal retirement age and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

(h) Maximum number of options to be issued per employee and in aggregate

The number of options that may be granted to an employee under the Scheme shall not exceed 1% of the issued equity capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

(i) Disclosure and Accounting Policies

The Company shall comply with the accounting policies prescribed under Clause 13.1 of the SEBI Guidelines and all other disclosure requirements and accounting policies prescribed as per the SEBI Guidelines and other applicable laws and regulations.

(j) Method of option valuation

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

The difference between the employee compensation cost so computed using Intrinsic Value and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report.

As the Scheme provides for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the shareholders is being sought pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Act and as per Clause 6 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Options to be granted under the ESOS-2007 shall not be treated as an offer or invitation made to the public for subscription in the securities of your Company.

The Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way, concerned or interested in the resolution except to the extent of securities that may be offered to them under the Scheme.

ITEM NO. 9

Salient terms and condition of the Service Agreement dated July 30, 2007 between the Company and Mr. Siddhanta Sharma are as under:

(1)	Period of Appointment	With effect from the date upon which the approval of Central Government is received upto March 31, 2009.
(2)	Details of remuneration	As provided in the resolution.
(3)	Termination	• Termination: Six months notice from either side. • Early Termination: All payments to be made till December 31, 2008 if terminated by the Company prior to December 31, 2008.
(4)	Duties	Shall perform such duties as from time to time be entrusted to him by the Board and exercise the powers and functions which from time to time follow by virtue of his designation as the Executive Chairman.

The information required in terms of Schedule XIII of the Companies Act, 1956 is as under:

I General Information:

(1)	Nature of Industry	Aviation		
(2)	Date of commencement of commercial operations	May 23, 2005		
(3)	Financial performance based on given indicators (Rs. In million except EPS)		**Ten months ended 31.03.2007 (Audited)**	**Quarter ended 30.06.2007 (Un-audited)**
		Total Revenue	7,482.79	3,114.17
		Net Profit	(707.43)	185.35
		EPS	(3.72)	0.77
(4)	Export performance and net foreign exchange collaborations	For the period ended March 31, 2007, the Company had foreign exchange earnings of Rs.1,020.83 million and has no foreign collaboration.		
(5)	Foreign investments or collaborators, if any	Total Foreign Direct Investment in the Company as on July 30, 2007 is Rs.3,041 million (including premium of Rs.2,254 million). The Company has no foreign collaborator.		

II	Information about the appointee
(1) Background details	Mr. Siddhanta Sharma is a Science Graduate, Fellow Member of the Institute of Chartered Accountants of India and an Associate of the Institute of Company Secretaries of India. He has held senior key positions in various reputed Indian and Multi-National Corporation. He has been on the Board of Directors of the Company since March 2001 and has been the Chairman of the Board since 2002. He has also been a member of Audit Committee, Share Transfer and Investors' Grievance of the Company. Mr. Sharma has played a key role in negotiating with very large number of creditors who had filed winding up petitions against the Company which helped in re-launch of commercial operations of the Company in May 2005 under the name of SpiceJet. Mr. Sharma has also been instrumental in inviting reputed overseas consultants to build a successful low cost airline model for the Company. Prior to joining the Company, Mr. Sharma has been responsible for setting various green fields ventures in India for multinationals engaged in variety of businesses. This includes setting up of a Greenfield distillery for Allied Domecq plc of UK and setting up of logistic chain for supply of premium commodities for a large UK based company.
(2) Past remuneration	Nil from the Company
(3) Recognition or awards	● Award for Excellence for setting up a Greenfield distillery of global standards, awarded by the Chairman of Allied Domecq plc, United Kingdom. ● Award for Excellence for enhancing the image of India as "Bhartiya Shiromani Puraskar" awarded by the Institute of Economic Studies. ● Nomination by NDTV for best start up airline. ● Certificate of Appreciation from 4Ps Business and Marketing Magazine
(4) Job profile and suitability	In the absence of Managing Director/ Manager, the Executive Chairman shall be responsible for substantial management of the Company subject to the superintendence, control and direction of the Board of Directors.The Board of Directors of the Company is of the view that Mr. Sharma is a suitable candidate for the proposed position.
(5) Remuneration proposed	As provided in the resolution.
(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	As per information available for the year ended March 31, 2006, the salary range for CEO/ COO/ VP-Engineering/ VP-Operations of country's largest private sector airline is Rs.13.5 million – Rs.16.7 million per annum.The Company had a turnover of Rs.7,482 million for 10 months

		period ended March 31, 2007 which is likely to increase to approx. Rs. 14,000 million for the financial year 2007-08. The Company presently employs over 1900 employees and flies around 350,000 passengers per month.The proposed position will be to head operations of the Company. Profile of Mr. Siddhanta Sharma has already been detailed above. Further, several highly qualified employees shall be reporting directly into the Executive Chairman.
	(7) Pecuniary relationship directly or indirectly with the Company, of relationship with the managerial personnel, if any	None.
III	**Other Information**	
	(1) Reasons of loss or inadequate profit	• Start-up airline coupled with rising fuel cost which accounts for 40-45% of the operating cost. • Mass entry of new operators due to which the airline is forced to operate at low yields.
	(2) Steps taken or proposed to be taken for improvement	Reduction and optimization of operational costs besides aiming for critical mass of operation.
	(3) Expected increase in productivity and profits in measurable terms	Our unit cost is expected to be lower than the previous year by 14% due to increase in the fleet size and various measures taken for cost control. Also there has been an increased focus to increase ancillary revenue from 1.6% to 3-4% of passenger revenue. Our passenger yields are expected to increase due to selection of high yield sectors after taking into consideration our historical data for all route performance.

The Directors recommend the resolution for your approval.

None of the Directors of the Company except Mr. Siddhanta Sharma are in any way, concerned or interested in the resolution.

The terms of appointment of Mr. Siddhanta Sharma, as stated in this notice, may be treated as the abstract under Section 302 of the Companies Act, 1956. The copy of Service Agreement dated July 30, 2007 between the Company and Mr. Siddhanta Sharma in respect of the appointment is available for inspection by members at the registered office of the Company during working hours on any working day.

By order of the Board of Director

A. K. Maheshwary
Associate Vice President
(Legal) & Company Secretary

Place: Gurgaon, Haryana
Date: July 30, 2007

DIRECTORS' REPORT

Dear Shareholders,

The Directors hereby present the Twenty Third Annual Report and the Audited Accounts for the period ended March 31, 2007.

1. Financial Results

(Amount in Rs. Million)

Particulars	**March 31, 2007**	**May 31, 2006**
Gross Income	**7,482.79**	**4,519.80**
Operating Expenses	6,441.10	3,783.73
Employee Remuneration and Benefits	855.00	479.73
Selling Expenses	279.56	231.74
Administrative and other Expenses	469.84	361.14
Finance Charges	42.65	41.64
Depreciation	58.47	81.58
Profit/ (Loss) before taxation	(663.82)	(459.76)
Prior Period Adjustments	(33.67)	58.68
Fringe Benefit Tax	(9.94)	(13.12)
Profit/ (Loss) after taxation	**(707.43)**	**(414.20)**

Total revenue of your company for the period under review registered a robust growth of 121% at Rs.7,482.79 million versus Rs.3,387.93 million for comparable period of 10 months of previous financial year, (Rs.4519.80 million in 12 months of financial year 2005-06.

On operating levels, the Company reported an income of Rs.6404.44 million and operating expenses of Rs.6441.10 million in spite of the fact that the reporting period does not include two peak travel months of April and May.

Explanations to various comments made by the Auditors in their Report to the shareholders are mentioned in the Notes to the Accounts, which forms part of the Balance Sheet for the ten month period ended March 31, 2007.

2. Business

The Company completed its second year of operations on May 23, 2007. During its second year of operations, the Company grew its fleet size to eleven aircraft covering 14 destinations and operating 83 flights daily. During the ten months period ended March 2007, the number of passengers flown has also increased by 95% to 2.61 million compared to 1.34 million in comparable previous period. The average load factor of 77% was recorded by the airline during the period under review with a market share of over 8%.

During the period under review, the Company doubled its average deployed fleet to 8.17 aircrafts versus 4.08 aircrafts for comparable previous year.

Apart from concentrating on the core revenue operations, your company has also initiated processes to generate ancillary revenues which in turn would reduce cost of operations. All through the period the primary focus of your airline has been cost reduction so as to extend maximum benefits to its passengers and stakeholders. The company has managed to improve the Net Revenue/ passenger to Rs.2,320 from Rs.2,209 in comparable previous year.

On positive feedback of passengers, your company has started sale of food on board. The Company has also integrated with Tata AIG Insurance Company Limited to commence travel insurance sales which was launched during May 2007.

3. Change of Financial Year and Accounting Treatment

The Board of the Company decided to change the financial year of the Company from June-May to April-March. Accordingly, the current financial results reflect the performance of the Company for ten months only and may not be comparable with full year results for the period ended May 31, 2006.

The Company has incorporated few changes in accounting policies during the period under review, details of which are as follows:

a) Leasehold Improvement of Aircrafts, classified under Fixed Assets, were fully written off, due to which losses are higher by 80.78 million.

b) Pilot Licence Fee, classified under Deferred Revenue Expenditure, were fully charged of to Employee costs, due to which Employee costs and Losses are higher by 99.52 million.

c) Free of Charge spares, classified under Unearned Incentives, were taken to Profit and Loss Account as one time credit, due to which Losses are lower by 87.50 million.

4. Employee Stock Option Scheme - 2007

The Company understands critical role employees play in growth of the Company and feels that the value created by its employees should be shared with them and to promote the culture of employee ownership in your Company, the Board of Directors of the Company decided to introduce the 'Employee Stock Option Scheme-2007 (ESOS 2007)' subject to the approval of the shareholders and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended. The Board of the Company has constituted a Compensation Committee comprising majority of independent directors to formulate, administer and implement the ESOS-2007 in accordance with the SEBI Guidelines and other applicable regulations.

5. Fleet Expansion

During the period under review the Company inducted five new aircraft to its fleet taking the total fleet strength to eleven aircraft. The airline plans to add eight more aircraft to its fleet by the end of year 2007.

During the month of April 2007, the Company has also exercised its option to purchase additional ten aircraft from the Boeing Company taking its total order size with Boeing to thirty aircraft. The aircraft are scheduled to be delivered during the year 2008 through 2011.

6. Increase in Share Capital

During the period under review, the Company made a preferential issue to Tata group, BNP Paribas, Istithmar PJSC and KBC Financial Products aggregating to 56,312,290 equity shares of Rs.10 each at a premium of Rs.42.69 per share. The Company raised over Rs.2,967 million through this preferential issue which will be utilised to fund the expansion program of the Company and its working capital requirements.

7. Dividend

In view of losses during the period under review, your Directors do not recommend any dividend.

8. Directors

Mr. Atul Sharma and Mr. Kishore Gupta retire by rotation in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda were appointed as additional director on the Board of the Company as nominees of Istithmar PJSC and shall hold office upto the date of ensuing annual general meeting. The Company has received notices under Section 257 of the Companies Act, 1956 proposing their candidature.

Mr. Siddhanta Sharma is proposed to be appointed as Whole-time Director, to be designated as Executive Chairman, with effect from the date of approval of the Central Government. An apporpriate resolution to this effect is being placed for approval of shareholders in the forthcoming Annual General Meeting.

9. Personnel

Information as required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However, as per provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the shareholders excluding the statement of particulars under Section 217 (2A). The Statement is open for inspection at the registered office of the Company during working hours and a copy of the same may be obtained by writing to the Company at its registered office.

10. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the operating management, confirm:

i. that in the preparation of the accounts for the period ended March 31, 2007, except otherwise disclosed, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. that except otherwise disclosed in the Notes to the Accounts, they 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 review period and of the profit or loss of the Company for that period;

iii. that, except otherwise disclosed in the Notes to the Accounts, they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that they have prepared the accounts for the period ended March 31, 2007 on a going concern basis.

11. Conservation of Energy & Technology Absorption

Particulars as required under section 217(1) (e) of the Companies Act, 1956, relating to conservation of energy and technology absorption are not applicable for the year under review, and hence not furnished.

12. Foreign Exchange Earnings & Outgo

The Company had foreign exchange earnings of Rs.1,020.83 million while the outgoings were Rs.2,427.60 million during the period under review.

13. Deposits/ Borrowings

The Company has not accepted any deposit under provisions of Section 58A of the Companies Act, 1956 during the period under review.

14. Auditors

M/s Walker Chandiok & Co., auditors of the Company will retire at the forth coming Annual General Meeting. The Company has received letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956. On recommendation of the Audit Committee, the Board in its meeting held on May 24, 2007 proposed their name for re-appointment. You are requested to consider their appointment.

15. Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd., Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding Compliance with the Code of Corporate Governance are made part of the Annual Report.

16. Information as required under the listing agreement

Shares of the company are presently listed at Bombay Stock Exchange Limited, P. J. Towers, Dalal Street, Mumbai and the company has paid listing fee upto March 31, 2008 in respect of above stock exchange.

17. Acknowledgement

The Directors thank all government, regulatory bodies and shareholders for their consistent support in the process of successful launch and smooth airline operations of the Company. The Directors also sincerely acknowledge the dedication and commitment of Company's staff at all levels, without whom the Company would not have attained such great heights within two years of its operations.

For and on behalf of the Board
Sd/-
Siddhanta Sharma
Chairman

Place: Gurgaon, Haryana
Date: July 30, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Company had a fleet of five aircraft at the start of the fiscal, which was scaled up to 11 aircraft by the fiscal end. All the six new aircraft acquired are the new generation Boeing 737 – 800. The airline carried over 2.61 million guests during June 2006 to March 2007, and enjoyed a market share of over 8%. The ethos of the Company is to offer lowest air fares to its guests and provide safe, reliable and quality service of flying them between two points.

SpiceJet currently operates 83 flights daily to 14 destinations, offering connectivity between metros and non-metros. The Company boasts of Flight Dispatch Reliability of 99.5% which is higher than the Boeing global average.

Strengths

Following a typical Low Cost Carrier (LCC) business model, on the lines of the most successful LCCs globally, SpiceJet boasts of having the lowest cost per unit amongst Indian LCCs. This has been achieved by maintaining a standard aircraft type (B737 – 800) with identical seat configuration in a single cabin, engines and other maintenance equipment. Hence commonality of aircraft spares and training for crew and engineers also substantially contributes to reduced costs. It is this cost advantage that we pass on to our customers for them to avail of our consistent and year round low fares.

SpiceJet has partnered some of the best names globally like Honeywell, Weber Seats, etc. All this ensures an impeccably well maintained fleet which therefore results in highest safety standards, besides an on-time performance record which is amongst the best in the Indian skies.

SpiceJet has invested heavily into IT towards delivering best in class service levels to its customers and partners, as also providing the Management with MIS and other inputs, which in turn facilitate to deliver the best end product/ service. For our Reservations, Call centre and Departure Control System we subscribe to the state-of-the-art Navitaire system, used by most successful LCCs globally.

Our aircraft utilization is amongst the highest in India, while the turn-around time at airports is the lowest. This delivers efficiencies resulting in excellent asset management.

Competition and Threats

There are three major threats to the entire aviation industry in India; a) Much higher capacity than demand; b) Fuel prices, and c) Airport infrastructure.

Currently there are eight scheduled airlines in the domestic market in India, four of which are LCCs including SpiceJet. The full service carriers are also competing on low fares with the LCCs since the demand-supply imbalance is getting worse every month.

Most airlines are operating below cost, and hence their financial results - which are in the red. This in turn puts more pressure on yields, thereby causing all airlines to lower fares beyond the threshold levels.

Yet another area of concern is the infrastructural constraints at major airports. There are practically no slots (for landing/take-off of aircraft) available at these airports for any new services to be launched. Hence the connectivity to these airports suffer, besides inconveniencing our aircraft rotations.

For existing services there is terrible traffic congestion leading to increased fuel spend and an increased and wasteful aircraft utilization.

Opportunity and Outlook

With domestic air travel having grown 42% over the last one year, which is the highest recorded anywhere in the world, the forecast for air travel in India is robust – likely to grow 25% year-on-year for the next 3 years. This therefore means excellent demand, which has been induced primarily by low cost airlines enticing train travellers to fly at similar fares. However, the supply of air capacity is exceeding demand. The total increase in domestic capacity being added every month is 3.5 aircraft until end of 2007; thus exceeding demand by 10%. The economic cycle in such a scenario typically drives towards consolidation in any industry – something India has recently witnessed by way of merger of two private full service carriers and also two state owned full service carriers. While these are positive indicators of a maturing industry, more must happen for all existing players to remain profitable in the long run.

Spicejet, having a fundamentally sound business model, is heading towards a break-even during Quarter 1 of 2007-08 financial year – the 1st by any new entrant in India. SpiceJet will add 8 brand new aircraft to its fleet of 11 by March 2008. These will include five B737-900ER aircraft with a seat capacity of 212. This aircraft will be the largest capacity aircraft in the Indian domestic skies. The next rounds of confirmed aircraft acquisitions will happen during April 2008 thru March 2011, by when the total fleet strength will stand at 35 aircraft, with an option of 10 more.

The fact that this kind of expansion has been planned, despite the current competitive environment in India, as outlined above, only goes to prove the absolute control on costs and best management practices that SpiceJet follows.

Human Resources

This has been a year where the challenges of recruiting large number of frontline operation staff were met on time, with the coming of several new aircraft. This was achieved despite the demand for such Talents having spiked quite suddenly and the resultant shortage. The Company today has 1850 employees.

The industry was witness to attrition across companies and across levels of more than 30% where SpiceJet was able to maintain a level of attrition of about 19% across levels, for the full year. It was also a year of consolidation for the Company where several processes alongwith certain parts of Organisation and Compensation structures were reviewed and streamlined keeping in mind long term sustainability and rigour. Employee events around Employee Engagement and communication initiatives were intensified and Organisation-wide initiative carried out for aligning Organisation Vision and bringing about a performance focus. During this period an introduction was done to Variable Pay in the pay structure of certain functions, as a first step to eventually introducing it across the Company.

CORPORATE GOVERNANCE

1. Brief Statement on Company's Philosophy on Code of Corporate Governance

The Company believes in adopting best corporate practices for ethical conduct of business. In its stride for achieving the best corporate governance, the Company has already formed the mandatory committees as required under Companies Act, 1956/ listing agreement.

2. BOARD OF DIRECTORS

(a) Composition

The policy of the company is to have an appropriate mix of independent and non-independent directors to maintain the independence of the board. During the financial period 2006-07, the board consisted of all non-executive directors. The Board of Directors of the Company consisted of following directors as on March 31, 2007, categorised as indicated:

Category	Name of Director
Chairman	Mr. Siddhanta Sharma
Promoter Nominee	Mr. B. S. Kansagra Mr. R. S. Kansagra
Independent	Mr. Kishore Gupta Mr. Mukkaram Jan Mr. Vijay Kumar
Investor Nominee	Mr. Osman Qureshi (representing Istithmar PJSC)
Non-Independent	Mr. Ajay Singh Mr. Atul Sharma
Alternate	Mr. Baljit Sobti (alternate to Mr. R. S. Kansagra)

Notes:

1. Mr. R. S. Kansagra and Mr. Baljit Sobti have ceased to be directors in the Company with effect from May 24, 2007.
2. Mr. Khaled Mohammad Ali Al Kamda was appointed as nominee director of Istithmar PJSC with effect from May 24, 2007.
3. Mr. Siddhanta Sharma, who was earlier non-executive director, has been appointed as a Whole-time Director and designated as Executive Chairman at the Board Meeting held on July 30, 2007. This appointment is subject to approval of the Central Government and will be effective from the date of such approval.

(b) Number of Board Meetings

The Board meets at least once a quarter to review the quarterly results and other items on the agenda and also on the occasion of the annual general meeting. During the period under review, eleven (11) board meeting were held on June 27, 2006; August 2, 2006; September 25, 2006; September 29, 2006; October 27, 2006; December 11, 2006; December 29, 2006; January 11, 2007; February 9, 2007; March 14, 2007 and March 30, 2007.

The table below sets out details of attendance, other directorships, committee memberships/ chairmanships of directors :

Name of Director	Attendance		No. of directorships and committee memberships/ chairmanships		
	Board Meetings	Last AGM	Other directorships[1]	Committee memberships	Committee Chairmanships
Mr. Ajay Singh	5	Absent	3	-	1
Mr. Atul Sharma	10	Present	1	3	-
Mr. B. S. Kansagra	4	Absent	14	1	-
Mr. Baljit Sobti[2]	2	Absent	2	-	-
Mr. Hamed Ahmed Kazim[3]	-	Absent	-	-	-
Mr. Kishore Gupta	11	Present	1	2	-
Mr. Mukkaram Jan	1	Absent	16	-	2
Mr. Osman Qureshi[3]	5	Absent	1	-	-
Mr. R. S. Kansagra[2]	-	Absent	12	-	-
Mr. Siddhanta Sharma[4]	11	Present	1	2	-
Mr. Vijay Kumar	1	Absent	1	1	-

Notes:

1. Includes directorship in foreign / private companies other than the Company.
2. Mr. R. S. Kansagra ceased to be director with effect from May 24, 2007 and accordingly Mr. Baljit Sobti, alternate to Mr. R. S. Kansagra, has also ceased to be a director.
3. Mr. Hamed Ahmed Kazim ceased to be director of the Company with effect from March 14, 2007. Upto March 14, 2007 Mr. Osman Qureshi was acting as alternate to Mr. Hamed Ahmed Kazim and all Board meetings attended by Mr. Osman Qureshi during the period under review were in his capacity as alternate to Mr. Hamed Ahmed Kazim.

   Mr. Osman Qureshi has now been nominated by Istithmar PJSC as its representative with effect from March 14, 2007.
4. Mr. Siddhanta Sharma, who was earlier non-executive director, has been appointed as a Whole-time Director and designated as Executive Chairman at the Board Meeting held on July 30, 2007. This appointment is subject to approval of the Central Government and will be effective from the date of such approval.

(c) Board Procedure

The Agenda for the Board Meeting is circulated in advance to the Board members. The items in the Agenda are supported by comprehensive background information to enable the members take appropriate decisions. In addition to information required under Annexure 1A to Clause 49 of the listing agreement, the Board is also kept informed of major events/ items and approvals are taken wherever necessary. The Chairman at the Board keeps the Board apprised of overall performance of the Company.

(d) Code of Conduct

The Company has formulated and implemented the Code of Conduct (the Code) for board members and senior management persons. The Code has been posted on the website of the Company. All the Board members and senior management persons have affirmed compliance with the Code. A declaration to this effect signed by CEO/ CFO with regard to the Code forms part of CEO/ CFO certification which is provided elsewhere in the Annual Report.

(e) Transactions with non-executive Directors

The Company made a payment of Rs.4.6 million to Link Legal, Advocates towards legal and professional charges during the period under review in which Mr. Atul Sharma is a partner.

No remuneration was paid to any of the directors during the period ended March 31, 2007.

However, Mr. Siddhanta Sharma, who was earlier non-executive director, has been appointed as a Whole-time Director and designated as Executive Chairman at the Board Meeting held on July 30, 2007. This appointment is subject to approval of the Central Government and will be effective from the date of such approval. The table below sets out the details of remuneration proposed to be paid to him :

(i)	**Basic Salary :**	Rs.1,000,000 per month
(ii)	**Bonus :**	Performance bonus at the end of financial year 2008 as approved by the Board of Directors.
(iii)	**Perquisites & Allowances :**	(a) Housing Rent: Rs.100,000 per month. (b) Medical Reimbursement for actual expenses including hospitalisation insurance. (c) Leave Travel Concession at actuals for self, wife and one child (by Business Class). (d) Electricity charges at actuals at residence. (e) Telephone expenses (including residence) at actuals. (f) Provident Fund, Gratuity and leave encashment as per Company rules. (g) Provision for company maintained car with driver. (h) Entertainment and credit card payments (business related). (i) Employee Stock Option Scheme: One off lump sum grant and vesting of Options for 75,000 equity shares of the Company.
(iv)	**Period of Appointment:**	With effect from the date upon which the approval of Central Government is received upto March 31, 2009.
(v)	**Termination:**	• Termination: Six months notice from either side. • Early Termination: All payments to be made till December 31, 2008 if terminated by the Company prior to December 31, 2008.

(f) Shares held by Non-Executive Directors

The table below sets out list of directors holding shares in the Company as on March 31, 2007:

Name of Director	Shareholding	Percentage
Ajay Singh	10,000,000	4.16%
Siddhanta Sharma	1,000	-

3. AUDIT COMMITTEE

(a) Terms of Reference

The Audit Committee was originally constituted on June 1, 2001, and has been re-constituted effective April 24, 2007. The Committee monitors the integrity of the financial statements of the Company, including its annual reports, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues in order to achieve credible disclosures and transparency. The envisaged role of the Committee includes, inter-alia, monitoring financial reporting process, reviewing company's financial and risk management policies and review of accounting policies and systems.

(b) Number of Audit Committee meetings

During the period under review, five (5) meetings were held on June 27, 2006; July 31, 2006; September 29, 2006; December 29, 2006 and March 30, 2007.

c) Composition

The Audit Committee comprises of four directors. The table below sets out the composition and attendance at the Audit Committee meetings as on March 31, 2007:

Name of Member	Number of Committee Meetings attended
Atul Sharma	5
B. S. Kansagra[1]	1
Kishore Gupta[2]	5
Siddhanta Sharma[1]	5

Notes:

1. Mr. B. S. Kansagra and Mr. Siddhanta Sharma have ceased to be members w.e.f. April 24, 2007.
2. Mr. Mukkaram Jan has replaced Mr. Kishore Gupta as Chairman of the Committee with effect from April 24, 2007.

4. INVESTOR RELATIONS COMMITTEE

a) Terms of Reference

The Committee was originally constituted on June 1, 2001 with the name of Share Transfer and Investors' Grievance Committee and has been re-constituted effective April 24, 2007. The Committee focuses on investors' relation and the envisaged role of include, inter-alia, transfer of shares, redressal of complaints and other investors' related matters.

b) Number of Investor Relations Committee meetings

During the period under review, four (4) meetings were held on June 27, 2006; September 29, 2006; December 29, 2006, and March 30, 2007.

c) **Composition**
The Investor Relations Committee comprises of three directors. The table below sets out the composition and attendance at the Investor Relations Committee meetings as on March 31, 2007 :

Name of Member	Number of Committee Meetings attended
Atul Sharma[1]	4
Kishore Gupta[1]	4
Siddhanta Sharma	4

Notes:

1. Mr. Atul Sharma and Mr. Kishore Gupta have ceased to be members with effect from April 24, 2007.
2. Mr. B. S. Kansagra and Mr. Vijay Kumar have been appointed as members with effect from April 24, 2007.
3. Mr. B. S. Kansagra has replaced Mr. Atul Sharma as Chairman of the Committee with effect from April 24, 2007.

Mr. A K Maheshwary, Company Secretary, is the Compliance Officer.

In all 328 letters/ complaints were received and replied/ redressed to the satisfaction of shareholder during the period June 2006-March 2007.

There were no dematerialisation requests pending for approval as on March 31, 2007.

5. COMPENSATION COMMITTEE

a) **Terms of Reference**
The Compensation Committee was constituted on May 24, 2007, comprising majority of independent directors to formulate, administer and implement the Employee Stock Option Scheme in accordance with the SEBI Guidelines and policies relating to payment of remuneration to directors.

b) **Number of Compensation Committee meetings**
As this Committee was constituted on May 24, 2007 no such meeting was held during the period under review.

c) **Composition**
The Compensation Committee comprises of four directors viz. Mr. Atul Sharma, Mr. Mukkaram Jan, Mr. Kishore Gupta and Mr. Vijay Kumar.

Mr. Mukkaram Jan is the Chairman of the Committee.

6. Risk Management
The Company has laid down procedures to inform Board members about risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management is controlling risks through properly defined framework.

The System of risk assessment and follow-up procedure is in place. However, considering the future expansion plan and recommendation of the Audit Committee, the same is currently being enhanced with external professional assistance.

7. Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is provided elsewhere in the Annual Report.

8. Disclosures regarding appointment or re-appointment of directors

Resumes are provided in the Notice of the 23rd Annual General Meeting.

9. General Body Meetings

Details of last three general body meetings are as follows:

General Body Meeting	Date	Time	Venue	Special Resolution Passed
20th AGM	July 29, 2004	4.00 p.m.	Air Force Auditorium, Subroto Park, New Delhi-110010	NA
21st AGM	November 29, 2005	11.30 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110010	Amendments to Articles of Association
22nd AGM	November 30, 2006	3.30 p.m.	Air Force Auditorium, Subroto Park, New Delhi-110010	Investment by FIIs as per FEMA/ RBI regulations

During the period June 2006 – March 2007 no resolution was put to vote through postal ballot. Further no resolution is proposed to be passed through postal ballot.

10. Disclosures

(a) Disclosures on materially significant related party transaction i.e. transaction of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:

None of the transactions with any of the related parties, if any, were in conflict with the interest of the Company.

(b) Details of non-compliance by the company, penalties, and strictures imposed on the company by stock exchanges or SEBI or any statutory authority, on any matters related to capital markets, during the last three years :

No such penalties imposed by any authority.

(c) Subject to comments hereinafter, the Company fully complies with the mandatory requirements under Clause 49 of the listing agreement. Adoption of other non-mandatory requirements as per Clause 49 is under consideration of the Board.

(i) In the absence of Chief Executive Officer, the Board has specifically authorised the Non-executive Chairman of the Board for required CEO certification under Clause 49 of the listing agreement.

(ii) Pending finalization of Board structure, the Audit Committee comprised of half of the members as independent directors for the period under review. Effective April 24, 2007 two-third of the members of audit committee are independent directors.

11. Means of Communication

(a) Quarterly Results

Quarterly un-audited results are sent to the exchange for the information of the shareholder. The results are normally published in Financial Express and Jansatta. The results of the Company are also displayed on the official website of SEBI (www.sebi.gov.in) and BSE (www.bseindia.com)

(b) News Releases

All the press releases of the Company are sent to BSE for dissemination to shareholders and are subsequently displayed on the website of the Company at www.spicejet.com.

12. Auditors Certificate on Corporate Governance

As required under Clause 49 of the Listing Agreement, the auditors' certificate is given as an annexure to the Directors' Report.

13. CEO/ CFO Certification

In the absence of CEO, the Board has specially authorised the Non-Executive Chairman of the Board for required certification. Accordingly, the Non-Executive Chairman and CFO Certification are provided elsewhere in the Annual Report.

14. General Shareholder Information

Venue, date and time of the 23rd Annual General Meeting	Sri Satya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi – 110003 on September 11, 2007 at 12 noon.		
Book Closure date	10.09.2007 to 11.09.2007 (both days inclusive)		
Dividend payment date	Not Applicable		
Financial Calendar (tentative)			
Results for quarter ending Jun 2007	Last week of Jul 2007		
Results for quarter ending Sep 2007	Last week of Oct 2007		
Results for quarter ending Dec 2007	Last week of Jan 2008		
Results for quarter ending Mar 2008	Last week of Apr 2008		
Listing on Stock Exchanges and codes		BSE (shares)	LuxSE (Bonds)
	Exchange Code	500285	023415275
	Reuters Code	SPJT.BO	
	Bloomberg Code	SJET	
ISIN in NSDL and CDSL for shares	INE285B01017		
ISIN in Euroclear and Clearstream for Bonds	XS0234152758		
Listing fee for 2007-08	Paid for all the above stock exchanges		

15. Market Price Data*

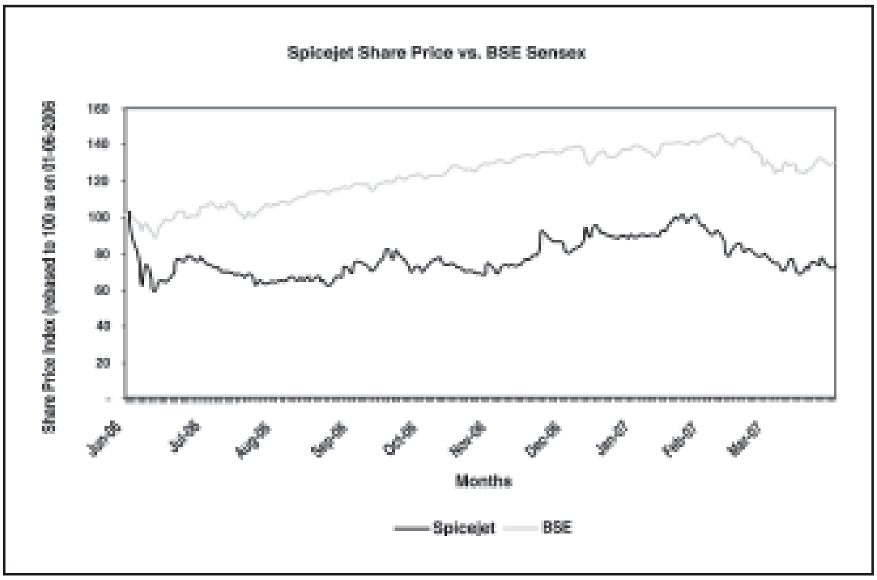
The market capitalisation of the Company is included in the computation of BSE 200 and BSE MIDCAP Index. The table below sets out the monthly high and low quotations of the shares traded at Bombay Stock Exchange Limited during the period under review:

Date	High Price (Rs.)	Low Price (Rs.)
June 2006	66.40	35.20
July 2006	48.95	38.05
August 2006	45.60	37.50
September 2006	54.70	41.80
October 2006	48.40	40.70
November 2006	58.75	42.05
December 2006	64.00	48.70
January 2007	62.80	53.65
February 2007	60.00	42.00
March 2007	49.90	40.75

* Source: www.bseindia.com

16. Performance in comparison to broad-based indices - BSE Sensex

Chart below sets out SpiceJet price performance relative to BSE Sensex based on daily closing values during June 1, 2006 to March 31, 2007.



The stock price performance shown in the graph above should not be considered indicative of potential future stock price performance.

17. Registrar and Transfer Agents - Shares

Karvy Computershare Private Limited
'Karvy House', 46 Avenue 4,
Street No. 1, Banjara Hills
Hyderabad - 500 034
www.karvy.com

18. Principal Paying and Conversion Agent and Transfer Agent - USD 80 million Zero Coupon Convertible Bonds

The Bank of New York
48th Floor, One Canada Square
London E14 5AL
United Kingdom

19. Share Transfer System

The shares of the Company are traded in compulsory demat segment. However share transfers which are received in physical form are processed and the share certificate are returned within 25 to 30 days from the date of receipt, provided the documents submitted are valid and complete in all respect.

20. Shareholding pattern as on March 31, 2007

S. No.	Category	Total Shares	% To Equity
1	Banks	295,105	0.12%
2	Bodies Corporate	55,162,673	22.92%
3	Directors	10,000,000	4.16%
4	Foreign Companies	32,296,876	13.42%
5	Foreign Institutional Investors	46,410,521	19.29%
6	Mutual Funds	11,712,318	4.87%
7	Non Resident Indians	24,560,909	10.21%
8	Overseas Corporate Bodies	3,229,500	1.34%
9	Promoters	31,077,500	12.91%
10	Resident Individuals	25,821,692	10.73%
11	Others	84,106	0.03%
	TOTAL	**240,651,200**	**100.00%**

21. Dematerialisation of shares and liquidity

Over 91% of the outstanding shares have been dematerialized upto March 31, 2007. The Shares of the Company are listed at BSE only where they are actively traded.

22. Outstanding GDR/ Warrants and Convertible Bond

Foreign Currency Convertible Bonds (FCCB)
Brief terms of the FCCBs issued in 2005-06 are as under:

Total Issue Size	US$ 80 million
Face Value	US$ 100,000 each
Conversion Price	Rs.57 per equity share
Conversion Period	Between December 7, 2005 and November 11, 2010
Conversion during June 06 – March 2007	NIL
Utilisation of FCCB proceeds	The proceeds received by the Company has been utilised to make non-refundable pre-delivery payments to the Boeing Company to acquire 10 new aircraft.

23. Plant Locations
The Company does not have plant location. The Company has offices at Ahmedabad, Bangalore, Chennai, Delhi, Goa, Guwahati, Hyderabad, Jammu, Jaipur, Kolkata, Mumbai, Pune and Srinagar airports for its airline operations:

24. Address for correspondence

(a) For shares in physical/ demat mode
Karvy Computershare Private Limited
'Karvy House', 46 Avenue 4,
Street No. 1, Banjara Hills
Hyderabad - 500 034
www.karvy.com

(b) Any query on Annual Report
Senior Manager (Legal and Company Affairs)
SpiceJet Limited
319, Udyog Vihar, Phase-IV,
Gurgaon - 122016 Haryana
www.spicejet.com

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Siddhanta Sharma, non-Executive Chairman (now appointed as Executive Chairman at the Board Meeting held on July 30, 2007, which is subject to approval of the Central Government and will be effective from the date of such approval) of the Company and Partha Sarthi Basu, Chief Financial Officer of the Company, to the best of our knowledge and belief certify that:

1. We have reviewed financial statements and the cash flow statement for the period ended March 31, 2007 and that to the best of our knowledge and belief :

   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the company's code of conduct.

3. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting.

4. We have indicated to the Auditors and the Audit committee :

   (i) significant changes in internal control over financial reporting during the year;

   (ii) significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and

   (iii) any fraud, which we have become aware and that involves the Management or other employee who have significant role in the Company's internal control systems.

5. It is further declared that all the board members and senior management have affirmed compliance with the Company's Code of Conduct for the period June 2006 - March 2007.

Sd/-
Siddhanta Sharma
Non-Executive Chairman

Sd/-
Partha Sarthi Basu
Chief Financial Officer

Place: Gurgaon
Date: July 30, 2007

COMPLIANCE CERTIFICATE FROM STATUTORY AUDITORS OF THE COMPANY

TO THE MEMBERS OF SPICEJET LIMITED

(i) We have examined the compliance of conditions of Corporate Governance by SpiceJet Limited, for the period ended on March 31, 2007, as stipulated in relevant clauses of the Listing Agreement of the said Company with the Stock Exchanges in India.

(ii) The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

(iii) Based on the records and documents maintained by the Company and the information and explanations given to us in our opinion, except as detailed hereunder the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

(iv) In the absence of CEO, the Company could not comply with CEO Certification prescribed under Clause 49 of the listing agreement. However, the Board has authorised its Non-executive Chairman (now appointed as Executive Chairman at the Board Meeting held on July 30, 2007, which is subject to approval of the Central Government and will be effective from the date of such approval) to certify certain documents required for compliance.

(v) The Audit Committee comprised of half of the members as independent director for the period under review. Effective April 24, 2007 two-third of the members of audit committee are independent directors.

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

For Walker Chandiok & Co.
Chartered Accountants

Sd/-
David Jones
Partner

Membership No. 98113
Place: New Delhi
Date: July 30, 2007

AUDITORS' REPORT

TO THE MEMBERS OF SPICEJET LIMITED

1. We have audited the attached Balance Sheet of **SpiceJet Limited,** (the 'Company') as at March 31, 2007, and also the Profit and Loss Account and Cash Flow Statement for the 10 month period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. As stated in Note 9 in the Schedule XVIII of the financial statement, the Company has not appointed any Managing director/ whole time Director or Manager which is a non compliance of Section 269 of the Act.

5. Further to our comments in the Annexure referred to above, we report that :

   a. *As more fully explained in the note 3.1 of Schedule XVIII to the financial statements, an amount of Rs. 360 million, given as security deposit towards lease of a property, is carried as recoverable under the head Loans and advances. The Company is presently not in possession of the said property and has filed a criminal compliant against some of the erstwhile promoter directors and ex-employees of the Company for executing this transaction. The above deposit appears to be doubtful of recovery, for which no provision has been made in the accounts.*

   b. *As more fully explained in the note 3.3 of Schedule XVIII to the financial statements, the Company has not accrued interest in respect of outstanding inter corporate deposits of Rs. 100 million which as at March 31, 2007 amounts to Rs. 222.15 million.*

   c. *As more fully explained in the note 3.5 and 3.7 of Schedule XVIII to the financial statements, Loans and advances includes an amount of Rs. 36.11 million which represents net impact of unsupported deposits to, and withdrawals from, the bank accounts which were operated by some of the erstwhile Director (s) and/ or some ex-employees of the Company. In the absence of supporting documents/ information, this amount appears to be doubtful for recovery for which no provision has been made in the financial statement.*

   d. *As more fully explained in the note 3.6 of Schedule XVIII to the financial statements, balance in Sundry debtors as at March 31, 2007 includes Rs. 5.90 million recoverable from parties in which the erstwhile promoters are interested. The Company has not created any provision against this balance though the recovery of this amount appears to be doubtful considering the various pending litigations with erstwhile promoters.*

   We further report that had the observations made by us in paragraphs 5 a, b, c and d above been considered, *the net loss for the period would have been Rs.1,331.59 million (as against the reported net loss of Rs.707.43 million), accumulated losses would have been Rs. 4,363.60 million (as against the reported figure of Rs. 3,739.44 million), loans and advances would have been Rs. 757.68 million (as against the reported figure of Rs. 1,153.79 million), sundry debtors would have been Rs. 49.71 million (as against the reported figure of Rs. 55.61 million) and current liabilities would have been Rs. 6,767.37 million (as against the reported figure of Rs. 6,545.22 million).*

6. Further to our comments in the Annexure referred to above, we report that

    a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit, *except to the extent stated in paragraph 5(c) above regarding unsupported bank transactions;*

    b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

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

    d. Subject to our comments in paragraph 5 above, in our opinion and to the best of our information and according to the explanations given to us, the financial statements, read together with the notes thereon, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, 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, in the case of:

        i) the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

        ii) the Profit and Loss Account, of the loss for the 10 month period ended on that date; and

        iii) the Cash Flow Statement, of the cash flows for the 10 month period ended on that date;

7. *Without qualifying our opinion, we draw attention to Note 8 in Schedule XVIII to the financial statements which indicates that the Company has suffered recurring losses from operations with net loss for the 10 month period ended March 31, 2007, without considering the impact of the matters mentioned in paragraph 5 above, amounting to Rs.707.43 million, and as of that date, the Company's accumulated losses amounted to Rs. 3,739.44 million, as against the Company's share capital and reserves of Rs.5,585.22 million. Also, as discussed in Note 3 in Schedule XVIII to the financial statements, realization of the carrying amount of certain receivable amounting to Rs. 402 million and dismissal of interest liability amounting to Rs. 222.15 million is dependent on upon the success of the claims filed by the Company against some of the erstwhile directors and employees. These conditions raise significant doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties and also do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.*

8. On the basis of written representations received from the directors as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker, Chandiok & Co**
Chartered Accountants

David Jones
Partner
Membership No. 98113

Place: New Delhi
Dated: May 24, 2007

Annexure to the auditors' report of even date to the members of SpiceJet Limited, on the financial statements for the year ended March 31, 2007

Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and in terms of the information and explanations given to us and the books and records examined by us in the normal course of audit, we report that:

(i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company's programme of physical verification of all its fixed assets over a period of 2 years, is in our opinion, reasonable having regard to the size of the Company and the nature of its fixed assets. As informed, no material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets have not been disposed off during the period.

(ii) (a) Inventory has been physically verified by the management during the period. In our opinion, the frequency of verification is reasonable.

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

(c) The Company is maintaining proper records of inventory and the discrepancies were noted on physical verification carried out at the end of the period have been duly adjusted in the inventory records.

(iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Order are not applicable to the Company.

(b) The Company has taken borrowings from one party covered in the register maintained under section 301 of the Act. The maximum amount involved during the period was Rs. 455.38 million and the period-end balance of loans taken from this party was Rs. 404.52 million.

(c) In our opinion, the rate of interest and other terms and conditions for this loan is not prima facie prejudicial to the interest of the Company.

(d) In respect of loan taken, repayment of the principal amount is as stipulated and payment of interest has been regular.

(iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of assets and services. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.

(v) (a) We are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register maintained under that section.

(b) In our opinion the transaction made in pursuance of contracts or arrangement referred to in section 301 of the Act, are at prices which are reasonable having regard to the prevailing market price at the relevant time.

(vi) The Company has not accepted any deposits from the public and accordingly, the provisions of clause 4(vi) of the Order are not applicable to the Company.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) To the best of our knowledge, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company and accordingly, the provisions of clause 4(viii) of the Order are not applicable to the Company.

(ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. No undisputed amounts payable in respect of income-tax, wealth-tax, service-tax, sales-tax, customs duty and excise duty were outstanding, at the period-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in million)	Period to which the amount relates	Forum where dispute is pending
Employee' State Insurance Act, 1948	Employee state insurance dues	1.67	November 1996 to September 1997	ESIC Regional Office Delhi
Indian Customs Act, 1962	Penalty upon delay in payment of custom duty	82.69	March 1996 to August 1996	Delhi High Court

(x) *The Company's accumulated losses at the end of the period are more than fifty percent of its net worth. The Company has incurred cash loss during the period. In the preceding financial year also, the Company had incurred cash losses.*

(xi) The Company has not defaulted in repayment of dues to a financial institution, bank or to debenture holders during the period.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and accordingly, the provisions of clause 4(xii) of the Order are not applicable to the Company.

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

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

(xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable to the company.

(xvi) The Company has applied the term loans for the purposes for which they were obtained.

(xvii) Based on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment (excludes permanent working capital).

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the company.

(xix) In respect of the Zero Coupon Foreign Currency Convertible Bonds ("Bonds") issued by the Company and outstanding during the period, the securities created fully cover the amount of the Bonds.

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

(xxi) *The Company has not been able to recover Rs. 22.27 million of sales wherein travel tickets were purchased by passengers through unauthorized usage of credit card. This amount has been recorded as an expense during the period. Except for such unauthorized transactions,* no fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiok & Co
Chartered Accountants

David Jones
Partner
Membership No. 98113

Place: New Delhi
Date: May 24, 2007

BALANCE SHEET AS AT MARCH 31, 2007

	Schedules	As At March 31, 2007 (Rs. Millions)	As At May 31, 2006 (Rs. Millions)
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	I	**2,406.51**	1,843.39
Reserve and Surplus	II	**3,178.71**	1,060.90
		5,585.22	2,904.29
LOAN FUNDS			
Secured Loans	III	**3,571.82**	3,596.40
Unsecured Loans	IV	**749.70**	610.85
		9,906.74	7,111.54
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	V	**621.12**	588.83
Less: Depreciation		**137.34**	98.40
Net Block		**483.78**	490.43
Capital Work In Progress (Including Capital Advances)		**6,943.51**	3,628.92
Investments	VI	**812.22**	0.00
Current Assets, Loan and Advances	VII		
Inventories		**79.40**	33.98
Sundry Debtors		**55.61**	37.21
Cash and Bank Balances		**3,510.46**	634.32
Loans and Advances		**1,153.79**	798.76
		4,799.26	1,504.27
Less : Current Liabilities and Provisions	VIII		
Current Liabilities		**6,456.22**	1,495.96
Provisions		**415.25**	141.92
		6,871.47	1,637.88
Net Current Assets		**(2,072.21)**	(133.61)
Miscellaneous Expenditure			
Deferred Revenue Expenditure	IX	—	93.78
Profit and Loss Account		**3,739.44**	3,032.02
		9,906.74	7,111.54
Significant Accounting Policies	XVII		
Notes to the Financial Statements	XVIII		

The Schedule referred to above form an integral part of the financial statements

This is Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Walker, Chandiok & Co
Chartered Accountants

David Jones
Partner
M. No. 98113

Place : New Delhi
Date : May 24, 2007

Siddhanta Sharma, Chairman
Ajay Singh, Director
B. S. Kansagra, Director
Khaled Mohammad Ali Al Kamda, Director
Kishore Gupta, Director
Mukkaram Jan, Director
Osman Qureshi, Director
Partha Sarathi Basu, Chief Financial Officer
A. K. Maheshwary, Associate Vice President- Legal & Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2007

	Schedules	For the 10 Month Period Ended March 31, 2007 (Rs. Millions)	For the Year Ended May 31, 2006 (Rs. Millions)
INCOME			
Operating Revenue	X	**6,404.44**	4,196.45
Other Income	XI	**1,078.35**	323.34
		7,482.79	4,519.80
EXPENDITURE			
Operating Expenses	XII	**6,441.10**	3,783.73
Employees Remuneration and Benefits	XIII	**855.00**	479.73
Selling Expenses	XIV	**279.56**	231.74
Administrative Expenses	XV	**469.84**	**361.14**
Finance Charges	XVI	**42.65**	41.64
Depreciation and Amortisation	V	**58.47**	81.58
		8,146.61	4,979.56
LOSS BEFORE TAX AND PRIOR PERIOD ITEMS		**663.82**	459.76
Tax Expense - Fringe Benefits Tax		**9.94**	13.12
LOSS AFTER TAX		**673.76**	472.88
Prior Period Adjustments		**33.67**	(58.68)
NET LOSS FOR THE PERIOD		**707.43**	414.20
Add : Loss Brought Forward		**3,032.02**	2,617.81
BALANCE CARRIED TO THE BALANCE SHEET		**3,739.44**	3,032.02
Loss per Share			
Basic		**3.72**	2.42
Diluted		**3.72**	2.42
Significant Accounting Policies	XVII		
Notes to the Financial Statements	XVIII		

The Schedule referred to above form an integral part of the financial statements

This is Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Walker, Chandiok & Co
Chartered Accountants

David Jones
Partner
M. No. 98113

Place : New Delhi
Date : May 24, 2007

Siddhanta Sharma, Chairman
Ajay Singh, Director
B. S. Kansagra, Director
Khaled Mohammad Ali Al Kamda, Director
Kishore Gupta, Director
Mukkaram Jan, Director
Osman Qureshi, Director
Partha Sarathi Basu, Chief Financial Officer
A. K. Maheshwary, Associate Vice President- Legal & Company Secretary

SCHEDULES TO THE BALANCE SHEET

	As At March 31, 2007 (Rs. Millions)	As At May 31, 2006 (Rs. Millions)
SCHEDULE I - SHARE CAPITAL		
Authorised		
350,000,000 (Previous Year 250,000,000) Equity Shares of Rs. 10 Each..........	**3,500.00**	2,500.00
Issued		
240,651,200 Equity Shares (Previous Year 184,344,910).......... of Rs. 10 Each	**2,406.51**	1,843.39
Subscribed		
240,651,200 Equity Shares (Previous Year 184,344,910).......... of Rs. 10 Each	**2,406.51**	1,843.39
Paid Up		
240,651,200 Equity Shares (Previous Year 184,344,910) .... of Rs. 10 Each Fully Paid Up (Refer Note no 3.1 in Schedule XVIII)	**2,406.51**	1,843.39
	2,406.51	1,843.39
SCHEDULE II - RESERVES AND SURPLUS		
Share Premium		
Balance as per last Balance Sheet..........	**1,060.90**	705.37
Add : Premium received on issue of shares during the year	**2,403.97**	603.70
Less : Foreign currency convertible bonds (FCCB) issue expenses @......		(126.48)
Less : Premium payable on Redemption of FCCB's.......... (Refer note no 11(i)(b) in Schedule XVIII)	**(243.46)**	(121.69)
Less : Expenses relating to further equity raised during the year @@........	**(42.70)**	
	3,178.71	1,060.90

@ During the 10 month period ended March 31, 2007 an amount of Rs. NIL (Previous year Rs. 126.48 million) relating to issue expenses for FCCB has been debited to Share Premium Account .

@@ During the current period an amount of Rs. 42.70 million (Previous Year Rs. NIL) relating to issue expenses for equity share capital raised during the year has been debited to Share Premium Account.

SCHEDULE III - SECURED LOANS		
800 Zero Coupon Secured Foreign Currency Convertible Bonds (FCCB's) face value US $ 1,00,000 each (Refer note no 11(i) in Schedule XVIII)	**3,487.20**	3,596.40
Loan from SICOM Limited (Refer note no 11 (ii) in Schedule XVIII)..........	**84.62**	
	3,571.82	3,596.40

Note: Includes amount payable with in one year Rs 84.62 Million

SCHEDULE IV - UNSECURED LOANS		
Loans from Banks	**246.41**	108.26
Inter Corporate Deposits (Refer. Note nos 3.2 and 3.3 in Schedule XVIII)	**100.00**	100.00
Advances From Bodies Corporate (Refer. Note no 3.4 of in Schedule XVIII)	**14.09**	14.09
OTHERS :		
Other Borrowings (External Commercial Borrowings)	**389.20**	388.50
Total..........	**749.70**	610.85

Note: Includes amount payable with in one year Rs. 13.08 Million (Previous year Rs. 61.12 Million)

SCHEDULE - V : FIXED ASSETS **(Amount in Rs. Million)**

S. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As On 01.06.06	Additions For the Year	Deletions For the Year	As On 31.03.07	As On 01.06.06	Additions For the Year	Deletions for the Year	As On 31.03.07	As On 01.06.06	As On 31.03.07
	Tangible Assets										
1	Office Equipment	59.38	24.65	—	84.03	3.09	3.65	—	6.74	56.29	77.29
2	Computers	49.51	7.57	—	57.08	9.75	7.16	—	16.91	39.76	40.16
3	Furniture & Fixture	8.32	0.77	—	9.09	3.26	1.19	—	4.45	5.06	4.64
4	Motor Vehicles	46.24	11.34	—	57.58	7.70	5.79	—	13.49	38.54	44.09
5	Plant & Machinery	33.20	—	0.79	32.41	15.67	1.37	0.41	16.63	17.53	15.78
6	Rotable and Tools	224.89	59.63	—	284.52	8.57	12.57	—	21.14	216.32	263.38
7	Capital Expenditure on Leased Property	13.37	3.89	—	17.26	8.87	6.11	—	14.98	4.49	2.28
8	Capital Expenditure on Leased Aircraft#	88.82	—	88.82	0.00	19.12	—	19.12	—	69.70	—
	Sub Total	523.72	107.86	89.61	541.97	76.03	37.83	19.52	94.34	447.69	447.63
	Intangible Assets										
1	Application Software	65.11	14.04	—	79.15	22.37	20.64	—	43.00	42.74	36.14
	Sub Total	65.11	14.04	0.00	79.15	22.37	20.64	0.00	43.00	42.74	36.14
	Total	**588.83**	**121.90**	**89.61**	**621.12**	**98.40**	**58.47**	**19.52**	**137.34**	**490.43**	**483.78**
	Previous Year Total	171.91	428.04	11.11	588.83	42.68	81.58	25.87	98.40	129.23	490.43

Refer to note 5 in Schedule XVIII

	As At March 31, 2007 (Rs. Millions)	As At May 31, 2006 (Rs. Millions)
SCHEDULE VI - INVESTMENTS		
LONG TERM, UNQUOTED (NON TRADE)		
1,250,000 Equity Shares Of Rs 10 Each Fully Paid Up of Moodi Hoover International Limited	**12.50**	12.50
Less :		
Provision for Diminution in the Value of Investment	**12.50**	12.50
	0.00	0.00
CURRENT, UNQUOTED (NON TRADE)		
LIC Floating Rate ST Growth- G 4,313,451 Units at NAV of 11.5916 (Previous year NIL)	**50.00**	
Reliance Floating Rate Fund - G 4,408,648 Units at NAV of 11.3413 (Previous year NIL)	**50.00**	
Birla Floating Rate STI- G 14,761,645 Units at NAV of 10.8389 (Previous year NIL)	**160.00**	
Tata Fixed Horizon Fund Series-8 Sch F 10,000,000 Units at NAV of 10 (Previous year NIL)	**100.00**	
DBS Chola - Fixed Maturity Plan Series 10,000,000 Units at NAV of 10 (Previous year NIL)	**100.00**	
Birla Fixed Horizon Plan Qtly Series-6 10,000,000 Units at NAV of 10 (Previous year NIL)	**100.00**	
Tata Fxd Horiz Fund(qtly) Series 9 sch-E 10,000,000 Units at NAV of 10 (Previous year NIL)	**100.00**	
Tata Dynamic Bond B-G 4,284,854 Units at NAV of 12.0225 (Previous year NIL)	**51.52**	
Reliance Mthly Interval Fnd-Srs-I(10.65) 10,701,000 Units at NAV of 10 (Previous year NIL)	**100.70**	
	812.22	0.00
Aggregate Book Value Of Unquoted Investments	**812.22**	12.50
Aggregate Net Asset value of Unquoted Investments	**821.92**	
Aggregate values of investment purchased and sold during the year:		
Purchases	**1,002.22**	
Sales	**1,814.43**	

SCHEDULES TO THE BALANCE SHEET

	As At March 31, 2007 (Rs. Millions)	As At May 31, 2006 (Rs. Millions)
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
INVENTORIES		
(AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)		
Engineering Stores (Including Consumables)	**83.42**	39.57
Inventory In Transit	**0.66**	1.19
Fuel	**1.90**	1.69
Other Stores	**2.71**	0.81
Crockery and Cutlery	**3.14**	3.15
	91.83	46.41
Less : Provision for Obsolescence	**12.43**	12.43
Total (A)	**79.40**	33.98
SUNDERY DEBTORS (UNSECURED, CONSIDERED GOOD)		
Exceeding Six Months	**4.05**	4.05
Less than Six Months	**51.56**	33.16
Total (B)	**55.61**	37.21
CASH & BANK BALANCES		
Cash In Hand	**7.48**	6.39
With Scheduled Banks		
In Current Account	**138.17**	163.19
In Fixed Deposits (Including Interest Accrued) #	**3,104.42**	479.19
In Margin Money as security	**276.61**	
Less: Provision for disputed bank balance	**(16.67)**	(16.67)
Total (C)	**3,510.01**	632.10
Balance with other Bank in current account		
HSBC (USA) maximum balance at any time during the year Rs 3,501.99 Million (Previous Year Rs Nil)	**0.45**	2.22
Total (D)	**0.45**	2.22
Total Cash and Bank Balance (C+D)	**3,510.46**	634.32
LOANS AND ADVANCES		
Advances Recoverable In Cash Or In Kind or for value to be received	**49.52**	44.56
Deposit for Long Term Lease of Property	**360.00**	360.00
Deposit with Mumbai High Courts	**50.00**	50.00
Security Deposits	**367.03**	176.13
Taxes/ Paid in Advance Recoverable @	**65.68**	62.69
Prepaid Expenses	**115.39**	56.27
Advance To Supplier	**184.30**	49.11
	1,191.92	798.76
Less:Provision For Doubtful Advances	**38.12**	0.00
Total (E)	**1,153.79**	**798.76**
Classification Of Loans And Advances :		
1. Considered Good	**1,153.79**	798.76
2. Considered Doubtful And Provided For	**38.13**	0.00
	1,191.92	798.76
Total (A)+(B)+(C)+(D)+(E)	**4,799.26**	1,504.27

Includes Rs 276.61 Million (Previous year Rs. 353.87 Million) margin money with bankers for issuing Letter of Credit/Stand by Letter of Credit/Bank Guarantees.
@ Includes Cenvat Receivable Rs. 38.12 Million (Previous Year Rs. 47.81)

SCHEDULES TO THE BALANCE SHEET

SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS	As At March 31, 2007 (Rs. Millions)	As At May 31, 2006 (Rs. Millions)
CURRENT LIABILITIES		
Sundry Creditors	**475.98**	529.11
Expenses Payable	**254.60**	172.75
Unearned Revenue	**755.27**	512.29
Deposits	**90.76**	104.35
Advance Received Against Agreement to Sell Aircraft	**4,745.41**	0.00
Interest Accrued But Not Due	**27.92**	13.28
Other Liabilities	**106.28**	164.18
Note: No Amounts are due to Investor Education and Protection Fund.		
Total (A)	**6,456.22**	1,495.96
PROVISIONS		
Gratuity	**7.98**	3.18
Leave Encashment	**26.06**	1.99
Fringe Benefits Tax	**16.06**	15.05
Premium on Redemption of FCCBs (See Note no. 11(i)(b) in Schedule XVII)	**365.15**	121.70
Total (B)	**415.25**	141.92
Total (A)+(B)	**6,871.47**	1,637.88

SCHEDULE IX - DEFERRED REVENUE EXPENDITURE		
Licence Acqiusition Cost		
Opening Balance as per last balance sheet	**93.78**	11.62
Additions during the year		102.89
	93.78	114.51
Less: Amount amortised during the year		20.73
Less: Expensed off due to change in accounting policy	**93.78**	
(Refer note 7 of Schedule XVIII)	—	93.78

SCHEDULES TO PROFIT & LOSS ACCOUNT

	For the 10 Month Period Ended March 31, 2007 (Rs. Millions)	For the Year Ended May 31, 2006 (Rs. Millions)
SCHEDULE X - OPERATING REVENUE		
Passenger Revenue	**6,056.41**	4,000.23
Other Passenger Related Revenue	**348.03**	196.23
	6,404.44	4,196.45
SCHEDULE XI - OTHER INCOME		
Profit On Sale of Aircraft	**442.04**	177.06
Income Of Passenger Service Fee Collection	**9.36**	7.05
Equipment Hire Charges	**11.36**	0.00
Income from sale of Average Seat Kilometers	**21.90**	8.14
Dividend Income	**3.79**	0.00
Interest Income #	**68.92**	19.37
Incentives received	**106.88**	
Old credit balances written back	**186.25**	
Exchange Fluctuation Gain	**51.40**	(11.67)
Other Income	**176.45**	123.39
	1,078.35	323.34
# Taxes deducted at source- Rs 1.15 Million (Previous Year Rs 0.39 Million)		
SCHEDULE XII - OPERATING EXPENSES		
Aircraft Lease Rental #	**1,367.06**	771.67
Aircraft Fuel And Oil	**3,494.39**	1,989.83
Aircraft Maintenance Cost	**671.57**	470.56
Aviation Insurance	**146.88**	111.67
Landing, Navigation and Other Airport Charges	**601.59**	339.33
Inflight and Other Passenger Amenities	**45.89**	32.59
Operating Software Charges	**48.20**	32.80
Other Operating Expenses	**65.53**	35.28
	6,441.10	3783.73
# Net of recoveries on Sub-leasing of Rs 10.71 Million (Previous year Rs 5.65 Million)		
SCHEDULE XIII - EMPLOYEE REMUNERATION & BENEFITS		
Salaries, Wages, Bonus and Allowances	**656.13**	440.04
Contribution To Provident and Other Funds	**18.71**	9.39
Provision for Gratuity	**5.42**	2.75
Provision for Leave Encashment	**24.88**	1.76
Recruitment	**7.84**	2.13
Training Cost	**124.53**	11.49
Staff Welfare Expenses	**17.49**	12.17
	855.00	479.73
SCHEDULE XIV - SELLING EXPENSES		
Agents Commission and Discounts	**64.46**	32.52
Credit Card Expenses	**62.45**	56.40
Credit Card Chargebacks	**22.87**	33.46
Business Promotion and Advertisement	**129.78**	109.36
	279.56	231.74
SCHEDULE XV - ADMINISTRATIVE EXPENSES		
Rent, Rates and Taxes	**37.55**	26.32
Repairs and Maintenance		
— Buildings	**24.30**	19.96
— Plant and Machinery	**5.55**	2.11
— Vehicle Running and Maintenance	**8.97**	6.14
— Others	**0.60**	0.75
Freight and Cartage	**4.25**	4.90
Communications	**26.30**	30.02
Printing and Stationery	**28.32**	22.08
Travelling and Conveyance	**160.15**	121.56
Legal, Professional and Consultancy Charges	**72.18**	90.57
Auditor Remuneration :		
Audit Fees	**2.23**	1.12

SCHEDULES TO PROFIT & LOSS ACCOUNT

	For the 10 Month Period Ended March 31, 2007 (Rs. Millions)	For the Year Ended May 31, 2006 (Rs. Millions)
Certification and Other Services	**1.40**	0.58
Out Of Pocket Expenses	**0.20**	0.01
Gas,Electricity and Water	**6.25**	5.22
Assets Written-Off	**0.36**	0.15
Insurance	**9.74**	1.77
Watch and Ward Expenses	**1.07**	0.85
Provision for Doubtful Cenvat Recoverable	**40.51**	—
Deferred revenue expenses written off		20.73
Miscellaneous Expenses	**39.91**	6.26
	469.84	361.14
SCHEDULE XVI - FINANCIAL CHARGES		
Interest	**27.31**	31.34
Bank Charges	**15.34**	10.30
	42.65	41.64

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements are prepared under historical cost convention, on accrual basis, in accordance with the generally accepted accounting principles in India, the accounting standards and relevant guidance note issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956, except as stated Schedule XVIII.

2. USE OF ESTIMATES

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

3. FIXED ASSETS

Tangible assets

Fixed Assets are carried at cost less depreciation and impairment loss, if any. The cost of fixed assets are inclusive of duties, taxes, interest on borrowings attributable to acquisition of fixed asset and other incidental costs incurred upto the time the assets are ready for their intended use. Spares which can be used only in connection with aircraft and whose use is expected to be irregular are included in fixed assets at cost.

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

Intangible assets

Intangible assets comprises of Software which is not an integral part of the related hardware, is classified as an intangible asset and is being amortised over a period of 3 years, being the estimated useful life. The cost of software comprises of acquisition charges and/or implementation fee.

4. BORROWING COST

Borrowing costs, attributable to the acquisition or construction of a qualifying asset is capitalized as part of the cost of the asset. Borrowing costs relating to assets under acquisition are included under capital work in progress pending capitalization with the related assets. Other borrowings cost are recognized as an expense in the period in which they are incurred.

5. DEPRECIATION AND AMORTISATION

Depreciation on fixed assets, other than on Software classified as Intangible, is provided pro-rata on the straight line method, at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

Intangible assets comprising of software is amortised over a period of 3 years based on estimated useful life as determined by the management.

6. IMPAIRMENT OF ASSETS

Company reviews the carrying amounts of assets at each balance sheet date to ascertain if there is any indication of impairment. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. The impairment loss recognized in the prior accounting period is reversed if there is change in the estimate of the recoverable amount. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

7. INVESTMENTS

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management. Current investments are carried at lower of cost or market value. Cost for computation of profit or loss on sale of investment is computed on the basis of weighted average method.

8. INVENTORIES

Inventories include :

a) Expendable Aircraft Spares

b) Fuel in the Aircraft

c) Miscellaneous stores

Inventories have been valued at cost or net realizable value (NRV) whichever is lower after providing for obsolescence and other losses, where considered necessary. Cost includes customs duty, taxes, freight and other charges, as applicable and is determined using FIFO method.

9. REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue recognition policies in respect of some of the specific transactions are as under:

Passenger revenue

Passenger income is recognized when transportation is provided i.e. when the service is rendered. Amounts received pursuant to travel bookings/ reservations (net of cancellations) are initially credited to the “Unearned Revenue Account” under Current Liabilities and income is recognized as indicated above by debiting the Unearned Revenue Account.

Other passenger revenue

Miscellaneous fees charged for reservation / changes in itinerary / cancellation of flight tickets, etc. are recognized as revenues on accrual basis.

Sale and lease back transaction

Profit or loss on sale and lease back arrangements resulting in operating leases are recognized, in case the transaction is established at fair value, else the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used. Free of cost spare parts received in respect of purchase of air crafts are recorded at their fair value. This fair value is considered as reduction from purchase cost of air craft and is recorded as other income upon sale of air craft.

Hiring of equipments

Income in respect of leasing/ renting out of equipments and spare parts is due on time proportion basis at rates agreed with the lessee. Due to significant uncertainties involved in realization, the income is recorded on settlement with the lessee or actual realization, whichever is earlier.

Interest

Interest income is recognized using time proportion method, based on the rate implicit in the transaction.

Dividend

Dividend income is recognized when Company's right to receive dividend is established.

10. LEASES

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

11. FOREIGN EXCHANGE TRANSACTIONS

Transactions in foreign currency and non monetary assets are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the year-end rate.

The exchange differences arising on such conversion and on the settlement of the transactions, except for those relating to acquisition of fixed assets which are adjusted to the carrying amount of the related fixed assets are dealt with in the profit and loss account.

12. RETIREMENT BENEFITS

The Company makes contribution to statutory provident fund, a defined contribution plan, in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. The contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

The Company also has two defined employee benefit plans, namely gratuity and leave salary. Provisions for gratuity liability and for leave salary in respect of unavailed leave of employees payable on retirement or otherwise outstanding as at the date of the balance sheet is made based on an actuarial valuation made by an independent actuary.

13. AIRCRAFT MAINTENANCE COSTS AND ENGINE REPAIRS

Aircraft, Auxiliary Power Unit (APU) and Engine maintenance and repair costs are expensed as incurred except where such overhaul costs in respect of engines/APU are covered by third party maintenance agreements, which are accounted in accordance therewith.

14. PROVISIONS AND CONTINGENCIES

Provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation on the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Assets and Liabilities are not recognized in the accounts.

15. TAXATION

Provision for Tax comprises current, deferred and fringe benefit tax. Current tax is provided for on the taxable profits of the year at applicable tax rates. Fringe Benefit Tax is provided for the amount expected to be paid to the Income tax authorities. 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 the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised 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 realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

16. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period.

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

SCHEDULE XVIII - NOTES TO ACCOUNTS

1. Contingent Liabilities not provided for in the accounts exist in respect of :

S. No.	Particulars	Rupees in Million March 31, 2007	May 31, 2006
i)	Demand raised under the provisions of Employee State Insurance Act, 1948 for the period November 1996 to September 1997 inclusive of interest and penalty. (The Company has obtained stay against recovery of said demand from the Honorable High Court of Delhi).	1.67	1.67
ii)	Liability arising out of legal cases filed against the Company in various Courts / Consumer Redressal Forums, Consumer Courts, disputed by the Company.	1.52	1.10
iii)	Liability towards Penalty levied by customs department on late payments which is disputed and is pending in the Honorable High Court of Delhi	82.69	82.69
iv)	Liability towards additional claim received from a vendor who was already covered in the settlement scheme approved by the Honorable High Court of Delhi.	17.50	17.50
v)	The Company has significant legal proceeding initiated by and/ or against the Company the outcome of which may result into a liability or write of advances. These cases have been explained in note 3 below.	624.15	612.52

2. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.73,994.37 million (Previous year Rs 56,904.76 million).

3. Legal proceeding by and/ or against the Company

3.1. Share Capital includes 11,624,472 million Equity Shares of Rs. 10 each (issued at a premium of Rs. 30 each) originally allotted to the three investment companies, of S. K. Modi Group (“SKM Group”). These shares were partly paid and were treated as fully paid by adjusting the calls in arrears of Rs. 333.18 million against assignment of security deposit of Rs. 360.00 million by Agache Associates Limited (belonging to SKM GROUP) in favour of the said investment companies. The Security deposits of Rs. 360.00 million was shown payable to Agache Associates Limited., under a purported lease agreement dated September 11, 1995, which was to be effective from April 1, 1996 for a property situated at Calcutta, West Bengal for proposed training, catering activities and storage of Aircraft spare parts. The possession of the property in question is however not with the company. In this regard the Honorable High Court of Delhi, in its interim judgment dated January 28, 2003 observed;

> “It is clear that the convoluted transaction entered into by the Company with Agache Associates prima facie appears to be a stratagem devised to account for the allotment and call money payable for 11,549,272 shares valued at Rs. 333,180,880 …”

> “Accordingly as an interim measure, it is directed that the property described in detail in the lease deed dated 11th September 1995 annexed to this application at annexure E and bearing No 15, Ratan Babu Road, Cossipore, Calcutta shall remain attached and shall not be disposed off in any manner or

its possession parted with, without the leave of this Court. However, if the amount of Rs. 36 crore given as security deposit by the company minus the rent upto date at Rs. 10,000/- per month is deposited in this Court, the attachment is liable to be lifted forthwith …"

The Company had filed a criminal complaint in the court of Chief Metropolitan Magistrate, New Delhi against some of the erstwhile promoter directors and ex-employees of the Company for executing the above transaction. The Chief Metropolitan Magistrate, New Delhi has issued summons to the erstwhile promoter directors and ex-employees of the Company after completion of pre summoning evidence.

3.2. One of the Inter Corporate Deposit ("ICD") lenders, M/s Hindustan Development Corporation Limited ("HDCL") (now renamed as Mallanpur Steels Limited) who had lent Rs. 50.00 million to the Company, had apparently sold the Securities pledged with it. The transfer of the Securities sold could not be registered in favour of the purchaser since the sale was on the basis of invalid / illegal share transfer documents. The purchaser challenged this refusal before the Company Law Board ("CLB") which upheld the Company's stand. The purchaser had filed an appeal against CLB order, which is still pending.

3.3. In respect of ICDs aggregating Rs. 100 million, the Company has not accrued interest payable amounting to Rs. 222.15 million upto March 31,2007 (previous year 210.52 million), computed based on interest rates as per original contract terms for reasons explained below:

- ICD of Rs. 50 million in the name of Agache Associates Limited (affiliated to SKM GROUP) being a party to the fraudulent transactions (Refer Note 3.1 above).

- In a suit filed by one of the ICD lenders (petitioners), the Company had deposited a sum of Rs 50 million with the Bombay High Court and the Hon'ble Bombay High Court later allowed the petitioner to withdraw the said amount, upon furnishing an undertaking that the petitioner will restitute the said sum or such part thereof, with 9% interest, to the Company, if and as directed by the Court at the time of the final decision of the suit filed by the petitioner. Accordingly, pending finality of the matter, both the ICD and deposit with High Court have been disclosed under the unsecured loans and loans and advances respectively.

3.4. The company had in the earlier years obtained an Interest free advance of Rs.14.09 million (Previous year Rs.14.09 million) from a body corporate belonging to SKM GROUP. However, no claim has yet been received against the same.

3.5. The Company has in its possession the bank-statement of ICICI Bank, New Delhi, which shows a deposit of Rs. 34.29 million (Previous year Rs. 34.29 million) on account of refunds from the Income Tax Department on November 6, 2000 and July 2, 2001 and subsequent withdrawals (details of amounts appropriated not available with the Company) on various dates aggregating to Rs. 34.29 million against cheques/drafts issued to several parties, including group companies of SKM GROUP, by erstwhile Director(s) and/or some ex-employees of the Company, which amounts to fraudulent preference under section 531 of the Companies Act, 1956, which was brought to the notice of the Hon'ble Court vide CA 606 of 2003 in CA 797 of 2000. The difference of Rs. 34.29 million between balance as per books (since no accounting entry has been recorded for unauthorized withdrawals) and that confirmed by the bankers, is being carried as recoverable under Loans and Advances and is pending appropriate adjustment on outcome of the ongoing cases and has not been provided for in the accounts.

3.6. In view of various matters pending in courts, dues of Rs. 5.90 million (previous year Rs. 5.90 million) recoverable from some of the entities, in which the SKM GROUP is interested, have been retained in the books.

3.7. The Company has in its possession the bank statement of Standard Chartered Grindlays Bank, Mumbai, which shows deposits of Rs. 14.20 million and withdrawals of Rs. 16.01 million through various transactions made during the period March 1999 to March 2002. However, in the absence of complete details of these transactions appropriate accounting entries could not be recorded in the books in respect of these transactions. The difference of Rs 1.81 million between the balance as per books and that confirmed by the bank, is carried as recoverable under "Loans and Advances" and is pending appropriate adjustment on the outcome of the ongoing litigations with SKM GROUP and entities in which he is interested.

3.8. There are various litigation matters filed by and against SKM GROUP. The outcome of the said cases may impact the business operations keeping in view the nature of allegations.

4. The Company does not have possession of share certificates in support of its investments of Rs. 12.50 million in 1,250,000 Equity Shares of Rs. 10 each in Modi Hoover International Limited. Accordingly, the Company has made provision against the same.

5. Till the year ended May 31, 2006, the Company had capitalised lease rentals and other expenses relating to aircraft prior to their start of operations under the head lease hold improvements. Considering that such expenses do not result in any actual improvement to the aircraft, the management has decided to expense off such under respective accounts head during the current period. Due to this change in accounting policy, reported loss for the current period is higher by Rs. 80.78 million whereas fixed assets are lower by the same amount.

6. Till the year ended May 31, 2006, the Company recorded Free of cost (FOC) spares parts received alongwith the aircraft, at their fair value under "Fixed assets". Corresponding gain was credited to "Unearned incentive", which was classified under Current Liabilities. This income was deferred and recorded in the books over the life of FOC spare parts by transferring an amount equivalent to depreciation on FOC spares parts from "Unearned incentive" account to "Other income" in each reporting period. During the period ended March 31, 2007 the Company has changed its accounting policy whereby gain on receipt of FOC Rotables is immediately recorded as Income in the books. Due to this change in accounting policy, reported loss for the current period and current liabilities as at March 31, 2007, are lower by Rs. 87.50 million.

7. Till the year ended May 31, 2006, the Company had deferred expenses incurred towards training of pilots and engineers and salaries paid to them during the training period, to the extent it is required to obtain necessary licenses for them. Such deferred expenses were amortised over the period of five years. Considering that such expenses are not resulting in creation of any assets, the management has decided to expense off such under respective accounts head during the current period. Due to this change in accounting policy, reported loss for the current period is higher by Rs. 99.52 million whereas deferred revenue expenditure are lower by the same amount.

8. The Company has incurred losses of Rs. 707.43 million during the period ended March 31, 2007. Accumulated losses of the Company as at March 31, 2007 are Rs. 3,739.45 million, excluding the impact of non-provision for liabilities/ doubtful assets as detailed in the note 3 above. The share capital and reserve stood at Rs. 5,585.22 million as on that date. The Board of Directors of the company are of the opinion that most of the accumulated losses pertain to either the pre-operating period or due to initial start up and entry costs. The Board of Directors expects improvement in the business results in forthcoming years due to better yield and lowering of cost. In view of this the financial statements have been prepared on going concern basis.

9. The Company is yet to appoint a Managing Director/Whole time Director or Manager as required by Section 269 of the Companies Act, 1956.

10. In the absence of sufficient information from the parties regarding their status as to Small Scale Industries (SSI) units the amount due / overdue to the SSI units could not be ascertained and, therefore, the same has not been disclosed as required by Part II of Schedule VI of the Companies Act 1956.

11. **Secured loans**

(i) Zero Coupon Secured Foreign Currency Convertible Bonds (FCCBs):

(a) During the year ended May 31, 2006, the company issued FCCBs of the face value of USD 1,00,000 aggregating to USD 80 million. As per the original terms of the issue, the holders have an option to convert the FCCBs into equity shares at an initial conversion rate of Rs. 90 per equity share at a fixed exchange rate of Rs. 46.12 to USD 1 from December 7, 2005 to November 11, 2010. The conversion price of Rs. 90 per equity share has been revised to Rs. 57 per equity share during the period ended March 31, 2007 with all other conditions remaining unchanged. The conversion price will be subject to certain adjustments. Further under certain conditions the bondholder has the option for early redemption in whole but not in part. Unless previously converted, redeemed or purchased and cancelled, the company will redeem these bonds at 140.499 percent of the principle amount on December 13, 2010.

(b) Premium on redemption of Zero Coupon Secured Foreign Currency Convertible Bonds (FCCBs)

Opening Balance	:	Rs.	121.69 million
Add : Provision for the period	:	Rs.	243.46 million
Closing Balance	:	Rs.	365.15 million

Premium on redemption of FCCBs has been provided from date of issue of bonds till March 31, 2007.

(c) The FCCB's are secured by assignment by way of first priority preferred security interest, mortgages, pledges, charges and hypothecation to the Security trustee and a lien on all its right and title and interest into the collateral. The Bonds will rank senior to all Subordinated indebtedness of the Company and senior to the extent of the Security to all present and future unsecured indebtedness of the Company.

(d) In view of the loss for the period ended March 31, 2007 and the accumulated losses, the company could not effect any transfer to the 'Bond Redemption Reserve Account' as required under section 117C of the Companies Act 1956. Such transfers are proposed to be made when profits are available.

(ii) Loan from SICOM Limited

The Company has taken a secured loan from SICOM Limited of which balance outstanding as at March 31, 2007 was Rs. 84.62 million. This loan is by

- A first exclusive charge by way of hypothecation in favour of SICOM Bank of all movable assets except movable assets already pledged/ charged/ hypothecated.
- A first charge by way of hypothecation of credit card receivables of the Company by ranking pari passu with other borrowings.
- A pledge on shares held by promoters/ NRI share-holders/ directors valuing at least Rs.150 million.
- Floating charge on all other assets of the Company.

12. As on March 31, 2007, the Company decided to convert all accumulated unavailed leaves of employees into a fixed liability restricting number of leaves to 30 days and using full cost of employees. This amount is payable within one year. Accordingly no actuarial valuation has been carried out during the year. Previous leave policy will remain applicable for future un-availed leaves and the same shall be valued on the basis of actuarial valuation.

13. Vide an order dated July 15, 2005 the Hon'ble High Court of Delhi sanctioned a Scheme of Compromise (the "Scheme") with the Participating Creditors of Spicejet Limited, requiring the Company to disburse the amount so determined in two installments; one upon sanction of the Scheme and the second within a year of the sanction. Pursuant to this order, the Company deposited the first installment in 2005 and tendered a cheque of Rs. 890,00,000 towards the second installment with the Registry on July 15, 2006. However, the

Registry did not accept the cheque for the second installment on the grounds that it was not supported with the Hon'ble High Court of Delhi's order to encash the same. The company since moved two applications to the Hon'ble High Court of Delhi requesting that the cheque be allowed to be re-deposited with and encashed by the Registry and obtained an order to this effect on April 20, 2007. However, as per directions issued by the Hon'ble High Court requiring all such payments to be made through either Demand Draft or Pay Order the Company was obligated to cancel the cheque and replace the same with a Demand Draft for the same amount which was accepted by the Registry on May 25, 2007. As the cheque was valid as at March 31, 2007, and further that the liability in this regard was extinguished subsequent to year-end only due to administrative reasons the second installment of the Scheme has been considered as disbursed for the purpose of these financial statements.

14. During the period ended March 31, 2007 the Company decided to write back some of the old outstanding credit balances aggregating to Rs. 186.25 million. The Company has not received any claim in respect of credit balances included in these and these balances are time barred as per Limitation Act.

15. In accordance with Accounting Standard 22 "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India ("ICAI"), in view of substantial loss incurred by the Company during the period ended March 31, 2007 and large amount of unexpired unabsorbed depreciation and carry forward losses under the Income Tax Act, 1961, deferred tax assets on carried-forward losses and unabsorbed depreciation have not been accounted for in the books, since it is not virtually certain whether the Company will be able to utilize such losses/ depreciation.

16. Accounting Standard 17 "Segment Reporting" as issued by ICAI requires the Company to disclose certain information about operating segments. The Company is managed as a single operating unit that provides air transportation only and therefore, has only one reportable business segment. Further, the operations of the Company are limited within one geographical segment. Hence the disclosure required by this standard is presently not applicable to the Company.

17. Disclosure of details pertaining to transactions with related party entered into during the period and balances as at March 31, 2007 in terms of Accounting Standard 18 Related Party Disclosures issued by the Institute of Chartered Accountants of India, as Identified and certified by the Management:

A. Related Parties and their Relationship

Names of the related parties where control exists are as under:

(i)	Entities exercising significant influence	Royal Holdings Services Limited, Nevada, USA
(ii)	Key Management Personnel	Mr. Siddhant Sharma - Chairman

B. Transactions with related parties

Particulars	Controlling Company Rs. Million		Key Management Personnel Rs. Million	
	10 months period ended March 31, 2007	Year ended May 31, 2006	10 months period ended March 31, 2007	Year ended May 31, 2006
External Commercial Borrowings	66.89	227.75	Nil	Nil
ECB repaid during the year*	50.87	471.71	Nil	Nil
Reimbursement of Expenses	Nil	2.32	Nil	Nil
Remuneration	Nil	Nil	Nil	Nil
Interest paid/Provided	19.83	16.74	Nil	Nil

* Net of exchange fluctuation

C. **Balances with Related Parties**

Particulars	Controlling Company Rs. Million		Key Management Personnel Rs. Million	
	March 31, 2007	May 31, 2006	March 31, 2007	May 31, 2006
External Commercial Borrowings (ECB)	404.52	388.50	Nil	Nil
Reimbursement of Expenses	Nil	2.32	Nil	Nil
Remuneration Payable	Nil	Nil	Nil	Nil
Interest on ECB	27.92	13.28	Nil	Nil

18. Accounting for Leases:

(a) **Operating Lease Obligations**

The Company has taken on lease aircraft, aircraft spares maintenance facilities and other property and equipment from third parties. Rental expense over the life of the lease amounts to Rs 14,897.48 million as at March 31, 2007 (Previous Year Rs. 8,247.85 million). The Future lease obligation in this respect aggregates to Rs.12,013.89 million (Previous Year Rs. 7,430.44 million).

Details of future lease obligation are as follows:-

(Rs. million)

Particulars	March 31, 2007	May 31, 2006
Aircraft		
Not later than 1 year	1,990.31	1,300.15
Between 1 to 5 year	6,134.92	3,933.68
Later than 5 years	3,414.63	2,061.44
Aircraft Spares		
Not later than 1 year	114.35	17.78
Between 1 to 5 year	254.31	51.86
Later than 5 years	105.37	Nil

(b) **Operating Lease Income**

The company had given an aircraft (obtained on operating lease) to a party under an operating lease agreement for a period of 4.07 months.(previous year 4.5 months) Lease rental / maintenance charges recognized in the profit & loss account amounts to Rs. 10.17 million (previous year Rs.5.65 million) which have been netted with lease rental / maintenance charges under operating expenses.

19. **Earnings Per Share (EPS) :**

Particulars	**10 months period ended March 31, 2007**	**Year ended May 31, 2006**
Number of Equity Shares outstanding at the beginning of the period (in million)	184.34	154.47
Number of Equity Shares issued (in million)	56.31	29.87
Number of Equity Shares outstanding at the end of the period (in million)	240.65	184.34
Weighted Average number of Shares (in million)	189.97	171.35
Net loss after tax (Rs. in million)	707.43	414.20
Basic and Diluted Loss Per Share (in Rupees)	3.72	2.42

20. **Impairment of Assets**

As on the Balance Sheet date the carrying amount of the assets net of accumulated depreciation is not less than the recoverable amount of those assets. Hence no impairment loss on the assets of the Company has been recognised.

21. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956.

	Particulars		**10 months period ended March 31, 2007 (Rs. Million)**		**Year ended May 31, 2006 (Rs. Million)**
i)	**Expenditure in Foreign Currency (on cash basis)**				
	Professional & Consultation Fees		105.82		154.94
	Traveling		5.33		56.35
	Navitaire Usage Charges		54.04		22.06
	Maintenance Charges		138.77		79.42
	Lease Rent		1811.15		974.23
	Operating Expenses		54.92		39.27
	Bond issue expenses		Nil		126.48
	Miscellaneous expenses		163.58		130.36
ii)	**Earnings in Foreign Currency**				
	Passenger Revenue Credit Cards		460.96		256.74
	Lease rentals		7.16		4.34
	Aircraft Maintenance Charges		3.01		1.31
	Reimbursement / credit from supplies / others		107.66		29.44
	Profit on sale and lease back		442.04		177.06
ii)	**CIF Value of Imports**				
	Capital Goods (Software)		22.78		40.29
	Components and Spare Parts		42.00		39.89
	Rotables / galley equipments / tools		29.21		58.54
iii)	**Value of Components & Spare Parts Consumed**	**%**	**Value**	**%**	**Value**
	Imported	85.59	45.71	71.00	22.53
	Indigenous	14.41	7.69	29.00	09.35
	Total	**100.00**	**53.41**	**100.00**	**31.88**

22. The Company has changed its accounting year end from May 31 to March 31 during the year. Accordingly the current period represents only 10 months of operations as against 12 months of operations in the previous year and to that extent figures in the Profit and loss Account and related disclosures for the current period are not directly comparable with the corresponding figures of the previous year.

23. Previous year's figures have been regrouped or reclassified wherever necessary to conform to current year's classification.

Signatories to Schedules I to XVIII

This is Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Walker, Chandiok & Co
Chartered Accountants

David Jones
Partner
M. No. 98113

Place : New Delhi
Date : May 24, 2007

Siddhanta Sharma Chairman	Ajay Singh Director	B. S. Kansagra Director	Khaled Mohammad Ali Al Kamda Director
	Kishore Gupta Director	Mukkaram Jan Director	Osman Qureshi Director
		Partha Sarathi Basu Chief Financial Officer	A. K. Maheshwary Associate Vice President- Legal & Company Secretary

PART IV

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

	Registration No.	State Code
	17509	55

Balance Sheet Date

Date	Month	Year
31	03	2007

II. Capital Raised during the year (Amount Rs. Million)

Public Issue	Right Issue
—	—
Bonus Issue	**Private Placement**
—	563.12

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

	Total Liabilities	Total Assets
	9,906.74	9,906.74
Source of Funds	Paid up Capital	Reserves & Surplus
	2,406.51	3,178.71
	Secured Loans	Unsecured Loans
	3,571.82	749.70
Application of Funds	Net Fixed Assets	Investments
	7,427.29	812.22
	Net Current Assets	Miscellaneous Exp.
	(2,072.21)	—
	Accumulated Losses	
	3,739.64	

IV. Performance of Company (Amount Rs. Million)

Turnover	Total Expenditure
7,482.79	8,200.16
Profit/Loss Before Tax	Profit/Loss AfterTax
(717.37)	(707.43)
Earning per Share (Rs.)	Dividend Rate %
(3.72)	Nil

V. Generic Names of Three Principal Products/Service of the Company (As per monetary terms)

Item Code No. (ITC Code)	88024000
Product Description	Domestic Airlines
	Passenger and Cargo Services

CASH FLOW STATEMENT FOR THE 10 MONTH PERIOD ENDED MARCH 31, 2007

	PARTICULARS	10 Month Period Ended March 31, 2007 (Rs. Millions)	Year ended May 31, 2006 (Rs. Millions)
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	Loss before tax	**(663.82)**	(459.76)
	Adjustment for :		
	Depreciation	**58.47**	81.58
	Deferred revenue expenditure written off		20.73
	Asset Write Off	**0.36**	0.15
	Impact of changes in accounting policies		
	Leasehold improvement to aircrafts written off	**69.70**	
	(Refer Note 6 in schedule XVIII)		
	Deferred revenue expenditure written off	**93.78**	
	(Refer Note 6 in schedule XVIII)		
	Provision for cenvat receivable	**38.12**	
	Interest Income	**(68.92)**	(19.37)
	Interest Expense	**27.31**	19.66
	Dividend Income	**(3.79)**	—
	Prior Period		
	Fringe Benefit Tax		
	Write Back of Old Creditors	**(186.25)**	
	Foreign Exchange Fluctuation (Loss/Gain)	**(51.40)**	11.67
	Profit from sale of aircrafts	**(442.04)**	(168.92)
	Operating Loss before Working Capital changes	**(1,128.48)**	(514.26)
	Adjustment for :		
	Trade and other Receivables	**(18.40)**	(16.12)
	Inventories	**(45.43)**	(15.95)
	Loan and Advances	**(414.00)**	(120.65)
	Margin money deposit	**(276.61)**	
	Current Liabilities	**384.33**	825.12
	Provisions	**29.87**	4.50
	Cash used in Operations	**(1,468.72)**	162.64
	Direct Taxes	**(20.00)**	(14.19)
	Cash (used) in operating activites (A)	**(1,488.72)**	148.45
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(121.52)**	(391.05)
	Net Proceeds on Purchase and Sale of Aircrafts	**1,798.76**	(2,984.06)
	Deferred revenue expenditure paid during the year	**—**	(96.12)
	Investment in Securities	**(812.22)**	
	Interest Income	**68.92**	12.17
	Dividend Income	**3.79**	

PARTICULARS		10 Month Period Ended March 31, 2007 (Rs. Millions)	Year ended May 31, 2006 (Rs. Millions)
	Cash generated from/ (used) in investing activities (B)	**937.73**	(3,459.06)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Issue of Share Capital	**2,924.39**	589.21
	Proceeds from fresh secured loans	**100.00**	3,596.40
	Repayment of secured loans	**(15.38)**	
	Proceeds from external commercial borrowings	**66.89**	227.75
	Repayment of external commercial borrowings	**(50.87)**	(471.71)
	Net increase/ (decrease) in temporary working capital limits	**138.15**	(261.86)
	Interest Paid	**(12.67)**	(24.58)
	Cash generated from financing activities (C)	**3,150.51**	3,655.21
D.	**NET INCREASE IN CASH AND CASH EQUIVALENT (A+B+C)**	**2,599.52**	344.60
	Opening Balance of Cash and Cash Equivalent	**634.32**	289.72
	Closing Balance of Cash and Cash Equivalent	**3,233.84**	634.32
	Cash and cash equivalent comprises of		
	Cash In Hand	**7.48**	6.39
	With Scheduled Banks		
	In Current Account	**138.17**	163.19
	In Fixed Deposits	**3,104.42**	479.19
	With other banks	**0.44**	2.22
	Less - Provision	**(16.67)**	(16.67)
	Total	**3,233.84**	634.32

This is Balance Sheet referred to in our report of even date

For and on behalf of the Board of Directors

Walker, Chandiok & Co
Chartered Accountants

David Jones
Partner
M. No. 98113

Place : New Delhi
Date : May 24, 2007

Siddhanta Sharma, Chairman
Ajay Singh, Director
B. S. Kansagra, Director
Khaled Mohammad Ali Al Kamda, Director

Kishore Gupta, Director
Mukkaram Jan, Director
Osman Qureshi, Director

Partha Sarathi Basu, Chief Financial Officer
A. K. Maheshwary, Associate Vice President-Legal & Company Secretary

SpiceJet Limited

Regd. Office : Cargo Complex, Indira Gandhi International Airport, Terminal-I, New Delhi-110037

ATTENDANCE SLIP

Twenty Third Annual General Meeting

DP Id* Client Id*	Master Folio no.

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Twenty Third Annual General Meeting of the Company at 12.00 noon on September 11, 2007.

Member's/Proxy's name in Block Letters ______________________

Father's Name ______________________

Member's/Proxy's Signature ______________________

Note : Please fill in this attendance slip and hand over at the ENTRANCE OF THE VENUE.

Please Cut Here

SpiceJet Limited

Regd. Office : Cargo Complex, Indira Gandhi International Airport, Terminal-I, New Delhi-110037

PROXY FORM

DPID* ____________

Client ID* ____________

I/We ______________________ of ______________________

being a member/members of SpiceJet Limited hereby appoint ______________________

of ______________________ or failing him ______________________

of ______________________ as my/our proxy to vote for me/us on my/our behalf at the Twenty Third Annual General Meeting of the Company to be held on September 11, 2007 and at any adjournment thereof.

Signed this ____________ day of ____________ 2007

Signature ______ Affix a 30 ps. Revenue Stamp ______

Master Folio no.

No. of Shares

Note : This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Annual General Meeting.

*Applicable for investors holding shares in electronic (dematerialised) form.

U.P.C.

If undelivered please return to :

SpiceJet Limited

Corporate Office :
319, Udyog Vihar, Phase-IV,
Gurgaon-122 016 Haryana

Printed by : Surya Offset Printers
Mob. : 9810036632