flying for everyone

24th Annual Report 2007-2008

SpiceJet Limited

Board of Directors

Mr. Ajay Singh

Mr. Atul Sharma

Mr. B. S. Kansagra

Mr. Khaled Mohammed Ali Alkamda (upto 29.08.2008)

Mr. Kishore Gupta

Mr. Mukkaram Jan

Mr. Osman Qureshi (upto 29.08.2008)

Mr. Siddhanta Sharma - Chairman (upto 31.07.2008)

Mr. Tom Ronell (w.e.f. 29.08.2008)

Mr. Vijay Kumar

Bankers

CITI Bank N.A.
HDFC Bank Ltd.
HSBC
ICICI Bank Ltd.
J&K Bank Ltd.

Registrars & Share Transfer Agents

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

Registered Office

Near Steel Gate Bus Stop,
Terminal-I,
Indira Gandhi International Airport,
New Delhi-110037

Corporate Office

319, Udyog Vihar
Phase-IV, Gurgaon, Haryana

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flying for everyone

SpiceJet Limited

Registered Office : Near Steel Gate Bus Stop, Terminal-I, Indira Gandhi International Airport, New Delhi-110037

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FOURTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF SPICEJET LIMITED WILL BE HELD ON THURSDAY, NOVEMBER 27TH, 2008 AT 11 A.M. AT THE AIR FORCE AUDITORIUM, SUBROTO PARK, NEW DELHI TO TRANSACT THE FOLLOWING BUSINESS:

Ordinary Business

1. To consider and adopt the Balance Sheet as at March 31, 2008, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

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

3. To appoint a director in place of Mr. Mukkaram Jan, 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. Tom Ronell, 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."

By order of the Board of Director

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

Place: Gurgaon, Haryana
Date: October 14, 2008

Notes:

1. **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.**

2. The Register of Shareholder and Transfer Books of the Company will remain closed from November 22, 2008 to November 27, 2008 (both days inclusive).

3. 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.

4. All documents referred to in the accompanying Notice 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. **Re-appointment of Directors:**
   At the ensuing Annual General Meeting Mr. Ajay Singh and Mr. Mukkaram Jan 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. Ajay Singh**, aged about 43 years is a Bachelor of Technology from Indian Institute of Technology, Delhi having a Master's degree in Business Administration from Cornell University and a bachelor's degree in law from the University of Delhi. He has extensive experience in the information technology. Mr. Singh was appointed as director on the Board of the Company with effect from November 11, 2004. Mr. Singh is also a director on the board of Cranes Software International Limited, Crosslinks Finlease Pvt. Ltd and Intel Construction and the Chairman of Audit Committee of Cranes Software International Limited. He holds 10 million equity shares of SpiceJet Limited.

   b) **Mr. Mukkaram Jan,** aged about 42 years is a commerce graduate and with extensive business experience and belongs to a leading business family in Bangalore. Mr. Jan was appointed as director on the Board of the Company with effect from November 11, 2004. He is a Director on the Board K&J Telecom Pvt. Limited, Cranes Software International Limited, Jansons Land and Property Ltd.; K&J Holdings Private Limited, SPSS South Asia Private Limited, Orca Infotech Private Limited, Systat Software Inc., Systat Software Asia Pacific Limited, Keysoft Solutions Private Limited, Cranes Software International Pte Ltd., Cranes Software UK Ltd., Spice Capital Fund Private Limited, Analytix Systems Pvt. Ltd., Sea Equity Enterprises Pvt. Ltd., Samara Investments Bangalore Private Limited, Tilak Autotech Pvt. Ltd., Caraval Infosystems Pvt. Ltd., Proland Software Pvt. Ltd., Esqube Communications Solutions Pvt. Ltd. and Engineering Technology Associates Inc. Mr. Jan is also the Chairman of Audit and Compensation Committee of SpiceJet Limited. Mr. Jan does no hold any shares of SpiceJet Limited.

The Explanatory Statement for item no. 5 to the accompanying Notice set out hereinabove is as under.

ITEM NO. 5

Istithmar PJSC nominated Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda as its nominee directors pursuant to Articles of Association of the Company. As per Article 109A of the Articles of Association of the Company, Istithmar PJSC (Istithmar) has withdrawn the nomination of Mr. Osman Qureshi and Mr. Khaled Mohammad Ali Al Kamda.

Istithmar has now nominated Mr. Tom Ronell as director on the Board, 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. Tom Ronell holds office only upto the date of forthcoming Annual General Meeting of the Company and is eligible for appointment as director. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of Mr. Tom Ronell, proposing his appointment as directors of the Company, alongwith the requisite deposit.

(a) **Mr. Tom Ronell** aged about 55 years has a background in Economics from The Wharton School, United States of America. He is the Chief Executive Officer of Istithmar World Aviation Holdings and oversees the management of Istithmar World's entire aviation investments.

Mr. Ronell has held the position of Vice President - Sales at Airbus and has previously worked in the maintenance & engineering division at Northwest Airlines and has also served in the marketing & sales division at McDonnell Douglas.

As founder and President of Ronell Aviation Services, Inc., Mr. Ronell brings with him rich experience in airline start-ups, privatisation, restructuring and management around the world. He has also participated in the sale, lease and purchase of over US$50 billion worth of aircraft.

Mr. Ronell was appointed on the Board of the Company with effect from August 29, 2008. Mr. Ronell 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. Tom Ronell are in any way concerned or interested in the resolution.

By order of the Board of Director

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

Place: Gurgaon, Haryana
Date: October 14, 2008

DIRECTORS' REPORT

Dear Shareholders,

The Directors hereby present the Twenty Fourth Annual Report and the Audited Accounts for the year ended March 31, 2008.

1. Financial Results

Particulars	March 31, 2008	March 31, 2007
Gross Income	14,385.79	7,482.80
Operating Expenses	12,420.17	6,478.02
Employee Remuneration of benefits	1,431.92	860.87
Selling Expenses	914.09	279.61
Administrative Expenses	703.81	427.17
Finance Charges	137.23	42.48
Depreciation and Amortisation	78.18	58.47
Profit/ (Loss) before taxation	(1,299.61)	(663.82)
Fringe Benefit Tax	24.24	9.94
Prior Period Adjustments	11.22	33.67
Profit/ (Loss) After taxation	**(1,335.07)**	**(707.43)**

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 year ended March 31, 2008.

2. Business

The Company completed its third year of operations on May 23, 2008. During its third year of operations, the Company grew its fleet size to nineteen aircraft covering 18 destinations and operating 113 flights daily. During the year ended March 2008, the number of passengers flown has also increased by 48% to 4.5 million as compared to previous year. The average load factor of 73% was recorded by the airline during the year under review with a market share of over 9%.

During the year under review, the company improved its average deployed fleet to 14.13 aircraft versus 7.68 aircraft for comparable previous year.

Your company also focussed on processes to generate ancillary revenues which in turn reduced cost of operations. The company has managed to improve the Net Revenue per passenger to Rs.2,650 from Rs.2,320 in comparable previous year.

3. Change of Financial Year

The Company had changed its financial year in the previous financial year from June-May to April-March. Accordingly, the previous financial results reflect the performance of the Company for ten months only and may not be comparable with full year results for the year ended March, 2008.

4. Fleet Rationalisation

During the year under review the Company inducted eight new aircraft to its fleet taking the total fleet strength to nineteen aircraft. Out of eight new aircraft inducted, two were Boeing 737-900, which is the largest capacity domestic aircraft having a seating capacity of 212 passengers.

During December 2007, the Company also completed the funding for additional ten aircraft with Babcock and Brown Aircraft Management LLC. The aircraft are scheduled to be delivered during the year 2010 through 2012. Further in view of mounting oil prices and decline in domestic air traffic the Company has pre maturely terminated four operating leases and also cancelled delivery of four new aircraft post closure of the current financial year.

5. Share Capital

Shareholders approved increase in authorised share capital of your company by Rs. 650 million in the extra-ordinary general meeting held on September 12, 2008.

In terms of the authority given by the shareholders at the extra-ordinary general meeting held on June 10, 2005 and pursuant to the Offering Circular dated December 7, 2005, the Company amended covenants of US$80 million Zero Coupon Secured Convertible Bonds Due 2010 (the "FCCB") as a part of overall financing arrangement wherein the entire cash collateral of US$80 million and interest accrued has been released back to the Company after deduction of US$0.9 million as contractual obligation and administration expenses.

The amendments to FCCB covenants, inter-alia, include (a) release of entire cash collateral, (b) resetting FCCB Conversion Price to Rs.25 per equity share and (c) providing customary rights as are generally available in such type of investment.

Post closure of the financial year in March 2008, the paid-up share capital of the Company was increased by 368,960 equity a share consequent upon conversion of FCCBs aggregating to US$ 200,000 at FCCB Conversion Price of Rs.25 per equity share.

6. Dividend

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

7. Directors

Mr. Ajay Singh and Mr. Mukkaram Jan retire by rotation in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Siddhanta Sharma, Executive Chairman has ceased to be a director on the Board of the Company with effect from July 31, 2008.

Mr. Osman Qureshi and Mr. Khaled Mohammed Ali Alkamda have also ceased to be directors on the Board of the Company with effect from August 29, 2008.

With regard to comment of the Auditors in para 6 (d) of their report dated June 30, 2008 for the year ended March 31, 2008, we submit that nomination of Mr. Osman Qureshi and Mr. Khaled Mohammed Ali Alkamda was withdrawn by Istithmar PJSC prior to March 31, 2008 subject to appointment of Mr. Tom Ronell as its new nominee after obtaining necessary security clearance. As these directors were not to be re-appointed, declaration under Section 274(1)(g) of the Companies Act, 1956 were not received from them.

Post security clearance, Mr. Tom Ronell was appointed as the additional director on the Board of the Company on August 29, 2008 and shall hold office upto the date of ensuing annual general meeting. The Company has received notice under section 257 of the Companies Act, 1956 proposing his candidature as such.

The Board has also invited Mr. Wilbur L. Ross, Jr. and Mr. Ranjeet Nabha nominees of W. L. Ross & Co LLC, to join your Company's board on receipt of security clearance from Ministry of Civil Aviation (MCA), Government of India in terms of provisions of Civil Aviation Rules. The appropriate applications have been filed with the MCA in this regard and the clearance is awaited.

8. 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.

9. 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 year ended March 31, 2008, 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 year ended March 31, 2008 on a going concern basis.

10. Employee Stock Option Scheme

The applicable disclosure as required under Clause 12 of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 as on March 31, 2008 is as under:

<table>
<tr><th>S. No.</th><th>Description</th><th colspan="4">Remark</th></tr>
<tr><td>a)</td><td>Options granted</td><td colspan="4">5,200,000</td></tr>
<tr><td>b)</td><td>Pricing formula</td><td colspan="4">Intrinsic value method for valuation has been used for determining the fair value option granted under the Scheme. The value per option as per this method is Rs. 27.85.</td></tr>
<tr><td>c)</td><td>Options vested</td><td colspan="4">Nil</td></tr>
<tr><td>d)</td><td>Options exercised</td><td colspan="4">Nil</td></tr>
<tr><td>e)</td><td>Total number of shares arising as a result of exercise of options</td><td colspan="4">Nil</td></tr>
<tr><td>f)</td><td>Options lapsed</td><td colspan="4">389,000</td></tr>
<tr><td>g)</td><td>Variations of terms of options</td><td colspan="4">Nil</td></tr>
<tr><td>h)</td><td>Money realised by exercise of options</td><td colspan="4">Nil</td></tr>
<tr><td>i)</td><td>Total number of options in force</td><td colspan="4">4,811,000</td></tr>
<tr><td>j)</td><td>Employee wise details of options granted to:</td><td colspan="4"></td></tr>
<tr><td rowspan="8"></td><td rowspan="8">i. senior management personel</td><td>SN</td><td>Name</td><td>Designation</td><td>Options Granted</td></tr>
<tr><td>1</td><td>Samyukth Sridharan</td><td>CCO</td><td>100,000</td></tr>
<tr><td>2</td><td>O P Ahuja</td><td>AVP-Coordination</td><td>50,000</td></tr>
<tr><td>3</td><td>Virender Pal</td><td>CTO</td><td>50,000</td></tr>
<tr><td>4</td><td>Surajit Banerjee</td><td>VP-HR</td><td>50,000</td></tr>
<tr><td>5</td><td>Partha Sarthi Basu</td><td>CFO</td><td>50,000</td></tr>
<tr><td>6</td><td>Kamal Hingorani</td><td>VP-Marketing & Planning</td><td>50,000</td></tr>
<tr><td>7</td><td>J S Dhillon</td><td>EVP-Flight Ops</td><td>50,000</td></tr>
<tr><td></td><td>ii. any other employee who receives a grant in any one year of option amounting to 5% more of option granted during that year</td><td colspan="4">None</td></tr>
<tr><td></td><td>iii. identified employees who were granted option, during any one year, equal to or</td><td colspan="4">None</td></tr>
</table>

	exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	
k)	Diluted earnings per share pursuant to issue of shares on exercise of options caluculated in accordance with Accounting Standard (AS) 20 "earning Per Share"	(Rs.5.55)
l)	Method of calculation of employee compensation cost	The employee compensation cost would be calculated based on instrinsic value of the options offered. The value of an option using this method is Rs. 27.85. However, the fair value per option (as per Black Scholes Model) is Rs.32.50. the difference in the value of an option using both methods is Rs.4.65.
m)	Exercise price an fair value of option	The exercise price of all the options granted under the above mentioned Scheme is Rs. 30. Also, the fair value of the options, as calculated using the Black Scholes option Valuation Model is Rs.32.50 only.
n)	Option valuation methodology	Black Scholes Option Valuation Model has been used to estimated the fair value of the options granted under the above mentioned Scheme
	i. Risk-free interest rate	9 year zero coupon treasury rate
	ii. Expected life	2.5 years from the date of vesting based on various schemes launched by various organizations in the country.
	iii. Expected volatility	Volatility is calculated on the movement of
		company's share price on BSE in the past one year which comes out be 55%. The same volatility is applicable to the Black Scholes Model.
	iv. Expected dividend	Nil
	v. Price of underlying share at the time of option grant	Rs.57.85

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.1,746.86 million while the outgoings were Rs.4,257.51 million during the year under review.

13. Deposits/ Borrowings

The Company has not accepted any deposit under provisions of Section 58A of the Companies Act, 1956 during the year 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 June 30, 2008 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, 2009 in respect of above stock exchange.

17. Acknowledgement

The Directors thank all government, regulatory bodies and shareholders for their consistent support in the smooth airline operations of the Company. We also place on record our appreciation to the contribution made by company's staff at all levels, without whom the Company would not have attained such great heights in such a short period of its operations.

For and on behalf of the Board

Sd/-
Ajay Singh
Director

Sd/-
Kishore Gupta
Director

Place: Gurgaon, Haryana
Date: October 14, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Company had a fleet of eleven aircraft at the start of the fiscal which was scaled up to nineteen aircraft by the fiscal end. Of the eight aircraft inducted during the fiscal, two were Boeing 737-900's the largest capacity domestic aircraft in the Indian skies with a seating capacity of 212 passengers.

The airline carried over 4.5 million passengers during the year under review, a growth of 48% over the previous 12 months, and enjoyed a market share of over 9.3% for the year under review. The Company's market share in domestic passenger traffic increased from 8.3% in April 2007 to 10.1% in March 2008.

SpiceJet currently operates 94 flights daily to 17 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.

Competition and Threats

There continues to be three main threats to the aviation industry in India; a) Higher seat capacity than demand; b) Increasing fuel prices, and c) Airport infrastructure

Domestic capacity induction continued to remain ahead of the demand growth during the year under review with a 29% growth in the seat capacity as against a 26% growth in passenger traffic. However during the second half of the fiscal this imbalance narrowed down with a 19% growth in seat capacity as against an 18% growth in passenger traffic. The narrowing down of the demand-supply imbalance was driven partially by the consolidation of capacity between merged airlines pursuant to the take-over and merger of a competing LCC by a Full Service Carrier.

The financial year has seen Aviation Turbine Fuel (ATF) prices go up from Rs.34 per litre to Rs.47 per litre in March 2008 an increase of 36%. With ATF being one of the largest cost items in the airline operations, it would further squeeze the bottom line of the entire industry.

Another area of concern is the infrastructural constraints at major airports. There are practically no new slots for landing/take-off of aircraft available at these airports for any new services to be launched. However, with the new International Airports at Hyderabad and Bangalore, and a new runway at Delhi operational from September 2008, we foresee some of these issues being addressed. However, the constraint at the Mumbai airport will continue to remain and would hamper future capacity deployment.

Opportunity and Outlook

Domestic air traffic has grown at 29% CAGR since 2004-05 when SpiceJet started its operations. Domestic air traffic growth in the last financial year was 23% in comparison to 39% clocked in 2006-07. Despite the drop in the growth rate, India remains one of the fastest growing markets in the world for domestic traffic growth. Typically aviation growth in most markets tracks a growth that roughly equals 2 times that of the GDP growth rate. On basis of this empirical evidence, we can reasonably expect that the domestic aviation industry in India will grow at 15-16% year-on-year for the next 3 years.

The consolidation in the domestic market in the last 2 years will go a long way in correcting the demand-supply imbalance that has been built up over the last 3-4 years. The Company expects rationalizing of routes and frequency by some direct competitors that will be a direct fall-out of the consolidation. It is also important to note that the planned deliveries of all domestic carriers for the financial year 2008-09 is lower than the capacity induction in the last couple of years. And some domestic airlines would become eligible to deploy some of their capacity on international routes which would further reduce the capacity induction on domestic routes that would compete with SpiceJet.

Domestic air ticket prices have seen an increase during the year under review primarily driven by the increase in ATF prices. The industry in general, and SpiceJet in particular, has demonstrated its ability to be able to pass on ATF price increases to the consumer with little or no resultant impact on passenger traffic. With further hardening of ATF prices expected during financial year 2008-09, this ability to pass on these cost increases to the consumer would help the Company tackle the expected ATF price increases better than its closest competitors.

Human Resources

With two years having gone by, with continuous focus on nurturing, managing and growing Talent, there was a clearly perceived need for bringing in an element of homogeneity in the internal culture of the Organisation. Also, during this period critical policies and processes around Code of Conduct as also Equal and Healthy Workplace practices were drawn up, documented and rolled out, to manage cross-industry induction of people and its related complexities.

The co-branded MBA and BBA programmes for employees got started in this period, while several employee communication/ engagement events got initiated, for binding the entire workforce under a common ethos. It was a year of consolidation where employee aspirations and performance continued to form the basis for providing Recognition and growing newer Structures to deal with the several Business complexities that came our way.

The Company had 2,349 number of employees as on March 31, 2008.

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 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 year 2007-08, the board consisted of all non-executive directors except Mr. Siddhanta Sharma. The Board of Directors of the Company consisted of following directors as on March 31, 2008, categorised as indicated:

Category	Name of Director
Executive Chariman	Mr. Siddhanta Sharma[1]
Promoter Nominee	Mr. B.S. Kansagra
Independent	Mr. Kishore Gupta Mr. Mukkaram jan Mr. Vijay Kumar
Investor Nominee	Mr. Osman Qureshi[2] Mr. Khaled Mohammed Ali Alkamda[2] (both representing Istithmar PJSC)
Non-Independent	Mr. Ajay Singh Mr. Atul Sharma

Note 1: Mr. Siddhanta Sharma has ceased to be director on the Board of the Company with effect from July 31, 2008

Note 2: Mr. Osman Qureshi and Mr. Khaled Mohammed Ali Al Kamda have ceased to be director on the Board of the Company with effect from August 29, 2008

(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, five (5) board meeting were held on April, 24, 2007; May 24, 2007; July 30, 2007; October 30, 2007 and January 22, 2008.

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

Name of Director	Attendance		No. of directorship and committee memberships/ chairmanships		
	Board Meetings	Last AGM	Other directoship[1]	Committee memberships	Committee Charmanships
Mr. Ajay Singh	5	Absent	3	-	1
Mr. Atul Sharma	5	Present	-	1	-
Mr. B. S. Kansagra	5	Absent	23	1	1
Mr. Khaled Mohammed Ali Alkamda	1	Absent	1	-	-
Mr. Kishore Gupta	5	Present	1	2	-
Mr. Mukkaram Jan	1	Absent	20	-	2
Mr. Osman Qureshi	5	Present	1	-	-
Mr. Siddhanta Sharma	5	Present	-	1	-
Mr. Vijay Kumar	Nil	Absent	1	1	-

Note 1: Includes directorship in foreign / private companies other than SpiceJet Limited.

(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.5.72 million to Link Legal, Advocates towards legal and professional charges during the period under review in which Mr. Atul Sharma is a partner.

The table below sets out the details of remuneration of directors for the year ended March 31, 2008. No remuneration committee has been constituted being a non mandatory requirement.

(Amount in Rs.)

Name of Director	Salary	Perquisites & other allowances	Retiral Benefits	Performance linked payment	Severance Fees	Notice Period
Mr. Siddhanta Sharma	2,520,000	378,000	-	-	-	-

(f) Shares held by Non-Executive Directors

The table below sets out list of directors holding shares in the Company as on March 31, 2008:

Name of Director	Shareholding	Percentage
Mr. Ajay Singh	10,000,000	4.16%
Mr. 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, four (4) meetings were held on May 24, 2007, July 25, 2007, October 30, 2007 and January 21, 2008.

c) Composition

The Audit Committee comprises of three directors. The table below sets out the composition and attendance at the Audit Committee meetings as on March 31, 2008:

Name of Member	No. of Committee Meetings attended
Mr. Atul Sharma	4
Mr. Kishore Gupta	4
Mr. Mukkaram Jan	Nil

4. **INVESTOR RELATIONS COMMITTEE**

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.

The Investor Relations Committee comprises of three directors viz., Mr. B. S. Kansagra, Mr. Siddhanta Sharma and Mr. Vijay Kumar. Mr. B. S. Kansagra, non-executive director is the Chairman of the Committee.

Mr. A K Maheshwary, Associate Vice President (Legal) & Company Secretary, is the Compliance Officer.

In all 342 letters/ complaints were received and replied/ redressed to the satisfaction of shareholder during the period April 2007-March 2008.

There were no dematerialisation requests pending for approval as on March 31, 2008.

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.

b) **Number of Compensation Committee meetings**
During the period under review, one meeting was held on September 11, 2007.

c) **Composition**
The Compensation Committee comprises of three directors viz. Mr. Atul Sharma, Mr. Mukkaram Jan and Mr. Kishore Gupta. 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 of directors are provided in the Notice of the 24th 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
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 a per FEMA/ regulations
23rd AGM	September 11, 2007	12 Noon	Sri Satya Sai International Centre, Pragati Vihar, Lodi Road, New Delhi-110003	- Amendments to Articles of Association - Issue and allotment of 6,016,250 shares under ESOP-2007 - Appointment of Whole time director

During the year April 2007 - March 2008 a special resolution was put to vote through postal ballot to create, grant, offer, issue and allot not more than 75,000 equity shares of Rs.10 each under the Employee Stock Option Scheme 2008. The postal ballot exercise was conducted by Mr. Mahesh Gupta of Mahesh Gupta & Company, Practicing Company Secretaries, Delhi who was appointed as scrutiniser by the Company. As per the report dated April 29, 2008 of the scrutiniser details of voting pattern are as under:

S. No.	Description	No. of Ballots	No. of Shares	% to Shares
1.	Total Shares Polled	1,226	32,550,298	
2.	Invalid shares Polled	53	17,886	
3.	Valid Shares Polled (1-2)	1,173	32,532,412	
4.	**Votes in Favour**	**1,023**	**32,470,593**	**99.81%**
5.	**Votes Against**	**151**	**61,819**	**0.19%**
	Total (4+5)*	**1,174**	**32,532,412**	**100.00%**

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 a non-executive director of the Board for required CEO certification under Clause 49 of the listing agreement.

(ii) Mr. Siddhanta Sharma was appointed the Executive Chairman of the Company with effect from October 1, 2007, and ceased to be director/ executive chairman with effect from July 31, 2008. During the abovesaid period the Company was having one-third of the Board comprising of independent directors instead of half pursuant to Clause 49 of the listing agreement.

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 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. Certificate on Corporate Governance by Practicing Company Secretary

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

13. CEO/ CFO Certification

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

14. General Shareholder Information

Venue, date and time of the 24th Annual General Meeting	Air Force Auditorium, Subroto Park, New Delhi on November 27, 2008 at 11 a.m.		
Book Closure date	November 22, 2008 to November 27, 2008 (both days inclusive)		
Dividend payment date	Not Applicable		
Financial Calendar (tentative)			
Results for quarter ending Dec 2008	Last week of Jan 2009		
Results for quarter ending Mar 2009	Last week of Apr 2009		
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	INE288B01017		
ISIN in Euroclear and Clearstream for Bonds	XSO234152758		
Listing fee for 2008-2009	Paid for all the above stock exchanges		

15. Market Price Data*

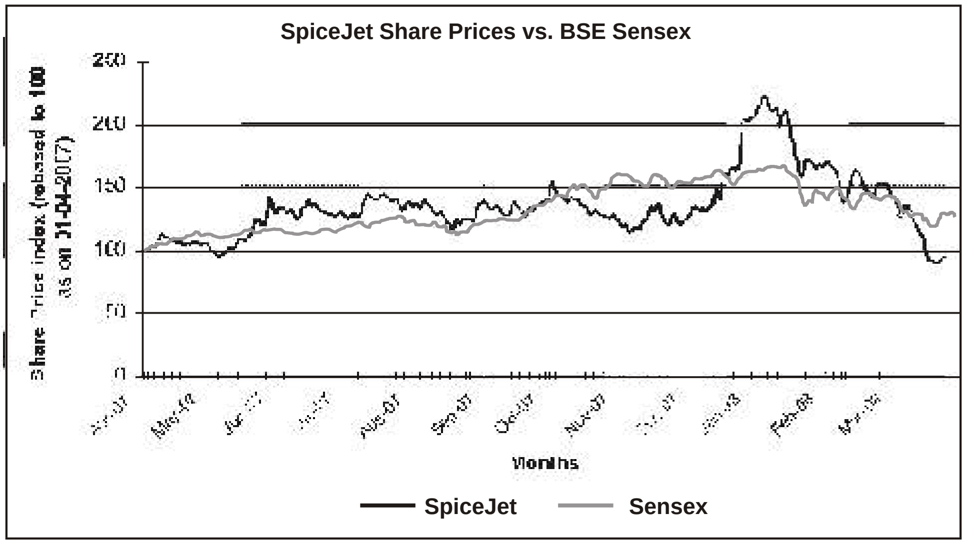
The market capitalisation of the Company is included in the computation of BSE 500 and BSE SMALLCAP Index. The table below sets out the monthly high and low quotations of the shares traded at Bombay Stock Exchange Limited during the period under review:

Date	High Price (Rs.)	Low Price (Rs.)
April 2007	49.45	41.50
May 2007	64.80	36.00
June 2007	64.00	52.30
July 2007	63.65	52.55
August 2007	60.60	49.75
September 2007	60.90	54.10
October 2007	67.90	51.95
November 2007	61.50	44.95
December 2007	91.65	52.80
January 2008	104.80	44.00
February 2008	76.50	56.00
March 2008	64.95	37.30

* 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 April 1, 2007 to March 31, 2008.



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 Mellon
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 15 days from the date of receipt, provided the documents submitted are valid and complete in all respect.

20. Shareholding pattern as on March 31, 2008

S. No.	Category	Total Shares	% To Equity
1.	Bodies corporate	49,000,634	20.36%
2.	Directors	10,000,000	4.16%
3.	Foreign Companies	32,296,876	13.42%

4.	Foreign Institutional Investors	29,940,650	12.44%
5.	Foreign Nationals	3,000	0.00%
6.	Mutual Funds	28,138,796	11.69%
7.	Non Resident Indians	20,957,327	8.71%
8.	Overseas Corporate Bodies	3,169,500	1.32%
9.	Promoters	31,077,500	12.91%
10.	Resident Individuals	35,732,272	14.85%
11.	Others	334,645	0.14%
	TOTAL	**240,651,200**	**100.00%**

21. Dematerialisation of shares and liquidity

Over 93% of the outstanding shares have been dematerialized upto March 31, 2008. 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.25 per equity share
Conversion Period	Between December 7, 2005 and November 11, 2010
Conversion during April 2007 - March 2008	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, Bagdogra, Bangalore, Chennai, Coimbatore, Delhi, Goa, Guwahati, Hyderabad, Jaipur, Jammu, Kolkata, Mumbai, Pune, Srinagar, Varanasi and Vishakhapatnam 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

NON EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Kishore Gupta, non-executive director of the Company and Partha Sarthi Basu, Chief Financial Officer of the Company, to the best of our my knowledge and belief certify that:

1. We have reviewed financial statements and the cash flow statement for the period ended March 31, 2008 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 year April 2007 - March 2008.

Sd/-	Sd/-
Kishore Gupta	**Partha Sarthi Basu**
Non-executive Director	Chief Financial Officer

Place: Gurgaon
Date: October 14, 2008

COMPLIANCE CERTIFICATE FROM PRACTICING COMPANY SECRETARY

To The Members of SpiceJet Limited

(i) We have examined the compliance of conditions of Corporate Governance by SpiceJet Limited, for the year ended on March 31, 2008, 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:

- 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 a non-executive director to certify certain documents required for compliance.

- Mr. Siddhanta Sharma was appointed the Executive Chairman of the Company with effect from October 1, 2007, and ceased to be director/ executive chairman with effect from July 31, 2008. During the abovesaid period the Company was having one-third of the Board comprising of independent directors instead of half pursuant to Clause 49.

(iv) 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 Mahesh Gupta & Company
Company Secretaries

Sd/-
Mahesh Gupta
Proprietor

Membership No. FCS-2870
Place: New Delhi
Date: October 14, 2008

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, 2008, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Without qualifying our opinion, we draw attention to Note 5 in Schedule XVII to the financial statements which indicate that the Company has suffered recurring losses from operations with net loss for the year ended March 31, 2008, without considering the impact of the matters mentioned in paragraph 5 below, amounting to Rs. 1,335.07 million, and as of that date, the Company's accumulated losses amounted to Rs. 5,074.52 million, as against the Company's share capital and reserves of Rs. 5,354.33 million. Also, as discussed in Note 3 in Schedule XVII to the financial statements, realization of the carrying amount of certain receivable amounting to Rs. 68.82 million and dismissal of interest liability amounting to Rs. 240.95 million is dependent 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 5. 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.

5. We report that:

   a. *As more fully explained in the note 3.1 of Schedule XVII 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 of which an amount of Rs. 26.82 million appears to be doubtful for recovery. The Company has not made provision for this doubtful amount in the financial statements.*

   b. *As more fully explained in the note 3.3 of Schedule XVII 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, 2008 amounts to Rs. 240.95 million.*

c. *As more fully explained in the note 3.5 and 3.7 of Schedule XVII to the financial statements, Loans and advances includes an amount of Rs. 36.10 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 statements.*

d. *As more fully explained in the note 3.6 of Schedule XVII to the financial statements, balance in Sundry debtors as at March 31, 2008 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. 1,644.84 million (as against the reported net loss of Rs. 1,335.07 million), accumulated losses would have been Rs. 5,384.29 million (as against the reported figure of Rs. 5,074.52 million), loans and advances would have been Rs. 1,699.17 million (as against the reported figure of Rs. 1,762.09 million), sundry debtors would have been Rs. 9.64 million (as against the reported figure of Rs. 15.54 million) and current liabilities would have been Rs. 7,457.59 million (as against the reported figure of Rs. 7,216.64 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 financial statements dealt with by this report are in agreement with the books of account;

d. On the basis of written representations received from six out of nine directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of those six directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act. *In respect of one of the director who has not provided written representation, based on our review of other evidences provided by the Company and the concerned director, we are of the opinion that he is not disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act. In respect of remaining two directors, in the absence of written representation to the Company as on March 31, 2008, we are unable to comment whether they are disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;*

e. *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 dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and 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, 2008;

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

iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

for Walker, Chandiok & Co
Chartered Accountants

per David Jones
Partner
Membership No. 98113

Place: New Delhi
Date: June 30, 2008

Annexure to the Auditors' Report of even date to the members of Spicejet Limited, on the financial statements for the year ended March 31, 2008.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

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

(b) A major portion of the fixed assets has been physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets is reasonable having regards to the size of the Company and nature of its assets. No material discrepancies noticed were noticed on such verification.

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

(ii) (a) The management has not carried out physical verification of inventory during the year. In our opinion the frequency of physical verification is not reasonable.

(b) No physical verification has been carried out during the year and hence, we are unable to comment on reasonableness and adequacy of procedures followed for physical verification of inventory.

(c) The Company is maintaining proper records of inventory but in the absence of physical verification during the year we are unable to comment upon discrepancies between book records and physical presence of inventories.

(iii) (a) The Company has not granted any loan, 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) to (d) of the Order are not applicable.

(b) The Company had taken loans from one company covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs 389.21 million and the year-end balance was Rs 344.16 million

(c) In our opinion, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.

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

(iv) In our opinion there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) In our opinion the transaction made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made 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 within the meaning of sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

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

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the services rendered by the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year 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	**Name 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) *In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash losses during the year and in the immediately preceding financial year*

(xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank. The Company did not have any debentures outstanding during the year.

(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. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(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.

(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.

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

(xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(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.

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

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

(xxi) *The Company has not been able to recover Rs. 12.24 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

per **David Jones**
Partner
Membership No. 98113

Place: New Delhi
Date: June 30, 2008

BALANCE SHEET AS AT MARCH 31, 2008

	Schedules	As At March 31, 2008 (Rs. Millions)	As At March 31, 2007 (Rs. Millions)
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	I	**2,406.51**	2,406.51
Reserve and Surplus	II	**2,947.82**	3,178.71
		5,354.33	5,585.22
LOAN FUNDS			
Secured Loans	III	**4,857,86**	3,574.53
Unsecured Loans	IV	**543.31**	747.00
		10,755.50	9,906.75
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	V	**864.70**	621.12
Less: Depreciation		**213.98**	137.34
Net Block		**650.72**	483.78
Capital Work In Progress (Including Capital Advances)		**4,989.09**	6,943.53
INVESTMENTS	VI	**3.62**	812.21
CURRENT ASSENTS, LOANS AND ADVANCES	VII		
Inventories		**110.72**	79.41
Sundry Debtors		**15.54**	56.23
Cash and Bank Balances		**6,080.98**	3,510.45
Loans and Advances		**1,762.09**	1,153.18
		7,969.33	4,799.27
LESS : CURRENT LIABILITIES AND PROVISIONS	VIII		
Current Liabilities		**7,216.64**	6,456.24
Provisions		**715.14**	415.25
		7,931.78	6,871.49
NET CURRENT ASSETS		**37.55**	(2,072.22)
PROFIT AND LOSS ACCOUNT		**5,074.52**	3,739.45
		10,755.50	9,906.75
Significant Accounting Policies	XVI		
Notes to the Financial statements	XVII		

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

This is the Balance sheet referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

Per David Jones
Partner
Membership No. 98113

Place : New Delhi
Date : June 30, 2008

For and on behalf of the Board of Directors

Siddhanta Sharma
Chairman

Ajay Singh
Director

B. S. Kansagra
Director

Kishore Gupta
Director

Partha Sarathi Basu
Chief Financial Officer

A. K. Maheshwary
AVP (Legal) &
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedules	For the Year Ended March 31, 2008 (Rs. Millions)	For the Period Ended March 31, 2007 (Rs. Millions)
INCOME			
Operating Revenue	IX	**12,949.91**	6,438.02
Other Income	X	**1,435.88**	1,044.78
		14,385.79	7,482.80
EXPENDITURE			
Operating Expenses	XI	**12,420.17**	6,478.02
Employees Remuneration and Benefits	XII	**1,431.92**	860.87
Selling Expenses	XIII	**914.09**	279.61
Administrative Expenses	XIV	**703.81**	427.17
Finance Charges	XV	**137.23**	42.48
Depreciation and Amortisation	V	**78.18**	58.47
		15,685.40	8,146.62
LOSS BEFORE TAX AND PRIOR PERIOD ITEMS		**1,299.61**	663.82
Tax Expense - Fringe Benefits Tax		**24.24**	9.94
LOSS AFTER TAX		**1,323.85**	673.76
Prior Period Adjustments		**11.22**	33.67
NET LOSS FOR THE PERIOD		**1,335.07**	707.43
Add L Loss Brought Forward		**3,739.45**	3,032.02
BALANCE CARRIED TO THE BALANCE SHEET		**5,074.52**	3,739.45
Loss per Share (Refer note 15 in schedule XVII)			
Basic		**5.55**	3.72
Diluted		**5.55**	3.72

Significant Accounting Policies	XVI
Notes to the Financial Statements	XVII

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

This is the Profit and Loss Account referred to in our report of even date

For and on behalf of the Board of Directors

For Walker, Chandiok & Co
Chartered Accountants

Per David Jones
Partner
Membership No. 98113

Place : New Delhi
Date : June 30, 2008

Siddhanta Sharma
Chairman

Ajay Singh
Director

B. S. Kansagra
Director

Kishore Gupta
Director

Partha Sarathi Basu
Chief Financial Officer

A. K. Maheshwary
AVP (Legal) &
Company Secretary

SCHEDULE TO THE BALANCE SHEET

	As At March 31, 2008 (Rs. Millions)	As At March 31, 2007 (Rs. Millions)
SCHEDULE I - SHARE CAPITAL		
AUTHORISED		
350,000,000 (Previous year 350,000,000) Equity Shares of Rs.10 Each	**3,500.00**	3,500.00
ISSUED, SUBSCRIBED AND PAID UP		
240,651,200 Equity shares (Previous Year 240,651,200) of Rs. 10 Each Fully Paid Up (Refer Note 3.1 in Schedule XVII)	**2,406.51**	2,406.51
	2,406.51	2,406.51
SCHEDULE II - RESERVES AND SURPLUS		
Share Premium		
Balance as per last Balance Sheet	**3,178.71**	1,060.90
Add : Premium received on issue of shares during the year	-	2,403.97
Less : Premium payable on Redemption of FCCB's (Refer Note 8(i)(b) in Schedule XVII)	**(242.56)**	(243.46)
Less : Expenses relating to further equity raised during the year #	**(14.34)**	(42.70)
Total (A)	**2,921.81**	3,178.71
Employee Stock Options		
Employees stock options outstanding	**133.99**	-
4,811,000 options @ 27.85 per option (Previous Year NIL)		
Less: Deferred employee compensation	**(107.98)**	-
Total (B)	**26.01**	
Total (A+B)	**2,947.82**	3,178.71

During the current period an amount of Rs. 14.34 million (Previous period Rs. 42.70 million) relating to issue expenses for equity share capital raised 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 8(i) in Schedule XVII)	**3,191.20**	3,487.20
Secured Term Loan - Allahabad Bank #	**300.00**	-
Secured Term Loan - SREI #	**320.00**	-
Secured Term Loan - Others #	**0.10**	2.71
Secured Overdraft from Banks #	**1,046.56**	-
Loan from SICOM Limited #	-	84.62
# (Refer Note 8 (ii) in Schedule XVII)		
	4,857.86	3,574.53

Note : Includes amount payable with in one year Rs. 1,666.56 Million (Previous Year Rs. 87.22 Million)

SCHEDULE IV - UNSECURED LOANS		
Loans from Banks	**85.06**	243.70
Inter Corporate Deposits (Refer. Note 3.4. of in Schedule XVII)	**100.00**	100.00
Advances From Bodies Corporate (Refer. Note 3.4 of Schedule XVII)	**14.09**	14.09
Others :		
Other Borrowings (External Commercial Borrowings)	**344.16**	389.21
Total	**543.31**	747.00

Note : Includes amount payable with in one year Rs. 85.06 Million (Previous year Rs. 256.78 Million)

SCHEDULE V - FIXED ASSETS SCHEDULE

(Amount in Rs. Million)

S No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS On April 1, 2007	Additions	Deletions	AS ON March 31, 2008	AS ON April 1, 2007	Additions	DELETIONS	AS ON March 31, 2008	AS ON March 31, 2008	AS ON March 31, 2007
	Trangible Assets										
1.	Office Equipment	84.03	59.99	1.03	142.99	6.74	6.72	0.37	13.09	129.90	77.29
2.	Computers	57.08	26.86	-	83.94	16.91	10.74		27.65	56.29	40.17
3.	Furniture and Fixture	9.09	1.00	-	10.09	4.45	1.29	-	5.74	4.35	4.64
4.	Motor Vehicles	57.58	9.58	1.10	66.06	13.49	6.08	1.10	18.47	47.59	44.09
5.	Plant and Machinery	32.41	3.85	3.87	32.39	16.63	1.54	0.07	18.10	14.29	15.78
6.	Rotable and Tools	284.53	126.06	-	410.59	21.14	20.37	-	41.51	369.08	263.39
7.	Capital Expenditure on Leased Property	17.26	-	-	17.26	14.98	2.28	-	17.26	-	2.28
	Sub Total	541.98	227.34	6.00	763.32	94.34	49.02	1.54	141.82	621.50	447.64
	Intangible Assets										
1.	Application Software	79.14	22.24	-	101.38	43.00	29.16	-	72.16	29.22	36.14
	Sub Total	79.14	22.24	-	101.38	43.00	29.16	-	72.16	29.22	36.14
	Total	**621.12**	**249.58**	**6.00**	**864.70**	**137.34**	**78.18**	**1.54**	**213.98**	**650.72**	**483.78**
	Previous Year	588.83	121.90	89.61	621.12	98.39	58.47	19.52	137.34	483.78	490.44

	As At March 31, 2008 (Rs. Millions)	As At March 31, 2007 (Rs. Millions)
SCHEDULE VI - INVESTMENTS		
LONG TERM, UNQUOTED (NON TRADE)		
1,250,000 Equity Shares of Rs. 10 Eaqch 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 142,961 Units at NAV of 13.0515 *(Previous year 4,313,451 Units at NAV of 11.5916*	**1.87**	50.00
Reliance Floating Rate Fund - G 137,955 Units at NAV of 12.6657 *(Previous year 4,408,648 Units at NAV of 11.3413*	**1.75**	50.00
Birla Floating Rate STI - G *(Previous year 14,761,645 Units at NV of 10.8389)*	-	160.00

Tata Fixed Horizon Fund Series-8 Sch F	-	100.00
(Previous year 10,000,000 Units at NAV of 10)		
DBS Chola - Fixed Maturity Plan Series	-	100.00
(Previous year 10,000,000 Units at NAV of 10)		
Birla Fixed Horizon Plan Qtly Series-6	-	100.00
(Previous year 10,000,000 Units at NAV of 10)		
Tata Fxd Horiz Fund (qtly) Series 9 sch-E	-	100.00
(Previous year 10,000,000 Units at NAV of 10)		
Tata Dynamic Bond B-G	-	51.51
(Previous year 4,284,854 Units at NAV of 12.0225)		
Reliance Mthly Interval Fnd-Srs-I(10.65)	-	100.70
(Previous year 10,701,000 Units at NAV of 10)		
	3.62	812.21
Aggregate values of investment purchased and sold during the year:		
Purchases	**3,355.63**	1,002.22
Sales	**4,207.08**	1,814.43

SCHEDULES TO THE BALANCE SHEET

	As At March 31, 2008 (Rs. Millions)	As At March 31, 2007 (Rs. Millions)
SCHEDULE VII - CURRENT ASSENTS, LOANS AND ADVANCES		
INVENTORIES		
(AS TAKEN, VALUED AND CERTIFIED BY THE MANAGEMENT)		
Engineering Stores (Including Consumables) #	**95.19**	85.33
Fuel 1.90	**1.90**	1.90
Other Stores	**26.06**	4.61
	123.15	91.84
Less: Provision for Obsolescence	**12.43**	12.43
Total (A)	**110.72**	79.41
# (Refer to Note 6 in Schedule XVII)		
SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)		
Outstanding for a period		
Exceeding Six Months	**4.05**	4.05
Less than Six Months	**11.49**	52.18
Total (B)	**15.54**	56.23
CASH AND BANK BALANCES		
Cash in hand	**8.62**	7.48
With Scheduled Banks		
In current Accounts	**159.62**	138.10
In Fixed Deposits (Including Interest Accrued)	**5,240.55**	3,104.42
In Margin Money as security	**688.35**	276.61
Less: Provision for disputed bank balance	**(16.67)**	(16.67)
Total (C)	**6,080.47**	3,509.94
Balance with other Banks in current accounts		
HSBC (USA) maximum balance at any time during the year Rs.0.44 Million (Previous year Rs. 3,501.99 million)	**0.44**	0.44
HSBC (UK) maximum balance at any time during the year 0.07 Million (Previous Year Rs. 0.7 million)	**0.07**	0.07
Total (D)	**0.51**	0.51
Total Cash and Bank Balance (C+D)	**6,080.98**	3,510.45
LOANS AND ADVANCES		
Advances recoverable in cash or in kind	**139.90**	49.66
or for value to be received	**360.00**	360.00
Deposit for Long Term Lease of Property	**50.00**	50.00
Deposit with Mumbai High Court	**755.52**	367.03
Security Deposits	**152.40**	65.68
Taxes Paid in Advance Recoverable	**206.01**	115.39
Prepaid Expenses	**205.46**	183.54
Advance to Suppliers	**1,869.29**	1,191.30
Less : Provision for doubtful advances	**107.20**	38.12
Total (E)	**1,762.09**	1,153.18
Classification Of Loans And Advances :		
1. Considered Good	**1,762.09**	1,153.18
2. Considered Doubtful And Provided For	**107.20**	38.12
	1,869.29	1,191.30
Total (A)+(B)+(C)+(D)+(E)	**7,969.33**	4,799.27

SCHEDULES TO THE BALANCE SHEET

	As At March 31, 2008 (Rs. Millions)	As At March 31, 2007 (Rs. Millions)
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	**877.06**	475.98
Expenses Payable	**377.48**	254.60
Unearned Revenue	**1,130.87**	835.48
Deposits	**2.82**	10.55
Advance Received Against Agreement to Sell Aircraft	**4,589.86**	4,745.41
Interest Accrued But Not Due	**44.17**	27.92
Other Liabilities	**194.38**	106.30
Total (A)	**7,216.64**	6,456.24
PROVISIONS		
Gratuity	**20.00**	7.98
Compensated absences	**51.37**	26.06
Fringe Benefits Tax	**36.06**	16.06
Premium on redemption of FCCBs (see Note8(i) (b) in Schedule XVII)	**607.71**	365.15
Total (B)	**715.14**	415.25
Total (A)+(B)	**7,931.78**	6,871.49

SCHEDULES TO THE BALANCE SHEET

	For the Year Ended March 31, 2008 (Rs. Millions)	For the Period Ended March 31, 2007 (Rs. Millions)
SCHEDULE IX - OPERATING REVENUE		
Passenger Revenue	**12,059.20**	6,058.67
Other Operating Revenues	**890.71**	379.35
	12,949.91	6,438.02

SCHEDULE X - OTHER INCOME

Profit On Sale of Aircraft	**438.41**	442.04
Equipment Hire Charges	**28.50**	11.36
Income from sale of average seat kilometers	-	21.90
Dividend Income	**39.25**	3.79
Interest Income #	**434.32**	68.92
Incentives Received	**319.39**	445.37
Exchange Fluctuation Gain	**170.38**	51.40
Other Income	**5.63**	-
	1,435.88	1,044.78

Taxes deducted at source - Rs 5.76 Million (Previous Year Rs 1.15 Million)

SCHEDULE XI - OPERATING EXPENSES

Aircraft Lease Rental #	**2,525.96**	1,367.06
Aircraft Fuel And Oil	**7,025.51**	3,494.39
Aircraft Maintenance Cost	**1,187.10**	674.23
Aviation Insurance	**153.38**	146.88
Landing, Navigation and Other Airport Charges	**1,065.93**	601.59
Inflight and Other Passenger Amenities	**95.74**	45.89
Operating Software Charges	**78.17**	48.20
Other Operating Expenses	**288.38**	99.78
	12,420.17	6,478.02

Net of recoveries on Sub-leasing of Rs. 123.73 Million (Previous year Rs. 71.60 Million)

SCHEDULE XII - EMPLOYEE REMUNERATION AND BENEFITS

Salaries, Wages, Bonus and Allowances	**1,171.63**	653.52
Contribution To Provident and Other Funds	**43.91**	18.71
Provision for Gratuity	**12.02**	5.42
Provision for Leave Encashment	**50.67**	24.88
Recruitment	**7.57**	7.82
Training Cost	**49.67**	122.29
Staff Welfare Expenses	**70.44**	28.23
Amortisation of ESOP Cost	**26.01**	-
	1,431.92	860.87

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the Year Ended March 31, 2008 (Rs. Millions)	For the Period Ended March 31, 2007 (Rs. Millions)
SCHEDULE XIII - SELLING EXPENSES		
Agents Commission and Discounts	**245.82**	64.46
Selling Commission	**337.70**	0.00
Credit Card Expenses	**95.32**	62.45
Credit Card Chargebacks	**12.24**	22.87
Business Promotion and Advertisement	**223.01**	129.83
	914.09	279.61
SCHEDULE XIV - ADMINISTRATIVE EXPENSES		
Rent	**70.60**	38.80
Rates and Taxes	**6.72**	5.49
Repairs and Maintenance		
- Buildings	**30.23**	18.03
- Plant and Machinery	**16.06**	5.61
- Vehicle Running and Maintenance	**17.44**	9.13
- Others	**2.32**	0.25
Freight and Cartage	**5.72**	1.58
Communications	**40.11**	26.30
Printing and Stationery	**40.06**	29.09
Travelling and Conveyance	**309.04**	160.38
Legal, Professional and Consultancy Charges	**76.34**	78.41
Auditor Remuneration :		
Audit Fees	**2.64**	2.43
Certification and Other Services	**0.67**	0.33
Insurance	**13.85**	5.19
Provision for Doubtful Cenvat Recoverable	**69.50**	40.51
Miscellaneous Expenses	**2.51**	5.64
	703.81	427.17
SCHEDULE XV - FINANCIAL CHARGES		
Interest	**90.12**	27.14
Bank Charges	**47.11**	15.34
	137.23	42.48

SCHEDULE XVI - SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

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 aircrafts 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. The cost of software comprises of acquisition charges and/or implementation fee an is being amortised over a period of 3 years, being the estimated useful life.

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 capitalisation with the related assets. Other borrowings cost are recognised 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**

The 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 recognised 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 weighted average method.

9. **REVENUE RECOGNITION**

Revenue is recognised 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 recognised when transportation is provided i.e. when the service is rendered. Amounts received pursuant to travel bookings/ reservations (net of cancellations) but not recognized as income is shown under Current Liabilities as Unearned Revenue.

Other passenger revenue

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

Sale and lease back transaction

Profit or loss on sale and lease back arrangements resulting in operating leases are recognised, 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 recorded as other income upon sale of air crafts.

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 recognised using time proportion method, based on the rate implicit in the transaction.

Dividend

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

10. LEASES

Operating lease payments are recognised 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 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 are dealt within the profit and loss account.

12. EMPLOYEE BENEFITS

Wages, salaries, bonuses, paid annual leave and sick leave are accrued in the year in which the associated services are rendered by employees of the Company. The un-availed leaves are allowed to be accumulated to be availed in next financial year and therefore, are considered as a short term benefit. Such accumulated leaves are provided in full on the basis of last drawn salary.

Employee benefits are provided through a defined benefit plan as well as certain defined contribution plans. The Company has two retirement benefit plans in operation viz. Gratuity and Provident Fund.

Provident fund benefit is a defined contribution plan under which the Company pays fixed contributions into a fund established under Employees Provident Fund and Miscellaneous Provision Act, 1953. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

The Company provides for gratuity, a defined benefit plan, which defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration. The legal obligation for any benefits from this kind of plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation ('DBO') at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method.

13. EMPLOYEE STOCK OPTION PLAN

The Company values stock options granted to employees at excess of market price on the date of grant over the exercise price of the shares granted. The value of stock options granted is amortised on a straight line basis over the vesting period as employee compensation and the unamortized portion carried as deferred employee compensation grouped under Reserves and Surplus.

14. 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.

15. PROVISIONS AND CONTINGENCIES

Provision is recognised 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. A disclosure for a contingent liability is made when there is a present obligation that may, but probably will not, require an outflow of resource. Disclosure is also made in respect of a present obligation as a result of past event that probably requires an outflow of resource, where it is not possible to make a reliable estimate of the outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

16. 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.

17. 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 XVII - NOTES TO THE FINANCIAL STATEMENTS

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

S. No.	Particulars	Rupees in Millions	
		March 31, 2008	**March 31, 2007**
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 Court, disputed by the Company.	**8.15**	1.52
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
vi)	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 notes 3.1, 3.3, 3.5, 3.6 and 3.7 below	**309.77**	624.15

2. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs.45,660.56 million (Previous year Rs 73,994.37 million).

3. Legal proceeding by and/ or against the Company

3.1. Share Capital includes 11,624,472 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”). 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 million by Agache Associates Limited (belonging to SKM) in favour of the said investment companies. The Security deposits of Rs. 360 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. Subsequently, the Delhi High Court has passed an order on July 15, 2005 appointing Receivers to sell shares belonging to SKM's group companies and deposit the proceeds with the Court. The manner of receipt of these sale proceeds by the company shall be decided by the Court in the pending proceedings. The Company had also 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.

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 million to the Company, had been settled by the Company in accordance with the Scheme of Settlement passed by the Delhi High Court by depositing Rs. 35 million in terms of the approved Scheme. HDCL has, however, filed a Review Petition against this order which is pending.

3.3. In respect of ICDs aggregating Rs. 100 million, the Company has not accrued interest payable amounting to Rs. 240.95 million upto March 31, 2008 (previous year Rs. 222.15 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) 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. 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 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, 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 and 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 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 and entities in which they are interested.

3.8. There are various litigation matters filed by and against SKM. 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. The Management and Board of Directors of the company are looking at various steps to improve financial performance of the company by rationalizing network, improve yield and lower non-fuel costs as a result of industry wide efforts. Steps are also being taken to evaluate various alternatives for raising funds for which a Merchant Banker has been appointed. The Board of Directors expects improvement in the business results in forthcoming years. Accordingly, the financial statements have been prepared on going concern basis.

6. Till the period ended March 31, 2007, the Company valued inventory of aircraft spares at cost determined using the First in First out (FIFO) method. During the year ended March 31, 2008 the Company changed its accounting policy wherein the valuation method for such inventory was changed to weighted average basis. Due to this change in accounting policy, reported loss for the current year is higher by Rs. 1.5 million whereas Inventory is lower by the same amount.

7. In the absence of sufficient information from the parties regarding their status as to Micro Small and Medium Enterprises amounts due to such enterprises could not be ascertained and, therefore, the same has not been disclosed as required by MSMED Act 2006.

8. **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 was 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 principal amount on December 13, 2010.

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

Opening Balance	:	Rs.365.15
Add : Provision for the period	:	Rs. 242.56
Closing Balance	:	Rs.607.71

Premium on redemption of FCCBs has been provided from date of issue of bonds till March 31, 2008.

(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, 2008 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) The Company had taken Secured Term Loans and Overdrafts from Bank and Financial Institution, as mentioned below :

(a) secured loan from Allahabad Bank, Industrial Finance Branch, Mumbai of which balance outstanding as at March 31, 2008 was Rs. 300 million (Previous Year Nil) is secured by a pledge on fixed deposit of Rs. 300 million held with the same branch.

(b) secured loan from SREI Infrastructure Finance Limited, Kolkata of which balance outstanding as at March 31, 2008 was Rs. 320 million (Previous Year Nil) is secured by a first exclusive charge by way of hypothecation in favour of SREI Infrastructure Finance Limited of all movable assets, both present and future, except movable assets already pledged / charged / hypothecated, valuing atleast 150% of the value of secured loan.

(c) secured overdraft facility from HSBC Bank, JMD Towers, Gurgaon of which balance outstanding as at March 31, 2008 was Rs. 1,016.74 million (Previous Year Nil) is secured by a pledge on fixed deposit of Rs. 900 million held with the same branch.

(d) secured overdraft facility from State Bank of Bikaner & Jaipur, Pashchim Vihar, Delhi of which balance outstanding as at March 31, 2008 was Rs. 29.82 million (Previous Year Nil) is secured by a pledge on fixed deposit of Rs. 30 million held with the same branch.

9. **(i) Gratuity :**

During the year, the Company has adopted Accounting Standard 15 (Revised 2005) 'Employees Benefits' (“Revised AS 15”). Since the Company was already using the Projected Unit Credit Method and other assumptions as per the market, the adoption of Revised AS 15 has not resulted in any change in the opening liability of Gratuity.

Actuarial valuation has been done with the following assumptions.

Particulars	Gratuity
Discount rate	8%
Rate of increase in Compensation levels	5.5%

- **Change in present value of obligation**

	Rupees in Million March 31, 2008
a) Present value of obligation as at the beginning of the period April 1, 2007	7.98
b) Current Service cost	8.92
c) Interest cost	0.64
d) Benefits paid	(0.26)
e) Actuarial loss on obligation	2.72
f) Present value of obligation as at the end of period March 31 2008	**20.00**

- **The amounts to be recognized in balance sheet**

a) Present value of obligation as the end of period	20.00
b) Fair Value of plan assets as at the end of the period	-
c) Funded status	20.00
d) Net asset/(liability) recognized in balance sheet	**(20.00)**

- **Expense recognized in the statement of profit and loss**

a) Current service cost	8.92
b) Interest cost	0.64
c) Net actuarial (gain)/ loss recognized in the period	2.72
d) Expenses recognized in the statement of profit & losses	**12.28**

(ii) Compensated absences benefit:

Liability for compensated absences is in accordance with the rules of the Company. The Company's plan compensated absence liability is a short term benefit as per Revised AS 15 and accordingly the liability in respect of accumulated absences has been provided based on current salaries of the employees. The liability accrued as at March 31, 2008 amounts to Rs. 51.37 million.

10. 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, 2008 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.

11. 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.

12. Employee Stock Option Scheme, 2007

During the year ended March 31, 2008, the Company announced an Employee Stock option scheme (the “Scheme”) for all the eligible employees of the Company and its subsidiaries. Under the Scheme, 6,016,250 equity shares have been earmarked to be granted under the Scheme and the same will vest as follows:

Block I	**Block II**	**Block III**	**Block IV**
Year 1	Year 2	Year 3	Year 4
35 % of the total grant	25 % of the total grant	25 % of the total grant	15 % of the total grant

Pursuant to the above Scheme, the employee will have the option to exercise the right within five years from the date of vesting of shares at Rs. 30 per share, being its exercise price. As per the Scheme, the Remuneration Committee has granted 5,200,000 options on September 11, 2007 respectively. According to the Guidance Note 18 on “Share based payments” issued by ICAI, Rs. 26.01 million has been provided during the year as proportionate cost of these options.

Share-based compensation

In accordance with the guidance note - 18 “Share based payments” the following information relates to the stock options granted by the Company.

Particulars	Stock options (numbers)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Granted (Including committed to be granted in future) during the year	5,200,000		
Fofeited during the year	-	-	
Exercised during the year	-	-	-
Lapsed during the year	(389,000)	-	-
Outstanding, end of the year	**4,811,000**	**30**	**2.85**
Exercisable at the end of the year	-	-	-

In accordance with intrinsic value approach provided under the guidance note, the Company has calculated the employee compensation cost using the Share Price quoted on BSE on the date of grant i.e. September 11, 2007.

13. Disclosure of details pertaining to transactions with related party entered into during the period and balances as at March 31, 2008 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. Siddhanta Sharma - Executive Chairman

B. Transactions with related parties

Particulars	Controlling Company Rs. Million		Key Management Personnel Rs. Million	
	Year ended March 31, 2008	10 months period ended March 31, 2007	Year ended March 31, 2008	10 months period ended March 31, 2007
External Commercial Borrowings	Nil	66.89	Nil	Nil
ECB repaid during the year*	12.30	50.87	Nil	Nil
Interest paid/ Provided	19.40	19.83	Nil	Nil
Remuneration	Nil	Nil	2.40**	Nil
Reimbursement of expenses	Nil	Nil	1.22	0.81

*Inclusive of exchange fluctuation

** Exclusive of provision for gratuity, contribution to provident fund and perquisites provided during the year

C. Balances with Related Parties

Particulars	Controlling Company Rs. Million		Key Management Personnel Rs. Million	
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
External Commercial Borrowings (ECB)	344.16	389.20	Nil	Nil
Interest on ECB	44.17	27.92	Nil	Nil
Employee Advance	Nil	Nil	0.36	Nil

14. 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 for the year ended March 31, 2008 amounts to Rs 2,718.62 million (Previous Year Rs. 1,459.31 million).

Details of future lease obligation are as follows:-

(Rs. million)

	March 31, 2008	**March 31, 2007**
Aircraft	2, 851.74	1,990.31
Not later than 1 year	10,544.03	6,134.92
between 1 to 5 year	6,142.14	3,414.63
Later than 5 years		
Aircraft Spares		
Not later than 1 year	173.68	114.35
Between 1 to 5 year	987.41	254.31
Later than 5 years	708.39	105.37

(b) Operating Lease Income

The Company had given two aircraft (obtained on operating lease) to a party under an operating lease agreement for a period of 4 months. (previous year 4 months) Lease rental recognized in the Profit and Loss Account amounts to Rs. 123.73 million (previous year Rs. 71.60 million) which have been netted with lease rental under operating expenses.

15. Earnings Per Share (EPS):

	Year ended March 31, 2008	**10 month period ended March 31, 2007**
Number of Equity Shares outstanding at the beginning of the period (in million)	240.65	184.34
Number of Equity Shares issued (in million)	-	56.31
Number of Equity Shares outstanding at the end of the period (in million)	240.65	240.65
Weighted Average number of shares (in million)	240.65	189.97
Loss after tax (Rs. in million)	1,335.06	707.43
Basic and Diluted Loss per Share (in Rupees)	5.55	3.72

16. **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.

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

		Year ended March 31, 2008 (Rs. Million)		10 month period ended March 31, 2007 (Rs. Million)	
i)	**Expenditure in Foreign Currency (on cash basis)**				
	Professional and Consultation Fees		35.97		40.33
	Traveling		46.03		5.33
	Operating Expenses		3,877.46		2,124.37
	Interest		0.22		0.72
	Other Administrative Expenses		71.82		163.58
ii)	**Earnings In Foreign Currency**				
	Passenger Revenue Credit Cards		799.48		460.96
	Lease rentals		123.73		7.16
	Aircraft Maintenance Charges		65.85		3.01
	Reimbursement / Credit from supplies / others		319.39		107.66
	Profit on sale and lease back		438.41		442.04
iii)	**CIF Value of Imports**				
	Capital Goods (Software)		11.36		22.78
	Components and Spare Parts		95.03		42.00
	Rotables / galley equipments / tools		119.62		29.21
iv)	**Value of Components & Spare Parts Consumed**	**%**	**Value**	**%**	**Value**
	Imported	84.93	97.46	85.59	45.71
	Indigenous	15.07	17.29	14.41	7.69
	Total	**100.00**	**114.75**	**100.00**	**53.40**

18. The Company had changed its accounting year end in the previous financial period from May 31 to March 31. Accordingly, the previous period represents only 10 months of operations as against 12 months of operations in the current financial 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.

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

Signatories to Schedules I to XVII

For and on behalf of the Board of Directors

Siddhanta Sharma Chairman	Ajay Singh Director	B. S. Kansagra Director	Kishore Gupta Director
		Partha Sarathi Basu Chief Financial Officer	A. K. Maheshwary AVP (Legal) & Company Secretary

Place: New Delhi
Date: June 30, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

		For the Year Ended March 31, 2008 (Rs. Millions)	For the Period Ended March 31, 2007 (Rs. Millions)
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Loss before tax	**(1,299.61)**	(663.82)
	Adjustment for :		
	Depreciation	**78.18**	58.47
	ESOP Cost Amortisation	**26.01**	
	Asset Write Off		0.36
	Impact of changes in accounting policies		
	Leasehold improvement to aircrafts written off	-	69.70
	Deferred revenue expenditure written off	-	93.78
	Provision for cenvat receivable	**69.50**	38.12
	Interest Income	**(434.32)**	(68.92)
	Interest Expense	**90.12**	27.31
	Dividend Income	**(39.25)**	(3.79)
	Write Back of Old Creditors	-	(186.25)
	Exchange Fluctuation	**(327.92)**	(51.40)
	Profit from sale of aircrafts	**(438.41)**	(442.04)
	Operating Loss before Working Capital changes	**(2,275.70)**	(1,128.48)
	Adjustment for :		
	Trade and other Receivables	**40.69**	(19.02)
	Inventories	**(31.31)**	(45.44)
	Loan and Advances	**(370.04)**	(413.37)
	Margin money deposit	**(411.74)**	(276.61)
	Current Liabilities	**888.84**	384.34
	Provisions	**57.33**	29.87
	Cash used in Operations	**(2,101.93)**	(1,468.71)
	Direct Taxes	**(23.78)**	(20.00)
	Cash used in operating activities (A)	**(2,125.71)**	(1,488.71)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed Assets	**(254.25)**	(121.52)
	Net Proceeds on Purchase and Sale of Aircrafts	**2,243.76**	1,798.74
	Interest Income	**124.18**	68.92
	Net Proceeds/(outflow) on sale of Investment in Securities (including dividends)	**851.45**	(808.41)
	Investment in fixed deposits	**(2,136.13)**	(2,625.22)
	Cash generated from/ (used in investing activities (B)	**829.01**	(1,687.49)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Issue of Share Capital	-	2,967.09
	Share issue expenses	**(14.34)**	(42.70)
	Proceeds from fresh secured loans	**1,666.56**	100.00
	Repayment of secured loans	**(87.23)**	(15.38)
	Proceeds from external commercial borrowings	-	66.89
	Repayment of external commercial borrowings	**(12.30)**	(50.87)
	Net increase/ (decrease) in utilisation of temporary working capital loans	**(159.47)**	138.15
	Interest Paid	**(73.86)**	(12.67)
	Cash generated from financing activities (C)	**1,319.36**	3,150.51

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

D.	**NET INCREASE IN CASH AND CASH EQUIVALENT (A+B+C)**	**22.66**	(25.69)
	Opening Balance of Cash and Cash Equivalent	**129.42**	155.11
	Closing Balance of Cash and Cash Equivalent	**152.08**	129.42
	Cash and cash equivalent comprises of		
	Cash In Hand	**8.62**	7.48
	With Scheduled Banks		
	In current Account	**159.62**	138.10
	With other banks	**0.51**	0.51
	Less - Provision	**(16.67)**	(16.67)
	Total	**152.08**	129.42

This is the Cash Flow Statement referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

Per David Jones
Partner
Membership No. 98113

Place : New Delhi
Date : June 30, 2008

For and on behalf of the Board of Directors

Siddhanta Sharma
Chairman

Ajay Singh
Director

B. S. Kansagra
Director

Kishore Gupta
Director

Partha Sarathi Basu
Chief Financial Officer

A. K. Maheshwary
AVP (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	2008

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

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

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

	Total Liabilities	Total Assets
Source of Funds	10,755.50	10,755.50
	Paid up Capital	Reserves & Surplus
	2,406.51	2,947.82
	Secured Loans	Unsecured Loans
	4,857.86	543.31
Application of Funds	Net Fixed Assets	Investments
	5,639.86	3.62
	Net Current Assets	Miscellaneous Exp.
	37.55	——
	Accumulated Losses	
	5,074.52	

IV. Performance of Company (Amount in Rs. Million)

Turnover	Total Expenditure
14,385.79	15,696.62
Profit(+)/Loss(-) Before Tax	Profit(+)/Loss(-)AfterTax
(1,310.83)	(1,335.07)
Earning per Share (Rs.)	Dividend Rate %
(5.55)	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

SpiceJet Limited

Regd. Office : Near Steel Gate Bus Stop, Terminal - I, Indira Gandhi International Airport,
New Delhi-110037

ATTENDANCE SLIP

Twenty Fourth 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 Fourth Annual General Meeting of the Company at 11.00 a.m. on November 27, 2008.

Shareholder's/Proxy's name in Block Letters __________

Father's Name __________

Shareholder'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 : Near Steel Gate Bus Stop, Terminal - I, Indira Gandhi International Airport,
New Delhi-110037

PROXY FORM

DPID* __________

Client ID* __________

I/We __________ of __________

being registered shareholder(s) of SpiceJet Limited hereby appoint __________

of __________ or falling him __________

of __________ as my/our proxy to vote for me/us on my/our behalf at the Twenty Fourth Annual General Meeting of the Company to be held on November 27, 2008 and at any adjournment thereof.

Signed this ______ day of ______ 2008.

Signature ______ Affix Re.1 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

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E-mail : suryaprinters@rediffmail.com