

BOARD OF DIRECTORS

SALIL TANEJA

(Chairman)

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

AUDITORS

M/S HARESH UPENDRA & CO.

BANKERS

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

REGISTRAR & SHARE TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd

REGISTERED OFFICE & WORKS

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

CORPORATE OFFICE

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

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

DIRECTORS' REPORT

To the Members of Taneja Aerospace and Aviation Limited

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

FINANCIAL HIGHLIGHTS

(₹ in Lakhs)

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

DIVIDEND

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

SCHEME OF ARRANGEMENT

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

OPERATIONS

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

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

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

FINANCE

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

DIRECTORS

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

AUDITORS

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

SUBSIDIARY COMPANY

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

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

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

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

DISCLOSURE PARTICULARS

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

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

DIRECTOR'S RESPONSIBILITY STATEMENT.

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

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

Company for the nine months period ended on March 31, 2010 and of the Profit and Loss of the Company as on that date;

- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- iv) that the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT.

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

For and on behalf of the Board of Directors

Pune
August 30, 2010

Salil Taneja
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

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

Opportunities

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

Product wise Performance

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

Outlook

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

Risks and Concerns

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

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

Internal Control Systems and Adequacy

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

Financial Performance

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

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

Material Developments in Human Resources / Industrial Relations

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

Cautionary Statement

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

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

BOARD OF DIRECTORS

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

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

NED - Non Executive Director, MD - Managing Director

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

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

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

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

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

Appointment/Re-appointment of Directors

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

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

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

AUDIT COMMITTEE

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

Name of Director	Chairman / Member	No. of Meetings Attended
SK Newlay	Chairman	4
J P Sureka	Member	4
A K Jain	Member	4

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

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

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

MANAGERIAL REMUNERATION

a) Remuneration Committee:

The composition of remuneration committee is as under

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

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

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

b) Remuneration Policy:

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

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

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

c) Remuneration to Directors:

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

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

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

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

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

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

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

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

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

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

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

COMPLIANCE OFFICER

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

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

CODE OF CONDUCT

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

CORPORATE SOCIAL RESPONSIBILITY

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

OTHER DISCLOSURES

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

CEO/CFO CERTIFICATION

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

MEANS OF COMMUNICATION

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

No presentations were made to Institutional Investors or Analysts.

DESIGNATED EXCLUSIVE EMAIL ID OF THE COMPANY

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

GENERAL MEETINGS

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

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

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

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

GENERAL SHAREHOLDERS INFORMATION

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

Market Price Data

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

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

Dematerialization of Shares

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

Share Transfer System

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

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

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

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

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

REGISTRAR AND SHARE TRANSFER AGENT

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

Sharepro Services (India) Pvt Ltd

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

Sharepro Services (India) Pvt Ltd

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

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

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

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

For and on behalf of the Board of Directors

Salil Taneja
Chairman

Pune, August 30, 2010

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

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

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

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

For and on behalf of the Board of Directors

Salil Taneja
Chairman
Pune, August 30, 2010

CEO/CFO CERTIFICATION TO THE BOARD

(Under Clause 49(V) of Listing Agreement)

To
The Board of Directors
Taneja Aerospace and Aviation Limited

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

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

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

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

Salil Taneja
Chairman

C S Kameswaran
Managing Director

Pune, August 30, 2010

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To
The Shareholders
Taneja Aerospace and Aviation Limited

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

4. In our opinion, role of Audit Committee needs to

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

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

For Haresh Upendra & Co
Chartered Accountants

Haresh B. Shah
Partner
Membership No. : 32208

Pune, August 30, 2010

AUDITORS' REPORT

To,
The Members of Taneja Aerospace and Aviation Limited

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

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

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

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

For **Haresh Upendra & Co**
Chartered Accountants

Haresh B. Shah
Partner

Pune, August 30, 2010

Membership No. : 32208