



AUDITORS' REPORT

To The Shareholders of AVALON AVIATION ACADEMY PRIVATE LIMITED

1. We have audited the attached Balance Sheet of **AVALON AVIATION ACADEMY PRIVATE LIMITED** as at March 31, 2011, and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) (hereinafter referred to as "the Order") issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, (hereinafter referred to as "the Act") we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *As mentioned in note number B.2 of Schedule 13B of Notes to Accounts, the accounts of the company have been prepared on a going concern basis, which in view of the heavy losses incurred and erosion of net worth is dependent on future profitability and availability of continued finance from Holding company*
5. Further to our comments in the Annexure referred to in para 3 above and subject to our comments in 4 above, the effect of which could not be determined, we report that:
 - i. We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Act
 - v. On the basis of the written representations received from the directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of section 274 (1)(g) of the Act



Khimji Kunverji & Co

(Registered)

Chartered Accountants

Mumbai • Kandla • Bangalore • Jabalpur



- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;
- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
- b) In the case of the Profit and Loss account, of the Loss of the Company for the year ended on that date; and
- c) In the case of Cash Flow statement, of the cash flows of the Company for the year ended on that date.

Khimji Kunverji & Co

For and on behalf of

Khimji Kunverji & Co

Chartered Accountants

Firm Registration No. 105146W

R V Chaniyari

R V Chaniyari

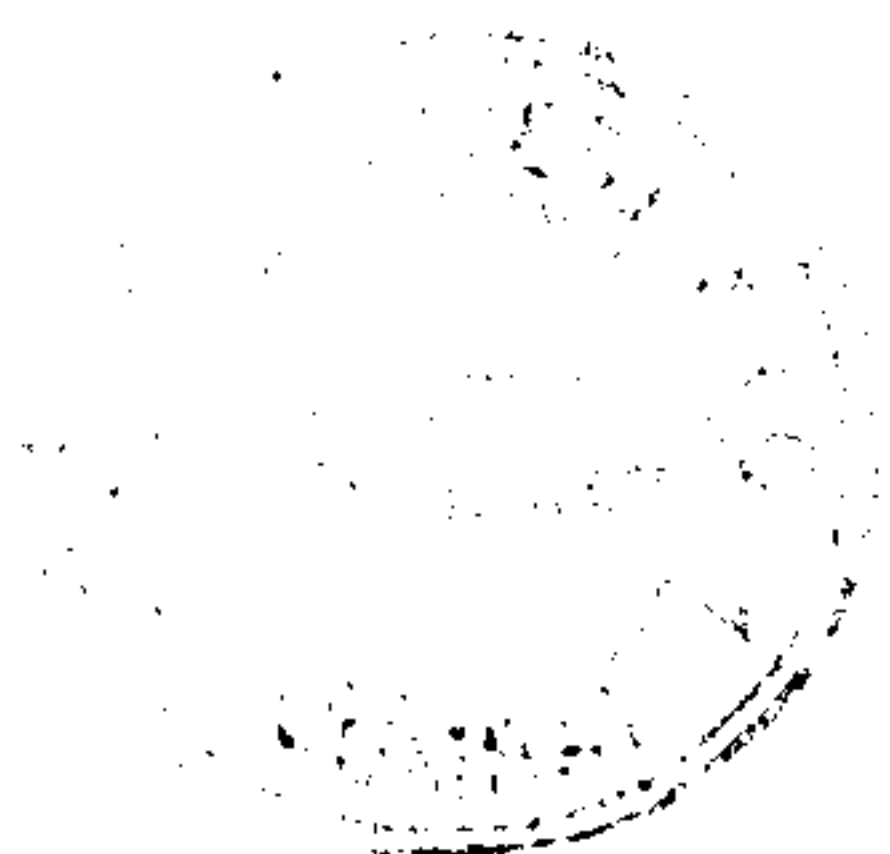
Partner (F-31083)

Mumbai,

Dated: May 30, 2011

(Re: **AVALON AVIATION ACADEMY PRIVATE LIMITED**)

- i. In respect of its Fixed Assets:
 - (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification
 - (c) The Company has not disposed off a substantial part of its Fixed Assets during the year.
- ii. In respect of its Inventories:
 - (a) The management has conducted physical verification of inventory at reasonable intervals during the period
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business
 - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification
- iii. According to the information and explanation given to us, the company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act hence clause (iii) of the order is not applicable.
- iv. In our opinion, and according to the information and explanations given to us, 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 sale of services. No major weakness has been noticed in the internal control system in respect of these areas. As regards the internal control in the area of the sale of services, though there is improvement as compared to prior years, in our opinion, the same needs to be strengthened further to make it commensurate with the size of the Company and the nature of its business.
- v. Based on the audit procedures applied and according to the information and explanations provided by the management, there are no transactions that need to be entered in the register maintained under section 301 of the Act, hence clause 4(v) (b) of the Order is not applicable to the company.
- vi. The company has not accepted deposits from the public, and hence the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act, are not applicable, to the Company. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.



- vii. According to the information and explanations given to us, no internal audit has been conducted during the financial year.
- viii. Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act; as a result such accounts and records have not been made and maintained.
- ix. In our opinion and according to the information and explanations given to us in respect of statutory and other dues,

(a) The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Income-tax, Service Tax, cess and other material statutory dues with the appropriate authorities during the year, where applicable. We are informed that during the year the company is not liable for Employees' State Insurance, Sales Tax, Wealth Tax, Custom Duty, Excise Duty and Investor Education & Protection Fund. Undisputed amounts payable which are in arrears as at March 31, 2011 are as follows:

Name of the statute	Nature of dues	Amount in Rs.	Year to which the amount relates	Date of Payment
Finance Act, 1994 (Service Tax)	Service Tax	591,581	Year 2008	6 th April, 2011

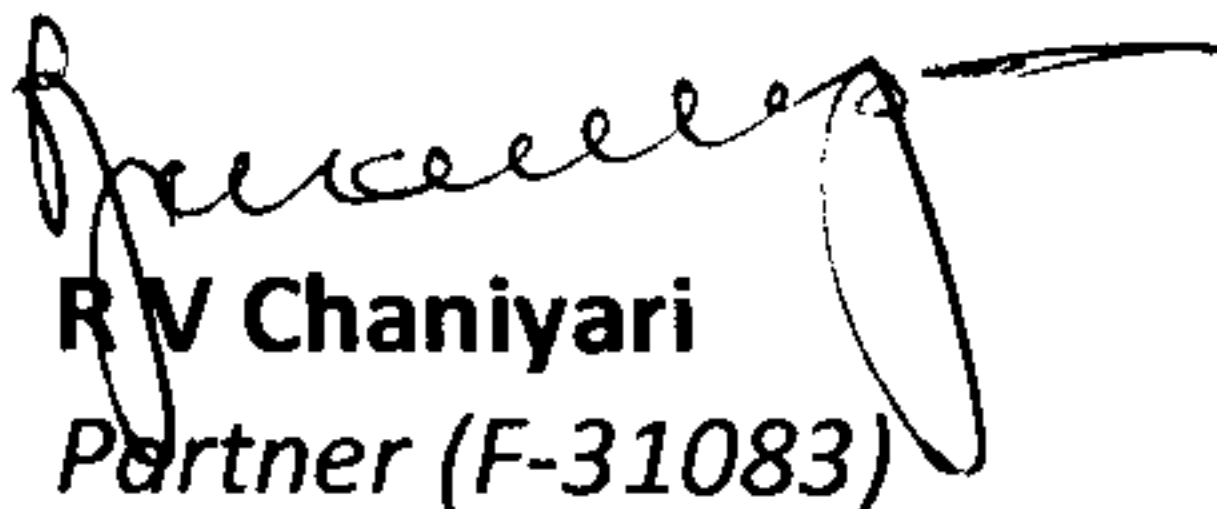
(b) According to information and explanations given to us there are no dues of Income tax/Service Tax / Provident Fund and cess which have not been deposited with the appropriate authorities on account of any dispute

- x. The company has been in existence for a period less than five years hence, the clause is not applicable.
- xi. According to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders
- xii. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xiii. In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv. In our opinion, the company is not dealing in or trading in shares securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv. In our opinion, the terms and conditions on which the company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi. According to the information and explanations given to us, the company has not taken any term loans



- xvii. According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix. According to the information and explanations given to us during the period covered by our audit report, the company had not issued any debentures.
- xx. According to the information and explanations given to us, the company has not raised any money through public issue
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the auditing standards generally accepted in India, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor we have been informed of such case by the management

For and on behalf of
Khimji Kunverji & Co
Chartered Accountants
Firm Registration No. 105146W


R V Chaniyari
Partner (F-31083)

Mumbai,
Dated: May 30, 2011

AVALON AVIATION ACADEMY PRIVATE LIMITED

BALANCE SHEET AS AT 31st March, 2011

Amount in ₹

PARTICULARS	SCHEDULE	AS AT 31st March 2011	AS AT 31st March 2010
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
SHARE CAPITAL	"1"	40,000,000	40,000,000
		40,000,000	40,000,000
LOAN FUNDS			
UNSECURED LOANS	"2"	252,413,164	189,981,635
		252,413,164	189,981,635
TOTAL FUNDS EMPLOYED		292,413,164	229,981,635
APPLICATION OF FUNDS			
FIXED ASSETS			
GROSS BLOCK	"3"	58,792,547	49,229,493
LESS: ACCUMULATED DEPRECIATION		37,096,529	24,906,339
NET BLOCK		21,696,013	24,323,155
CAPITAL WORK IN PROCESS		3,483,075	5,479,114
		25,179,088	29,802,268
CURRENT ASSETS, LOANS AND ADVANCES			
INVENTORIES	"4"	640,414	687,069
SUNDRY DEBTORS		12,281,264	24,348,963
CASH AND BANK BALANCES		2,122,166	2,701,801
LOANS AND ADVANCES		7,339,692	7,127,836
		22,383,535	34,865,670
LESS:			
CURRENT LIABILITIES AND PROVISIONS	"5"	13,646,788	16,993,446
LIABILITIES		3,497,352	3,930,829
PROVISIONS		17,144,140	20,924,275
NET CURRENT ASSETS		5,239,395	13,941,394
PROFIT AND LOSS ACCOUNT		261,994,681	186,237,573
TOTAL FUNDS UTILISED		292,413,164	229,981,635
Significant Accounting Policies And Notes On Accounts	"13"		

Schedules referred to above form an integral part of accounts.
As per our report of even date.

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants
Firm Registration No. 105146W

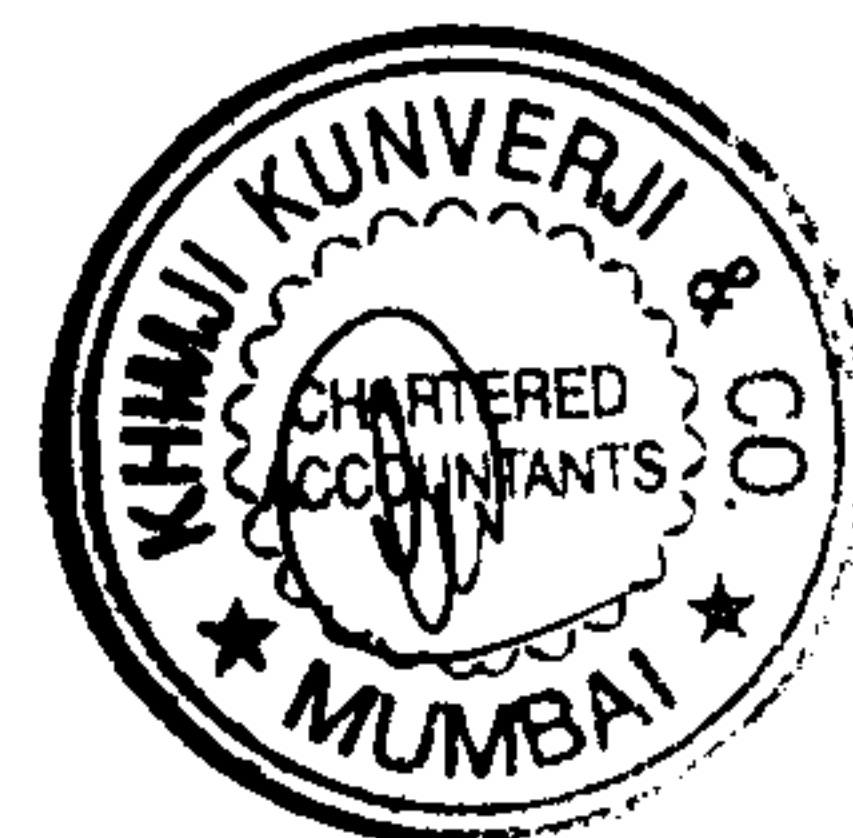
R. M. Chaniyari
R. M. Chaniyari
Partner
M No. : F 31083

Place : Mumbai

For and on behalf of the board of Directors

T.K. Ravishankar
T.K. Ravishankar
Director

Ajay Oberoi
Ajay Oberoi
Director



AVALON AVIATION ACADEMY PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT FOR FIFTEEN MONTHS ENDED 31st Mar., 2011

Amount in ₹				
PARTICULARS	SCHEDULE	2010-11		15 Months Period Jan 2009 March 2010
INCOME				
INCOME FROM OPERATION	"6"	46,687,794		118,519,213
OTHER INCOME	"7"	56,132		1,361,223
			46,743,926	119,880,437
EXPENDITURE				
TRAINING & EXECUTION	"8"	11,915,900		26,005,257
MARKETING & ADVERTISING EXPENSES	"9"	8,912,526		22,268,184
SALARIES, EMPLOYEE BENEFITS	"10"	41,185,770		83,001,471
ADMINISTRATION AND OTHER EXPENSES	"11"	31,494,504		39,924,400
INTEREST AND FINANCE COSTS	"12"	235,406		115,362
DEPRECIATION AND AMORTISATION	"3"	12,259,725		14,434,594
			106,003,830	185,749,267
Profit / (Loss) Before Extraordinary Items			(59,259,904)	(51,434,237)
Exceptional Items				
Fees Refund to Students		16,496,803	16,496,803	
Profit / (Loss) Before Extraordinary Items				
Profit / (Loss) Before Tax			(75,756,707)	(51,434,237)
Provision for Tax				260,000
Fringe Benefit Tax				
Net Profit / (Loss) after Tax			(75,756,707)	(66,128,831)
Surplus / (Deficit) brought forward from previous year			(186,237,973)	(170,109,147)
BALANCE CARRIED TO BALANCE SHEET			(261,994,681)	(186,237,973)
Basic And Diluted Earnings Per Share			(18.94)	(16.53)
Significant Accounting Policies And Notes On Accounts	"13"			

Schedules referred to above form an integral part of accounts.
As per our report of even date.

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants
Firm Registration No. 105146W
R.V. Chaniyari
Partner
M No. : F 31083

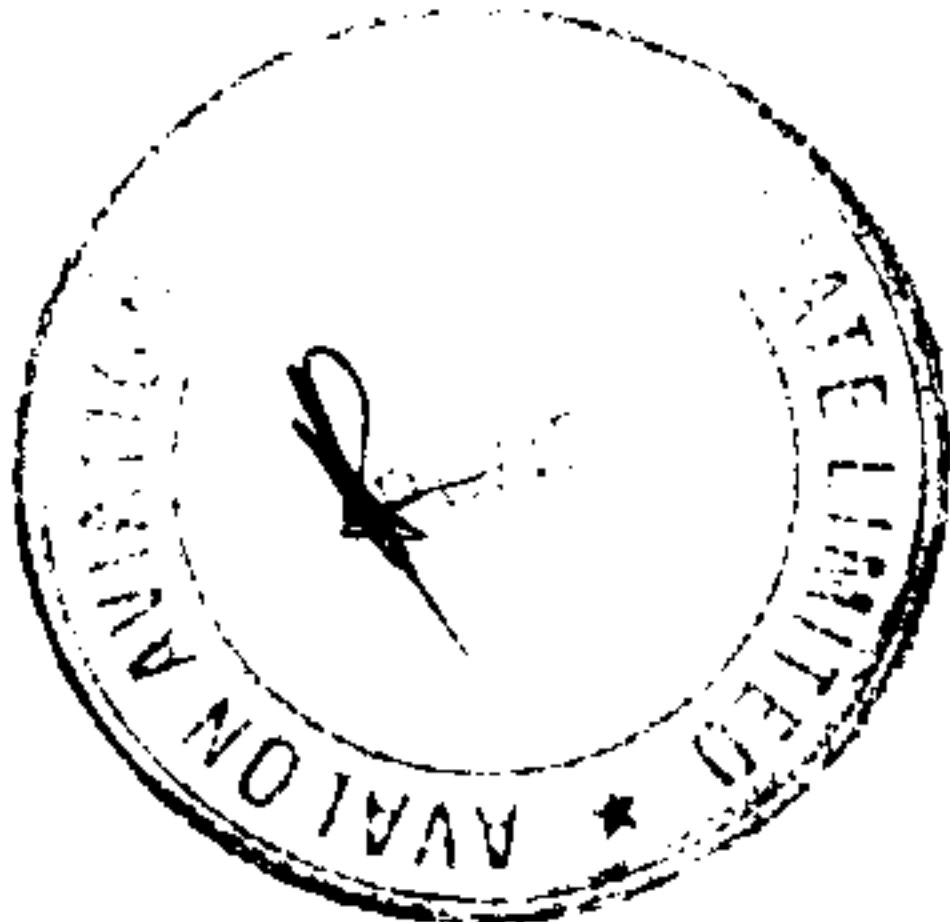
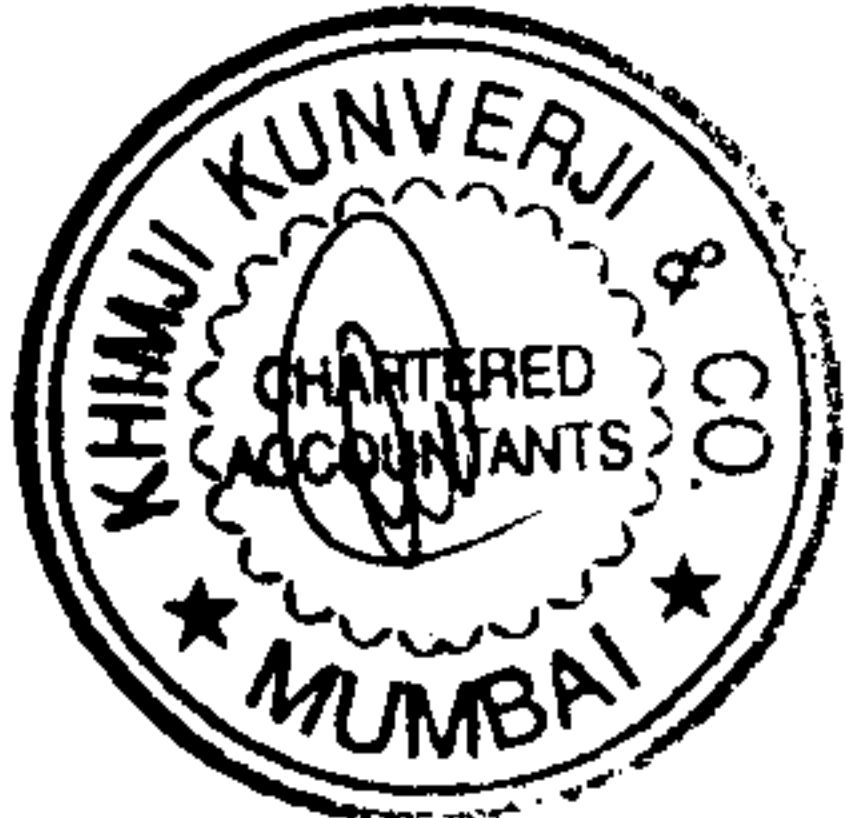
For and on behalf of the board of Directors
T.K. Ravishankar
Director
Ajay Oberoi
Director

Place : Mumbai
Date : May 30, 2011



AVALON AVIATION ACADEMY PRIVATE LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

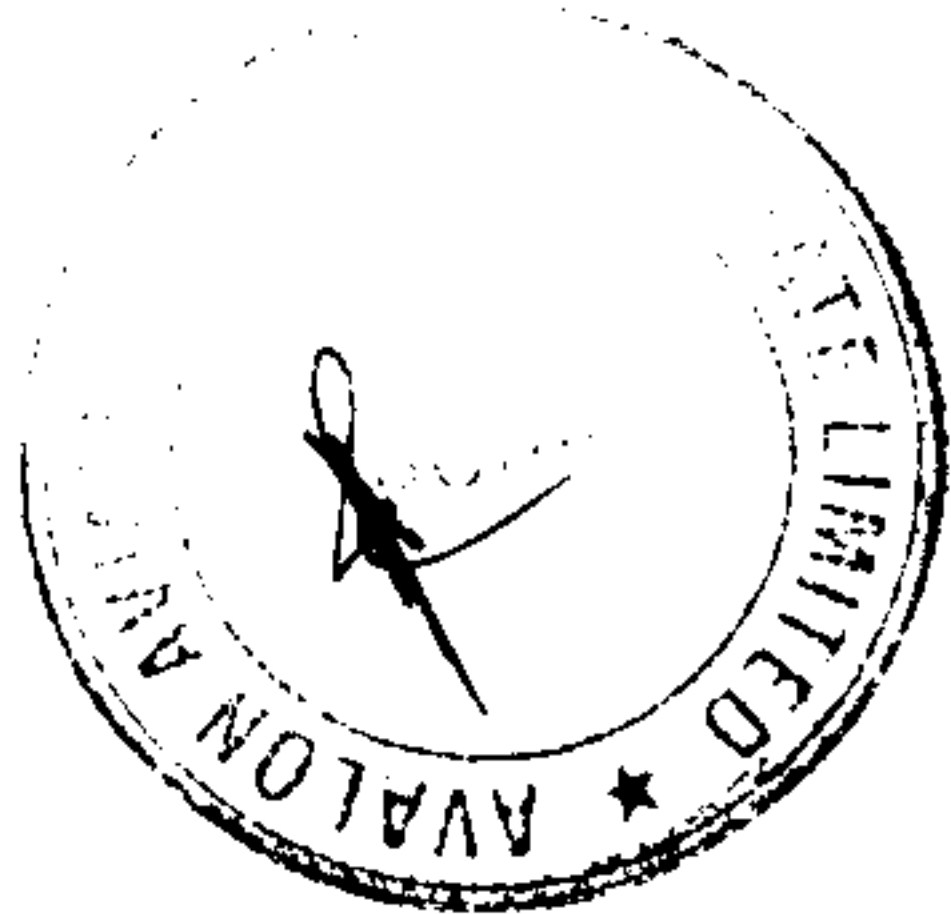
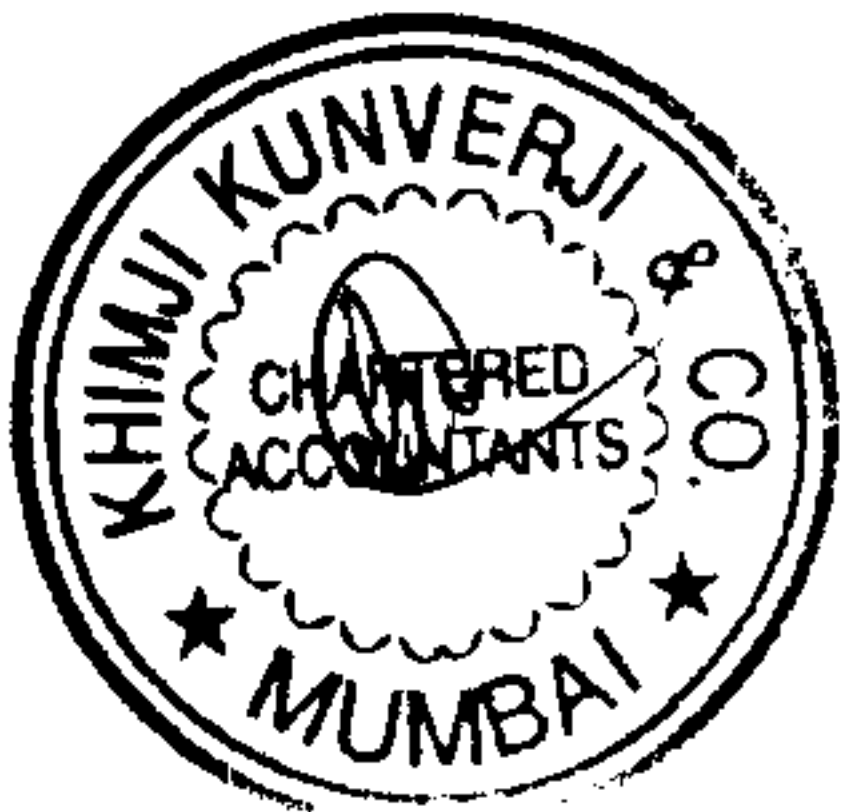
Amount in ₹				
PARTICULARS	AS AT 31st March 2011		AS AT 31st March 2010	
SCHEDULE "1" - SHARE CAPITAL				
AUTHORISED CAPITAL 50,00,000 EQUITY SHARES OF RS. 10/- EACH		50,000,000		50,000,000
		50,000,000		50,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL 4000000 EQUITY SHARES OF RS.10/- EACH FULLY PAID UP (All Shares are held by the holding company Aptech Limited)		40,000,000		40,000,000
		40,000,000		40,000,000
SCHEDULE "2" - UNSECURED LOANS				
FROM HOLDING COMPANY		252,413,164		188,883,414
FROM OTHER GROUP COMPANIES				1,098,222
		252,413,164		189,981,635
SCHEDULE "4" - CURRENT ASSETS, LOANS AND ADVANCES				
INVENTORIES EDUCATION AND TRAINING MATERIALS		640,415		687,069
SUNDRY DEBTORS (unsecured, considered good except otherwise stated)				
DUE FOR PERIOD EXCEEDING SIX MONTHS	17,193,905		30,221,127	
OTHER DEBTS	6,632,331		14,920,914	
Less : Provision for Bad & Doubtful Debts	11,544,972		20,793,078	
		12,281,264		24,348,963
CASH AND BANK BALANCES				
CASH IN HAND			1,216,578	
BALANCES WITH SCHEDULED BANKS				
AS FIXED DEPOSIT (Refer Note No. 15 of Schedule 13(B))	1,011,059			
IN CURRENT ACCOUNTS	940,331		1,485,223	
CHEQUES IN HAND	170,775			
		2,122,166		2,701,801
LOANS AND ADVANCES (Unsecured, considered good except otherwise stated)				
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED	677,938		499,168	
ADVANCE PAYMENT OF INCOME TAX	4,946,190		4,912,169	
SECURITY DEPOSITS	1,715,564		1,716,500	
		7,339,692		7,127,836
		22,383,537		34,865,670
SCHEDULE "5" - CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
SUNDRY CREDITORS Includes total dues outstanding to Micro, Small and Medium Enterprises (Refer Note No. 13 of Schedule 13(B))				
Others	3,520,439	3,520,439	3,598,402	
ADVANCES FROM CUSTOMERS		399,625	1,380,325	
OTHER LIABILITIES		9,726,724	12,014,719	
		13,646,788		16,993,446
PROVISIONS				
PROVISION FOR LEAVE ENCASHMENT	377,288		621,224	
PROVISION FOR GRATUITY	446,271		635,812	
PROVISION FOR TAXATION - FRINGE BENEFIT TAX	2,673,793		2,673,793	
		3,497,352		4,930,829
		17,144,140		20,924,275



AVALON AVIATION ACADEMY PRIVATE LIMITED
SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

Amount in ₹

PARTICULARS	2010-11		15 Months Period Jan 2009 - March 2010	
SCHEDULE "6" - INCOME FROM OPERATIONS				
INCOME FROM TRAINING		46,687,794		118,519,213
		46,687,794		118,519,213
SCHEDULE "7" - 'OTHER INCOME'				
MISCELLANEOUS INCOME		200		
INTEREST ON OTHER LOANS		33,313		148,795
LIABILITY NO LONGER REQUIRED TO BE WRITTEN BACK		22,619		1,170,210
PROFIT ON SALE OF ASSET				42,218
		56,132		1,361,223
SCHEDULE "8" - TRAINING AND EXECUTION				
OTHER TRAINING EXPENSES		11,033,118		19,812,074
MISC TRNG Expenditure		882,782		6,193,183
		11,915,900		26,005,257
SCHEDULE "9" - MARKETING & ADVERTISEMENTS EXP				
MARKETING EXPENSES		7,871,247		20,872,568
SEMIANR & CONF EXPENSES		342,892		572,029
BRAND BUILDING EXPENSES		698,388		823,587
		8,912,526		22,268,184
SCHEDULE "10" - SALARIES AND EMPLOYEE BENEFITS (payments to and provision for employees)				
SALARY AND OTHER ALLOWANCES		39,196,577		77,483,388
CONTRIBUTION TO PROVIDENT FUND AND OTHER FUNDS		886,300		3,311,759
STAFF WELFARE EXPENSES		1,057,643		2,127,344
ESOP COMPENSAITON COST		45,250		78,979
		41,185,770		83,001,471
SCHEDULE "11" - ADMINISTRATION AND OTHER EXPENSES				
RENT		5,256,601		5,234,442
RATES AND TAXES		201,055		147,615
TRAVELLING AND CONVEYANCE EXPENSES		4,439,323		9,458,862
ELECTRICITY CHARGES		1,218,994		1,476,775
COMMUNICATION		784,640		1,696,154
REPAIRS & MAINTENANCE				
- BUILDINGS			4,688	
- COMPUTERS	29,538		16,683	
- OTHERS	382,417		699,542	
PRINTING & STATIONERY		411,955		720,913
AUDIT FEES		278,733		618,751
STAFF RECRUITMENT CHARGES		157,872		218,754
SERVICE CHARGES				16,000
SECURITY CHARGES		657,508		597,238
INSURANCE		815,092		600,345
LEGAL & PROFESSIONAL FEES		196,924		385,029
EXCHANGE DIFFERENCE (NET)		729,016		335,025
STAMP DUTY CHARGES		1,586		(13,529)
LOSS ON SALE OF FIXED ASSETS				12,738
MISCELLANEOUS EXPENSES		2,248,900		6,370
PROVISION FOR BAD AND DOUBTFUL DEBTS		13,996,306		2,645,343
		31,494,504		15,767,578
SCHEDULE "12" - INTEREST AND FINANCE COSTS				
BANK CHARGES AND COMMISSION		75,333		115,449
INTEREST				
INTEREST ON TERM LOAN / BANK	160,073	160,073	13	13
INTEREST ON OTHERS				
		235,406		115,362



AVALON AVIATION ACADEMY PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	2011		Period	
	CURRENT YEAR		From 01 Jan 2009 to 31 Mar 2010	
	Rupees	Rupees	Rupees	Rupees
(A) CASH FLOW FROM OPERATING ACTIVITIES				
NET PROFIT / (LOSS) BEFORE TAX AND AFTER EXTRAORDINARY ITEM		(75,756,708)		(65,868,831)
Adjustments				
Liability no longer write back	(22,619)			
Employee Stock Compensation Cost	45,250			
Depreciation and Amortisation	12,259,725		14,434,594	
Loss on Sale of Fixed Assets				
Interest Income	(33,313)			
Bad Debts written off				
Provision for Bad, Doubtful Debts & Advances	13,996,306		15,767,578	
Interest and Finance Costs	235,406		115,362	
		26,480,754		30,317,534
Operating Profit Before Working Capital Changes		(49,275,954)		(35,551,297)
Adjustments for :				
Decrease / (Increase) in inventories	46,654		(329,291)	
Decrease / (Increase) in trade and other receivables	(1,928,606)		(14,375,439)	
Decrease / (Increase) in loans and advances	(211,855)		1,903,531	
(Decrease) / Increase in other payables	(3,757,516)		(20,454,761)	
		(5,851,323)		(33,255,960)
Cash From / (used) in Operating Activities		(55,127,276)		(68,807,257)
Income Tax / Fringe Benefit Tax Paid (Net)			(260,000)	
				(260,000)
Net Cash From / (used) in Operating Activities		(55,127,276)		(69,067,257)
(B) CASH FLOW FROM INVESTING ACTIVITIES				
Sale of Fixed Assets	(7,636,544)		2,471,729	
Purchase of Fixed Assets			(10,805,171)	
Interest Received	33,313			
Disposal of assets				
Net Cash used in Investing Activities		(7,603,231)		(8,333,442)
(C) CASH FROM FINANCING ACTIVITIES				
ESOP Compensation Cost	(45,250)			
Proceeds from Borrowings (Net)	62,431,529		77,555,082	
Interest / Bank charges paid	(235,406)		(115,362)	
Net Cash from Financing Activities		62,150,873		77,439,720
Net (Decrease) / Increase in Cash & Cash equivalents		(579,635)		39,022
Cash & Cash equivalents at the beginning of the year		2,701,801		2,662,778
Cash & Cash equivalents at the end of the year		2,122,165		2,701,801
		(579,635)		39,022

Notes:			
1. Cash and cash equivalence includes			
a. Cash			1,216,578
b. Current account balance with banks	1,111,106		1,485,223
c. Fixed Deposit	1,011,059		
	2,122,165		2,701,801

2. The previous year figures have been regrouped /rearranged to confirm to the current year's presentation ,wherever necessary

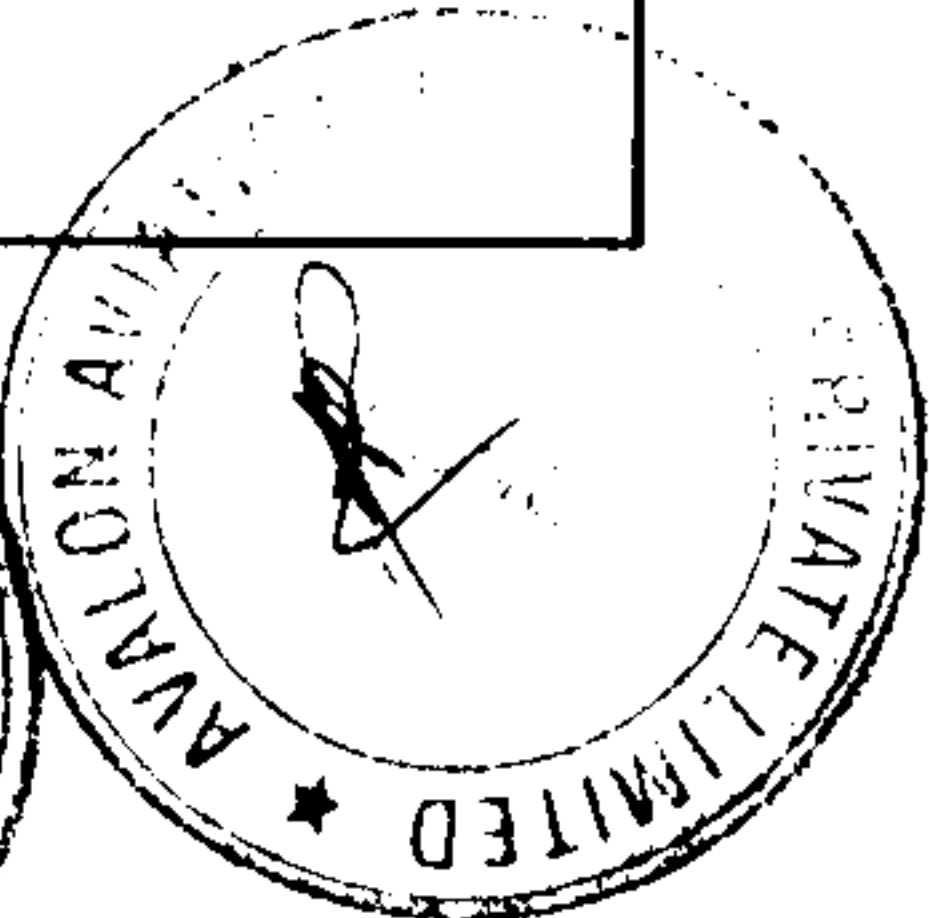
As per our report of even date.

For and on behalf of
Khimji Kunverji & Co.
Chartered Accountants
Firm Registration No. 105146W
R. V. Chaniyari
Partner
M No. : F 31083

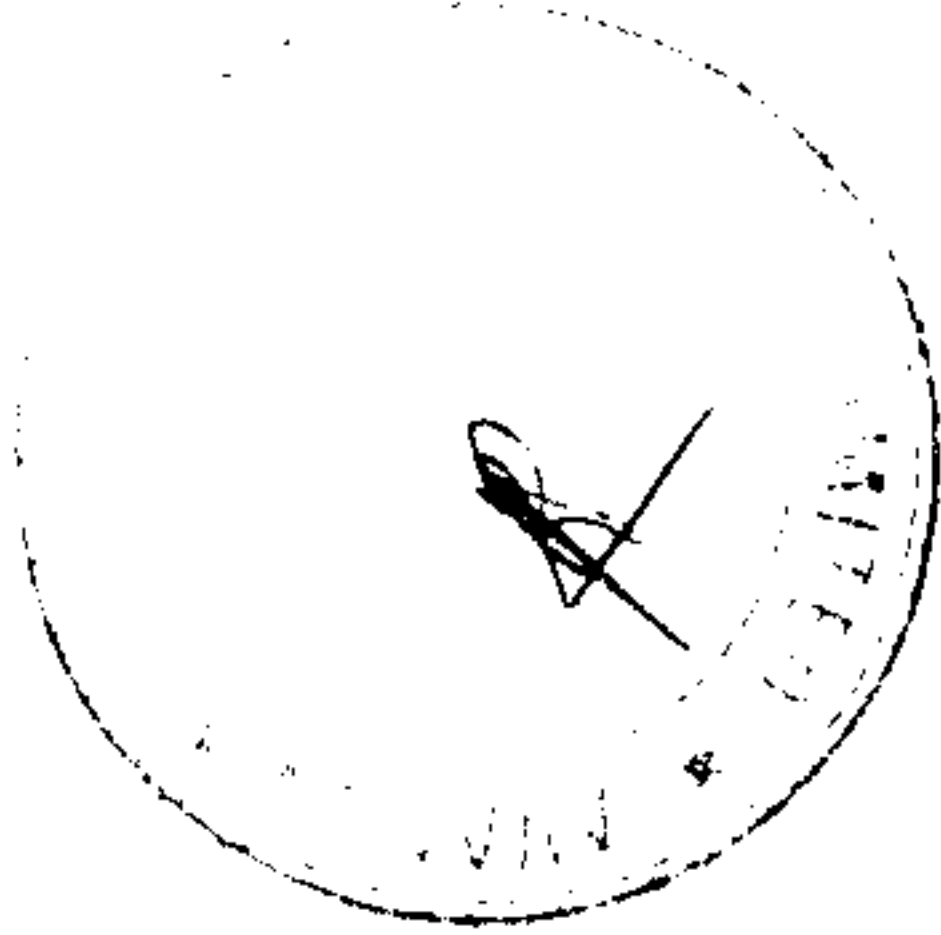
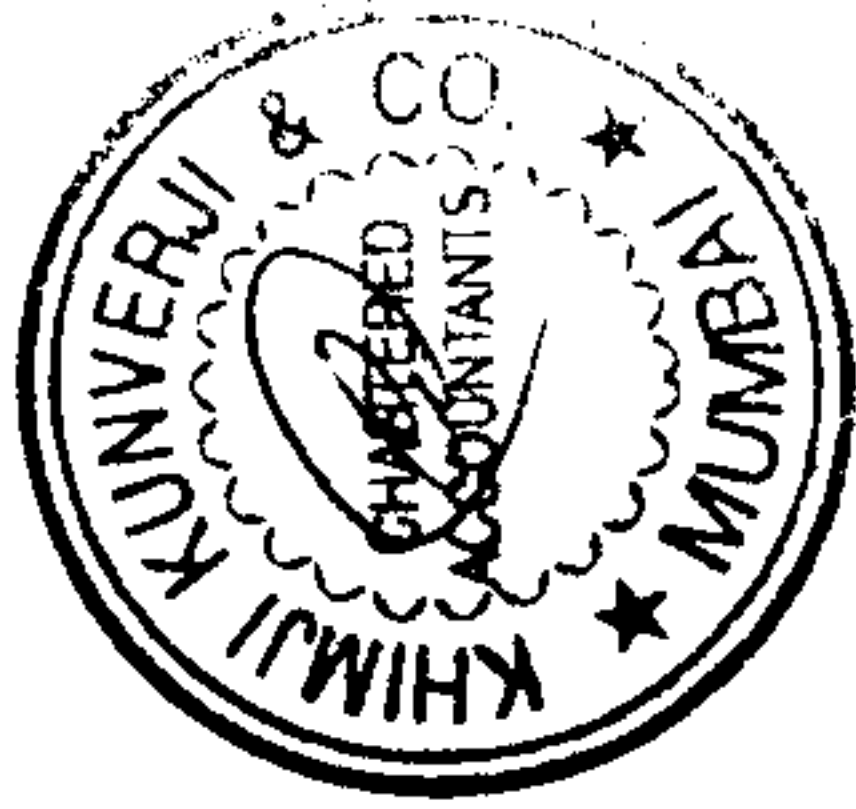
For and on behalf of the board of Directors

T.K. Ravishankar
Director
Ajay Oberoi
Director

Place : Mumbai
Date: May 30, 2011



Schedule - 3 - Fixed Assets											
PARTICULARS	GROSS BLOCK			DEPRECIATION AND AMORTISATION			IMPAIRMENT			NET BLOCK	
	As at 01.04.2010	Additions	Deductions/ Adjustments	As at 31.03.2011	As at 01.04.2010	For the year	As at 01.04.2010	For the year	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Freehold Land											
Buildings											
Leasehold Premises											
Computer Hardware	2,927,217	4,050	83,000	2,848,267	2,552,080	297,242	69,534	2,779,788	-	68,479	375,127
Office equipment	1,272,991	15,000		1,287,991	233,414	62,772		296,186	-	991,805	1,039,576
Electrical fittings	789,664			789,664	364,473	36,255		400,728	-	388,936	425,192
Furniture and Fixtures	3,709,083			3,709,083	2,641,579	621,119		3,262,698	-	446,385	1,067,503
Vehicles	801,600			801,600	801,600			801,600	-	-	
Intangible Assets											
Goodwill	10,179,754			10,179,754	3,770,586	1,017,107		4,787,693	-	5,392,061	6,409,168
Courseware	29,350,946	9,626,999		38,977,945	14,387,677	10,198,706		24,586,383	-	14,391,561	14,963,269
Computer Software	198,238			198,238	154,929	26,523		181,452	-	16,786	43,309
TOTAL	49,229,493	9,646,049	83,000	58,792,542	24,906,338	12,259,724	69,534	37,096,528	-	21,696,013	24,323,154
Total (Previous year)	48,029,025	5,334,259	4,133,790	49,229,494	22,133,806	14,434,594	1,662,060	24,906,340		24,323,154	
Note.											
1. In case of inter company transfer of Fixed assets Gross Block at cost along with accumulated depreciation is transferred and reflected above.											



Schedule “13”

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES:

(a) ACCOUNTING CONVENTION:

The financial statements are prepared under the historical cost convention, on an accrual basis in compliance with all material aspects of the applicable accounting standards in India and the relevant provisions of the Companies Act 1956. The accounting policies have been consistently applied by the company and are consistent with those used in the previous year, unless otherwise mentioned in the notes.

(b) FIXED ASSETS:

Fixed assets are stated at cost less accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any cost, attributable to bringing the asset to its working condition for its intended use.

Intangible assets are recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. The intangible assets are recorded at cost and are carried at cost less accumulated amortisation.

(c) DEPRECIATION AND AMORTISATION:

Depreciation on fixed assets is provided on Straight-Line Method at the rates and in the manner specified in the Schedule XIV of the Indian Companies Act, 1956, except higher rate for -

- a. Intangible Asset: - Computer software and courseware is amortised @ 33.33%, considering the useful life of the assets and obsolescence.
Goodwill arising on acquisition of business unit is amortised over a period of ten years
- b. Depreciation on Furniture & Fixtures, Computer Hardware and vehicles is provided at the following rates based on its estimated useful life –

Furniture & fixtures	20.00%
Computer Hardware	33.33%
Vehicles	33.33%

Depreciation on the fixed assets added / disposed off/ discarded during the year has been provided on pro-rata basis with reference to the date of addition / disposition / discardation

Assets purchased during the year whose acquisition cost is Rs. 5000 or less are entirely written off in the year of purchase

(d) IMPAIRMENT OF FIXED ASSETS:

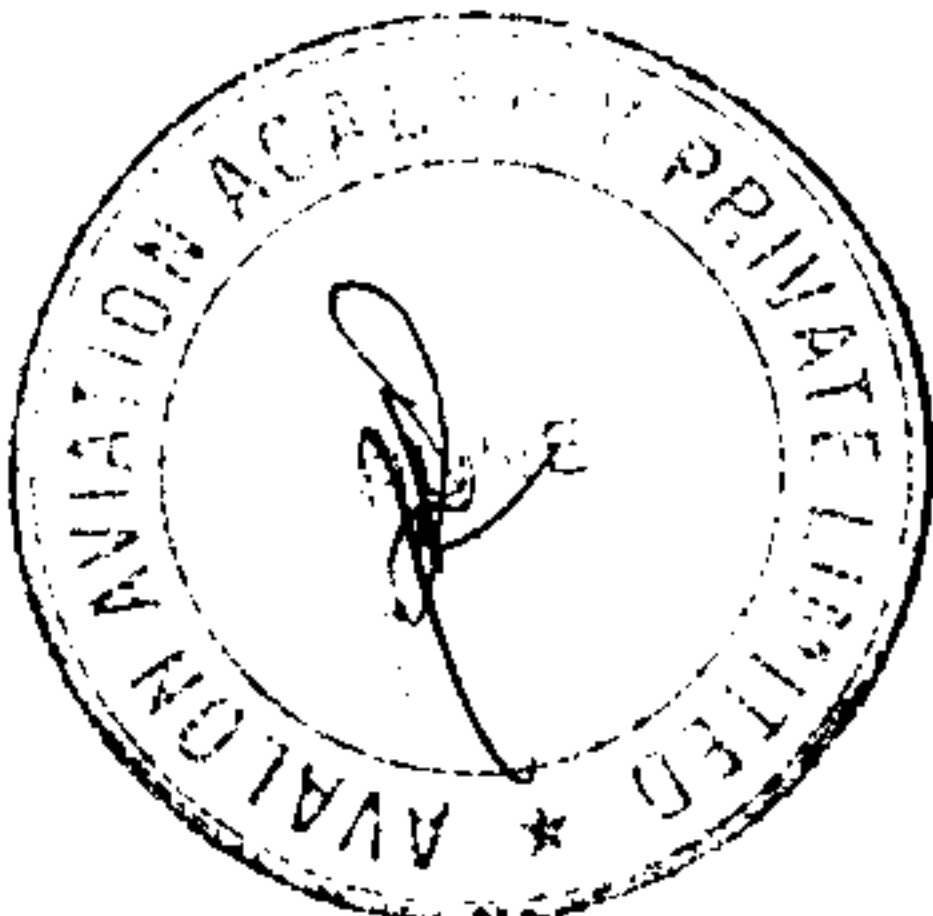
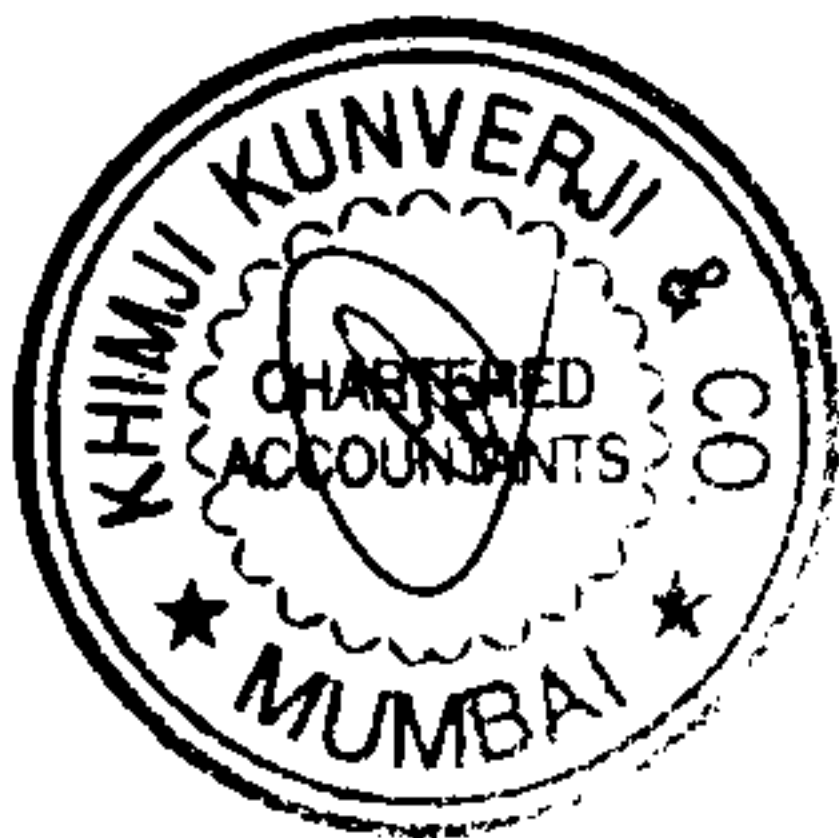
The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of assets exceed its recoverable value. An impairment loss, if any, is charged to Profit and Loss Account in the year, in which an asset is identified as impaired. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased.

(e) TRANSLATION OF FOREIGN CURRENCY ITEMS:

Transaction in foreign currency is recorded at the rate of exchange prevailing on the date of transaction. Foreign currency monetary items are reported using closing rate of exchange at the end of the year. Current assets and liabilities are translated at the year-end closing rates. The resulting exchange gain/loss is reflected in the Profit and Loss Account.

(f) INVENTORIES:

Inventory of educational course material is valued at cost or net realizable value whichever is lower. Cost is determined on Weighted Average basis.



(g) REVENUE RECOGNITION:

i) Training and Education Income

Revenue in respect of Training and Education services is recognized on rendering of services, only when it is reasonably certain that the ultimate collection will be made. The revenue from fixed time contracts is recognised over the period of contracts. For services rendered through franchisees only the company's share of revenue is recognized.

ii) Sale of Education Course Materials

Revenue in respect of sale of Education course materials is recognised on delivery of the course materials to the customers.

(h) RETIREMENT BENEFITS:

DEFINED CONTRIBUTION PLAN

The Company makes defined contribution to Provident Fund and Superannuation Scheme which are recognized in the Profit & Loss account on accrual basis.

DEFINED BENEFIT PLAN

The company's liabilities under Payment of Gratuity Act (funded), and long term compensated absences are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for short term compensated absences, which are provided on estimates. Actuarial gain & losses are recognized immediately in the statement of Profit & Loss account as income or expenses. Obligation is measured at the present value of estimated future cash flows using the discounted rate that is determined by reference to market yields at the balance sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(i) EMPLOYEES STOCK OPTION PLAN (ESOP)

The holding company grants Employee Stock Option (ESOP-2006) to the company's employees. The same is accounted for by the Holding Company as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines, 1999 issued by Securities and Exchange Board of India (SEBI), whereby the intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognized as deferred employee compensation. The holding company debits the Company's share of ESOP compensation cost which is charged to Profit & Loss Account.

(j) TAXATION:

Tax expense comprises of current, deferred and fringe benefit tax

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The Deferred tax for timing differences between the book and the tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future.

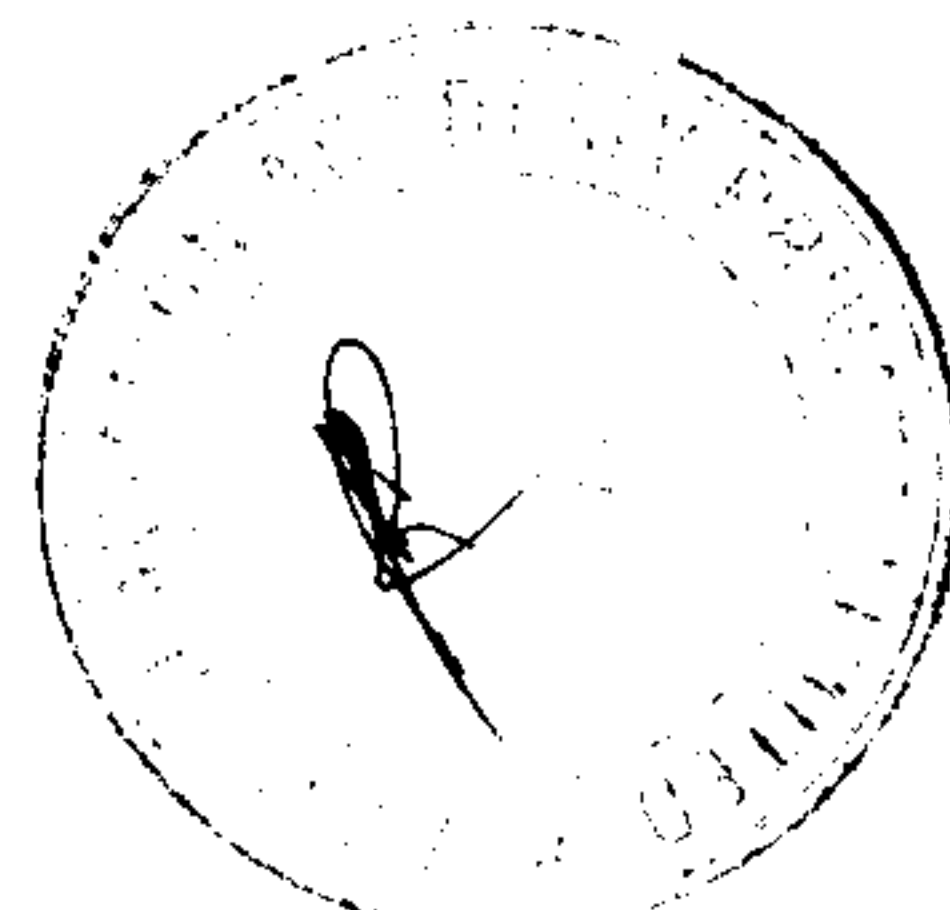
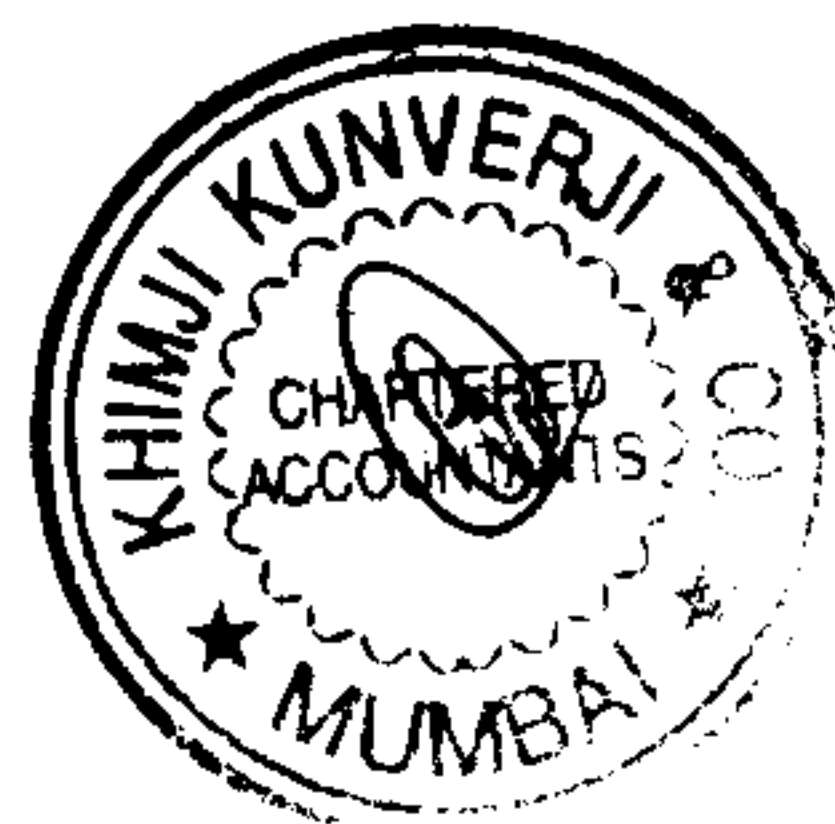
Deferred tax assets, in case of unabsorbed losses and unabsorbed depreciation, are recognized only if there is virtual certainty that such deferred tax asset can be realized against future taxable profits.

Fringe Benefit Tax is provided in accordance with the provision of Income tax Act, 1961

(k) OPERATING LEASES:

Leases, where significant portion of risk and reward of ownership are retained by the Lessor, are classified as Operating Leases and lease rentals thereon are charged to the Profit and Loss Account.

(l) PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS:



AVALON AVIATION ACADEMY Pvt. Ltd.

A provision is recognised when an enterprise 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 a reliable estimate can be made.

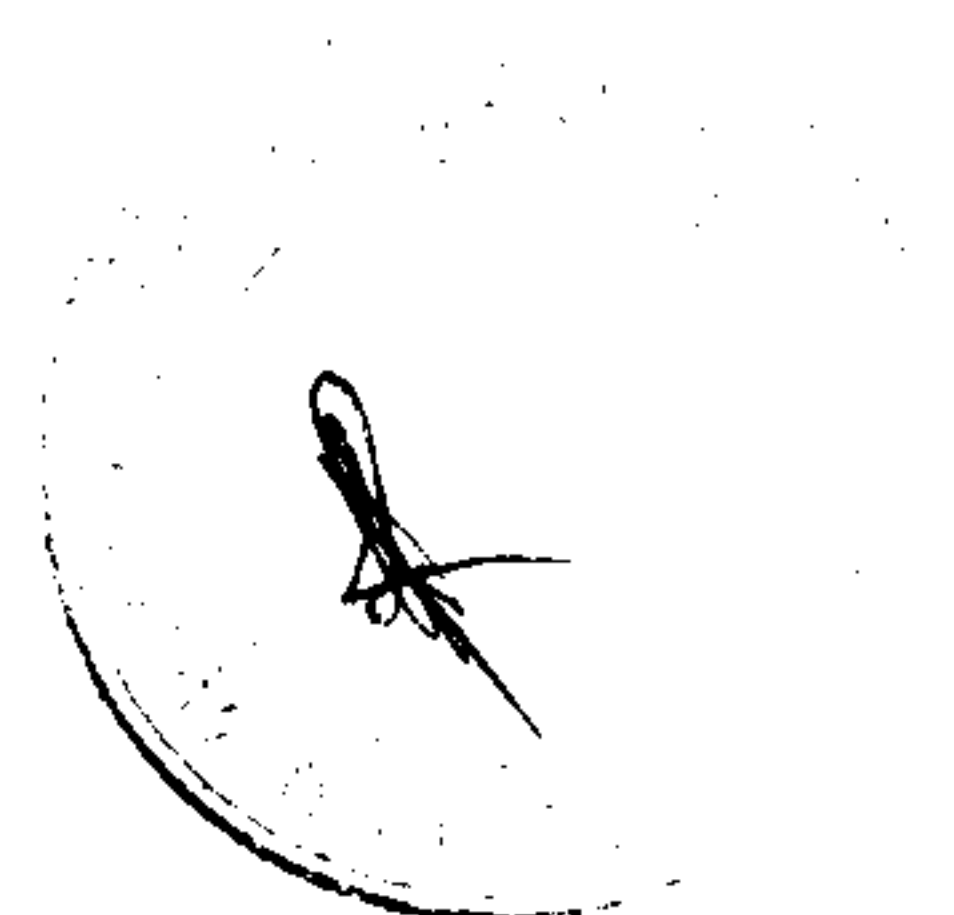
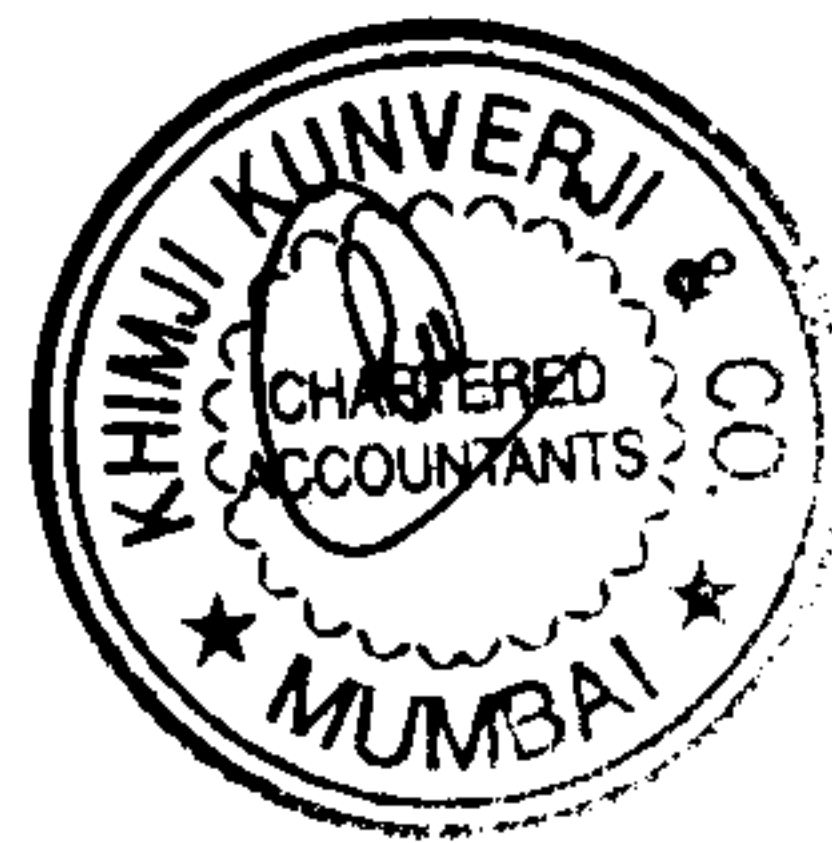
Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liabilities are possible but not probable obligations as on the Balance Sheet date, based on the available evidence.

Department appeals, in respect of cases won by the company, are also considered as contingent Liabilities.

Contingent Assets are neither recognised, nor disclosed.



SCHEDULE “13”

B. NOTES FORMING PART OF THE ACCOUNTS:

1. Avalon Aviation Academy Private Limited ('the Company') have prepared and presented the audited financial statements for the year ended 31st March 2011 and are not comparable with financial statements for the period ended 31st March 2010 which were prepared for the period of 15 months from January 1, 2009 to March 31, 2010 (Period).
2. Despite Losses and Negative Net worth, the Financial Statements have been prepared based on Going Concern assumptions in view of the restructured business plan by the management and availability of continued finance and requisite financial support from its holding company (Aptech Limited).

3. **Contingent Liability**

Particulars	Amount in ₹	
	As on March 31st, 2011	As on March 31st, 2010
A Capital commitments		
Estimated amounts of contracts remaining to be executed on capital account and not provided for	2,32,000	3,00,000
B. Contingent liabilities in respect of:		
i) Claims against the Company not acknowledged as debts	32,62,718	-

4. a) Based on the resolution for Employee Stock option approved by the shareholders of Holding Company, the holding company has granted 10,000 stock options on May 4, 2007 to eligible employees of the Company comprising of 2000, 2500 and 4000 options, with a vesting period of 12, 24, 36 and 48 months respectively from the award date and an exercise period of one year from the respective vesting dates.

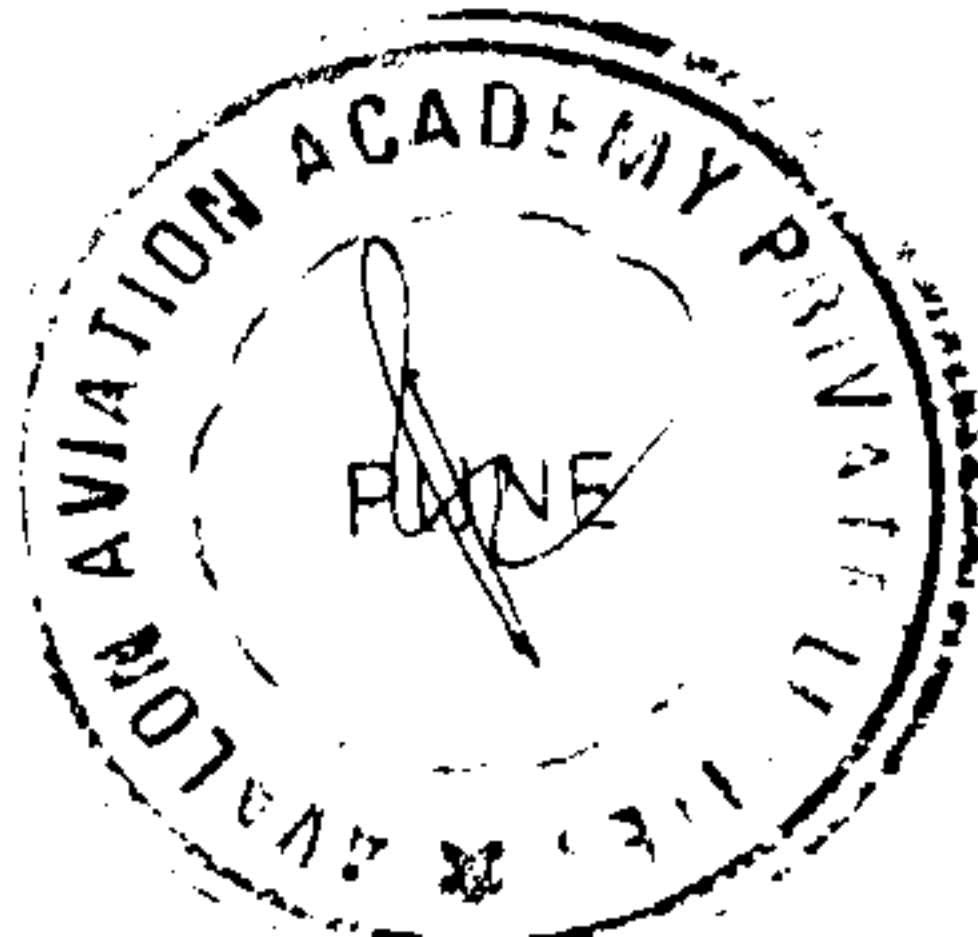
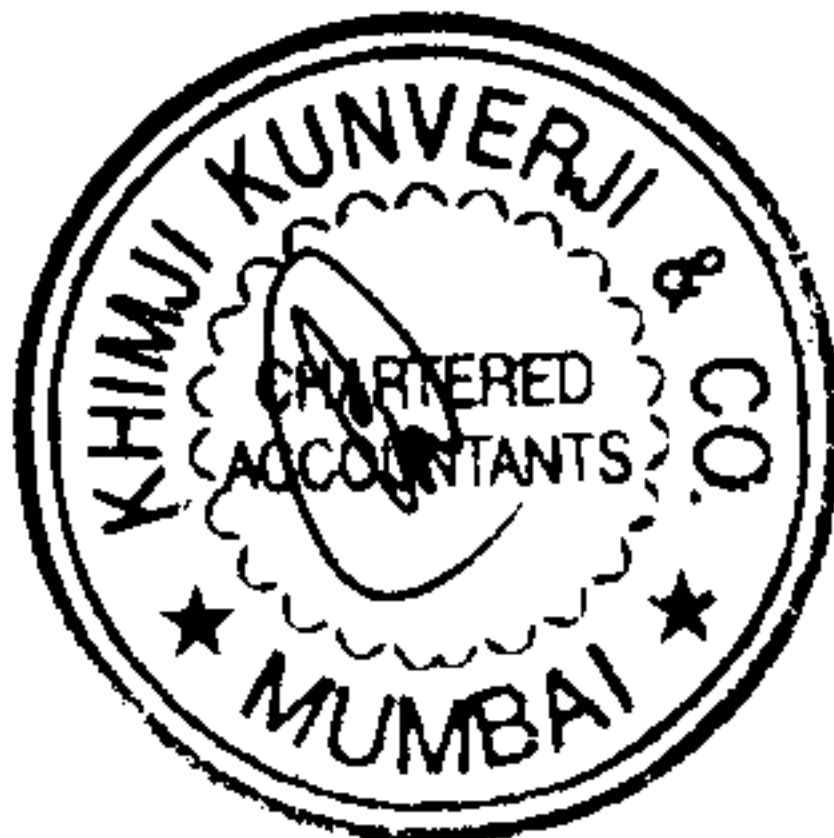
The stock option discount in the aforesaid scheme, computed as per SEBI guidelines in this respect, is being amortised on a straight line basis over the vesting period. Accordingly, during the year Rs. 45,250/- (Previous Year: Rs. 269,527/-) being the proportionate net charge of discount for the year, has been included in “ESOP Compensation Cost” in the schedule of “Salaries and Employee Benefits” (Schedule “10”). During the year 550 stock options have being lapsed / forfeited / expired and reversal of discount charge aggregating Rs. 47,575/- has been credited to “Salaries and Employee Benefits” in (Schedule “10”) as ESOP compensation cost.

b) During the year 1950 options were exercised.

5. Sundry Debtors and Sundry Creditors are subject to confirmation and reconciliation.

6. **PAYMENT TO AUDITORS:***

Particulars	Amount in ₹	
	2010-11	15 Months ended 31st Mar 2010
Audit Fees	80000	111,253
Tax Audit Fees	50000	62,501
Certification Fees	45000	45,000
TOTAL	175,000	218,754



7. EARNINGS PER SHARE:

Particulars	Amount in ₹	
	2010-11	15 Months ended 31st Mar 2010
Net Profit (Loss) after tax (₹)	(75,756,708)	(66,128,831)
Weighted average number of shares	4,000,000	4,000,000
Nominal Value of shares ₹	10	10/-
Basic and Diluted Earnings per Share ₹	(18.94)	(16.53)

8. RETIREMENT BENEFITS:

(A) DEFINED BENEFIT PLAN

(1) Amounts recognised in the Balance Sheet in respect of Gratuity:

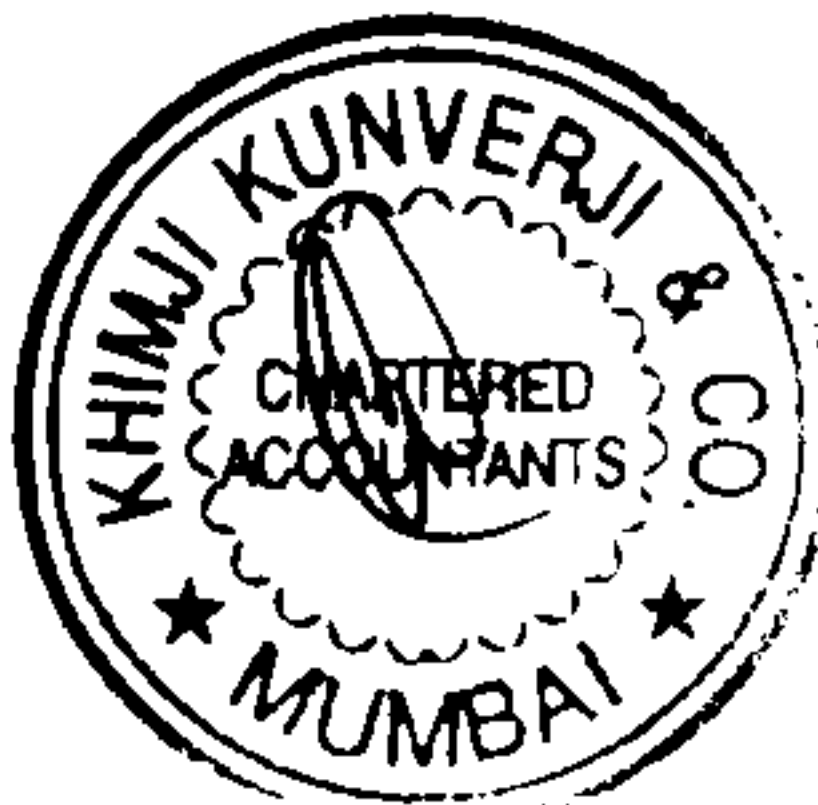
Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Present value of the defined benefit obligation at the end of the period	953,309	1,202,940
Fair value of the plan assets	(507,038)	567,128
Net Liability / (Assets)	446,271	635,812

Amounts recognized in other Income and Salary and Other Allowances in the Profit & Loss account in respect of gratuity:

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Current Service Cost	213,913	552,662
Interest on defined benefit obligation	93,228	91,666
Expected return on plan assets	(42,535)	(42,535)
Net actuarial (Gain)/ Loss on plan Assets	(454,147)	(376,626)
Net Gratuity Cost	(189,541)	225,167

Reconciliation of present value of the obligation and the fair value of the Plan assets

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Opening defined benefit obligation as on 01.04.2010	1,202,940	977,772
Current Service Cost	213,913	552,662
Interest cost	93,228	91,666
Actuarial (Gain)/ Loss	(477,294)	(419,161)
Benefit Paid	(79,477)	-
Closing defined benefit obligation as on 31.03.2011	953,310	1,202,939



Changes in Fair value Plan assets

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Fair value of the plan assets at the beginning of the period	567,128	567,128
Expected return on plan assets for the period	42,535	42,535
Contributions during the period	-	-
Benefits paid during the period	(79,477)	-
Acturial Gain / (Loss) on plan assets	(23,148)	(42,535)
Fair value of the plan assets at the end of the period	507,038	567,128

Principal Actuarial Assumptions at the Balance Sheet date 31.03.2011

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Discount Rate	8.00%	8.00%
Estimated rate of return on plan assets	7.50%	8.00%
Rate of Salary Growth	6.75%	6.50%

The estimates of future salary increases, considered in actuarial valuation, take account of Inflation, seniority, promotion and other relevant factors.

General description of the fair value of the plan

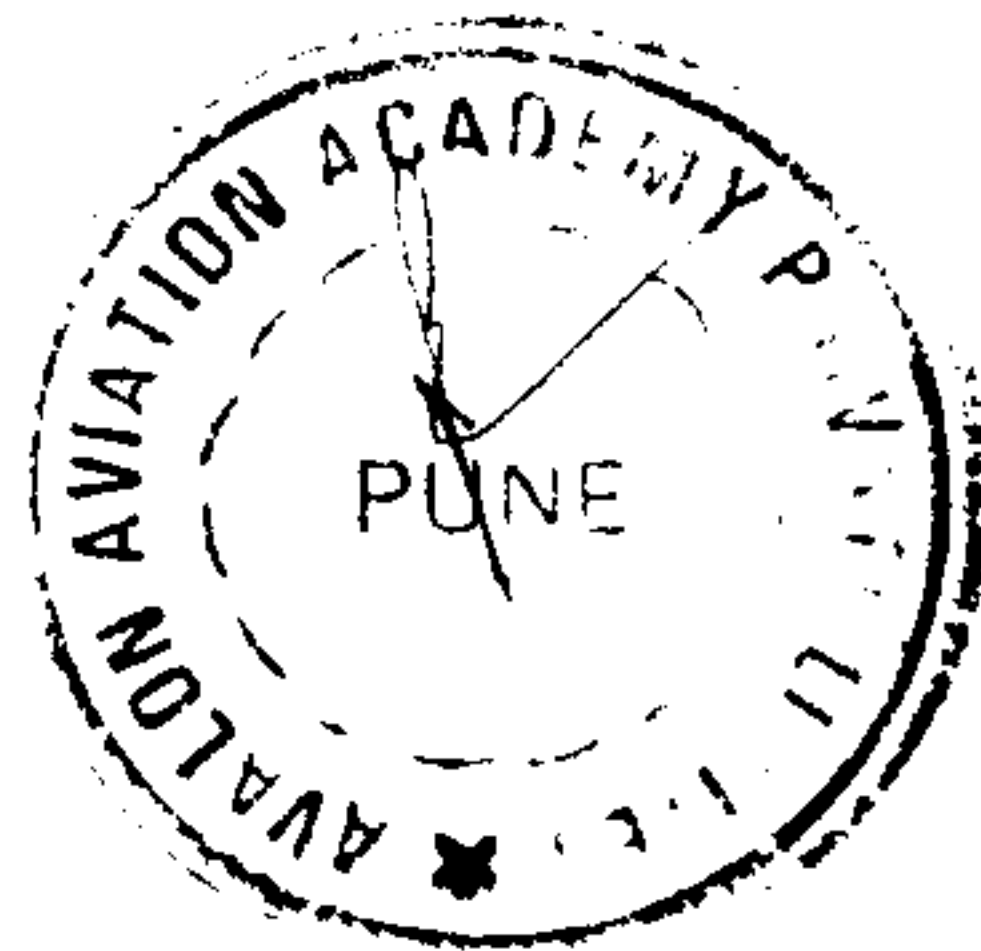
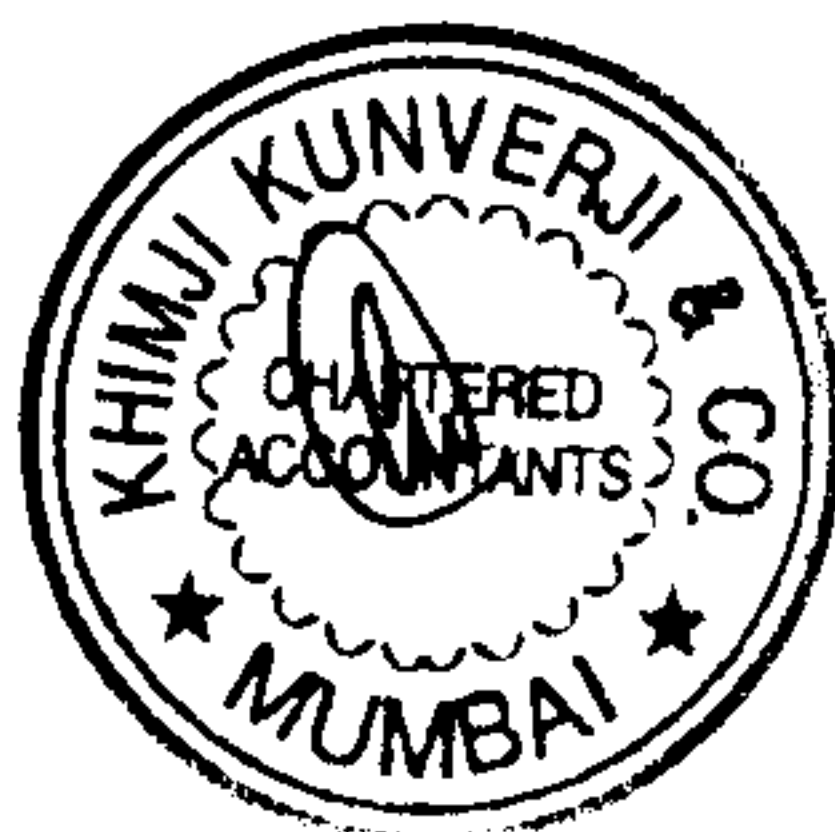
Gratuity liability under the Payment of Gratuity Act, 1972 is accrued on actuarial valuation and funded through group gratuity scheme of the holding company administrated by ICICI Prudential Life Insurance Company Limited

(2) Amounts recognized in the Balance Sheet in respect of Leave Encashment:

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Present value of the defined benefit obligation at the end of the period	377,288	621,214
Fair value of the plan assets	-	-
Net Liability / (Assets)	377,288	621,214

Amounts recognized in other Income and Salary and Other Allowances in the Profit & Loss account in respect of Leave Encashment:

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Current Service Cost	138,037	337,512
Interest on defined benefit obligation	48,144	17,876
Expected return on plan assets	-	-
Net actuarial (Gain)/ Loss on plan Assets	(74,983)	283,787
Net Compensated absences / Leave encashment Cost	111,198	639,175



Reconciliation of present value of the obligation and the fair value of the Plan assets

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Opening defined benefit obligation as on 01.04.2010	621,214	190,682
Current Service Cost	138,037	337,512
Interest cost	48,144	17,876
Actuarial (Gain)/ Loss	(74,983)	283,787
Benefit Paid	(355,125)	(208,643)
Closing defined benefit obligation as on 31.03.2011	377,287	621,214

Principal Actuarial Assumptions at the Balance Sheet date 31.03.2011

Particulars	Amount in ₹	
	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
Discount Rate	8.00%	7.50%
Estimated rate of return on plan assets	7.50%	0.00%
Rate of Salary Growth	6.75%	6.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

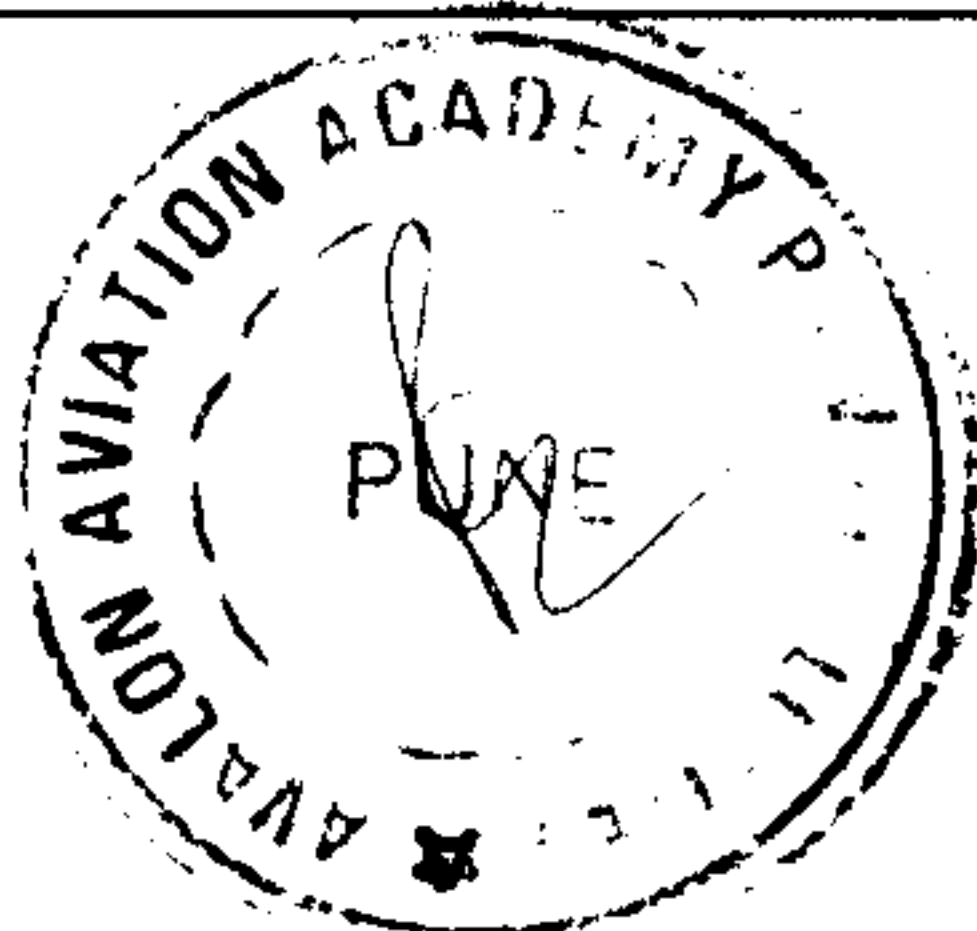
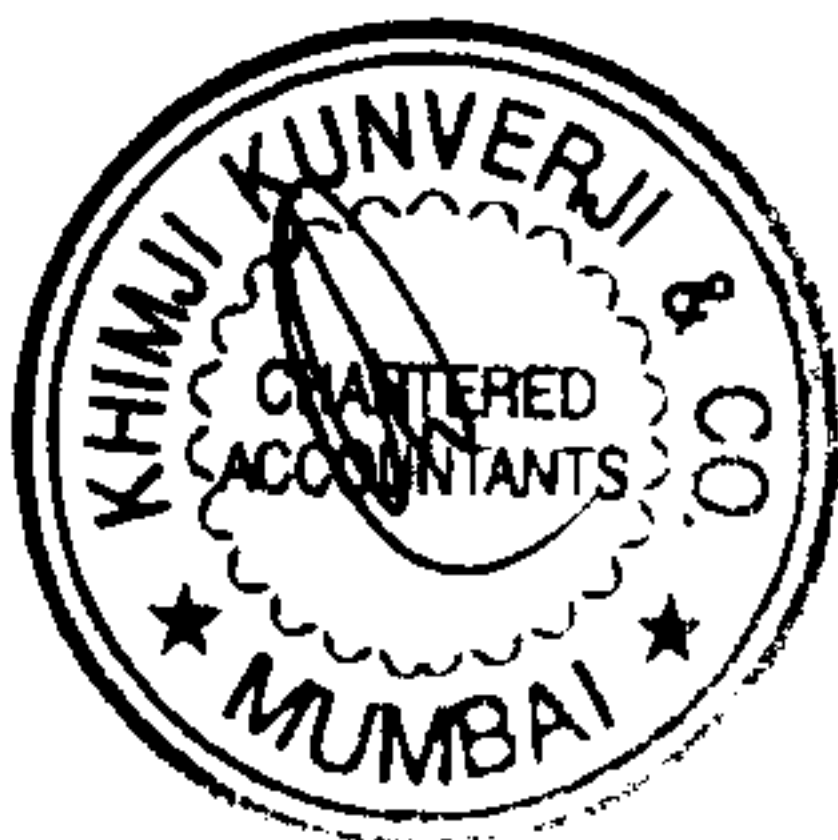
B) DEFINED CONTRIBUTION PLAN

The Company has recognized as an expense and included in Schedule "10" for the current year Rs.10,75,839/- (Previous Year: Rs. 1,857,305/-)

9. Segment has been identified in accordance with the Accounting Standard 17 (AS-17) on Segment Reporting, taking into account the organization structure as well as differential risks & returns of these segments. The Dominant source of risk and returns of the group is considered to be the business in which it operates viz – Training Services. Being a single business segment group, no primary segment information is being provided.
10. Disclosure in respect of Related Parties pursuant to Accounting Standard 18:

Names of related parties and description of relation:

Relationship	
a) Holding Company :	Aptech Limited
b) Fellow Subsidiary Companies :	Attest Testing Services Ltd. Maya Entertainment Ltd. Aptech Ventures Ltd. Aptech Worldwide Corporation (Bangladesh) Ltd. Aptech Training Ltd. FZE (Dubai) Aptech Worldwide Corporation (USA) Ltd. Aptech Investment Enhancers Ltd. Aptech Global Investments, Mauritius AGLSM SDN,BHD, Malasiya

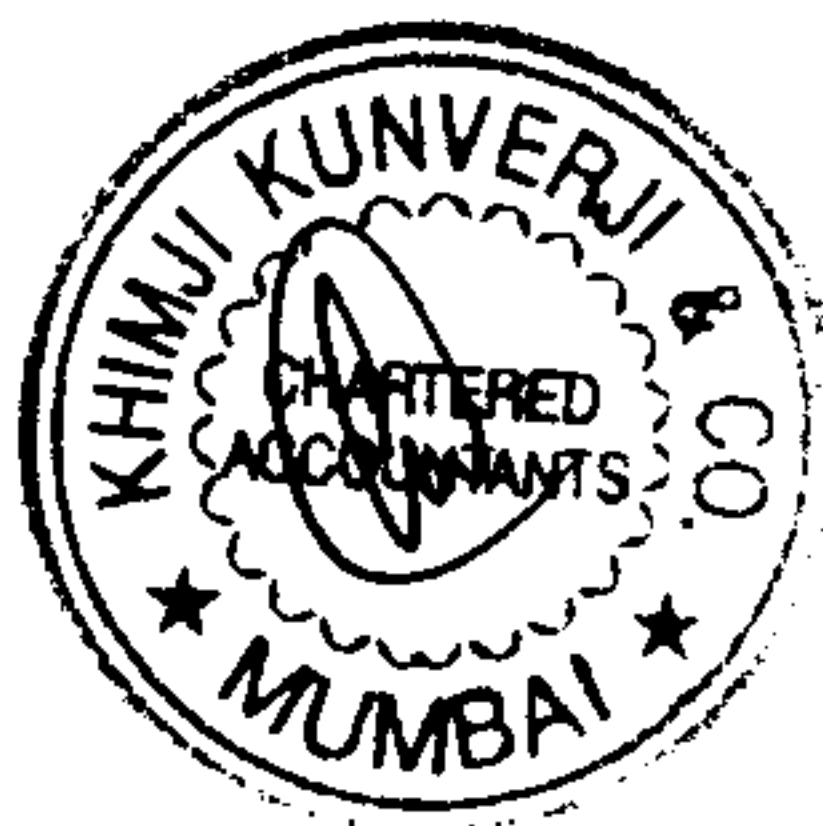


Transactions with Related party:

Amount in ₹		
Transactions	Holding Company	Fellow Subsidiaries
a) Purchase of Fixed Assets:		
	2,309,792	-
	(10,133,675)	(-)
b) Income		
Transfer Pricing Income	-	242,855
c) Expenses		
Management Contracts including for Deputation of Employees	13,121,814	-
	(16,595,596)	(-)
d) Finance		
Loans Taken :	95,756,784	62461
(Attest Rs. 1078/- & Maya Rs. 61383/-)*	(196,313,981)	(639)
Loans Repaid :	33,318,846	69121
(Attest Rs. 1717/- & Maya Rs. 61383/-)*	(118,760,432)	(-)
e) Outstandings		
Loans Payable	252,413,164	-
	(189,975,226)	(6,660)
f) Balance as at 31 st March, 2011		
Share Capital	40,000,000	
	(40,000,000)	
Debtors AGLSM SDN.BHD- MALAYSIA	242,855	
Creditor Aptech Ltd.	-	
*naration in brackets represents fellow subsidiary name (figures in brackets represents previous year figures)		

Note: 1)Related Party relationship is as identified by the Company and relied upon by the Auditors.
2) There have been no write off or write back in case of any related party.

11. The Deferred Tax Asset computed in accordance with AS-22 “Accounting for Taxes on Income”, has not been recognized in the books in the current year on the principle of conservatism and prudence since the availability of sufficient future taxable income against which such deferred tax asset can be realized is presently not “virtually certain”.
12. Additional information pursuant to the provisions of Paragraph 3, 4C, 4D of Part II of Schedule VI of the Companies Act, 1956 to the extent applicable to the company:



Expenditure in Foreign Currency:

		Amount in ₹	
	Particulars	Year Ended 31st, March 2011	15 months Ended 31st, March 2010
a)	Miscellaneous Training Expenses	1,670	-
d)	Travelling Expenses	19,602	-
	Total	21,272	-

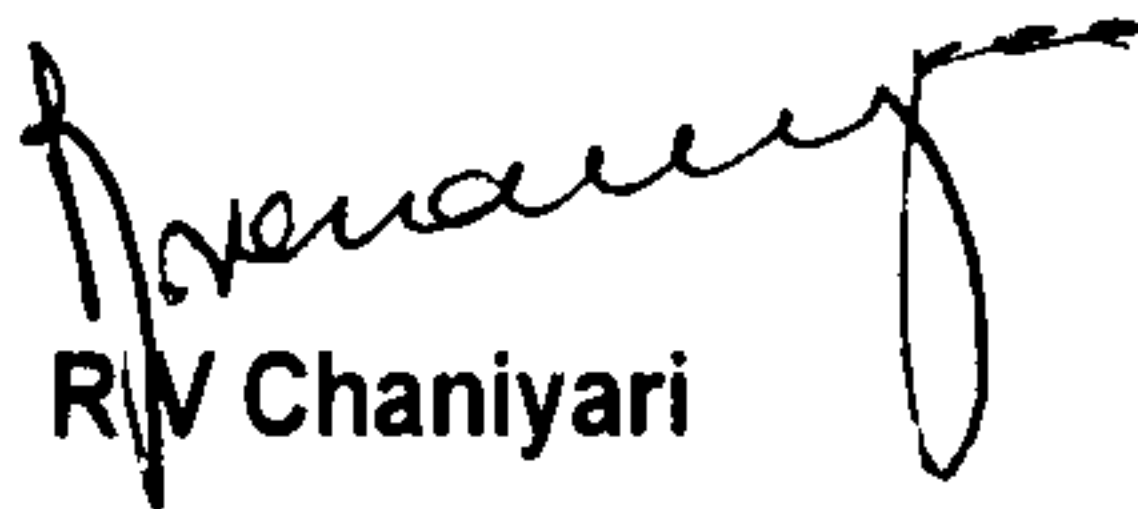
13. Based on information available with the Company, there are no dues payable to Micro Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006, hence, the disclosure required under the said Act are not given.
14. The Company is one of the Wholly Owned Subsidiaries of Aptech Limited, which is providing a common pool of facilities and resources to its subsidiaries. With a view to optimize the benefits of specialization and minimize cost to each subsidiary, the Company's share of expenses under the common pool has been accounted for under the appropriate heads.
15. As per the court order in relevance to a legal case filed, the company was required to deposit with the Metropolitan Magistrate Court by way of FDR's (Fixed Deposit) aggregating Rs. 10 Lakhs to comfortably satisfy the liability of the accused towards the complainant.
16. The figures for the previous accounting year have been regrouped /rearranged wherever necessary to correspond with the figures of the current years.

For and on behalf of

KHIMJI KUNVERJI & CO.

Firm Registration Number 105146W

Chartered Accountants


R/V Chaniyari

Partner

Membership No. F - 31083

Place: Mumbai

Date : 30 th -May-2011

For and on behalf of the Board of Directors


T.K Ravishankar

Director

Place: Mumbai

Date : 30 th -May-2011


Ajay Oberoi

Director

Place: Mumbai

Date : 30 th -May-2011

