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| **Auditor's Report (Kingfisher Airlines) Year End- 31 Mar** | **Year End : Mar '13** |
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| Report on the Financial Statements:    We have audited the accompanying financial statements of Kingfisher  Airlines Limited (formerly known as Deccan Aviation Limited) (the  Company) which comprises of Balance Sheet as at March 31, 2013, the  Statement of Profit and Loss and Cash Flow Statement for the year ended  on that date and a summary of significant accounting policies and other  explanatory information.    Management's Responsibility for the Financial Statements:    Management is responsible for the preparation of these financial  statements that give a true and fair view of the financial position,  financial performance and cash flows of the Company in accordance with  the accounting standards referred to in sub-section (3C) of section 211  of the Companies Act, 1956 (the Act). This responsibility includes  the design, implementation and maintenance of internal control relevant  to the preparation and fair presentation of the financial statements  that are free from material misstatement, whether due to fraud or  error.    Auditor's Responsibility:    Our responsibility is to express an opinion on these financial  statements based on our audit. We conducted our audit in accordance  with the Standards on Auditing issued by the Institute of Chartered  Accountants of India. Those standards require that we comply with  ethical requirements and plan and perform the audit to obtain  reasonable assurance about whether the financial statements are free  from material misstatement.    An audit involves performing procedures to obtain audit evidence about  the amounts and disclosures in the financial statements. The procedures  selected depend on the auditor's judgment, including the assessment of  the risks of material misstatement of the financial statements, whether  due to fraud or error. In making those risk assessments, the auditor  considers internal control relevant to the Company's preparation and  fair presentation of the financial statements in order to design audit  procedures that are appropriate in the circumstances. An audit also  includes evaluating the appropriateness of accounting policies used and  the reasonableness of the accounting estimates made by management, as  well as evaluating the overall presentation of the financial  statements.    We believe that the audit evidence we have obtained is sufficient and  appropriate to provide a basis for our qualified audit opinion.    Basis for Qualified Opinion:    1. Attention is invited to note 48 forming part of the Financial  Statements (‘Notes'') regarding method of accounting of costs incurred  on major repairs and maintenance of engines of aircrafts taken on  operating lease of Rs. 664.22 lacs (year ended March 31, 2012 Rs.  28,480.24 lacs) (aggregate expenditure up to March 31, 2013 after  eliminating expenditure on returned/redelivered assets Rs.25,020.97  lacs), which have been capitalized and amortized over the estimated  useful life of the repairs. In our opinion, this treatment is not in  accordance with generally accepted accounting standards prevalent in  India and ought to have been recognized in the Statement of Profit and  Loss as and when incurred.    2. We further report that, except for the effect, if any, of matters  stated in paragraphs 3 and 4 below, which are not ascertainable, had  the observations made in paragraph 1 above and paragraphs 4 and 10 of  our report to the members of the Company on the audit of the financial  statements for the year ended March 31, 2012, dated May 30, 2012  (Previous year''s Report) been considered,    a. The working results for the year ended March 31, 2013 would have  been a loss of Rs. 415,801.51 lacs (year ended March 31, 2012 Rs.  344,402.41 lacs) as against the reported loss of Rs. 430,111.96 lacs  (year ended March 31, 2012 Rs. 232,800.75 lacs). This does not take  into account the derecognition of deferred tax credit recognized up to  March 31, 2012 of Rs. 404,586.77 lacs during the year which should have  been done through the Statement of Profit and Loss and not directly in  the Surplus account (debit) included under the head ‘Reserves and  Surplus'' in the balance sheet    b. The reserves and surplus as at March 31, 2013 would have been debit  of Rs. 1,434,042.48 lacs (as at March 31, 2012 debit of Rs.  1,046,090.41 lacs) as against the reported figure of debit of Rs.  1,428,164.15 lacs (as at March 31, 2012 debit of Rs 621,314.83 lacs),  other current liabilities as at March 31, 2012 would have been Rs  325,183.68 lacs as against the reported figure of Rs 325,171.29 lacs,  fixed assets as at March 31, 2013 would have been Rs. 65,314.71 lacs  (as at March 31, 2012 Rs 124,126.34 lacs) as against the reported  figure of Rs. 71,193.04 lacs (as at March 31, 2012 Rs 144,302.75 lacs)  and deferred tax asset as at March 31, 2012 would have been Rs. Nil as  against the reported figure of Rs. 404,586.77 lacs.    c. The earnings (loss) per share for the year ended March 31, 2013  would have been Rs. (54.42) (year ended March 31, 2012 Rs. (68.92) as  against the reported earnings (loss) per share of Rs. (56.27) (year  ended March 31, 2012- Rs. (46.92)).    3. Attention is invited to paragraph 1 of the annexure to our report  (impact of discrepancies, if any pending reconciliation of physical  inventory of fixed assets taken during the year 2010-11 with book  records), note 34 of the Notes (borrowing costs that may have to be  decapitalized consequent to temporary suspension of work of supply of  aircrafts in terms of AS 16), note 44 (certain accounts detailed in the  said note being under review and reconciliation), note 46 (basis of  computation of unearned revenue as at period end/refunds due on account  of cancelled tickets/flights. Such estimates of number of unflown  tickets and their average value,    based on which management has reportedly estimated the amount of  unearned revenue/ refunds due, not being drawn from accounting records,  could not be reviewed by us), note 49 (use fees/ hourly and cyclic  utilization charges payable by the Company in respect of certain assets  taken on operating lease being treated as maintenance reserves, pending  formalization of the matter with the relevant lessor), note 52 (write  back of withholding tax accrued till March 31, 2011 and non provision  for withholding tax thereafter, on amounts paid/ provided as payable to  certain non residents/interest thereon, based on professional advice,  which are subject to receipt of certain documentation from the relevant  payees, the Company complying with the requisite formalities under the  relevant tax laws and validation of the position stated in the books of  account), note 53 regarding not writing off of unamortized borrowings  costs of Rs. 3,021.78 lacs although the consortium banks have recalled  their dues, for reasons stated in the note, note 56 regarding  compensation and other costs payable by the Company consequent to  termination of certain agreements not being determined and accordingly  not provided for and foot note to note 17 regarding adhoc provision of  Rs. 2,000.00 lacs made during the year (aggregate provision as at March  31, 2013 Rs. 2,634.71 lacs) for unserviceable/damaged engineering and  in-flight inventories, pending detailed review and assessment (effect  on revenue in all cases is not ascertainable).    4. Management has informed us that the ‘recoverable amount'' of assets  within the meaning of accounting standard 28 is more than their  carrying value and as such no amount needs to be recognized in the  financial statements for impairment loss. We have not been able to  validate this assertion in the absence of bids from prospective  buyers/valuation report of an independent agency and the uncertainty of  resumption of future operations/results of operations thereafter.    Qualified Opinion:    In our opinion and to the best of our knowledge and according to the  information and explanations given to us, except for the effects of the  matters described in paragraphs 1 to 4 of the Basis for Qualified  Opinion paragraph, the said financial statements give the information  required by the Act in the manner so required and give a true and fair  view in conformity with the accounting principles generally accepted in  India.    i. In the case of the Balance Sheet, of the state of affairs of the  Company as at March 31, 2013,    ii. In the case of Statement of Profit and Loss, of the loss for the  year ended on that date and    iii. In the case of Cash Flow statement, of the cash flows for the year  ended on that date.    Emphasis of Matter:    Attention is invited to note 45 to the Notes regarding the financial  statements being prepared on a going concern basis, notwithstanding the  fact that the Company''s net worth is eroded (Net worth as at March 31,  2013 (Rs.1,291,981.85 lacs), the scheduled air operator''s permit issued  by the Director General of Civil Aviation, Government of India (Permit)  has lapsed and the consortium banks have recalled their debts to the  Company. These events cast significant doubt on the ability of the  Company to continue as a going concern. The appropriateness of the said  basis is interalia dependent on the Company''s ability to obtain renewal  of the Permit, infuse requisite funds for meeting its obligations  (including statutory liabilities and those in respect of contracts  entered into for purchase of goods and assets), rescheduling of debt/  other liabilities and resuming normal operations. Our opinion is not  modified in this respect.    Report on Other Legal and Regulatory Requirements:    1. As required by the Companies (Auditor''s Report) Order, 2003 (the  Order) issued by the Central Government of India in terms of  sub-section (4A) of section 227 of the Act, we give in the annexure a  statement on the matters specified in paragraphs 4 and 5 of the Order.    2. As required by section 227(3) of the Act, 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 purpose of our  audit.    b. In our opinion, the Company has kept proper books of account as  required by law so far as appears from our examination of those books.    c. The Balance Sheet, Statement of Profit and Loss and Cash Flow  Statement dealt with by this report are in agreement with the books of  account.    d. In our opinion, except for the effects of matters described in  paragraph 1 of the Basis for Qualified Opinion paragraph, the Balance  Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by  this report, comply in all material respects, with the mandatory  Accounting Standards referred to in sub- section (3C) of section 211 of  the Act.    e. On the basis of written representations received from Directors as  on March 31, 2013 and taken on record by the Board of Directors, we  report that none of the Directors of the Company, are disqualified as  on that date from being appointed as a director, under clause (g) of  sub-section (1) of section 274 of the Act.    f. Since the Central Government has not issued any notification as to  the rate at which the cess is to be paid under section 441A of the Act  nor has it issued any Rules under the said section, prescribing the  manner in which such cess is to be paid, no cess is due and payable by  the Company.    (AS REFERRED TO IN PARAGRAPH 1 OF PARA ON REPORT ON OTHER LEGAL AND  REGULATORY REQUIREMENTS OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF  KINGFISHER AIRLINES LIMITED)    1. a. The Company has maintained records showing full particulars  including quantitative details and situation of fixed assets. However,  comprehensive description of assets and current location are to be  incorporated in the asset records after completion of reconciliation  referred to in paragraph 1(b) below.    b. Fixed assets were physically verified by the management during the  year 2010-11. Pending completion of reconciliation which has not been  completed, discrepancies, if any, cannot be ascertained (refer note 51  of the Notes). Certain assets of the Company are in the custody of  airports to which it has no access (carrying value not  ascertained)(refer foot note 4 to note 13 of the Notes)    c. There was no substantial disposal of fixed assets during the year.    2. a. Management has conducted physical verification of inventory at  reasonable intervals during the year.    b. The procedures of physical verification of inventories followed by  the management are reasonable and adequate in relation to the size of  the Company and the nature of its business.    c. Pending updating of records and reconciliation, book balances as at  March 31, 2013 have been adopted.    3. a. As informed, the Company has not granted any loans, secured or  unsecured to companies, firms or other parties covered in the register  maintained under section 301 of the Act.    b. As informed, the Company has taken loans from two companies covered  in the register maintained under section 301 of the Act. The total loan  amount outstanding as at year end was Rs. 49,004.26 lacs and the  maximum amount outstanding at any time during the year was the same  amount. The rate of interest and terms and conditions on which the said  loans are taken is not prima-facie prejudicial to the interests of the  Company. No stipulations for repayment have been prescribed and as such  no comments regarding regularity of payments are being made.    4. In our opinion and according to the information and explanation  given to us, and taking into consideration management''s representation  that a large number of items purchased are of a special nature for  which alternative quotations cannot be obtained, there are adequate  internal control procedures commensurate with the size of the Company  and the nature of its business for the purchases of inventory. Internal  controls in respect of sale of services to be strengthened. Subject to  our observations in paragraph 1(b) above and note 46 of the Notes,  during the course of our audit, no continuing failure to correct major  weakness in internal controls has been noticed.    5. a. According to the information and explanations given to us, we  are of the opinion that transactions that need to be entered into the  register maintained under section 301 of the Act have been so entered.    b. Further, contracts or arrangements referred to in section 301 of the  Act and aggregating to Rs. 5.00 lacs or more per party have been  entered into at prices which are reasonable as compared to similar  services rendered to / by other parties except in respect of  advertisement & sales promotional expenses of Rs. 38.19 lacs, purchases  of goods of Rs. 0.10 lacs, and miscellaneous income of Rs. 9.19 lacs  where we are unable to make any comments on reasonability of rates  since there were no similar transactions with third parties at the  relevant time.    6. The Company has not accepted any deposits from the public.    7. The Company has an internal audit system commensurate with its size  and nature of its business.    8. To the best of our knowledge and as explained, the Central  Government has not prescribed the maintenance of cost records under  section 209 (1) (d) of the Act for the products of the Company.    9. a. Undisputed statutory dues in respect of service tax,  withholding taxes, fringe benefit tax dues and professional tax have  not been regularly deposited with the appropriate authorities.  Undisputed statutory dues in respect of provident fund, employees''  state insurance, investor education and protection fund, wealth tax,  customs, excise duty, cess as applicable, have generally been regularly  deposited with the appropriate authorities barring delays in certain  months.    b. According to the information and explanations given to us:-    (i) No amounts were outstanding as at year end on account of undisputed  amounts payable in respect of employees'' provident fund and state  insurance, investor education and protection fund, wealth tax, sales  tax, customs duty, excise duty and cess for a period of more than six  months from the date they became payable.    (ii) Undisputed amounts payable in respect of tax deducted at source of  Rs.62,035.34 lacs, service tax of Rs. 7,303.77 lacs, professional tax  of Rs. 44.04 lacs (In all cases relating to the years 2007-08 to  2012-13), fringe benefit tax of Rs. 55.87 Lacs (balance of tax for the  financial year 2008-09) and gratuity to resigned employees of Rs.  410.10 Lacs (relating to the year 2011-2012 and 2012-13) were  outstanding for a period of more than six months from the date they  became payable (excluding applicable interest in all cases) (to the  extent identified pending review and reconciliation of the relevant  accounts). The due dates for these amounts are as per respective  statutes. The tax deducted at source liability indicated in this  paragraph is without considering tax on certain payments to  non-residents (liability withdrawn/ not provided for based on  professional advice) as referred to in note 52 of the Notes.    c. According to the information and explanations given to us, the  following dues have not been deposited with the concerned authorities  on account of dispute    Estimated  Year amount Pending before  (Rs. in Lacs)    Tax deducted at source  Liability arising out of 12,028.73 Supreme Court of  rejection of  approvals India  under section 10(15A)  of the Income Tax Act,  1961,    2004 – 09 144.74 Commissioner of  Income tax (Appeals)    2007 – 08 272.94 Commissioner of  Income tax (Appeals)    2008 – 09 1,194.32 Commissioner of  Income tax (Appeals)  Service Tax    2004-05 to 2007-08 464.94 Customs, Excise and  Service Tax Appellate  Tribunal    January 2005 to 19,067.67 Customs, Excise and  September 2007 Service Tax Appellate  Tribunal.    June – October 2006 553.80 Customs, Excise and  Service Tax Appellate  Tribunal.    June 2008 to April 722.20 Customs, Excise and 2010  Service Tax Appellate  Tribunal.    2005 – 06 to 2009 – 10 168.38 Customs, Excise and  Service Tax Appellate  Tribunal.    2010 – 11 429.14 Customs, Excise and  Service Tax Appellate  Tribunal.    10. The Company''s accumulated losses at the end of the financial year  were more than fifty percent of its net worth. The Company has incurred  cash losses during the financial year and in the immediately preceding  financial year.    11. Based on our audit procedures and as per the information and  explanations given by the management, the Company has defaulted in  repayment of loans and interest to banks and financial institutions.  Estimated unpaid overdue interest and installments to banks and  institutions as at March 31, 2013 aggregated to Rs. 284,538.21 lacs  including devolved guarantees/ letters of credit unfunded as at that  date. The over dues relate to the financial years 2011- 2012 and  2012-13.    12. According to the information and explanations given to us and based  on the documents and records    produced to us, the Company has not granted loans and advances on the  basis of security by way of pledge of shares, debentures and other  securities. Accordingly, the provisions of the clause 4(xii) of the  Order are not applicable to the Company.    13. In our opinion, the Company is not a chit fund or a nidhi, mutual  benefit fund / society. Accordingly, the provisions of the clause  4(xiii) of the Order are not applicable to the Company.    14. In our opinion the Company is not dealing in or trading in shares,  securities, debentures and other investments. Accordingly, the  provisions of clause 4(xiv) of the Order are not applicable to the  Company.    15. According to the information and explanations given to us, the  Company has not given guarantees during the year for loans taken by  others from banks or financial institutions. Accordingly, the  provisions of clause 4(xv) of the Order are not applicable to the  Company.    16. Based on information and explanations given to us by the  management, term loans taken during the year have been applied for the  purpose for which they were obtained, wherever specified by the bank in  the relevant sanction letters.    17. According to the information and explanations given to us and on an  overall examination of the balance sheet of the company, we report that  funds raised on short- term basis to an aggregate extent of Rs.  745,468.39 lacs have been used for long term investment as at March 31,  2013.    18. Based on information and explanations given to us by the  management, the Company has made not any preferential allotment of  shares to parties or companies covered in the register maintained under  section 301 of the Act. Accordingly, the provisions of clause 4(xviii)  of the Order are not applicable to the Company.    19. No debentures were outstanding as at March 31, 2013. Accordingly,  the provisions of clause 4(xix) of the Order are not applicable to the  Company.    20. The Company has not raised any money by public issue during the  year. Accordingly, the provisions of clause 4(xx) of the Order are not  applicable to the Company.    21. As per the information and explanations furnished to us by the  management, no material frauds on or by the Company and causing  material misstatements to financial statements have been noticed or  reported during the course of our audit, except for charge backs  received by the Company from credit card service providers due to  misutilisation of credit cards by third parties of Rs. 34.02 lacs.    For B. K. RAMADHYANI & CO.    Chartered Accountants    Firm registration number: 002878S    Place : Mumbai (Shyam Ramadhyani)    Date : May 30, 2013 Partner    Membership No. 019522 | |
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