

First Airways Inc.
Financial Statements
For the Years Ended March 31, 2016
and 2015

First Airways Inc.
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March 31, 2016 and 2015

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Independent Auditors' Report

To the Shareholder of
First Airways Inc.

We have audited the accompanying balance sheets of First Airways, Inc. (the "Company") as of March 31, 2016 and 2015, and the related statement of operations and accumulated deficit, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of First Airways, Inc as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

M. B. Jain

New York, NY
June 4, 2016

First Airways, Inc.
Balance Sheets
March 31, 2016 and 2015

	March 31,	
	2016	2015
Assets		
Current assets		
Cash	\$ 8,045	\$ 12,702
Due from associate company	469,308	-
Aircraft purchase option-current	92,674	92,674
Total current assets	<u>570,027</u>	<u>105,376</u>
Aircraft purchase option-non current	92,671	185,345
Total assets	<u>\$ 662,698</u>	<u>\$ 290,721</u>
Liabilities and stockholder's equity		
Current liabilities		
Loan from bank	\$ 494,021	\$ -
Total current liabilities	<u>494,021</u>	<u>-</u>
Total liabilities	<u>494,021</u>	<u>-</u>
Stockholder's equity		
Common stock of \$1 par		
11,050,000 shares authorized		
1,150,000 shares issued and outstanding	1,150,000	1,150,000
Accumulated deficit	(981,323)	(859,279)
Total stockholder's equity	<u>168,677</u>	<u>290,721</u>
Total liabilities and stockholder's equity	<u>\$ 662,698</u>	<u>\$ 290,721</u>

The accompanying notes are an integral part of these financial statements.

First Airways, Inc.
Statements of Operations and Accumulated Deficit
March 31, 2016 and 2015

	March 31,	
	2016	2015
Cost and expenses		
General and administrative expenses	\$ 103,175	\$ 95,835
Interest expense	14,619	-
Total cost and expenses	<u>117,794</u>	<u>95,835</u>
Loss before income tax	(117,794)	(95,835)
Income taxes	4,250	4,250
Net loss	<u>(122,044)</u>	<u>(100,085)</u>
Accumulated deficit, beginning	<u>(859,279)</u>	<u>(759,194)</u>
Accumulated deficit, ending	<u>\$ (981,323)</u>	<u>\$ (859,279)</u>

The accompanying notes are an integral part of these financial statements.

First Airways, Inc.
Statements of Cash Flows
March 31, 2016 and 2015

	March 31,	
	2016	2015
Cash flows from operating activities		
Net loss	\$ (122,044)	\$ (100,085)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	92,674	92,674
Net cash used in operating activities	<u>(29,370)</u>	<u>(7,411)</u>
Cash flows from financing activities		
Due from affiliate	(469,308)	-
Loan From Bank	494,021	-
Net cash used in financing activities	<u>24,713</u>	<u>-</u>
Net decrease in cash	(4,657)	-
Cash		
Beginning	12,702	20,113
Ending	<u>\$ 8,045</u>	<u>\$ 12,702</u>
Supplemental disclosures of cash flow information		
Cash paid for:		
Income taxes	<u>\$ 4,250</u>	<u>\$ 4,250</u>

The accompanying notes are an integral part of these financial statements.

First Airways Inc.
Notes to Financial Statements
For the Years Ended March 31, 2016 and 2015

1. Organization

First Airways Inc. (First Airways Inc. or the "Company") was incorporated on November 21, 2007 in the state of Delaware. It is a wholly owned subsidiary of TAAL Enterprises Ltd. ("TEL") a company incorporated in India & which is associate company of Taneja Aerospace & Aviation Limited or "TAAL". TEL was formed as a result of demerger of division of TAAL under the scheme of demerger

First Airways Inc. was set up to establish, maintain, provide, and operate air services and chartered services for carriage of passengers, mails, documents, parcels and freight by airplanes, aircrafts or other means of transport in USA or elsewhere.

2. Summary of Significant Accounting Policies

Cash

The Company maintains its cash balances in two financial institutions, which at times may exceed the federally-insured limits. As of March 31, 2016, the Company has no balances at any financial institutions which exceeded the federally-insured limits. The Company has not experienced any losses in such accounts.

Aircraft purchase option

Aircraft purchase options are recorded at cost on the date of acquisition.

Aircraft purchase option is amortized over the following estimated useful lives or the legal life, whichever is lower with a mid quarter convention:

<i>Assets</i>	<i>Estimated useful life</i>
Aircraft purchase option	120 months

Use of Estimates

In preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Authoritative guidance on accounting for income taxes requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the difference are expected

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to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company follows the authoritative guidance relating to uncertainty in income taxes which prescribes a comprehensive model for the manner in which a company should recognize, measure, present and disclose in its financial statements all material uncertain tax positions that they have taken or expect to take on a tax return. As of March 31, 2016 and 2015, the only tax jurisdiction to which the Company is subject is the United States. Open tax years relate to years in which unused net operating losses were generated. As of the adoption of this authoritative guidance, the Company's open tax years extend back to 2008. In the event that the Company concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Company will present interest and penalties as a component of income taxes. No amounts of interest or penalties were recognized in the Company's statements of operations or balance sheets upon adoption of this authoritative guidance or as of and for the years ended March 31, 2016 and 2015.

Subsequent Events

In preparing these financial statements, the Company has evaluated subsequent events through June 4, 2016, which is the date that the financial statements were available for issuance. All appropriate subsequent event disclosures, if any, have been made in the notes to the financial statements.

3. Aircraft Purchase Option

	<u>2016</u>	<u>2015</u>
Aircraft purchase option	\$ 926,737	\$926,737
Less: Accumulated amortization	<u>(834,066)</u>	<u>(741,392)</u>
	92,671	185,345
Aircraft purchase option - current portion	<u>92,674</u>	<u>92,674</u>
	<u>\$185,345</u>	<u>\$278,019</u>

On December 11, 2007, the Company purchased an aircraft purchase option vide option agreement ("agreement") for Cessna aircraft 525A; Serial Number 525A-0373 ("aircraft") from Cessna Finance corporation ("CFC"). The said aircraft is leased to TAAL (the parent company) vide aircraft lease No. 01-0043297-0010559-01 ("aircraft lease"), dated December 11, 2007 for a term of 120 months. As per the agreement, the Company has an option to purchase the Cessna aircraft subject to aircraft lease on any monthly lease rental payment date or on the last day of the term of the lease. In the event this option is exercised, the company shall, on or before the date of purchase, pay CFC the Stipulated Loss Value of the aircraft plus all other sums then due under the aircraft lease or under any other agreements, which will be

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considered as the "Purchase Option Price". As per the agreement, the Stipulated Loss Value at the end of the 120 month lease term is \$1,279,929.

The Company is estimating the use of the Aircraft purchase option at the end of the 120 month lease term with mid-quarter convention. Amortization for each of the years ended March 31, 2016 and 2015 was approximately \$93,000. The aircraft was put to use on February 20, 2008.

4. Credit facility

On October 16, 2015, the Company obtained a Stand by letter of credit loan facility from Bank of India, Hong Kong to facilitate discounting of an export transaction of the associate company. Under the arrangement, the Company obtained a loan of \$494,021 from Bank of India which was collateralized by the stand by letter of credit issued by the associate company's bank. The facility is for 360 days and bears interest at the rate 12 months LIBOR plus 2.25% per annum.

The loan amount, net of interest charged by the bank was advanced to the associate company and included in due from associate company in the accompanying balance sheet.

5. Income Taxes

The following is the summary of items giving rise to deferred tax assets:

	As at March 31, 2016	As at March 31, 2015
Net operating loss carry forwards	\$333,650	\$292,155
Non current deferred tax assets, net	\$333,650	\$292,155
Less: Valuation allowance	\$(333,650)	\$(292,155)

At March 31, 2016, the Company had available net operating loss carry forwards of approximately \$981,000 for Federal and state income tax purposes, which expire in 2028 through 2036. Deferred tax assets are related to the Company's net operating losses to be carried forward for Federal and state tax purposes. At March 31, 2016 and 2015, management believed that a deferred tax asset valuation allowance was deemed necessary given the current estimates of future taxable income and its evaluation of the likelihood that all deferred tax assets will be realized.