SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE : "A" : CAPITAL

(Rupees in Million)

Particulars	March 31, 2008
AUTHORISED	
1,37,56,45,020 Equity Shares of Rs. 10 each.	13,756.5
1,24,40,498 Redeemable Preference Shares of Rs. 100 each.	1,244.0
	15,000.5
ISSUED, SUBSCRIBED AND PAID-UP	
14,50,00,000 Equity Shares of Rs. 10 each fully paid-up. (Of the above, 14,49,50,000 Equity Shares have been issued for consideration other than Cash)	1,450.0
	1,450.0

SCHEDULE : "B" : RESERVES AND SURPLUS

(Rupees in Million)

Particulars	March 31, 2008	
CAPITAL RESERVE		
As per Scheme of Amalgamation	80,280.9	
Less : Transfer to Depreciation (P&L A/c.)	1,338.0	
		78,942.9
		78,942.9

SCHEDULE : "C" : SECURED LOANS

(Rupees in Million)

Particulars	March 31, 2008
A. **Foreign Currency Loans from Banks** *	17,966.3
Secured by First priority mortgage/hypothecation of : One B 777 - 200 LR Aircraft One B 747 - 300 Aircraft Two A 310 - 300 Aircraft and hypothecation of Inventories	
B. **Other Loans from Banks** *	10,951.2
(Secured by tangible, movable property such as all Inventories and Equipment, present and future)	
	28,917.5

* Includes Rs. 28917.5 million due for repayment within one year

SCHEDULE : "D" : UNSECURED LOANS

(Rupees in Million)

Particulars	March 31, 2008
From Banks and Financial Institutions **	154,902.5
Guaranteed by the Government of India to the extent of Rs. 41252.6 million	
From a Subsidiary Company	314.0
	155,216.5

** Includes Rs. 89147.0 million due for repayment within one year.

SCHEDULE : "E" : FIXED ASSETS

(Rupees in Million)

Sl. No. Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK
	Taken over on Amalgamation	Additions	Deductions/ Adjustments	As at March 31, 2008	Upto April 1, 2007	For the year	Deductions/ Adjustments	Total Upto March 31, 2008	As at March 31, 2008
(A) AIRCRAFT FLEET & EQUIPMENT									
1 Airframes									
(a) Owned & Self Operated	15708.9	65072.8	3788.6	**76993.1**	-	4596.2	1029.4	**3566.8**	**73426.3**
(b) Leased to AASL	13.7	232.8	-	**246.5**	-	9.8	-	**9.8**	**236.7**
2 Aero Engines & Power Plants									
(a) Owned & Self Operated	7678.7	4712.0	2003.3	**10387.4**	-	1689.7	323.8	**1365.9**	**9021.5**
(b) Leased to AASL	4.0	-	-	**4.0**	-	0.0	-	-	**4.0**
3 Simulators & Link Trainers	279.5	-	-	**279.5**	-	74.3	-	**74.3**	**205.2**
4 Airframe Equipment Rotables	723.3	1750.6	21.5	**2452.4**	-	281.8	-	**281.8**	**2170.6**
5 Aero-Engine Equipment Rotables	216.6	394.6	65.4	**545.8**	-	68.6	-	**68.6**	**477.2**
6 Simulator Rotables	0.2	-	-	**0.2**	-	0.2	-	**0.2**	-
Sub-Total (A)	**24624.9**	**72162.8**	**5878.8**	**90908.9**	-	**6720.6**	**1353.2**	**5367.4**	**85541.5**
(B) LAND, BUILDINGS & VEHICLES									
1 Land-Freehold	7057.8	-	-	**7057.8**	-	-	-	-	**7057.8**
2 Land-Leasehold	63801.0	19.7	-	**63820.7**	-	191.0	-	**191.0**	**63629.7**
3 Buildings	17798.3	38.5	0.2	**17836.6**	-	1242.1	-	**1242.1**	**16594.5**
4 Vehicles	177.7	52.5	0.5	**229.7**	-	78.8	-	**78.8**	**150.9**
Sub-Total (B)	**88834.8**	**110.7**	**0.7**	**88944.8**	-	**1511.9**	-	**1511.9**	**87432.9**
(C) OTHER FIXED ASSETS									
1 Workshop Equipment, Instruments, Machinery and Plants	1452.9	426.6	0.3	**1879.2**	-	192.5	-	**192.5**	**1686.7**
2 Ground Support & Ramp Equipment	2392.0	953.8	8.5	**3337.3**	-	283.4	0.2	**283.2**	**3054.1**
3 Furniture & Fixtures	97.1	19.1	0.2	**116.0**	-	15.5	-	**15.5**	**100.5**
4 Electrical Fittings & Installations	156.1	9.5	-	**165.6**	-	12.7	-	**12.7**	**152.9**
5 Computer System	406.7	81.2	0.4	**487.5**	-	101.4	-	**101.4**	**386.1**
6 Office Appliances & Equipment	581.9	38.2	1.3	**618.8**	-	75.2	-	**75.2**	**543.6**
7 Surplus Assets	2.5	0.7	0.9	**2.3**	-	-	-	-	**2.3**
Sub-Total (C)	**5089.2**	**1529.1**	**11.6**	**6606.7**	-	**680.7**	**0.2**	**680.5**	**5926.2**
(D) INTANGIBLE ASSETS									
1 Computer Software	83.8	1.4	-	**85.2**	-	41.4	-	**41.4**	**43.8**
Grand Total	**118632.7**	**73804.0**	**5891.1**	**186545.6**	-	**8954.6**	**1353.4**	**7601.2**	**178944.4**
Capital Work in Progress									**39726.3**
Total									**218670.7**

Note :

1. Additions to and deductions from "Aircraft Fleet and Equipment" includes Exchange Rate Fluctuations on underlying loans in foreign currency : Rs Nil Million and Rs 153.6 Million respectively.
2. Aircraft Fleet and Equipment includes 2 B747-400 (Registration No: VT- EVA, EVB) acquired on finance lease in 1996-97 6 A-319 (Registration No: VT- SCF, SCG, SCH, SCJ, SCI & SCK) & 6 A-321 (Registration No: VT- PPA, PPB, PPD, PPE, PPF & PPG) aircraft acquired on Finance Lease during 2006-07 and 2007-08. 4 B777-200LR (Registration No: VT- ALA, ALB, ALC, ALD)aircraft acquired on Finance Lease during 2007-08 2 GE Spare Engines (MSN NO. 906258, 906405) acquired on finance lease in 2007-08 Gross Block: Rs 70195.7 Million, Depreciation: Rs 2227.1 Million, Net Block: Rs 67968.6 Million Future Lease rental obligations aggregate to Rs 62748.9 Million for which liability of an equal amount is included in the year-end balance of "Foreign Currency Loans from Banks.
3. Land and Buildings includes the Revaluation impact of Rs. 86028.9 million as per Scheme of Amalgamation
4. Aircraft Fleet and equipment includes one B747-300 Combi aircraft (Millior Registration No. VT-EPX) grounded and held for disposal during the period Gross Block Rs. 130.6 million, Provision for Depreciation. Rs.Nil
5. Capital Work in Progress includes advances against Capital Expenditure Rs 35910.3 Million
6. Leashohold/Freehold Land includes land for Rs 47751 Million for which Registration Deeds are yet to be executed.
7. Capital Work in Progress includes Rs Nil on account of Exchange Rate fluctuation on underlying loans in foreign currency.
8. Items of the Fixed Assets retired from the active use and held for disposal are transferred to 'Surplus Assets'. Realisable value of Surplus Assets has been considered to be maximum 5% of Gross Block.
9. Computer Software to be written off in three/ five financial years
10. Reclassification amongst Assets is adjusted under 'Additions'.

SCHEDULE : "F" : INVESTMENTS

(Rupees in Million)

Particulars	March 31, 2008	
LONG TERM INVESTMENTS		
A (UNQUOTED) (AT COST)		
SHARES IN SUBSIDIARY COMPANIES		
1) 4,060,000 Equity Shares of Rs. 100 each fully paid up in Hotel Corporation of India Limited		406.0
2) 3,000,000 Equity Shares of Rs. 100 each fully paid up in Air India Charters Limited.		300.0
3) 50,000 Equity Shares of Rs. 10 each fully paid up in Air-India Air Transport Services Limited.		0.5
4) 50,000 Equity Shares of Rs. 10 each fully paid up in Air-India Engineering Services Limited.		0.5
5) 3,64,200 Equity Shares of Rs 1,000/- each fully paid up in Vayudoot Ltd.	182.1	
Less: Provision for diminution	182.1	-
6) 2,25,000 Equity Shares of Rs 100/- each fully paid up in Airlines Allied Services Ltd.	22.5	
Less: Provision for diminution	22.5	-
7) 50000 Equity Shares of Rs 10/- each fully paid up in IAL Airport Services Ltd.		0.5
TRADE INVESTMENTS		
1) 94359 Equity Shares of EUR 5.00 each fully paid up in SITA (Societe Internationale de Telecommunications Aeronautiques). (6 Shares redeemed in redistribution during the year)		4.4
2) 12,881 class B Shares of BHT 100 each fully paid up in Aeronautical Radio of Thailand Ltd. (3851 Shares redeemed during the year).		1.6
3) 2,617,098 Equity Shares of MAR 10 each fully paid up in Air Mauritius Ltd.		9.5
4) 2,301,244 Shares of MAR 10 each fully paid up in Air Mauritius Holding Ltd.		16.7
5) 6% Debenture Bonds of Banco De Roma face value EUR 15.49 guaranteed by the Government of Italy (Deposited with Civil Aviation Department, Italy). * (Rs. 3,058).		* 0.0
6) 10,000,000 Equity Shares of Rs.10 each fully paid up in Cochin International Airport Limited.		100.0
7) 618,460 Depository Certificates of SITA Information Network Computing N.V.		28.8
8) 50 Equity Shares of EUR 152.45 each fully paid up in Association Sportive Du Golf Isabella.		0.4
		868.9
OTHER INVESTMENTS		
Promissory Notes of USD 784,856.27 issued by Central Bank of Nigeria duly guaranteed by the Government of Nigeria, redeemable in quarterly instalment by 2010 (Promisory Notes of USD 409,777.37 redeemed during the year).		24.7
TOTAL OF UNQUOTED INVESTMENTS		893.6
B QUOTED (AT COST)		
1) 375,407 Shares of EUR 0.48 each fully paid up in France Telecom (Market Value Rs. 470.73 Million, Equivalent to EUR 8.03 Million).		7.6
		901.2

SCHEDULE : "G" : INVENTORIES

(Rupees in Million)

Particulars	March 31, 2008
1. i) Stores and Spare Parts	11,002.4
ii) Loose Tools	139.9
	11,142.3
Less : Provision for Obsolescence	2,727.1
	8,415.2
2. Goods-in-Transit	1,600.9
	10,016.1

SCHEDULE : "H" : SUNDRY DEBTORS

(Rupees in Million)

Particulars		March 31, 2008
UNSECURED		
Debts Outstanding for a period exceeding Six Months		
Considered Good		4,381.2
Considered Doubtful		1,404.7
	A	5,785.9
Other Debts		
Considered Good		21,752.9
Considered Doubtful		5.4
	B	21,758.3
	A + B	27,544.2
Less : Provision for Doubtful Debts		1,410.1
		26,134.1

Debts amounting to Rs. 6721.1 Million are backed by Bank Guarantees.

SCHEDULE : "I" : CASH AND BANK BALANCES

(Rupees in Million)

Particulars		March 31, 2008	
1. **Cash and Cheques on Hand**			89.7
2. **Remittances in Transit**			489.4
3. **Balances with Banks :**			
a) **In Current Accounts with :**			
i) Scheduled Banks		1,141.2	
ii) Other Banks		4,622.7	
(Refer Schedule I - A)	I	5,763.9	
b) **In Deposit Accounts with :**			
i) Scheduled Banks		4,416.3	
ii) Other Banks		85.7	
(Refer Schedule I - B)	II	4,502.0	
	I + II		10,265.9
			10,845.0

Note:

Balances with Banks include :

Deposits/Current Accounts under lien against Bank Guarantees / Letter of Credits issued by Banks : Rs. 18962.8 Million

SCHEDULE : I - A : CURRENT ACCOUNTS WITH OTHER BANKS

(Rupees in Million)

Sr. No.	Name of Bank	Station	Balance as at March 31, 2008	Maximum Balance during Current Year
1	ABN BANK	AMSTERDAM	0.4	7.3
2	ABN BANK	AMSTERDAM	0.3	0.6
3	ABN BANK	AMSTERDAM	1.7	2.0
4	ANZ BANK	SYDNEY	4.6	8.1
5	ANZ BANK	AUCKLAND	3.3	3.3
6	ANZ BANK	SYDNEY	1.8	3.7
7	ANZ BANK	SYDNEY	0.5	1.0
8	AUSTRALIAN & NEWZEALAND BANK	AKL	0.2	0.7
9	BANCO CENTRAL HISPANO	MADRID	1.3	19.0
10	BANCO DI ROMA	ROME	6.8	14.0
11	BANCO NAZIONALE DAL LAVORD	ROME	0.2	27.6
12	BANCO NAZIONALE DAL LAVORD	ROME	22.8	27.9
13	BANK FOR FOREIGN & ECONOMIC AFFAIRs.	MOSCOW	1.7	64.7
14	BANK FOR FOREIGN TRADE	MOSCOW	9.9	75.5
15	BANK OF ALEXANDRIA	CAIRO	1.7	2.4
16	BANK OF ALEXANDRIA (* Rs.2524,** Rs 41260)	CAIRO	* 0.0	** 0.0
17	BANK OF ALEXANDRIA	CAIRO	0.4	0.6
18	BANK OF AMERICA	NEWARK	6.8	169.0
19	BANK OF AMERICA	WASHINGTON	2.1	3.7
20	BANK OF AMERICA	NEW YORK	3.3	167.1
21	BANK OF AMERICA	NEW YORK	5.7	20.4
22	BANK OF AMERICA	NEWYORK	0.7	0.7
23	BANK OF CHINA	SHANGHAI	7.7	15.7
24	BANK OF SHANGHAI	SHANGHAI	47.6	98.9
25	BANK OF TOKYO MITSUBISHI	TOKYO	1.2	95.5
26	BANK TEJARAT	TEHRAN	0.1	0.1
27	BANK TEJARAT	TEHRAN	27.8	35.5
28	BANK TEJARAT (*Rs.915)	TEHRAN	0.1	0.1
29	BNP PARIBAS CC COLLECTION A/C	PARIS	2.8	25.0
30	BANQUE NATIONALE DE PARIS.	PARIS	5.6	101.1
31	BANQUE NATIONALE DE PARIS. CUSTODIAN A/C	PARIS	0.2	13.9
32	BARCLAYS BANK (* Rs. 23860)	NAIROBI(APT)	0.2	20.7
33	CITI BANK USD	NEWYORK	43.0	43.1
34	CITI BANK	FRANKFURT	1.1	22.5
35	CITI BANK (*Rs. 21955)	LONDON	47.9	424.0
36	CITI BANK	LOS ANGELES	1.9	20.9
37	CITI BANK	LOS ANGELES	2.8	2.8
38	CITI BANK	FRANKFURT	0.7	2.1
39	CITI BANK	NEWYORK	7.2	7.2
40	CITI BANK IDR EXP A/C	JAKARTA	0.1	0.1
41	CITIBANK	DAR-ES-SALAM	0.8	20.9
42	CITIBANK	NEWYORK	0.5	10.0
43	CITIBANK	JAKARTA	19.8	19.8
44	CITIBANK.	DAR-ES-SALAAM	5.7	20.9
45	CITIBANK.(*Rs. 37575)	DAR-ES-SALAAM	0.1	1.0
46	CITIBANK (USD A/C)	JAKARTA	1.7	10.3
47	CITIBANK	SANFRANCISCO	0.3	1.7
48	COMMERZ BANK	FRANKFURT	57.8	57.8
49	COMMERZ BANK.	FRANKFURT	20.3	69.6
50	CREDITANSTALT BANKVEREIN	VIENNA	17.2	39.9
51	CREDITANSTALT BANKVEREIN (*Rs. 41764)	VIENNA	* 0.0	2.2
52	DEN DANSKE BANK	COPENHAGEN	5.4	5.4

(Rupees in Million)

Sr. No.	Name of Bank	Station	Balance as at March 31, 2008	Maximum Balance during Current Year
53	HSBC BANK BEIRUT	BEIRUT	1.7	1.8
54	INDO NIGERIAN MERCHANT BANK (*Rs.2659.15,**Rs.2659)	LAGOS	* 0.0	** 0.0
55	INDO ZAMBIA BANK (*Rs.10318)	LUSAKA	0.2	0.2
56	INDO ZAMBIA BANK LTD EXP. ACCT LUSAKA (Rs*7107.84)	LUSAKA	* 0.0	0.2
57	INDO ZAMBIA BANK. (USD COLL ACCT)	LUSAKA	3.4	5.3
58	KOREAN EXCHANGE BANK	SEOUL	0.8	8.3
59	NATIONAL BANK OF KUWAIT COLL A/C	KUWAIT	1.2	94.5
60	NATWEST BANK	LONDON	0.9	2.3
61	NEPALI SBI BANK	KATHMANDU	0.2	0.2
62	NEPALI SBI BANK LTD.(NPR COLL.A/C)	KATHMANDU	7.7	11.4
63	NEPALI SBI BANK LTD. (USD COLL-CUM-REF A/C)	KATHMANDU	0.4	1.3
64	NEPAL SBI BANK NER EXP. A/C	KATHMANDU	0.5	0.3
65	ROYAL BANK OF CANADA	MONTREAL	6.5	97.6
66	ROYAL BANK OF CANADA	TORONTO	2.3	34.4
67	SOCIETE GENERALE BANK	BRUSSELS	10.7	10.4
68	STANDARD CHARTERED BANK	KUALALUMPUR	29.1	40.9
69	STANDARD CHARTERED BANK (* Rs. 5372)	KUALALUMPUR	0.8	0.1
70	STANDARD CHARTERED BANK (* Rs. 8937)	KUALALUMPUR	0.2	10.7
71	STERLING BANK	LAGOS	1.5	1.9
72	STERLING BANK	LAGOS	0.2	0.6
73	STERLING BANK (*Rs.45955.49,**Rs.45548)	LAGOS	* 0.0	***0.0
74	U B S (SFR COLL/DISB ACCOUNT)	GENEVA	35.3	65.6
75	U B S (USD COLL CUM DISB ACCOUNT)	GENEVA	0.0	1.3
76	U B S(SFR REFUND ACCOUNT)	GENEVA	0.4	0.5
77	UTTARA BANK LTD.	DACCA	26.0	80.7
78	WAHDA BANK	TRIPOLI	0.1	0.1
79	INVESTEC BANK LONDON SALE & LEASE BACK	LONDON	4012.0	4012
80	CITI BANK EUR CMS A/C-PARIS	PARIS	0.5	0.5
81	ANZ SYDNEY COLLECTION A/C	SYDNEY	0.1	0.1
82	ANZ SYDNEY EXPENDITURE A/C	SYDNEY	0.8	0.8
83	ANZ SYDNEY REFUND A/C (* 17798.29, ** 17798.29)	SYDNEY	* 0.0	** 0.0
84	BANK MILLIE, AFGHAN, KABUL (* Rs. 44394.69; **Rs. 44394.69	KABUL	* 0.0	** 0.0
85	MYANMAR ECONOMIC BANK (* Rs. 18429.18; **Rs. 18429.18)	YANGON	* 0.0	** 0.0
86	MYANMAR ECONOMIC BANK	YANGON	1.1	1.1
87	MYANMAR FOREIGN TRADE BANK, YANGON	YANGON	70.2	70.1
88	NATIONAL BANK OF UZBEKISTAN, TASHKENT	TASHKENT	0.2	0.2
89	NATIONAL BANK OF OMAN (*Rs. 20856, *Rs. 20856)	MUSCAT	* 0.0	** 0.0
90	SIAM COMMERCIAL BANK, BANGKOK	BANGKOK	3.6	3.5
91	J S BANK LIMITED, KARACHI	KARACHI	0.3	1.6
92	J S BANK LIMITED, KARACHI (*Rs. 7049.60 ; **Rs. 7049.60)	KARACHI	* 0.0	** 0.03
93	J S BANK LIMITED, LAHORE (*Rs. 26177.20; **Rs. 26177.2)	LAHORE	* 0.0	** 0.0
			4,622.7	

SCHEDULE : I - B : DEPOSIT ACCOUNTS WITH OTHER BANKS

(Rupees in Million)

Sr. No.	Name of Bank	Station	Balance as at March 31, 2008	Maximum Balance during Current Year
1	ANZ BANK	SYDNEY	0.7	0.7
2	BANK OF CEYLON (* Rs.34, ** Rs. 34)	COLOMBO	* 0.0	** 0.0
3	BNL	ROME	2.7	2.7
4	CITI BANK NEWYORK, S.T.D.	NEWYORK	24.1	24.1
5	CITI BANK NEWYORK, NASSAU SWEEPT A/C	NEWYORK	45.4	45.4
6	NATIONAL BANK OF KUWAIT	KUWAIT	0.6	0.6
7	ROYAL BANK OF CANADA	MONTREAL	2.2	2.2
8	SECURITY BANK (* Rs. 194, ** Rs. 194)	MANILA	* 0.0	** 0.0
9	ACE COOPERATIVE BANK	MUMBAI	10.0	10.0
			85.7	

SCHEDULE : "J" : OTHER CURRENT ASSETS

(Rupees in Million)

	Particulars	March 31, 2008
i)	Interest Accrued on Deposits	58.5
ii)	Interest Accrued on Loans (Staff)	260.4
		318.9

SCHEDULE : "K" : LOANS AND ADVANCES

(Rupees in Million)

Particulars		March 31, 2008	
Unsecured and considered good, unless otherwise stated			
i) Subsidiary Companies			
a) Considered Good		1,748.1	
b) Considered Doubtful		770.9	
		2,519.0	
Less : Provision for doubtful advances		770.9	1,748.1
ii) Advances Recoverable in Cash or in Kind or for Value to be received (Net)			
a) Considered Good		10,414.4	
b) Considered Doubtful		77.5	
		10,491.9	
Less : Provision for doubtful advances		77.5	10,414.4
iii) Deposits with Customs, DGCA, Controller of Airports, etc.			661.9
iv) Advance Payment of Taxes and Tax Deducted at Source			1,786.3
v) Staff Advances :			
a) Secured	A	74.8	
(Secured against mortgage of house property)			
b) Unsecured			
i) Considered Good		916.5	
ii) Considered Doubtful		11.5	
		928.0	
Less : Provision for doubtful advances		11.5	
	B	916.5	
	A+B		991.3
			15,602.0

SCHEDULE : "L" : CURRENT LIABILITIES AND PROVISIONS

(Rupees in Million)

Particulars	March 31, 2008
A. CURRENT LIABILITIES :	
i) Sundry Creditors	
Small Scale Industrial Undertakings	2.6
Other than Small Scale Industrial Undertakings	27,482.8
	27,485.4
ii) Amount due to Subsidiary Companies	184.0
iii) Interest accrued but not due	38.1
iv) Advances from Customers (Net)	7,705.6
v) Other Liabilities (Net) *	7,448.7
	42,861.8
B. PROVISIONS FOR :	
1) Income Tax	125.8
2) Wealth Tax	2.7
3) Fringe Benefit Tax	176.0
4) Gratuity	4,826.5
5) Leave Encashment	2,944.1
6) Post Retirement Medical & Other Benefits	1,041.1
7) Frequent Flyer Programme	118.1
	9,234.3
	52,096.1

* Include Book Overdraft of Rs. 697.0 Million

SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

SCHEDULE : "M" : TRAFFIC REVENUE
FOR THE PERIOD MARCH 30, 2007 TO MARCH 31, 2008

(Rupees in Million)

Particulars	
SCHEDULED SERVICES	
1 Passenger	99,540.7
2 Excess Baggage	821.5
3 Mail	523.9
4 Cargo	6,726.5
	107,612.6
OTHERS	
1 Charter	6,985.6
2 Pool	1,693.4
3 Block Seat Arrangement	3,477.6
4 Revenue Share from Air India Charters Ltd.	3,208.8
	15,365.4
	122,978.0

SCHEDULE : "N" : HANDLING, SERVICING AND INCIDENTAL REVENUE
FOR THE PERIOD MARCH 30, 2007 TO MARCH 31, 2008

(Rupees in Million)

Particulars	
1 Handling and Servicing	7,457.5
2 Manufacturers Credit	1,457.3
3 Incidental	4,490.7
	13,405.5

SCHEDULE : "O" : OTHER REVENUE
FOR THE PERIOD MARCH 30, 2007 TO MARCH 31, 2008

(Rupees in Million)

Particulars	
1 Dividend from Long Term Investments (Trade)	23.9
2 Interest Income :	
i) On Other Investments	3.0
ii) On Deposits and Loans :	
a) From Banks (TDS Rs. 0.2 Million)	139.1
b) From Others (TDS Rs. Nil)	601.6
	740.7
3 Provisions No Longer Required	1,010.8
4 Provision for Obsolescence (Net)	3,089.0
5 Provision for Doubtful Debts / Advances Written Back (Net)	238.0
6 Receipts from Air-India Building (TDS Rs. 6.20 million)	1,309.8
7 Profit on Sale of Fixed Assets (Net) (includes Profit on Sale & Lease Back of Aircraft - Rs. 4462.50 Million)	4,698.2
8 Exchange Variation (Net)	5,037.6
9 Others	40.2
	16,191.2

SCHEDULE : "P" : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES FOR THE PERIOD MARCH 30, 2007 TO MARCH 31, 2008

(Rupees in Million)

	Particulars	
1	Salaries, Wages, Bonus and Gratuity	22,971.1
2	Crew Allowances	6,566.7
3	Contribution to Provident and Other Funds	838.4
4	Staff Welfare Expenses	1,868.8
		32,245.0

SCHEDULE : "Q" : OTHER EXPENSES FOR THE PERIOD MARCH 30, 2007 TO MARCH 31, 2008

(Rupees in Million)

	Particulars	
1	Rent, Rates and Taxes	1,001.4
2	Repairs to :	
	i) Buildings	116.7
	ii) Others	636.0
3	Hire of Transport	574.6
4	Electricity,Heating and Water Charges	690.5
5	Directors' Fees (* Rs. 10,000)	0.0
6	Publicity and Sales Promotion	701.5
7	Printing and Stationery	217.6
8	Legal Charges	90.6
9	Auditors' Remuneration and Expenses	14.9
10	Provision for Bad & Doubtful Debts	217.7
11	Bad Debts Written Off	1,127.5
12	Expenses on Block Seat Arrangements	1,186.5
13	Miscellaneous Expenses	3,557.4
		10,132.9

SCHEDULE : "R" : INTEREST AND FINANCE CHARGES FOR THE PERIOD MARCH 30, 2007 TO MARCH 31, 2008

(Rupees in Million)

	Particulars	
1	Interest on Term Loans :	
	a) Aircraft Loans	1,708.3
	b) Other Loans	4,622.6
		6,330.9
2	Other Interest	272.1
3	Finance Charges	410.0
		7,013.0

SCHEDULE 'S' SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING CONVENTION

i) These Financial Statements have been prepared with the going concern concept on accrual basis under historical cost convention, except as specifically stated, and are in compliance with generally accepted accounting principles and the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

ii) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which results are known/ materialized.

B. FIXED ASSETS

i) a) Aircraft are stated at purchase price. Other incidental cost including interest wherever applicable, are also capitalized up to the date of commercial operation.

b) Other assets including aircraft rotables are capitalized and stated at historical cost.

ii) Expenditure on major modernization/modification/conversion of aircraft resulting in increased efficiency/ economic life is capitalized.

iii) Aircraft Fleet and Equipment under leases, in respect of which substantially all the risks and rewards of ownership are transferred to the Company are considered as Finance Leases and are capitalized.

iv) Physical Verification of Assets

Physical Verification of Assets is done on a rotational basis so that every asset is verified once in every two years and the discrepancies observed in the course of the verification are adjusted in the year in which report is submitted.

v) Gain or loss arising out of sale/scrap of Fixed Assets including aircraft over the net depreciated value is taken to Profit & Loss account as Non-Operating Revenue or Expenses.

C. DEPRECIATION

(a) Depreciation has been provided on straight-line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 except for the following

i) New Fleet of Boeing and A-320 family aircraft are depreciated upto 95% of the block value over 20 years.

ii) Airframe equipment Rotables and Aero Engine Equipment Rotables relating to aircraft which have completed the useful life are depreciated over the remaining commercial life of the respective aircraft based on airworthiness as certified by Director General of Civil Aviation (DGCA). However, rotables relating to aircraft fleet having balance useful life, 95% of the value is depreciated over the remaining average useful life of the related fleet.

iii) Increase/decrease in cost arising on account of translation of foreign currency liability for acquisition of fixed assets is amortized over the residual life of the respective assets.

iv) Electrical fittings, Typewriter & Office Appliances, Other General Equipment and Cabin Catering Equipment are depreciated @ 6.33%.

v) Motor Cars are depreciated at 20%.

vi) Depreciation on additions to "Other Fixed Assets" is provided for the full year in the year of acquisition and no depreciation is provided in the year of disposal.

(b) Major modifications /refurbishment, modernization/conversion carried to leased assets are shown under improvement to leasehold assets and amortized over the period of the lease.

(c) In case of Owned aircraft converted into freighters, the cost of conversion is amortized over the further economic life of the aircraft.

(d) Leasehold Land other than perpetual lease is amortized over the period of lease.

(e) Intangible assets are amortized over their useful life or five years whichever is lower.

(f) Assets of small value not exceeding Rs 5000 in each case are charged off by debiting "Assets of small value charged off".

D. **INVESTMENTS**

Long-term investments are stated at cost less permanent diminution in value, if any. Current investments are valued at lower of cost and fair market value.

E. **INVENTORIES**

i) Inventories are stated at cost on weighted average basis.

ii) Obsolescence provision for aircraft stores and spare parts:

a) Provision is made for the non moving inventory exceeding a period of five years up to completion of statutory life of a particular fleet of aircraft.

b) On the completion of the statutory life of a particular fleet of aircraft, deficit in obsolescence provision over the inventory value is written off proportionately over the remaining commercial life.

c) Relating to aircraft fleet that has completed the commercial life as technically evaluated by engineering department, is made in full.

d) Obsolescence Provision in respect of inventories relating to aircraft on dry/wet lease, is made on the basis of the completed lease period compared to the total lease period as at the year-end.

iii) Obsolescence provision for non-aircraft stores and spares is made to the extent of non-moving inventory for a period exceeding five years.

F. **MANUFACTURER'S CREDIT**

(a) Manufacturers' credits entitlements received from Aircraft/Engine manufacturers, Buyer Furnished Equipment vendors, Seller Furnished Equipment vendors are treated as incidental revenue on receipt by debiting Advances. Such advances are adjusted upon utilization.

(b) Warranty claims /credit notes received from vendors are recognized on receipt basis.

G **REVENUE RECOGNITION**

a) Passenger Revenue is recognized on flown basis. At the year end, the estimated value of unutilized and unclaimed tickets is recognized as revenue on the basis of historical statistical data.

b) Cargo Revenue is recognized on uplift basis after making the necessary adjustments for estimated cargo carriage beyond the year end.

c) The Pool Revenue is accounted on an accrual basis as per the arrangement with the airlines concerned. Revenue is booked on an estimated basis where details of passengers carried by the Pool Partners are not received.

d) Income from Interest is recognized on a time proportion basis. Dividend is recognized as income when the right to receive is established.

e) The claims receivable from Insurance Company are accounted for on their acceptance by the Insurance Company.

H. **PROVISION FOR DOUBTFUL DEBTS**

Debts pertaining to the Government, Government Departments and Public Sector Undertakings are provided for only when specifically known to be doubtful. All other debts are provided for, if they are either more than 3 years old or specifically known to be doubtful.

I. **FOREIGN CURRENCY TRANSACTIONS**

1. Revenue and Expenditure Transactions

(a) Foreign currency transactions of Revenue and Expenditure are translated at established monthly rates (based on published IATA rates).

(b) Interline settlement with Airlines for transportation is carried out at the exchange rate published by IATA for respective month.

2. Foreign Currency Loans:

   (a) Exchange differences on conversion of foreign currency loans taken before April 01, 2004 for acquisition of qualifying assets are adjusted to the cost of such assets. Exchange differences on conversion of foreign currency loans/ liabilities taken/incurred after April 01, 2004 in respect of qualifying assets is recognized in the Profit & Loss Account.

3. Current Assets & Current Liabilities:

   (a) Foreign currency denominated current assets and current liabilities balances at the year-end are translated at the year end exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI), and the gains/losses arising out of fluctuations in exchange rates are recognized in the Profit and Loss Account.

   (b) No exchange variation is provided at the year-end in respect of Doubtful Debts and Loans & Advances whose realisability is uncertain.

J. RETIREMENT BENEFITS

The Retirement Benefits to the employees comprise of Defined Contribution Plans and Defined Benefit Plans.

(a) Defined Contribution Plans consist of contributions to Employees Provident Fund and Employees State Insurance Fund. The Company has its own Provident Fund Trust to which contribution are made regularly. ESI dues are regularly deposited with government authorities.

(b) The Company's Defined Benefit Plans consist of Gratuity, Leave Encashment, Sick Leave Encashment and Post Retirement Medical Benefits etc. The liability for these benefits is actuarially determined under the Projected Unit Credit Method at the year end.

(c) Liability for Gratuity, Leave Encashment, Pension and other retirement Benefits for staff directly recruited at foreign stations is provided as per local laws prevailing in the respective countries as at the year end.

K. BORROWING COST

(a) Borrowing cost that are directly attributable to acquisition, construction or Production of qualifying assets including capital work–in-progress are capitalized up to the date of commercial use of the assets.

(b) Interest incurred on funds that are generally borrowed and used indirectly for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at that point of time.

L. IMPAIRMENT OF ASSETS

The carrying value of Fixed Assets of the identified cash-generating unit are reviewed for impairment at each Balance Sheet date to determine whether there is any indication of impairment. The aircraft are grouped at the fleet type level to constitute a cash-generating unit, for comparing the recoverable amount (higher of its net selling price and value in use) with the carrying amount. The net selling prices of aircraft fleet and equipment are estimated by the management using published sources as available. If the carrying value of a cash-generating units exceeds its estimated recoverable amount an impairment loss is recognized in the Profit & Loss Account and the Assets of the cash-generating unit are written down to their recoverable amount.

M. OPERATING LEASE

(a) Leases where assets are acquired without an option to purchase are considered as operating leases and lease rentals payable for the year are charged to Profit and Loss Account.

(b) Contributions made to lessors on account of Maintenance Reserve for which maintenance is expected to arise during the lease period is treated as a Prepaid Expense. These contributions are expensed whenever the maintenance expenditure arises. All other contributions towards lease payment are expensed in the year of contribution.

N. COMMODITY HEDGING TRANSACTIONS

Commodity hedging contracts are accounted on the date of their settlement and realized gain / loss in respect of settled contracts are recognized in the profit and loss account.

O. **TAXES ON INCOME**

Provision for current tax is made in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is recognised on timing differences between book and taxable profit using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The Deferred tax assets are recognised and carried forward to the extent that there is a virtual certainty that the assets will be realised in the future.

P. **HAJ OPERATIONS**

Company acts as a 'Nodal Agency' on behalf of the Government of India and the expenses incurred by the Company / paid to other participating airlines and claimed from the Government of India/ Central Haj Committee are accounted for as expenditure/revenue.

Q. **PROVISIONS, CONTINGENT LIABILITES & CONTINGENT ASSETS**

(a) Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

(b) Contingent liabilities exceeding Rs.0.1 million in each case are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

(c) Contingent Assets are neither recognized nor disclosed in the financial statements.

R. **FREQUENT FLYER PROGRAMME**

The Company operates joint Frequent Flyer programme that provides travel awards to its members based on accumulated mileage points. The estimated food cost and legal liability, if any, for free travel under this programme is provided for and charged to Profit and Loss Account

S. **OTHER LIABILITIES**

Liabilities, which are more than three years old are written back unless such liabilities are specifically known to be payable in the future.

T. **PREPAID EXPENSES / LIABILITY FOR EXPENSES**

Pre-paid expenses / Liabilities for expenses are recognized as under:-

a) Foreign Stations – Rs. 50,000/- and above in each case.

b) Domestic Stations – Rs. 10,000/- and above in each case.

SCHEDULE 'T' – NOTES TO ACCOUNTS

1. Contingent Liabilities not provided for at the end of the period:

A. Claims against the Company not acknowledged as debts to the extent ascertainable and quantifiable :

(Rs in Millions)

	Nature of Claim	Description	As at 31st Mar'08
1	Passenger and Cargo Claims	Claims on account of denied boarding, loss of passenger baggage, mishandled baggage delayed flight, cancellation of flights, damaged consignments and late receipt of cargo.	485.7
2	Income Tax	Demand Notices received by the Company which are under Appeal.	2999.9
3	Customs Duty and ServiceTax	Interest and duty demanded on shelf life expired bond items which are contested by the Company.	632.6
4	Sales Tax	Sales Tax / House tax Demands made by the Government.	67.9
5	Municipal Taxes/House Tax	Property Taxes demanded by Municipal Authorities and contested by the Company.	100.1
6	Airport Authority of India/ HAL	Claims of Licence Fees, X-Ray TNLC, Landing Charges, Parking Charges etc.	1106.1
7	Others	Claims on account of Staff/ Labour cases and pending court cases of agents on account of commission.	939.3
		Total	**6331.6**

B. Guarantees given by the Bank and counter guaranteed by the Company outstanding Rs. 1668.5million.

C. Letter of Credits issued by the Bank outstanding amounting Rs. 1720.2 million.

D. Corporate Guarantee, Letter of Comfort given by the Company on behalf of the Companies Subsidiaries are as under:

(Rs in Millions)

	Particulars	As at 31st Mar'08
i)	AASL	135.2
ii)	Air India Charters Ltd	9106.8

2. Capital Commitments are in respect of estimated amount of contracts remaining to be executed on Capital Account (Net of Advances) – Rs.247835.7 million. the details of the same are as under:

(Rs in Millions)

	Particulars	As at 31st Mar'08
i)	For Aircraft Project	247755.6
ii)	Others	80.1
	Total	**247835.7**

3. National Aviation Company of India Limited (NACIL) was incorporated on 30th March, 2007. The Company obtained the certificate of commencement of business to commence business from Registrar of Companies, NCT of Delhi & Haryana for commencement of business from 14th May, 2007.

4. (a) The Ministry of Corporate Affairs, Government of India vide their order dated 22nd August 2007, approved the Scheme of Amalgamation Air India Limited (AIL) and Indian Airlines Limited (IAL), the transferor companies, with the National Aviation Company of India Limited (NACIL), the transferee company, with effect from the appointed date i.e. 01st April 2007. The said order was filed with the Registrar of Companies, NCT of Delhi & Haryana vide certificate dated 27th August, 2007, being the effective date. As per the scheme of Amalgamation, with effect from the appointed date and upon the scheme becoming effective, the assets and liabilities of the transferor companies are transferred to and vested in the Transferee Company and Air India Ltd and Indian Airlines Ltd will stand dissolved without winding up. The Purchase Method has been used for accounting of the amalgamation as per the requirements of AS-14 "Accounting for Amalgamations".

(b) In terms of the Scheme of Amalgamation

i) The Transferee Company (NACIL) has issued and allotted at par to the shareholders of the Transferor Companies 3,80,53,960 equity shares of Rs. 10/- each and 10,68,96,040 equity shares of Rs.10/- each in NACIL as fully paid up for all the equity shares held by them in Air India Ltd & Indian Airlines Ltd respectively.

ii) All the assets, excluding immovable assets, investments and liabilities appearing in the books of account of the transferor companies as at the appointed date have been taken over and recorded at book value.

iii) The immovable assets comprising Land and Buildings have been recorded at their fair value.

iv) The difference, being the excess of the value of net assets of the transferor companies over the value of shares allotted by the transferee company amounting to Rs. 78119.9 million has been credited to the Capital Reserve.

v) The net effect of inter-corporate balances between the transferor companies amounting to Rs 3396.2 million has been adjusted to the Capital Reserve.

(c) As the merger was approved only on 27th August 2007, the books of both the companies for the year 2007-08, which were already started, were continued to be maintained in the normal course. Further, as per the Scheme of Amalgamation the immovable assets comprising of Land & Buildings were to be recorded at fair value. Accordingly, the revaluation of properties was carried out by the external valuer and the effect of the same could be incorporated in the books only at the time of finalization. Hence, the effect of the opening entries could be incorporated in the books of accounts only at the year end. Accordingly, final accounts of both the erstwhile companies were drawn up independently and the same consolidated in order to arrive at the final accounts of NACIL.

5. Valuation of Immoveable Assets:

In accordance with the scheme of amalgamation, the fair values of all the immovable properties comprising Land & Building has been determined by an external valuer as on the appointed date i.e. 1st April 2007. One of the immovable assets namely Housing Colony, Vasant Vihar, New Delhi was valued by the Registered Valuer as Rs 51295.1 million. Though the Lease Deed of this property has been cancelled by the Land and Development Officer, the valuation as per legal opinion obtained is subject to the reinstatement of Lease Rights by the Land and Development Officer, Ministry of Urban Development.

6. Gross Block of Fixed Assets includes Rs 86028.9 million on account of revaluation of immovable assets as per the Scheme of Amalgamation. Consequent to the said revaluation additional charge of depreciation of Rs 1338.0 million on the revalued amount has been withdrawn from Capital Reserve.

7. Due to uncertainties, claims for reimbursements from employees availing medical, educational and other leave without pay, claims comprising of interest from suppliers / other parties are accounted for on cash basis.

8. The Company has recognized revenue related to unutilized passenger and cargo revenue on an estimated basis ascertained on historical statistics/data.

9. As per Ministry Order, Vayudoot was to be merged with Erstwhile IAL and the merger is pending for compliance of legal formalities. In compliance with the Ministry's directions, Erstwhile IAL had absorbed Vayudoot employees and usable assets of the Vayudoot were being utilized by Erstwhile IAL. However, as the merger is still pending, the assets and liabilities continue to be reflected in the books of the Vayudoot and no financial entries to this effect have been affected in the books of accounts of NACIL.

10. The Company has carried out the assessment of Impairment of Assets in compliance of Accounting Standards (AS-28) 'Impairment of Assets' issued by the Institute of Chartered Accountants of India. There has been no impairment loss during the period.

11. During the period, 4 aircraft (1 A-320 and 3 B747-400) were sold under "Sale and Lease Back" arrangement. Accordingly, the Gross Block stands reduced by Rs. 5786.8 million. After adjusting the book value amounting to Rs.4433.6 million from the sale proceeds of Rs. 8896.1 million, an amount of Rs 4462.5 million has been recognized in the period as revenue in terms of the provisions of Accounting Standard –19.

12. Borrowing costs capitalized during the period are Rs.3810.3 million.

13. Joint Working Group Arrangements:

i) During the financial period 2007-08, the Company's share of profit from Joint Working Group arrangement with HAL for Ground Handling arrangement at Bangalore Airport was Rs. 300.00 million.

ii) The Company has entered into a JV Agreement with M/s.SATS to provide Cargo Handling and ground Handling services at the New Bangalore International Airport. This airport was opened on 24th May 2008. A similar agreement has been entered into M/s.SATS for providing Ground Handling services at the New Hyderabad International Airport. This Airport has become operational on 23rd March 2008. No income has been recognized for these JVs as on 31-3-08.

A proposal has been submitted to the Ministry of Civil Aviation for the formation of three JV Companies and the approval of the Government is awaited.

Pending receipt of Government approval, after which the JVs would be incorporated, payments made on behalf of the JVs to meet their day-to-day expenses has been grouped under "Loans & Advances–Advances Recoverable in Cash or in Kind or for value to be received (Net)". The details are given hereunder:

(Rs in Million)

	Joint Venture	Place (NACIL:SATS)	Share Ratio Project Cost	Approx. Advance	Amount
i)	Ground Handling	Bangalore	60:40	730	**49.61**
ii)	Cargo Terminal	Bangalore	50:50	990	**238.19**
iii)	Ground Handling	Hyderabad	51:49	800	**31.46**

An amount of Rs.80.98 million (Rs.74.61 million for Cargo/Bangalore and Rs.6.37 million for GH/Hyderabad) advances received from M/s.SATS was also accounted under 'Advances' and the figures given above represent the net amount advanced.

Apart from the above, Ground Equipment required for the Joint Ventures valuing Rs.248.47 million were procured and capitalized in the Company's books. These equipments are given to the Joint Ventures on lease basis.

14. Fringe Benefit Tax:

Free/Concessional passages allowed to the employees are not treated as fringe benefit because a representation has been made to the Ministry of Finance through the Ministry of Civil Aviation in this regard. Further, expenditure incurred on Crew Hotel has also been excluded from the purview of FBT based on the expert opinion received by the company. The matter has also referred to the Ministry of Civil Aviation requesting them to take up these issues with the Ministry of Finance for suitable amendments/ exemptions.

15. (a) Current Assets, Loans and Advances :

Balancing of Subsidiary Ledgers and reconciliation including matching of Debit/Credit entries in certain subsidiary records with the corresponding Control Accounts in General Ledger is a continuous process. Pending completion of reconciliation/balancing/matching, figures as per General Ledger have been taken in the Financial Statements. Impact, if any, of consequential adjustment arising out of reconciliation on Financial Statements cannot be ascertained and will be dealt in the year of adjustment.

(Rs in Million)

	Particulars	As at 31st Mar'08
a)	Goods-in-Transit	**242.9**
b)	Sundry Debtors	**384.7**
c)	Cash & Bank	**862.8**
d)	Advances Recoverable	**2632.6**
e)	Current Liabilities	**2760.2**

(b) FEDAI Rates :

Closing balances of certain accounts are not translated at the FEDAI rates due to complexity of the transactions and non-availability of currency wise break-up of the balances.

16. Handling Revenue:

(i) Pending finalization of agreements, Handling Revenue of Rs. 204.00 million at Cochin International Airport on services provided to Jet Airways has been recognized on the basis of handling rates quoted for such services. The Company is in constant dialogue with Jet Airways to settle this issue. Meanwhile, Jet Airways has also referred the issue of ground handling at CIAL to MRTP and the matter is sub-judice.

(ii) Pending finalization of agreement, Security Revenue of Rs.13.98 million at Mumbai International Airport on services provided to Jet Airways and Kuwait Airways has been recognized on the basis of rates quoted for such services.

17. The Mail Revenue from DGP&T for the period is recognized @ Rs. 20.47 per Tonne Kilo Metre as per the Award given by the Ministry of Finance by order dated 09th April, 2007 for the mail rates for the year 2003-04. Rates for the subsequent periods are still pending for finalization by the Ministry of Finance. The difference between the billed rate and the rate to be finalized by the Ministry of Finance for subsequent periods will be recognized in the year of such finalization.

18. Segment Reporting:

a) The Company is engaged in airline related business, which is its primary business segment, and hence, segment results are not disclosed. The details of geographical area wise revenue earned (derived by allocating revenue to the area in which the sale was made) are given hereunder:

(Rupees in Million)

Particulars	**For the Period 31.3.07 to 31.3.08**
a) USA/Canada	**14141.7**
b) UK/Europe	**9314.2**
c) Asia, Africa & Australia	**29356.5**
d) India	**77506.5**
Total	**130318.9**

b) The major revenue-earning asset of the Company is the aircraft fleet, which is flexibly deployed across its worldwide route network. There is no suitable basis for allocation of assets to geographical segments. Consequently area-wise assets are not disclosed.

19. Related Party Transactions:

Disclosures as required by Accounting Standard (AS18) "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given below:

As on 31st March 2008, the Board comprised the following Members:

A. Key Managerial Personnel & Relatives:

1)	Mr. V. Thulasidas	Chairman & Managing Director;
2)	Mr. N. Vaghul	Chairman, ICICI Bank Ltd;
3)	Mr. Raghu Menon	Special Secretary, Ministry of Civil Aviation;
4)	Mr. R.K. Singh	Joint Secretary, Ministry of Civil Aviation;
5)	Mr. Amod Sharma	SBU Head – Related Business;
6)	Mr. Anup K. Srivastava	Director (Personnel);
7)	Ms. Anita Khurana	SBU Head – Cargo;
8)	Mr. V.K. Sharma	SBU Head – MRO (Eng. & Comp);
9)	Mr. K.M. Unni	SBU Head – MRO (Airframe);
10)	Mr. S. Chandrasekhar	Director (Finance);

B. Related Party Transactions :

(i) There are no other transactions with key managerial personnel except Remuneration and Perquisites to Chairman & Managing Director and Functional Directors.

(ii) Transactions such as providing Airline related services in the normal course of Airline business are not included above.

C. No loans or credit transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the period which are required to be disclosed in accounts under the Companies Act, 1956.

D. In the opinion of the Company, the agreements with various Airlines, private parties termed as "Joint Operations/ Joint Ventures/Code-share Agreements" do not fall within the definition of Joint Venture as mentioned in Accounting Standard (AS-18) and (AS-27) issued by the Institute of Chartered Accountants of India, hence are not included in above disclosures.

20. Leases:

(A) Finance Leases

(i) Aircraft Fleet and Equipment acquired subsequent to 1st April 1996, under finance leases are treated as if they had been purchased outright. The cost of these assets taken on lease is Rs. 70195.7 million. The future lease obligation is Rs.62749.0 million as at March 31, 2008.

Liability on account of future minimum lease rentals in respect of leases acquired after March, 2007:

(Rupees in Million)

	Particulars	As at 31st Mar'08
a)	Outstanding balance of minimum lease payments including interest thereon	
	- Not later than one year	6711.4
	- Later than one year and not later than five years	34518.2
	- Later than five years	38362.2
	Total	79591.8
b)	Present Value of (a) above	
	- Not later than one year	5028.6
	- Later than one year and not later than five years	26638.4
	- Later than five years	31082.0
	Total	62749.0
c)	Finance Charges	16842.8

(B) Operating Lease

i) The Company has taken aircraft on non-cancellable operating lease. The future minimum lease rental payment, as at March 31, 2008, is Rs.20752.5 million.

Liability on account of future minimum lease rentals in respect of leases acquired after April 01, 2001:

(Rupees in Million)

Particulars	As at 31st Mar'08
- Not later than one year	6147.0
- Later than one year and not later than five years	12740.6
- Later than five years	1864.9
Total	20752.5

However, in case of premature termination balance lease rent for unexpired period is payable on termination.

Lease Rent recognized in Profit & Loss Account for the period is Rs 7436.6 million inclusive of payment of Rs 449.4 million towards Maintenance Reserves.

ii) The Company has taken various residential/commercial premises under cancellable operating lease. These lease agreements are normally renewed on expiry.

iii) The Company has also taken Vehicles and Office Equipments on operating lease with option to purchase but title may or may not eventually be transferred. These assets are scattered at various stations and cumulatively not significant. Complete details of future obligation in this respect could not be compiled, amount whereof is not material, hence not disclosed.

21. Arrangement for Finance Leases :

The aircraft and spare engines capitalized during the year i.e. 4 777-200LR and 3 777-300 ER were delivered to NACIL between July 2007 to December 2007. 85% of aircraft financing package provided by the financial institutions is guaranteed by US Exim which in turn is guaranteed through a GOI guarantee in favour of US Exim. The balance 15% is arranged through commercial funding. Under the financing arrangement with US Exim the company has to form a Special Purpose Vehicle Company (SPV Company) which would be located in a tax free jurisdiction which would own the asset. A two tier structure was therefore put in place whereby the head lessor (SPV Company) was situated in Delaware which could lease the aircraft to an Irish SPV (established in order to make the transaction tax neutral) Since the issue of settling the GOI guarantee took considerable time, the company in the meanwhile had to take delivery of the aircraft in its books through a temporary financing arrangement. When the US Exim guaranteed loan was in place it was decided to cover all the delivered aircraft in the fleet up to that point by transferring the assets to the SPV Company based in Delaware and lease it again through the Irish SPV. There was as such no actual sale to the SPV Company but this had to be done to complete and comply the formalities of putting together a financial arrangement which was guaranteed through the US Exim. All costs related to the acquisition of the aircraft including the setting up of the SPV Companies have been capitalized in the books since it pertained to the acquisition of the aircraft. The lease has been structured as a financial lease so that the ownership in the aircraft would pass on to NACIL at the end of the lease period. In the meanwhile i.e. the time from when the asset was initially acquired by the company in its books to the date the asset was transferred to the SPV company certain installments in the form of principal and interest fell due which were paid off. Thus there was no impairment loss suffered by the company in this transaction.

22. Airline Allied Services Ltd (AASL) :

The company has given its B-737 fleet of 11 aircraft on lease to its wholly owned subsidiary Airline Allied Services Ltd. (AASL). The company is providing extensive infrastructure and administrative supports to AASL. These supports inter-alia include manpower, issuance of traffic documents, IT & reservation facilities, billing & realization of dues, procurement & storage of dry in-flight consumables, collection & deposit of PSF etc. The lease and other charges for services provided to AASL, including reimbursable cost/expenditure incurred by the company on behalf of AASL have been charged to AASL in terms of MOUs and other mutual understanding/arrangements existing between the company and AASL.

An amount of Rs 1073.2 million due from AASL in respect of the transactions for the financial year 2007-08 has been written off from the books of accounts.

23. Earning per Share:

(Rupees in Million)

Particulars	**As at 31st Mar'08**
Profit/(Loss) After Tax & Before Extra-Ordinary Items	(22261.6)
Less: Extra-Ordinary Items	-
Profit/(Loss) after Tax & Extra- Ordinary Items	(22261.6)
Weighted Average No. of Equity Shares	145000000
EPS Before Extra-Ordinary Items (Rs per Share)	(153.5)
EPS After Extra-Ordinary Item (Rs Per Share)	(153.5)

24. Deferred Tax Asset:

a) Deferred Tax assets and liabilities into major components of the respective Balances are as under:

(Rupees in Millions)

Particulars	As at 31st Mar'08
A Deferred Tax Liabilities	
a) On Assets taken on Finance Lease Capitalized	1258.9
b) Difference between Book and Tax Net Block	12340.4
c) Deferred Revenue Expenses	-
Total (A)	13599.3
B Deferred Tax Assets	
a) Carried Forward Unabsorbed Depreciation	7212.9
b) Carried Forward Unabsorbed Business Loss	13712.8
c) Section 43B Disallowance (Bonus)	2.5
d) Provision for Gratuity	1640.5
e) Provision for Leave Encashment Liability	1000.7
f) Provision for Doubtful Debts & Advances	732.8
g) Provision for Obsolescence	926.9
h) VRS Payments/Retirement Benefit Payments	227.9
i) Other Disallowance	-
j) Preliminary Expenses on Demerger	15.7
Total (B)	25472.7
Net Deferred Tax (Liability)/Asset (B-A)	11873.4

b) An amount of Rs 2161.0 million has been recognized as Deferred Tax Asset as at the date of amalgamation as identifiable assets and the corresponding amount has been adjusted in the Capital Reserve Account.

c) Pursuant to Accounting Standard (AS-22) issued by the Institute of Chartered Accountants of India, the Company has recognized the impact of Deferred Tax Asset of Rs. 10845.3 million for the period ended 31/03/2008 which has been credited to the Profit & Loss Account and as a result the net cumulative deferred tax asset as at 31/03/2008 is Rs. 11873.4 million.

d) The Company on merger of the erstwhile Air India and Indian Airlines has provided an integrated, international/domestic footprint which would significantly enhance the customer proposition, enable optimum utilization of existing resources through improvement in load factors and yields on commonly serviced routes as well as deploy freed-up capacity of alternate routes. The merged entity would provide an opportunity to fully leverage the strong assets, capabilities and infrastructure and deploy the skilled and experienced manpower available to the optimum potential.

With all the synergy benefits arising to the merged entity, the Company would be able to emerge as a key player in the domestic and international airlines industry. Recently, the Company has taken several measures in order to reduce its cost platform and as part of the turnaround strategy to face the impact of global recession. This includes reduction of capacity on certain domestic and international routes, hiring IATA as a Consultant for carrying out Fuel Gap Efficiency Analysis, reducing the weight of the aircraft to improve fuel consumption, the return of leased aircraft, induction of new State-of-the-Art Technology aircraft, reducing meal wastage, rationalization of meal services on domestic and long haul flights and adopting long term measures aimed at Revenue enhancement. The entry of the Company into the Star Alliance, introduction of dynamic Frequent Flyer Program, better HUB & SPOKE network arrangements to connect the non-stop flights are likely to lead to improvement in the Revenue.

The Company has also made a Proposal to the Government to increase the Equity base by infusing the Equity Capital of Rs. 1231.00 crores and also provide a soft loan support equal to Rs. 2750.00 crores repayable annually over a 15 year period at low interest rates. It is felt that this would strengthen the net worth and the Balance Sheet of the Company.

Adding to this, the cost control circular aimed at rationalization of expenditure and adoption of economic measures has already been introduced in the Company which include, inter-alia, reduction of Contractual Employment, optimization of inventory levels, critical assessment of aircraft to be sent for outside repairs, austerity measures in the Company, reduction of distribution costs and migration to "Zero" Commission. Fuel prices which have till very recently been sky rocketing have started "Cooling Off" which would certainly encourage air travel in the country/globally as airlines prepare to reduce the fuel surcharge, passing the benefits to the passengers.

As a result of the above measures taken there is a definite/virtual certainty of future taxable profits being available to the company for utilization of Deferred Tax Assets.

25. Air India Charters Limited:

The revenue sharing formula with AICL has been restructured with a view to compensate the company to cover all our activities done on behalf of AICL by the company.

26. a) Dues Recoverable/Payable to Airport Authority of India

(i) The Expenses/Liability towards License Fee, Landing and Parking Charges, Navigation Charges, Security Charges, Electricity and other Miscellaneous Charges payable to Airports Authority of India are provided on best possible estimates based on available information, recommendation of Brahma Committee and other factors, pending settlement of various disputed matters. The outstanding balance of Rs 3553.8 million (Net) is subject to confirmation and reconciliation. The effect of adjustment, if any, will be accounted for in the year of adjustment.

(ii) Ground Handling Income of Rs 1019.9 million

b) The outstanding balance of Rs 1056.0 million payable to M/s IOC is subject to confirmation and reconciliation. The effect of adjustment, if any, will be accounted for in the year of adjustment.

27. Payments to and Provisions for Employees:

i) In view of DPE guidelines applicable to PSUs no wage revision can be granted to the employees of loss-making PSUs. The Company has made losses during the period, hence no provision has been made towards wage revision.

ii) The Company has not determined the impact of increase in wage arrears on retirement benefits in respect of certain categories of employees with whom wage agreements have not been settled.

iii) Liability for wage arrears include Rs. 6530.5 million towards wage settlement up to period 31st December, 2006. The difference of estimated liability and the payment to the employees towards wage arrears would be determined and accounted for after necessary reconciliation and discharge of complete liability in the year of final payment.

28. Employee Benefits :

(A) General description of Defined Benefit Plan

i) Gratuity:
Gratuity is payable to all eligible employees of the Company on superannuation, death, or permanent disablement, in terms of the provisions of the Payment of Gratuity Act or as per the Company's Scheme, whichever is more beneficial.

ii) Leave Encashment:
Privilege Leave Encashment is payable to all eligible employees at the time of retirement upto a maximum of 300 days and Sick Leave encashment is payable to all eligible employees at the time of retirement upto a maximum of 120 days subject to the condition that the employee should have at least 60 days of Sick Leave to his credit.

iii) Post Retirement Medical Benefits:
The Company has a Post Retirement Medical Benefit Scheme under which medical benefits are provided to retired employees and their spouse.

(B) Defined Contribution Plan

Employees Provident Fund :
The Company has an Employees Provident Fund Trust under the Provident Fund Act 1925, which governs the Provident Fund Plans for eligible employees. The Company as well as the employees contributes 10% of the PF Pay to the Fund out of which Provident Fund is paid to the employees.

(C) Defined Benefit Plan – Gratuity (Unfunded):

(Rupees in Million)

	Particulars	As at 31st Mar'08
(a)	Change in Benefit Obligation:	
	Liability at the beginning of the year	4258.8
	Interest Cost	344.0
	Current service cost	189.5
	Benefit paid	(323.5)
	Actuarial (gain)/loss on obligations	70.2
	Liability at the end of the year	4539.0
(b)	Fair Value of Plan Assets:	
	Fair Value of Plan Assets at the beginning of the year	-
	Expected return on Plan Assets	-
	Contributions	323.5
	Benefit paid	(323.5)
	Actuarial (gain)/loss on Plan Assets	-
	Fair value of Plan Assets at the end of the year	-
	Total actuarial gain/(loss) on Plan Assets	-
(c)	Actual return on Plan Assets:	-
	Expected return on Plan Assets	-
	Actuarial (gain)/loss on Plan Assets	-
	Actual return on Plan Assets	-
(d)	Amount Recognized in the Balance Sheet:	-
	Liability at the end of the year	4539.0
	Fair value of Plan Assets at the end of the year	-
	Difference	-
	Amount Recognized in the Balance Sheet	4539.0
(e)	Expense recognized in the Profit & Loss Account:	
	Current service cost	189.5
	Interest cost	344.0
	Expected return on Plan Assets	-
	Net actuarial (gain)/loss to be recognized	70.2
	Expense recognized in the Profit & Loss Account	603.7
(f)	Balance Sheet Reconciliation	
	Opening Net Liability	4258.8
	Expense as above	603.7
	Employer's contribution	(323.5)
	Closing Net Liability	4539.0
(g)	Actuarial Assumptions for the year:	(Percentage)
	Discount rate	8.00%
	Rate of return on Plan Assets	-
	Salary Escalation	4.50%

29. Foreign currency transactions of Revenue and Expenditure are translated at established monthly rates (based on published IATA rates). However, foreign currency transactions, wherever accounted for on quarterly basis effective 01st April 2007, have been maintained for the year 2007-08 on same basis as the merger was cleared on 27th August 2007.

30. The Income and Expenses amounting to Rs 131.5 million (Cr) (Net) which arise in the current period as a result of errors and omissions but relate to earlier years have been incorporated in the natural heads of accounts in the books of accounts, being the first year of the company.

31. Small Scale Undertakings:

(a) The details of amount payable to the suppliers, as defined under Part I of Schedule VI to the Companies Act, 1956, have been compiled based on the records available with the Company. In the opinion of the Management, the Company owes money, outstanding for more than 30 days to Small Scale Undertakings viz., Modern Petro

Packaging, Rama Packaging Industries, Malhar Paper Coverting, Techno Design India, Freeda Enterprises, Rajesh Printery, Novelty Traders, Print Vision, Super Printers, Navjyoti Brothers, Novelty Traders, Pearl Products, Ranson Art, and Wisdom Plastics. The auditors have accepted the representation in this matter.

(b) There are no suppliers, contractors, service providers who are registered as micro, small or medium enterprises under "The Micro, Small or Medium Enterprises Development, 2006" as on March 31, 2008 based on the information available with the Company.

32. The Centre for Perishable Cargo developed by Airport Authority of India (AAI) with the financial assistance of Agricultural and Processed Food Products Export Development Authority (APEDA) was handed over to the Company by AAI as per Ministry of Civil Aviation's letter No. 2021/AS&FA/Misc./2003, dated 03/09/2003, whereby the sharing of revenue of Rs. 153.07 million with AAI is yet to be determined.

33. Managerial Remuneration:

(Rupees in Million)

Particulars	**As at 31st Mar'08**
Chairman & Managing Director	
- Salaries and Allowances (Includes value of perquisites : Rs 83,311/-)	2.86
- Contribution to Provident Fund	-
Functional Directors	
- Salaries and Allowances (Includes value of perquisites Rs 1.54 lakhs)	15.32
- Contribution to Provident Fund	0.46

In addition to the above, the Chairman and Managing Director has been allowed use of staff car, including private journeys on payment of Rs. 780 per month, as contained in the Ministry of Finance (BPE) circular No.2 (18)/PC/64 dated November 29,1964 as amended. Functional Directors have also been allowed to use staff car, including private journeys on payment of Rs.150 per month as per the policy of the Company.

34. Remuneration to Auditors:

The details of the audit fees and expenses of the Statutory Auditors, M/s. Kalyaniwalla & Mistry, M/s P.K. Chopra & Co. and M/s. Arun K. Agarwal & Associates for the year 2007-08 are as under :-

(Rupees in million)

Particulars	**As at 31st Mar'08**
Audit Fees - For the Year	5.6
Out of Pocket Expenses (On Payment Basis)	9.1
Other Services	0.1
Total	14.8

35. Rental Receipts from Air India Building:

The erstwhile Air India Board in its 8th meeting held on 24 November 1994 approved the appointment of an Estate Officer, issuance of fresh Notices to all the Licensees of Air India Building for eviction and appointment of Mr. M.K. Shah, Advocate to represent Air India in the proceedings under the Public Premises (Eviction of Unauthorized Occupants) Act 1971. Accordingly, Eviction Notices were issued to all occupants after which these occupants were treated as unauthorized occupants and became liable for payment of mesne profits/damages. The Estate Officer conducted proceedings under the Public Premises Act and as a result eviction orders were passed against all the occupants during the period 1996 to 2002.

Subsequently, company pursued damage cases in accordance with the provisions of the Public Premises Act in respect of 12 occupants before the Estate Officer in November 2003. In order to justify the rate of license fee applicable for the various years from the date of termination of leave and license agreement and the period of unauthorized occupation and to substantiate with documentary evidence to be produced before the Estate Officer, M/s. Kishore Karamsey, an approved Valuer was asked to prepare a Valuation Report having regard to the market rates in the vicinity prevalent during the relevant period for the unauthorized occupation of Air India Building. This task was accomplished during the years 2003 to 2006.

During the period April 2006 to May 2008, Estate Officer after due hearing of the cases which involved examination and cross-examination of witness of both sides, considering the documentary evidence and arguments advanced by both the parties passed the orders for recovery of damages.

Under the circumstances, damages for the period from the occupants of Air India Building have been taken at Rs. 300 per sq. ft. per month. During the period the company has recognized Rs 1309.8 million as revenue.

36. Disinvestment of Various Units of Hotel Corporation of India Ltd.: Status on the remaining units of HCI is as under:

a) Chefair Flight Catering, Mumbai & Centaur Lake View Hotel, Srinagar :

The Ministry of Civil Aviation had approved the proposal of running the remaining units on Management Contract Basis. As per the decision of the Board, the Company had appointed M/s. Tourism Finance Corporation of India as the Management Consultant for selection of parties for running the Hotel & Flight Kitchen on Management Contract Basis. The Consultant short-listed four parties and a presentation was made by all the parties in August 2008. Subsequently, a site visit to inspect these properties is being arranged before obtaining the Financial Bids.

b) Centaur Hotel Delhi & Chefair Delhi:

As per the Board's approval, the overall sanction of Rs.107.0 million was for renovation of 127 guest rooms and other related works (i.e. AC plant, DG set engines & water proofing works). Accordingly, a Contractual Agreement was executed and the physical work commenced at site w.e.f. 24 August 2007. 96 fully renovated guest rooms have been handed over by the Contractor and put to use. The renovation work of balance 31 rooms is near completion and will be handed over shortly for putting to use. As a part of the renovation, two DG sets were procured and commenced on 11.10. 2007. The work of replacing two AC plants has been completed and commissioned on 11.08.2008.

c) Post Disinvestment Issues:

The issue of settlement of Net Current Assets and other obligations in both the properties divested, viz., Centaur Hotel Mumbai Airport and Centaur Hotel Juhu Beach was yet to be resolved. In case of Centaur Hotel Mumbai Airport, as disputes were raised by the Buyer, the matter was referred to Arbitration and arbitration proceedings are in process.

In case of Centaur Hotel Juhu Beach, the matter on three divergent issues was before the Sole Arbitrator, Joint Secretary, and Ministry of Civil Aviation. The Company has been asked in the meanwhile to resolve the pending issues with M/s.Tulip Hospitality Services Limited, which is under process.

37. Miscellaneous Expenses include Rs. 30.0 million being Grant-in-Aid to Indira Gandhi Rashtriya Udan Academy as per the directive of the Ministry of Civil Aviation.

38. The Company has obtained exemption from the Ministry of Corporate Affairs, vide Order No. 46/168/2008-CL-III, dated July 15, 2008, under section 211(4) of the Companies Act, 1956, in respect of the following requirements prescribed in paragraph 4D (b), (e) (i) and (e) (ii) of Part II, Schedule VI to the Companies Act, 1956 :

(i) Expenditure in foreign currency during the financial year on account of Royalty, Know-how, Professional Consultation fees, Interest and other matters.

(ii) Earnings in foreign currency classified under the heads :

a) Export of Goods calculated on F O B basis;

b) Royalty, Know-how, Professional and Consultation Fees.

39. The details of turnover of in-flight items, as required vide paragraph 3(iii) (b) of Schedule VI to the Companies Act, 1956, are not disclosed as the turnover is insignificant.

40. Consumption of stores and spare parts:

(Rupees in Million)

Particulars	For the Period Amount	%
Imported Indigenous	9345.5 237.8	97.5 2.5
Total	**9583.3**	**100.0**

41. Value of Imports (excluding Insurance and Freight):

(Rupees in Million)

Particulars	For the Period Amount	%
Stores & Spares Capital Goods	9903.3 66894.8	12.9 87.1
Total	**76798.1**	**100.0**

42. Earnings in foreign exchange

(Rupees in million)

Particulars	For the Period Amount	%
Interest Received Dividend	154.0 23.9	86.6 13.4
Total	**177.9**	**100.0**

The information at Sr. No 40, 41 & 42 is as certified by the management and relied upon by the Auditors.

Signatures to the Schedules forming part of the Balance Sheet and Profit and Loss Account and to the above notes.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

For and on behalf of
Arun K. Agarwal & Assoc.
Chartered Accountants

For and on behalf of
P.K. Chopra & Co
Chartered Accountants

For and on behalf of the Board

sd/-
Raghu Menon
Chairman & Managing Director

sd/-
R.K. Singh
Director

sd/-
Ermin K. Irani
Partner
M.No-35646

sd/-
Vimal Kumar Jain
Partner
M.No-86657

sd/-
Samir Chopra
Partner
M.No-87870

sd/-
S.Chandrasekhar
Director (Finance)

sd/-
S.Venkat
Executive Director-Finance & Company Secretary

Place : Mumbai
Date : 17 December 2008