



**AIR INDIA AIR TRANSPORT
SERVICES LIMITED**



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**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Fifth Annual report of the Company together with the Audited Accounts, Auditors' Report and comments on the Accounts by the Comptroller and Auditor General of India for the year ended 31st March 2008.

CAPITAL STRUCTURE:

Air India Air Transport Services Ltd. (AIATSL) was incorporated in June 2003. The Capital Structure of the Company is:

	(Rupees)
<u>AUTHORISED:</u>	
9 Crore Equity Shares of Rs.10/- each:	90,00,00,000
10 Lakh Redeemable Preference Shares of Rs.100/- each	10,00,00,000
TOTAL	100,00,00,000
<u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL:</u>	
50,000 Equity Shares of Rs.10/- each	5,00,000

FINANCIAL RESULTS:

	(Rupees in Lakhs)	
	2007-08	2006-07
Total Revenue	3080.40	1976.83
Total Operating Expenditure	3191.54	1999.44
Profit/(Loss) before Depreciation	(111.14)	(22.61)
Less: Depreciation	0.23	0.22
Profit/(Loss) before Taxation	(111.37)	(22.83)
Profit after Tax	(111.81)	(22.99)
Less : Deferred Tax Liability /Asset	0.05	0.03
Net Profit/(Loss)	(111.75)	(22.96)

ACTIVITY OF AIATSL UPTO OCTOBER 2008

Based on the requirement for handling of customer airlines flights at various Indian stations, the number of staff inducted on contract under various categories as on 1st October, 2008 is given below:

Jr. Executive Technical	32
Executive Customer Services	03
Customer Agent	233
Call Centre Customer Agent	67
Ramp Service Agent	115
Security Agent	499
Handyman	300
Utility Service Agent (absorbed as per MOU)	55
Equipment Operator/Technicians (Retired from Air India)	09
Total	1313

At all the stations Security Handling of all the flights is carried out exclusively by AIATSL staff, as the same is not permitted to be outsourced to any agency.



Following activities were taken over and outsourced by AIATSL during the Financial Year 2007-08 :

- At **Delhi** handling of Passenger, Baggage and Cabin Cleaning for Singapore Airlines were carried out along with AIATSL staff effective 1 April 2007.
- At **Chennai** handling of Cargo, Baggage, Wheelchairs for all flights of Air India, Air India Express and its customer airlines along with AIATSL staff, effective 1 April 2007 and Passenger Handling of Singapore Airlines and Emirates effective November 2007 and 21 December 2007 respectively.
- At **Mumbai** following activities were carried out :
 - Providing dedicated Check-In Staff for KE flights effective 2 April 2007.
 - Arrival, Baggage Handling/Courier Handling for AI /AIE and all customer airlines effective 11 June 2007.
 - Providing Staff and Baggage Van on two shift pattern for AI/IC Seamless Transfer of Baggage effective 1 August 2007.
 - Providing manpower (Customer Service Agent -16,/Handy Man-10) for Operation Department effective 1 August 2007.
 - Passenger and Baggage Handling for Singapore Airlines and Continental Airlines effective 15 September 2007 and 1 October 2007 respectively.
 - Providing dedicated Check-In Staff for South African Airways effective 29 November 2007.
 - Passenger and Baggage handling for Emirates and Kuwait Airways effective 1 December 2007 and 5 February 2008 respectively.
 - Providing dedicated check-in staff for Ethiopian Flights effective 15 January 2008.
- At **Thiruvananthapuram** handling of Passenger and Baggage for Etihad flights effective 30 May 2007.
- At **Kolkata** handling of Passenger, Baggage and Cabin Cleaning for Singapore airlines effective 1 June 2007.

Following activities were taken over and outsourced by AIATSL effective April 2008 :

- At **Mumbai** providing dedicated Check-In Staff for Thai Airways and Malaysian Airline effective 15 May and 16 October 2008, respectively.
- At **Kozhikode** Passenger, Baggage and Ramp Handling of Emirates and Passenger, Baggage Handling of Etihad flights effective 1 July 2008 and August 2008 respectively.
- At **Trichy** Passenger, Baggage Handling of Air Asia Flights effective 1 November 2008.

Directors' Responsibility statement :

The Board of Directors of the Company confirms

1. That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that there has been no material departure ;
2. That the selected accounting policies were applied and the directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31,2007, and the profit/loss of the Company for the year ended on that date ;
3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
4. That the Annual Accounts have been prepared on a going concern basis.

Corporate Governance:

Board of Directors:

In terms of Article 98 of the Articles of Association, National Aviation Company of India Ltd., (NACIL) shall appoint the Directors on the Board of this Company. The Board meets regularly and during the year, four Board Meetings were held in which various issues were deliberated.



During the year ended March 31, 2008, the Board consisted of the following members:

Shri V. Thulasidas
Chairman and Managing Director,
National Aviation Company of India Limited.

Shri. N.Vaghul,
Chairman,
ICICI Bank

Shri. Raghu Menon,
Special Secretary and Financial Advisor,
Ministry of Civil Aviation.

Shri R.K.Singh,
Joint Secretary,
Ministry of Civil Aviation.

Shri. Vishwapati Trivedi
Joint Managing Director,
National Aviation Company of India Limited.

Upon attaining the age of superannuation, Shri V.Thulasidas retired with effect from 1 April 2008 and Shri Raghu Menon, the then Special Secretary & Financial Advisor, MOCA was appointed as Chairman with effect from 25 April 2008. Also consequent upon completion of tenure as Jt.MD-NACIL and his appointment as Addl. Secretary & Financial Advisor, Ministry of Home Affairs, Shri V.Trivedi ceased to be the Director on the Board. During the year Smt.Vilasini Ramchandran, Addl.Secretary & Financial Advisor, MOCA was appointed on the Board with effect from 29 May 2008.

As on 1st October 2008, the Board consisted of the following Members :

Shri Raghu Menon, - Chairman
Chairman and Managing Director,
National Aviation Company of India Limited.

Smt.Vilasini Ramchandran, - Director
Addl.Secy. & Fin.Advisor,
Ministry of Civil Aviation.

Shri R.K.Singh, - Director
Joint Secretary,
Ministry of Civil Aviation.

Shri. N.Vaghul, - Director
Chairman,
ICICI Bank.

Shri S.Mukherjee, Executive Director-HQ, NACIL ceased to be the COO-AIATSL and Capt. A.K.Sharma, SBU- GH Head, Executive Director-Sales & Marketing, NACIL, was assigned with the additional charge of COO-AIATSL w.e.f. 14 December 2007. The Board places on record its appreciation of the valuable services rendered by S/Shri V.Thulasidas, Chairman-AIATSL, V. Trivedi, Director and S.Mukherjee as COO-AIATSL during their tenure.

AUDITORS:

M/s. Pee Dee Kapur & Co, Chartered Accountants were appointed Statutory Auditors of the company for the year 2007-08, by the Office of the Comptroller & Auditor General of India.

AUDIT COMMITTEE:

Since the paid up capital of the Company is less than Rs.Five crores, the Company is not required to have an audit committee, in terms of Section 292 A of the Companies Act, 1956

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

No statement has been enclosed on the matters specified, since the Company was engaged in ground handling activities only.

**PARTICULARS OF EMPLOYEES:**

There were no employees who were employed throughout the year who were in receipt of remuneration of Rs.2 lakhs per month or Rs.24 lakhs per annum. Therefore no statement has been enclosed in this regard.

ACKNOWLEDGEMENTS:

The Board of Directors wish to place on record their appreciation for the assistance and cooperation received from Air-India, the Ministry of Civil Aviation, the Airports Authority of India, Bureau of Civil Aviation Security, the office of the Comptroller and Auditor General of India and various other Government Departments.

sd/-
Raghu Menon
Chairman

Place : Mumbai
Date : 17 December 2008.



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF AIR INDIA AIR TRANSPORT SERVICES LTD FOR THE YEAR ENDED 31 MARCH 2008

The preparation of financial statements of **Air India Air Transport Services Limited** for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statement under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 December 2008.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of **Air India Air Transport Services Limited** under section 619(3)(b) of the Companies Act, 1956 of the financial statements for the year ended 31 March 2008. This supplementary audit has been carried out independently with access to limited working papers of the statutory auditors and is also limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

AUDITORS' REPORT

1. As required under section 227(3)(g) of the Companies Act, 1956, the Auditors' Report does not disclose payment of cess by Air India Air Transport Services Limited for the purpose of rehabilitation or revival or protection of assets of the sick industrial company referred to in section 441(A) of the Act.

PROFIT AND LOSS ACCOUNT

EXPENDITURE

Personal Expenses : Rs.151,342,589/- (Schedule 9)

2. This does not include an amount of Rs.91,87,638/- being Salaries and Wages for the current year payable to National Aviation Company of India Limited (NACIL) on account of employees' services provided by NACIL to the Company during the year. This has resulted in understatement of Personnel Expenses by Rs.91,87,638/- and consequent understatement of loss to the same extent.

For and on the behalf of the
Comptroller & Auditor General of India

sd/-
Sarit Jafa
Principal Director of Commercial Audit
& ex-officio Member, Audit Board-II, Mumbai

Place : Mumbai
Date : 4 February 2009



Replies to the Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956, on the annual accounts of Air India Air Transport Services Limited for the year ended 31st March, 2008.

Auditors Report

- 1 The requirement of disclosure about payment of cess for the purpose of rehabilitation or revival or protection of assets of the Sick Industrial Company under Section 441A, as required under section 227(3)(g) under the Companies Act, 1956 has not yet been notified for the date from which it is effective. In the absence of the notification of the date from which this disclosure would come in force, the said provisions are not yet applicable and therefore the same have not been included in the Auditors Report on the accounts of M/s Air India Air Transport Services Limited for the year 2007-08.

We would further like to add that due to absence of notification of effective date of this disclosure, audit reports of corporate entities for the year 2007-08 do not carry this disclosure.

PROFIT AND LOSS ACCOUNT

EXPENDITURE

Personnel Expenses of Rs.151,342,589/- (Schedule 9)

- 2 AIATSL has rendered services at cost to cost to NACIL during the year to avoid multi layered billing. It was, therefore, decided not to apportion any percentage of staff expenses of NACIL to the AIATSL, a subsidiary company. However, in respect of services rendered by AIATSL to other parties, the necessary mark up has been charged.

**AUDITORS' REPORT**

To,
The Members of,
AIR INDIA AIR TRANSPORT SERVICES LIMITED

- 1) We have audited the attached Balance Sheet of **AIR INDIA AIR TRANSPORT SERVICES LIMITED**, as at 31st March, 2008, together with Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
- 2) We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003, as amended, ("the order"), issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), and on the basis of such checks as we considered appropriate and as per information and explanations given during the course of our audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Attention is invited to:
 - a. **The Company is in the process of obtaining confirmation in respect of certain accounts as referred to in Note 3 of Schedule No. 11.**
 - b. **Non-adherence to Accounting policy on Leave Encashment (As per Accounting Standard -15) referred to in Note 4 (c) of Schedule No. 11.**
- 5) Further to our comments in the Annexure referred to in Para 3 above, we report as under:
 - 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, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of these books of account, maintained at Central Accounts Office of the Company at Mumbai, incorporating the returns received from the Stations and reports received from Outsourced Agencies and found to be generally adequate for the purpose of our audit.
 - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, **except as stated in Para 4 (b) above.**
 - e. The Company being a Government Company, as defined in section 617 of the Companies Act, 1956, is exempted from the applicability of the provisions of clause (g) of sub section (1) of section 274 of the Act, vide Circular No. 2/5/2001/CV.V General Circular No. 8/2002 dated 22nd March, 2002, issued by the Ministry of Law, Justice and Company Affairs.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and **subject to our remarks as given in Para 4 above**, give the information required under the Companies Act, 1956 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - ii. In the case of Profit and Loss Account, of the **Loss** of the Company for the year ended on that date; and
 - iii. In the case of Cash Flow Statement, of the cash flow of the Company for the year ended on that date.

For Pee Dee Kapur & Co.
Chartered Accountants

sd/-
Sapna Kapur
Partner

Membership No. 501000

Place: Mumbai
Dated :17 December 2008



Annexure to the Auditors' Report to the Members of AIR INDIA AIR TRANSPORT SERVICES LIMITED, on the Accounts for the financial year ended 31st March, 2008, as referred to in Paragraph 3 of our report of even date

- 1)
 - a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The Fixed Assets have been physically verified by the Management at reasonable intervals and no discrepancies were noticed on such verification.
 - c) The company has not disposed off any fixed assets during the year.
- 2) We have been informed that the nature of company's operation is such that it does not hold/ involve any inventories. Accordingly, clause 4(ii) of the order is not applicable.
- 3)
 - a) As per the information and explanation given to us, the company has not granted any loans, secured or unsecured, to the companies, firms or other parties covered in the register required to be maintained under Section 301 of the Act.
 - b) Since the company has not granted any loans, the question of commenting upon the rate of interest and other terms and conditions of the loans granted being prejudicial to the interest of the company/ receipt of regular principal and interest and reasonable steps taken for recovery of principal and interest does not arise.
 - c) The company has not taken any loans, secured or unsecured, from the companies, firms or other parties covered in the register required to be maintained under Section 301 of the Act, except that the company has been maintaining current account with its holding company M/s National Aviation Company of India Limited wherein funds were regularly received on "on account" basis during the year.
 - d) In our opinion the terms and conditions of the same are not prima-facie prejudicial to the interest of the company.
 - e) The year end balance in this account stood at debit balance of Rs.4,08,73,624/- (previous year debit balance of Rs. 66,00,162/-); as the company has debited the account with the value of invoices raised by it to the said company.
- 4) Based on the records examined by us and the information and explanation given by the management, we are of the opinion that the internal control system needs to be strengthened to make the same commensurate with the size of the Company.
- 5)
 - a) Based on the Audit Procedures applied by us and according to the information and explanation provided by the Management, we are of the opinion that there are no particulars of contracts or arrangements referred to in section 301 of the Act that needs to be entered into the register required to be maintained under that section.
 - b) Hence the question of commenting whether the transaction made in pursuance of such contracts or arrangements were made at prices which are reasonable having regard to the prevailing market prices at the relevant time does not arise.
- 6) According to the information and explanation given to us, the company has not accepted any deposits from public during the year. Hence the provisions of section 58A, 58AA or any other relevant provisions of the Act read with the rules framed there under are not applicable.
- 7) The provisions relating to the internal audit have become applicable to the company during the year on account of the turnover criteria. However, no internal audit has been carried out by the company during the year.
- 8) We have been informed that the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of the business activities being carried on by the Company. Accordingly, Clause 4 (viii) of the Order is not applicable.
 - a) According to the information and explanation given to us and on the basis of our examination of books of account and other records, the Company has been generally regular in depositing the undisputed statutory dues applicable to it with the appropriate authorities and no undisputed dues payable in respect of income tax, service tax, provident fund, cess and other statutory dues were outstanding as on 31st March, 2008 for a period of more than six months from the date they became payable, except professional tax of Rs. 1,30,831/- .
 - b) According to the information and explanation given to us and on the basis of records examined by us, there are no dues outstanding in respect of income tax, service tax, provident fund, cess or other statutory dues on account of any dispute.
- 9) The Company has been registered for a period of less than 5 years. Hence clause 4(x) of the Order is not applicable to the company for the year under report.



- 10) The company has neither taken any loans from a financial institution and/or Bank nor issued any debentures. Hence clause 4(xi) of the Order is not applicable to the company for the year under report.
- 11) As per the information and explanation given to us, the company has not granted any loans and advances on the basis of security by way pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable to the company for the year under report.
- 12) In our opinion and according to the information and explanation given to us, the provisions of Special Statutes applicable to chit fund, nidhi or mutual benefit fund/ society are not applicable to the Company.
- 13) According to the information and explanation given to us and based on the records examined by us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable.
- 14) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions. Accordingly clause 4(xv) of the Order is not applicable.
- 15) The Company has not obtained any term loan during the year. Accordingly, clause 4(xvi) of the Order is not applicable.
- 16) According to the information and explanation given to us and based on the records examined by us, we report that the Company has not used any short term basis funds for long term investments.
- 17) The Company has not made any preferential allotment of shares during the year. Hence clause 4(xviii) of the Order is not applicable.
- 18) The Company has not issued any debentures. Accordingly, clause 4(xix) of the Order is not applicable.
- 19) The Company has not raised any money by way of public issues. Accordingly, clause 4(xx) of the Order is not applicable.
- 20) According to the information and explanation given by the management and based on the audit procedures performed and the books and other records examined by us, no fraud on or by the Company has been noticed or reported during the year.

**For Pee Dee Kapur & Co.
Chartered Accountants**

sd/-
Sapna Kapur
Partner
Membership No. 501000

Place: Mumbai
Dated: 17 December 2008.



Statutory Auditors' Report for the Financial Year 2007-08 and Management's Comments thereon:

Sr. No.	Audit Observations	Management's Comments
1	<u>Para No 4a</u> The Company is in the process of obtaining confirmation in respect of certain accounts as referred to in Note 3 of Schedule No. 11.	This is a statement of fact.
2	<u>Para No 4b</u> Non-adherence to Accounting policy on Leave Encashment (As per Accounting Standard -15) referred to in Note 4 (c) of Schedule No. 11.	This being the first year in which the Leave Encashment has been introduced the Provision for the Leave Encashment liability has been made on estimated basis without obtaining the Actuarial Valuation.

(Annexure referred to in Paragraph (3) of the Auditor's Report of even date of Air India Air Transport Services Ltd. for the year ended 31st March,2008.)

Sr. No.	Audit Observations	Management's Comments
1	<u>Para 7</u> The provisions relating to the internal audit have become applicable to the company during the year on account of the turnover criteria. However, no internal audit has been carried out by the company during the year.	This is the first year in which the provisions relating to the Internal Audit have become applicable to the company. Company intends to get the internal audit done from the Internal Audit Dept. of NACIL in future.
2	<u>Para 4</u> Based on the records examined by us and the information and explanation given by the management, we are of the opinion that the internal control system needs to be strengthened to make the same commensurate with the size of the Company	Noted.
3	<u>Para 8 a</u> According to the information and explanation given to us and on the basis of our examination of books of account and other records, the Company has been generally regular in depositing the undisputed statutory dues applicable to it with the appropriate authorities and no undisputed dues payable in respect of income tax, service tax, provident fund, cess and other statutory dues were outstanding as on 31 st March, 2008 for a period of more than six months from the date they became payable, except profession tax of Rs.1,30,831/-.	This amount represents Profession Tax pertaining to the states other than Maharashtra where the company is in the process of obtaining the local registrations under the concerned State Profession tax.



ANNUAL ACCOUNTS

2007-08



BALANCE SHEET AS AT 31ST MARCH 2008

(Amount in Rupees)

Particulars	Schedule	March 31, 2008	March 31, 2007
SOURCES OF FUNDS			
Share holder's funds			
Share Capital	1	500,000	500,000
Deferred Tax Liability		15,311	20,484
TOTAL		515,311	520,484
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	2	135,323	135,323
Depreciation		87,744	65,808
Net Block		47,579	69,515
Current Assets, Loans & Advances			
Sundry Debtors	3	50,437,702	29,324,717
Cash & Bank Balances	4	1,440,893	697,304
Loans & Advances	5	20,118,030	9,958,805
		71,996,625	39,980,826
Less:			
Current Liabilities	6	89,293,478	46,434,471
Provisions	7	26,248	378,922
		89,319,726	46,813,393
Net Current Assets		(17,323,101)	(6,832,567)
Miscellaneous Expenditure			
Preliminary Expenses to the extent not written off or adjusted	8	4,008,900	4,677,050
PROFIT & LOSS ACCOUNT			
TOTAL		13,781,933	2,606,485
		515,311	520,484
Significant Accounting policies and Notes on Accounts	11		
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The schedules referred to above form an integral part of the Balance Sheet.
As per our report attached

For Pee Dee Kapur & Co.
Chartered Accountants

For and on behalf of the Board

sd/-
Sapna Kapur
Partner
Membership No. 501000

sd/-
Raghu Menon
Chairman

sd/-
R. K. Singh
Director

Place : Mumbai
Date : 17 December 2008



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount in Rupees)

Particulars	Schedule	2007-08	2006-07
INCOME			
Revenue from Handling Services		306,324,034	196,099,477
Miscellaneous Income		1,715,421	1,583,267
TOTAL		308,039,455	197,682,744
EXPENDITURE			
Handling & Operational Expenses		162,812,737	88,640,609
Personnel Expenses	9	151,342,589	104,984,295
Office, Establishment and Administrative Expenses	10	4,308,299	5,650,574
TOTAL		318,463,625	199,275,477
OPERATING PROFIT/(LOSS) FOR THE YEAR		(10,424,170)	(1,592,733)
Depreciation		21,936	21,936
Preliminary Expenses written off		668,150	668,150
NET PROFIT/(LOSS) BEFORE TAX & PRIOR PERIOD ITEMS		(11,114,256)	(2,282,819)
Less: Prior Period items		22,460	-
NET PROFIT/(LOSS) BEFORE TAX & AFTER PRIOR PERIOD ITEMS		(11,136,716)	(2,282,819)
Less:			
Provision for Fringe Benefit Tax-Current Year		26,248	15,876
Income Tax/TDS paid for Earlier Year		6,754	-
Fringe Benefit Tax paid for Earlier Years		10,903	-
		(11,180,621)	(2,298,695)
Add: Deferred Tax Liability reversed/ (originated)		5,173	3,010
NET PROFIT/(LOSS) FOR THE YEAR AFTER TAX EFFECT		(11,175,448)	(2,295,685)
Balance Brought Forward From Last Year		(2,606,485)	(310,800)
Balance carried forward to Balance Sheet		(13,781,933)	(2,606,485)
Earning per Share		(223.51)	(45.91)

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The schedules referred to above form an integral part of the Profit & Loss Account

As per our report attached

For Pee Dee Kapur & Co.
Chartered Accountants

For and on behalf of the Board

sd/-
Sapna Kapur
Partner
Membership No. 501000

sd/-
Raghu Menon
Chairman

sd/-
R. K. Singh
Director

Place : Mumbai
Date : 17 December 2008



CASH FLOW STATEMENT FOR THE YEAR 2007-2008

(Amount in Rupees)

Particulars	2007-08		2006-07	
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Loss Before Taxation:		(11136716)		(2282819)
Adjustment for :				
Depreciation	21936		21936	
Preliminary Expenses Written Off	668150	690086	668150	690086
Operating Profit before Working Capital changes		(10446630)		(1592733)
Tax Items		(43903)		(15876)
Net Profit after tax effect (a)		(10490533)		(1608609)
Increase in Sundry Debtors		(21112985)		(11782080)
Increase in Loans & Advances		(10159225)		(5045902)
Increase in Current Liabilities & Provisions		42506333		17946366
Changes in Working Capital (b)		11234123		1118384
Net Cash (Outflow)/Inflow from Operations (a+b) (A)		743589		(490225)
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets (B)		-		-
C CASH FLOW FROM FINANCING ACTIVITIES				
Receipts/(Repayments) of Unsecured loans (C)		-		-
Net increase(decrease) in Cash & Cash equivalent (A + B + C)		743589		(490225)
Cash & cash equivalents as on 01.04.2007 (Opening Bal.)		697304		1187529
Cash & cash equivalents as on 31.03.2008(Closing Bal.)		1440893		697304
Net increase(decrease) as disclosed above		743589		(490225)

As per our report attached

For Pee Dee Kapur & Co.
Chartered Accountants

For and on behalf of the Board

sd/-
Sapna Kapur
Partner
Membership No. 501000sd/-
Raghu Menon
Chairmansd/-
R. K. Singh
DirectorPlace : Mumbai
Date : 17 December 2008



SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31ST MARCH 2008

SCHEDULE - 1 : SHARE CAPITAL

(Amount in Rupees)

Particulars	March 31,2008	March 31,2007
Authorised Share Capital		
9,00,00,000 Equity Shares of Rs.10/-each	900,000,000	900,000,000
10,00,000 Redeemable Preference Shares of Rs.100/ each (Previous Year Same Position)	100,000,000	100,000,000
TOTAL	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up		
50,000 Equity Shares of Rs.10/- each fully paid-up (The entire Share Capital is held by National Aviation Company of India Limited, a company formed under the Companies Act,1956 and its Nominees) (Previous Year Same Position)	500,000	500,000
TOTAL	500,000	500,000

SCHEDULE 2 : FIXED ASSETS

(Amount in Rupees)

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As On 31.03.2007	Additions during the year	As On 31.03.2008	Upto 31.03.2007	Depreciation for the year	Upto 31.03.2008	Written Down Value as at 31.03.2008	Written Down Value as at 31.03.2007
Computers	135,323	-	135,323	65,808	21,936	87,744	47,579	69,515
TOTAL	135,323	-	135,323	65,808	21,936	87,744	47,579	69,515
PREVIOUS YEAR	135,323	-	135,323	43,872	21,936	65,808	69,515	91,451

SCHEDULE 3 : SUNDRY DEBTORS

(Amount in Rupees)

Particulars	March 31,2008	March 31,2007
Sundry Debtors (Unsecured but Considered Good by the Management)		
I. Debts outstanding for a period exceeding six months	-	-
II. Other Debts		
From National Aviation Company of India Ltd. — Holding Company	40,873,624	6,600,162
From Air India Charters Ltd. — Associate Company	-	22,724,555
From AI-SATS Bangalore — Associate Company	1,233,464	-
From AI-SATS Hyderabad — Associate Company	8,330,614	-
TOTAL	50,437,702	29,324,717

Note : The above Debts are due from the Companies under the same Management within the meaning of sub-section (1B) of Section 370 of the Companies Act, 1956.

SCHEDULE 4 : CASH & BANK BALANCES :

(Amount in Rupees)

Particulars	March 31,2008	March 31,2007
Cash in Hand	3,516	1,614
Bank Balances : (With Scheduled Bank) In Current Account	1,437,377	695,690
TOTAL	1,440,893	697,304

SCHEDULE 5 : LOANS AND ADVANCES :

(Amount in Rupees)

Particulars	March 31,2008	March 31,2007
(Unsecured but Considered Good by the Management) Advances recoverable in cash or in kind or for which value to be received :		
Security Deposit	324,000	324,000
Outstanding Recoveries	-	31,542
Income Tax Paid	13,339	13,339
Advance FBT (A.Y.2008-09)	25,245	-
Tax Deducted at Source	13,960,642	6,528,312
Service Tax -Input - Interim	5,794,804	-
Service Tax availed	-	3,061,612
TOTAL	20,118,030	9,958,805

SCHEDULE 6 : CURRENT LIABILITIES

(Amount in Rupees)

Particulars	March 31,2008	March 31,2007
Sundry Creditors - For Expenses	53,646,520	26,299,009
Other Liabilities :		
Professional Tax Payable	454,052	271,661
ESIC refundable to Employees	-	74,619
PF & EDLI Charges Payable	977,485	440,559
Earnest Money Deposits	1,820,000	3,470,000
Service Tax Output Interim	8,553,132	5,428,420
Tax Deducted at Source (TDS) Payable	1,036,967	733,148
Other Expenses Payable	22,805,322	9,717,056
TOTAL	89,293,478	46,434,472

**SCHEDULE 7 : PROVISIONS :**

(Amount in Rupees)

Particulars	March 31,2008	March 31,2007
Provision for Income Tax	-	363,046
Provision for Fringe Benefit Tax	26,248	15,876
TOTAL	26,248	378,922

SCHEDULE 8 : PRELIMINARY EXPENSES

(Amount in Rupees)

Particulars	March 31,2008	March 31,2007
Balance as per last Balance Sheet	4,677,050	5,345,200
Less: Written off during the year	668,150	668,150
TOTAL	4,008,900	4,677,050



SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT AS AT 31ST MARCH 2008

SCHEDULE 9 : PERSONNEL EXPENSES :

(Amount in Rupees)

Particulars	2007-08	2006-07
Salaries	144,761,732	99,613,816
Rates, Fees & Taxes	-	2,500
PF & EDLI Charges	6,326,667	4,964,727
Training Expenses	90,000	56,523
Uniform Expenses	164,190	346,729
TOTAL	151,342,589	104,984,295

SCHEDULE 10 : OFFICE, ESTABLISHMENT AND ADMINISTRATIVE EXPENSES :

(Amount in Rupees)

Particulars	2007-08	2006-07
Professional & Consultation fees	49,446	32,326
Postage & Courier Charges	21,819	24,062
Printing & Stationery	1,855	63,782
Office Expenses	134,519	28,070
Communication Expenses	21,649	9,198
Conveyance Expenses	176,141	118,535
Travelling Expenses	7,578	453,407
Staff Welfare Expenses	20,710	3,930
Advertisement Expenses	474,395	362,403
Bank Charges	478	3,220
Filing Fees	2,630	7,000
Recruitment Expenses	1,247,773	2,084,694
Interest on Service Tax Paid	-	426,581
Interest on Profession Tax	7,392	-
Interest on FBT	3,955	-
Rent	453,600	565,434
Water charges	484,743	489,517
Electricity charges	1,070,628	696,968
Property Tax	-	206,447
Legal Expenses	-	10,000
Miscellaneous Expenses	36,489	-
<u>Remuneration to Statutory Auditor :</u>		
- Audit Fees	75,000	50,000
- Reimbursement of Out of Pocket Expenses	7,500	5,000
<u>Remuneration to Tax Auditor :</u>		
- Tax Audit Fees	10,000	10,000
TOTAL	4,308,299	5,650,574



SCHEDULE 11 :

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2008**I. SIGNIFICANT ACCOUNTING POLICIES:****A Accounting Convention**

The financial statements are prepared under the historical cost convention and all expenditure having a material bearing on the financial statements are recognized on accrual basis. The financial statements comply with the applicable mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

B Fixed Assets

- i) Fixed Assets are stated at cost of acquisition.
- ii) Depreciation on Fixed Assets is provided on straight line methods at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

C Revenue Recognition

The revenue is recognized when services are rendered.

D Retirement Benefits

Provident Fund is contributed to the Recognized Provident Fund and charged to Profit and Loss Account of the year.

Leave Encashment in respect of all eligible employees is provided on actuarial valuation basis as at the Balance Sheet Date.

E Provision For Taxes

- i. Provision for Income Tax and Provision for Fringe Benefit Tax is made based on the computation prepared by the Management for filing respective Tax Return for the relevant Assessment Year as per the applicable provisions of the Income Tax Act, 1961, including provisions for Minimum Alternative Tax pursuant to section 115JB of the Income Tax Act, 1961. The tax liability, if any, consequent upon regular assessments as well as interest on income tax refunds are being considered in the year of payment/receipt.
- ii. The accounting for taxes on income in pursuance of AS-22 issued by the Institute of Chartered Accountants of India is applicable. Deferred Tax is recognized on timing differences between book & taxable profit using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax assets are recognized and carried forward to the extent that there is a virtual certainty that such assets will be realized in future.

F Prior Period Items :

The Income and Expense which arise in the current period as result of errors and omissions in preparation of financial statements of one or more prior period are considered as Prior Period Items and are shown separately in the financial statements.

G Preliminary Expenses

Preliminary Expenses are amortized over a period of ten years on straight line basis.

II. NOTES TO ACCOUNTS**1. Contingent Liabilities**

Contingent Liabilities not provided for as on 31st March 2008 stood at Rs. Nil (Previous year Rs. Nil).

- 2. The company has been rendering Airport Ground Handling Services including Passenger Handling, Ramp Handling, Security Handling and Cargo Handling during the year for the holding company i.e., National Aviation Company of India Limited and other clients.

3. The Company is in the process of obtaining confirmations from various Sundry Creditors aggregating to Rs.5,36,46,520/- (Previous Year Rs.:2,62,99,009/-). The effect of adjustments, if any, on account of pending reconciliations, on the Profit and Loss Account and the relevant items of Balance Sheet cannot be ascertained presently.
4. a) In view of the non-applicability of the Gratuity Act, no provision for the same has been made in the books of accounts as on March 31, 2008.
- b) In accordance with Payment of Bonus (Amendment) Ordinance 2007, No. 8 of 2007, published in the Gazette of India dated 27th October, 2007, increasing the minimum salary limit for the eligibility of Bonus with retrospective effect from the financial year 2006-07, the company has made aggregate provision of Rs.70,39,093/- towards statutory bonus for its eligible employees which includes Rs.31,40,573/- for financial year 2006-07 and Rs.38,98,520/- for the financial year 2007-08.
- c) The company has not complied with the accounting policy pertaining to Leave Encashment. The company has made an adhoc provision of Rs.5,00,000/- as on 31st March 2008 towards estimated liability of leave encashment for its eligible employees instead of computing such liability on Actuarial Valuation. Impact, if any, cannot be ascertained presently.

5. Segment Reporting

Based on the guiding principle given in the Accounting Standard - 17, the Company is engaged in providing ground handling services to airlines, which is its primary business segment. The Company's operations are solely situated in India. No further disclosures are required, other than those already provided in the Financial Statements.

6. Related Party Transactions

Disclosures as required by Accounting Standard - 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, are given below:

- a. Related Parties :-
- (i) Holding Company - M/s National Aviation Company of India Limited
 - (ii) Associate Company - M/s Air India SATS – Hyderabad
 - (iii) Associate Company - M/s Air India SATS – Bangalore
 - (iv) Key Managerial Personnel & Relatives :
Mr. V. Thulasidas, Chairman
- b. Related Party Transactions:-
- Disclosure as regards Related Party Relationship and Transactions with State Controlled Enterprises are not disclosed as mentioned in Para 9 of AS 18.
- c. No Loans or Credit Transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year which, are required to be disclosed in accounts under the Companies Act 1956.

7. Earning Per Share:

	<u>2007-2008</u>	<u>2006-2007</u>
i) Net Profit/ (Loss) for the year (Rs.)	(1,11,75,448)	(22,95,685)
ii) No. of Equity Shares	50,000	50,000
iii) Nominal Value per Share (Rs.)	10	10
iv) Basic and Diluted EPS (Rs.) per share	(223.51)	(45.91)

8. Deferred Tax Liability

The deferred tax liability as at March 31, 2008 comprises of the following:



	As at April 1, 2007 Amount (Rs.)	Charged / Credited during the year Amount (Rs.)	As at March 31, 2008 Amount (Rs.)
Tax impact of amounts charged off to Profit and Loss account but allowable in future years under Income Tax	NIL	NIL	NIL
Disallowances as per the Income Tax Act, 1961	NIL	NIL	NIL
Total Deferred Tax Assets	NIL	NIL	NIL
Tax impact of amounts to be charged off to Profit and Loss account in future years but allowable under Income Tax			
Depreciation	(20,484)	5,173	(15,311)
Total Deferred Tax Liabilities	(20,484)	5,173	(15,311)
Net Deferred Tax Assets /(Liabilities)	(20,484)	5,173	(15,311)

9. In the opinion of the Board of Directors, the Current Assets and Loans and Advances, if realized in the ordinary course of business, shall not be less than the value at which they are stated in the Balance Sheet and the provisions for all known liabilities have been made in the books of account.
10. Salaries and wages for the current year includes an amount of Rs. Nil (previous year Rs. 53,54,537/-) being charged by M/s National Aviation Company of India Limited (Holding Company), pertaining to its employees who have been on deputation during the year with the Company.
11. There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2008. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. (Previous Year: Rs. Nil)
12. Information pursuant to other matters specified in Paragraph 4, 4A, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are either nil or not applicable to the Company during the year.
13. There had been no earnings or outgo in Foreign Currencies during the year.
14. Previous year's figures have been regrouped, rearranged and/or recast wherever necessary to make them comparable with those of current year.

For Pee Dee Kapur & Co.
Chartered Accountants

For and on behalf of the Board

sd/-
Sapna Kapur
Partner
Membership No. 501000

sd/-
Raghu Menon
Chairman

sd/-
R. K. Singh
Director

Place : Mumbai
Date : 17 December 2008

**SCHEDULE 12****Balance Sheet Abstract and Company's General Business Profile**

Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956

I Registration Details:					
Registration No.	55-120790	State Code	:	55	
Balance Sheet Date	March 31,2008				
II Capital Raised during the Year (Amount in Rupees)					
Public Issue	:	NIL	Rights Issue	:	NIL
Bonus Issue	:	NIL	Private Placement	:	NIL
III Position of Mobilisation and Deployment of Funds (Amount in Rupees)					
Total Liabilities	515311	Total Assets	:	515311	
Source of Funds					
Paid Up Capital	500000	Reserves and Surplus	:	NIL	
Secured Loans	NIL	Unsecured Loans	:	NIL	
		Deferred Tax Liability	:	15311	
Application of Funds:					
Net Fixed Assets	47579	Investments	:	NIL	
Net Current Assets	(17323101)	Misc.Expenditure	:	4008900	
Accumulated Losses	13781933				
IV Performance of Company (Amount in Rupees)					
Turnover	308039455	Total Expenditure	:	319176171	
Extraordinary Item		Profit/(Loss)After Tax:	:	*(11175448)	
Profit/(Loss) Before Tax	(111,36,716)				
Earning per Share (Basic)	(224)				
*(Includes Deferred Tax Benefit of Rs.5173 (Previous Year Rs.3010))					
V. Generic Names of Three Principle Products / Services of Company					
Product Description	Ground Handling Services of various airlines				

As per our report attached

**For Pee Dee Kapur & Co.
Chartered Accountants**

For and on behalf of the Board

sd/-
Sapna Kapur
Partner
Membership No. 501000sd/-
Raghu Menon
Chairmansd/-
R. K. Singh
DirectorPlace : Mumbai
Date : 17 December 2008