



**AIR INDIA ENGINEERING
SERVICES LIMITED**



CONTENTS

	Page No.
1. Board of Directors	1
2. Directors' Report 2007-08	2
3. Comments of the Comptroller & Auditor General of India for the year ended 31 March 2008	4
4. Statutory Auditor's Report for 2007-08	5
5. Balance Sheet as at 31 March 2008	7
6. Profit & Loss Account for the year ended 31 March 2008	8
7. Cash Flow Statement 2007-08	9
8. Schedules forming part of the Accounts 2007-08	10

BOARD OF DIRECTORS (AS ON 29.12.2008)

Shri Raghu Menon

Chairman

Smt. Vilasini Ramachandran

Shri R. K. Singh

Shri N. Vaghul

Chief Operating Officer

Shri K. M. Unni

Auditors

M/s J. P. J. Associates
Chartered Accountants,
Mumbai

Bankers

HDFC Bank Limited

Registered Office

3rd Floor, Tower II
Jeevan Bharati Building
124, Connaught Circus
New Delhi - 110 001



Company. Also, consequent upon completion of tenure as Joint Managing Director, NACIL and his appointment as Additional Secretary & Financial Advisor, Ministry of Home Affairs, Shri V. Trivedi ceased to be Director.

Shri Rajiv Bansal, Director, Ministry of Civil Aviation was appointed Director of the Company with effect from 10 September 2007. He ceased to be Director of the Company effective 23 November 2007.

Shri Raghu Menon took over as Chairman of the Company effective 25 April 2008 on the reconstitution of the Board of the Company.

The Board places on record its appreciation of the valuable services rendered by Shri V. Thulasidas as Chairman and S/Shri Rajiv Bansal and V. Trivedi, as Directors.

The Board met four times during the year.

COMMENTS OF COMPTROLLER AND AUDITOR GENERAL

The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31 March 2008 are annexed to this Report.

AUDITORS

M/s J. P. J. Associates, Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the year 2007-08 by the Comptroller & Auditor General of India.

ACKNOWLEDGEMENTS

The Board gratefully acknowledges the support and guidance received from NACIL and the Ministry of Civil Aviation. The Board expresses their grateful thanks to the Comptroller and Auditor General of India, the Ministry of Corporate Affairs and the Statutory Auditors.

For & on behalf of the Board

sd/-
RAGHU MENON
Chairman

Place : Mumbai
Date : 5 September 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 ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2008.

The Preparation of financial statements of Air India Engineering 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 auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements 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 5 September 2008.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3)(b) of the Companies Act, 1956 of the financial statements of Air India Engineering Services Limited for the year ended 31 March 2008. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619 (4) of the Companies Act, 1956.

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

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

Place : Mumbai
Date : 25 September 2008



**AUDITORS' REPORT
TO THE MEMBERS OF AIR INDIA ENGINEERING SERVICES LIMITED**

1. We have audited the attached Balance Sheet of 'AIR INDIA ENGINEERING SERVICES LIMITED' as at 31st March, 2008 and Profit and Loss Account and the Cash Flow Statement for the year ended on that date. 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 the 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 test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis of our opinion.
3. We report that
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) In our opinion, proper Books of Account as required by Law have been kept by the Company, so far as appears from our examination of these books;
 - c) The Balance Sheet, the Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
 - d) In our opinion and to the best of our information and according to the explanations given to us the said accounts, the Profit and Loss Account, Balance Sheet and Cash Flow Statement comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956 to the extent applicable ;

In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the notes thereon, give the information required by 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008 ;
 - ii. in the case of the Profit and Loss Account of the LOSS of the company for the year ended on that date;
 - iii. In case of the Cash Flow Statement of the cash flow for the year ended on that date.
 - e) The Company has taken stand that it is a Government Company and hence the disqualification of directors under the provisions of section 274(1)(g) of the Companies Act, 1956 in the light of the circular No.2/5/2001-CL.V; General Circular No.8/2002 dated 22nd March, 2002, is not applicable to it.
4. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report on the matters specified in the paragraph 4 and 5 of the said Order as under :
 - i. a) The Company has no fixed assets hence clauses relating to Fixed Assets are not applicable.
 - ii. a) The Company has no stocks hence clauses relating to Stock are not applicable.
 - iii. a) The Company has not granted or taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - iv. Since the Company has not started its operations, clause iv is not applicable.
 - v. Since the Company has not started its operations, clause v is not applicable.
 - vi. The Company has not accepted deposits from the public within the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
 - vii. There is no internal audit system applicable to the Company.



- viii. The Central Government has not prescribed for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- ix. a) According to the records of the Company, the Company has no undisputed statutory dues as the Company has not started its operations, including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Customs Duty, and any other statutory dues with the appropriate authorities. There were no arrears of undisputed statutory dues as at 31st March, 2008 which were outstanding for a period of more than six months from the date they became payable. We are informed that there is no liability towards Investor Education and Protection Fund, Employees' State Insurance, Wealth Tax, Cess and Excise Duty for the year under audit ;
- b) There are no disputed dues which have remained unpaid as on 31st March, 2008 in respect of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty, Cess.
- x. Since the Company has not started its operations, clause x is not applicable.
- xi. On the basis of the verification of records and information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. The Company has not issued any debentures during the year.
- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company does not carry on the business of a chit fund. Therefore, the provisions of clause xiii are not applicable.
- xiv. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause xiv are not applicable.
- xv. According to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore, the provisions of clause xv are not applicable.
- xvi. According to the records of the Company, the Company has not taken term loans (long term). Therefore, the provisions of clause xvi are not applicable.
- xvii. According to the information and explanations given to us, we report that funds raised on short-term basis have not been used for long term investment.
- xviii. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- xix. Since no debentures have been issued during the year, question of creating securities does not arise.
- xx. No money is raised by public issue.
- xxi. Based on the audit procedure performed and the representation obtained from the management, we report that no case of fraud on or by the Company has been noticed or reported during the year under audit.

**For J.P.J. ASSOCIATES
Chartered Accountants**

sd/-
PRAVIN R. DESHPANDE
Partner

Place : Mumbai
Date : 5 September 2008



BALANCE SHEET AS ON 31 MARCH, 2008

(Amount in Rupees)

Particulars	Schedule	31 March 2008	31 March 2007
I. Sources of funds :			
1 Shareholder's funds:			
a) Share Capital	A	500,000.00	500,000.00
2 Loan Fund :			
Unsecured Loans : (From Air India Ltd.)		892,874.00	882,560.00
TOTAL		1,392,874.00	1,382,560.00
II. Application of funds :			
1 Current Assets, Loans & Advances :			
a) Current Account with HDFC Bank (Scheduled Bank)		500,000.00	500,000.00
Less : Current Liabilities and Provisions :		5,618.00	5,618.00
Net Current Assets		494,382.00	494,382.00
2 Deferred Tax Asset		240,620.00	185,231.00
3 Miscellaneous Expenditure (to the extent not written off or adjusted)			
- Preliminary Expenses		168,940.00	337,880.00
4 Profit and Loss Account		488,932.00	365,067.00
TOTAL		1,392,874.00	1,382,560.00
Significant Accounting Policies	B		
Notes on Accounts	C		

As per my Report of Even Date

For J.P.J. Associates
Chartered Accountants

For and on behalf of the Board

sd/-
Pravin R. Deshpande
Partnersd/-
Raghu Menon
Chairmansd/-
R. K. Singh
DirectorPlace : Mumbai
Date : 5 September 2008



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31 MARCH, 2008

(Amount in Rupees)

Particulars	Schedule	2007-08	2006-07
1 Income		-	-
Total Income		-	-
2 Expenditure			
i) ROC Filing Fees		2,000.00	14,000.00
ii) Audit Fees (Statutory Audit Fees incl of Service Tax)		5,618.00	5,618.00
iii) Professional Charges		2,696.00	8,636.00
iv) Preliminary Expenses Written Off		168,940.00	168,940.00
Total Expenditure		179,254.00	197,194.00
Profit / (Loss) for the year		(179,254.00)	(197,194.00)
Add : Deferred Tax		55,389.00	66,376.00
Profit/ (Loss) after Tax		(123,865.00)	(130,818.00)
Less : Balance Profit (Loss) Brought Forward Previous Year		(365,067.00)	(234,249.00)
Profit (Loss) Carried Forward to the Balance Sheet		(488,932.00)	(365,067.00)

As per my Report of Even Date

For J.P.J. Associates
Chartered Accountants

For and on behalf of the Board

sd/-
Pravin R. Deshpande
Partnersd/-
Raghu Menon
Chairmansd/-
R. K. Singh
DirectorPlace : Mumbai
Date : 5 September 2008



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008

(Amount in Rupees)

Particulars	Year Ended		Year Ended
	31 March 2008		31 March 2007
1 Cash Flow from Operating Activity			
Net Profit (Loss) Before Tax as per Profit and Loss A/c	(179,254)		(197,194)
Adjusted for Preliminary Expenses Written Off	168,940		168,940
Operating Profit (Loss) Before Working Capital Changes	(10,314)		(28,254)
Adjusted for Current Liabilities	-		(5,606)
Net Cash flow from Operating Activities		(10,314)	(33,860)
2 Cash Flow from Investing Activity		-	-
3 Cash flow from Financing Activities			
Proceeds from Issue of Share Capital	-		-
Preliminary Expenses	-		-
Loans adjustment	10,314		33,860
Net Cash flow from Financing Activities		10,314	33,860
Net Increase/ (Decrease) in cash and Cash Equivalents		-	-
Opening Balance of Cash / Cash Equivalents		500,000	500,000
Closing Balance of Cash / Cash Equivalents		500,000	500,000

As per my Report of Even Date

For J.P.J. Associates
Chartered Accountants

For and on behalf of the Board

sd/-
Pravin R. Deshpande
Partner

sd/-
Raghu Menon
Chairman

sd/-
R. K. Singh
Director

Place : Mumbai
Date : 5 September 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE "A" : SHARE CAPITAL :

(Amount in Rupees)

Particulars	31/03/2008	31/03/2007
AUTHORISED		
9,000,000 Equity Shares of Rs.10/- each	90,000,000.00	90,000,000.00
100,000 Preference Shares of Rs.100/- each	10,000,000.00	10,000,000.00
TOTAL	100,000,000.00	100,000,000.00
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
50,000 Equity Shares of Rs.10/- each	500,000.00	500,000.00
TOTAL	500,000.00	500,000.00

SCHEDULE "B" : SIGNIFICANT ACCOUNTING POLICIES :**1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS :**

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956. The company follows mercantile system of accounting.

2 PROVISION FOR CURRENT AND DEFERRED TAX :

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from 'timing differences' between book and taxable profit is accounted for using the tax rates and laws that have been enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward to the extent that there is reasonable certainty that the asset will be realised in future.

3 PRELIMINARY EXPENSES :

Preliminary expenses are written off over a period of five years in accordance with the provisions of Section 35 D of the Income Tax Act, 1961.

SCHEDULE "C" : NOTES ON ACCOUNTS :

- The previous year's figures are regrouped or rearranged wherever necessary.
- Quantitative details :** Not Applicable as the Company has not started its activities.
- Expenditure and earning in Foreign Currency : Rs. NIL.
- Deferred Tax Assets Comprise of the following

(Amount in Rupees)

	AS AT 31 March 2008	AS AT 31 March 2007
Disallowance under Income Tax Act	174,244.00	118,855.00



5 The Company has not yet commenced the operations. The accounts are prepared on the basis of "Going Concern".

6 **Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.**

A. Registration Details :

Registration No. : 125114
State Code : 55
Balance Sheet Date : 31-03-2008

B. Capital raised during the year : Rs.Nil

C. Position of mobilization and deployment of funds : (Rs. In thousands)

Total Liabilities : Rs.1,392.87 Total Assets : Rs.1,392.87

Sources of Funds :

Paid up Capital : Rs. 500.00 Reserves & Surplus : -
Secured Loans : - Unsecured Loans : Rs. 892.87

Application of Funds :

Net Fixed Assets : - Investments : -
Net Current Assets : Rs. 494.38 Miscellaneous Exp. : Rs.168.94
Accumulated Losses : 488.93

D. Performance of Company :

Turnover / Income : - Total Expenditure : Rs. 179.25
Profit (Loss) before extra ordinary item and taxation : Rs. (179.25) Profit (Loss)Before Tax : Rs. (179.25)
Profit (Loss) After Tax : Rs. (123.87) Earning per share : -

E. Generic Names of Principal products, services of the Company :

Item Code : Not Applicable
Product Description : Not Applicable

As per my Report of Even Date

For J.P.J. Associates
Chartered Accountants

For and on behalf of the Board

sd/-
Pravin R. Deshpande
Partner

sd/-
Raghu Menon
Chairman

sd/-
R. K. Singh
Director

Place : Mumbai
Date : 5 September 2008