



VAYUDOOT LIMITED



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BOARD OF DIRECTORS (2007-08)

Shri Vishwapati Trivedi

Chairman

Shri S. Chandrasekhar

Shri Rajiv Bansal

Smt. Abha Shukla

Auditor

M/s. Lalit Gupta & Associates
Chartered Accountants
412, Arunachal Building
19, Barakhamba Road
Connaught Place
New Delhi - 110 001

Legal Advisor

M/s. Bhasin & Co.
10th Floor, 10 Hailey Road
New Delhi-110 001

Bankers

Bank of India
Vijaya Bank
State Bank of India

Registered Office

Safdarjung Airport
New Delhi.

**DIRECTORS' REPORT**

To
The Shareholders,
Vayudoot Limited

The Directors have pleasure in presenting the Twenty seventh Report together with the Company's audited statements of accounts for the year ended 31st March, 2008.

MERGER OF THE COMPANY WITH INDIAN AIRLINES LTD. (NOW NACIL)

Ministry of Civil Aviation, Government of India, vide its letter dated 25th May, 1993 conveyed its decision to merge the company with erstwhile Indian Airlines Ltd., now merged with NACIL effective 27th August 2007. Consequently, the entire shareholding of the company is being held by NACIL. The company therefore is a wholly owned subsidiary of NACIL. During the year, the company did not undertake any flight operations as its operations were transferred to NACIL. As on date, the company is remaining as a "Shell" company pending completion of legal formalities related to merger.

1. FINANCIAL RESULTS

During the year under review, the company did not undertake any flight operations or any other commercial activity. As a result of this, the company did not generate any revenue from operations. The total expenditure during the year was Rs. 09.24 lacs mainly on account of depreciation and audit fee etc. Total loss for the year was Rs. 09.24 lacs.

2. FLEET

The total fleet available as at the close of the year was two Dornier Do-228 aircraft. These two aircraft were being maintained and used for operations by NACIL. NACIL Board, in its Fourteenth Meeting held on 3rd August 2008, has accorded approval to phase out these aircraft and to take all necessary steps for disposal of the aircraft.

3. CAPITAL STRUCTURE

The issued, subscribed and paid up capital of the company as at 31st March 2008 was the same as that in the previous year i.e Rs. 36.42 crores being 3,64,200 fully paid up equity shares of Rs.1000/- each held by NACIL. There has been no change in the capital structure of the company since 1993-94.

4. MANPOWER

Consequent to the merger decision, the employees of the company were absorbed in NACIL. The total manpower strength of the company as on 31.3.2008 was nil as against nil as at 31.3.2007.

5. PARTICULARS OF EMPLOYEES

As required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 regarding the information of particulars of employees is Nil.

6. DIRECTORS' RESPONSIBILITY REPORT

Your Directors confirm:-

- i) that in the preparation of accounts for the period ended 31st March, 2008, the applicable Accounting Standards has been followed and there are no material departures. However, as per the accounting policies in vogue over the years, the warranty claims, interest recoverable and the Gratuity payments, if any, are accounted on actual receipt/payment basis,
- ii) that the selected accounting policies are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the year end and of the profit and loss of the company for that period and applied them consistently,
- iii) that proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities, including reporting of loss of certain Minutes Book of Board Meetings of the company,
- iv) that consequent to the decision of the Government of India in May 1993 to merge the Company with erstwhile Indian Airlines Ltd., now merged with NACIL, the Company is not undertaking any commercial activity since April 1997 and the accounts are being prepared to facilitate legal formalities related to the merger. The liabilities of the Company have been frozen as per the

Government of India's moratorium decisions on its dues. In view of the same, the assets and liabilities have not been revalued and the accounts for the period ended 31st March 2008 had been prepared accordingly.

7. **AUDIT COMMITTEE**

The present Audit Committee constituted pursuant to Section 292(A) of the Companies Act, 1956, as amended *vide* the Companies (Amendment) Act, 2000, consists of three Directors of the company, Shri S. Chandrasekhar, Ms. Abha Shukla and Shri Raja Sekhar Reddy Lakkadi. During the year 2007-08 one committee meeting was held on 7 September 2007.

8. **AUDIT OF ACCOUNTS**

The Comptroller & Auditor General of India, has appointed M/s Lalit Gupta & Associates, Chartered Accountants as Statutory auditors.

9. **REPLY TO REMARKS OF STATUTORY AUDITORS**

The Board has noted the remarks of Auditors contained in their Report dated 16th Dec. 2008. Directors' reply to the Auditors Report is annexed.

10. **BOARD OF DIRECTORS**

During the year, the Board of Directors held four meetings. As on 31st March 2008, the Board consists of following Directors:-

- | | | |
|----|--|----------|
| 1. | Shri Vishwapati Trivedi
Chairman & Managing Director,
Indian Airlines Ltd. (now NACIL) | Chairman |
| 2. | Shri S. Chandrasekhar
Director-Finance
Indian Airlines Ltd. (now NACIL) | Director |
| 3. | Shri Rajiv Bansal
Director,
Ministry of Civil Aviation | Director |
| 4. | Ms. Abha Shukla
Director,
Ministry of Civil Aviation | Director |

Ministry of Civil Aviation vide its letter reference no. AV18013/04/2007-IA dated 11th June, 2008 reconstituted Board of Directors as follows :

- | | | |
|----|---|----------|
| 1. | Chairman & Managing Director
National Aviation Company of India Ltd. | Chairman |
| 2. | Director (Finance), NACIL | Director |
| 3. | SBU Head-MRO (Engines & Components), NACIL | Director |
| 4. | Director (Finance), Ministry of Civil Aviation | Director |
| 5. | Director, Ministry of Civil Aviation | Director |

11. **ACKNOWLEDGEMENT**

The Board places on record its appreciation to Shri Vishwapati Trivedi and Shri Rajiv Bansal for their valuable contribution and for their support/guidance.

For and on behalf of the Board

sd/-
Raghu Menon
Chairman

Place : New Delhi
Date : 26 December 2008



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF VAYUDOOT LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2008.

The preparation of financial statements of **Vayudoot Limited** for the year ended 31st 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 16 December 2008.

I on behalf of Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditor's on the accounts of **Vayudoot Limited** for the year ended 31 March 2008 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

sd/-
Birendra Kumar
Principal Director of Commercial Audit
& ex-officio Member, Audit Board-I New Delhi.

Place : New Delhi
Date : 26 December 2008

AUDITOR'S REPORT

AUDITOR'S REPORT TO THE MEMBERS OF VAYUDOOT LIMITED

We have audited the attached Balance Sheet of M/S Vayudoot Ltd. as at 31st March, 2008 and the Profit & Loss Account for the period ended on that date annexed thereto. We report that:

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.

We have 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the "Companies (Auditor's Report) order, 2003" issued by the Govt. of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate, a statement on the matters specified in paragraphs 4 and 5 of the said order is enclosed in Annexure.
2. Further to our comments in the annexure referred to in Paragraph 1 above, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books.
 - c. The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of accounts.
 - d. *In our opinion, the Profit & Loss Account and Balance Sheet referred to in this report do not comply with some of Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 Such non compliance have been reported in the respective paragraphs hereunder.*
 - e. As per the information & explanations given to us, in view of the Gazette notification no. GSR 829 (E) dt.21.10.2003 issued by the Central Govt. the Govt. companies are exempt from applicability of the provision of Section 274 (l)(g) of the Companies Act, 1956.
 - f. In our opinion and to the best of our information & according to the explanations given to us and subject to:
 - i. *As per Accounting Policy No.7 stated in Schedule 11, relating to Warranty claims and interest recoverable, the impact of the same has not been ascertained (Non Compliance of AS-9).*
 - ii. *Fixed Assets held for disposal have been valued at books value as against lower of realizable value or book value in the absence of ascertainment of realizable value of the same (non compliance of AS-10).*
 - iii. *Ministry of Civil Aviation, Govt. of India issued notification No. AV 18030/3/97-ACIA (Vol. IV) dt.17 January 2005 and Office Memorandum dt. 21st February 2005 in respect of scheme of merger of Vayudoot Ltd. With Indian Airlines Ltd. As per these notification a one-time non-plan budgetary assistance of Rs. 1,38,30,75,560/- has been granted to M/S Indian Airlines to clear some of the due in full and final settlement of their claims detailed hereunder:*

a)	Hindustan Aeronautics Limited	Rs. 1,14,70,00,000.00
b)	Oil & Natural Gas Commission	Rs. 7,88,28,767.00
c)	Oil Companies	Rs. 8,99,92,000.00
d)	Banks	Rs. 4,37,54,793.00
e)	Others	Rs. 2,35,00,000.00
	Total	Rs. 1,38,30,75,560.00



- iv. Further vide the above stated notification and also office memorandum dt. 21.02.2005, Ministry of Civil Aviation have issued directions for write off various outstanding liabilities detailed as under:

Sl. No.	Name of the Party	Nature of Liability	Amount (Rs.)
1	Indian Airlines		691563231
2	Air India	Unsecured loan with accrued interest	170637210
3	IAAI	Unsecured loan with accrued interest	77016052
4	National Airport Authority		148660130
5	Ministry of Civil Aviation	Unsecured loan with accrued interest	159668187
6	IATT		31043247
	Total		1278588057

Attention is invited to note no. B.2 of Schedule no. 11 of "Notes to accounts" annex to the balance sheet where in it has been explained that liabilities detailed above continued to be reflected at the original book values and necessary accounting adjustments shall be made in the books of Indian Airlines Ltd. at the time of legal merger.

v. **Schedule 5 : Fixed Assets:**

- a. This includes Fixed Assets transferred from erstwhile Agro Aviation Division at a nominal value of Rs. 1/-. The value of assets of Rs. 1/- is not a fair value of these assets and not in consistence with AS-10 of the Institute of Chartered Accountants of India relating to Accounting for Fixed Assets. (Non compliance of AS-10). Impact of the same is not ascertainable in the absence of details of fair market value.
- b. Attention is also drawn to Note no. 5, regarding operation of Vayudoot's Aircraft by IAL and incurring all expenditure on maintenance of these Aircraft.

vi. **Schedule 6 : Loans & Advances of Rs. 1179950/- (P.Y. Rs. 1229950/-)**

- a. Loans & Advances amounting to Rs. 1179950/- (P.Y. Rs. 1229950/-) have been considered good by the company. In absence of any confirmations from the parties it is not possible to comment upon the classification & correctness of these loans and advances.
- b. Note no. 8 stated in Schedule 11, in the, absence of non reconciliation/confirmation of various balances of parties outstanding in Debit/Credit, the correctness of same cannot be commented upon.

vii. **Proposed merger of the Company with Indian Airlines Limited, - Now NACIL.**

The Ministry of Civil Aviation vide its letter no. AV.18013/44/92- ACVL dated 25th May 1993 had decided that Vayudoot Ltd., should be merged with Indian Airlines Ltd. As a follow up measures, the entire shareholdings of Air India Ltd. amounting to Rs. 18.21 Crores has since been transferred to Indian Airlines Ltd. making the company a wholly owned subsidiary of Indian Airlines Ltd.

Five years moratorium on dues owned by Vayudoot Ltd. and debt servicing thereof on dues owned to all Government/Public Sector Undertakings/Banks had been placed. This moratorium was further extended for another two years till 25th May 2000 vide Ministry of Civil Aviation Notification No. AV.18030/3/97-ACIA dated 3rd June 1999 and further extended upto 30th September 2006 vide letter no. AV18030/3/97-ACIA dated 28th July 2006. As such the interest liabilities on loans taken by the company has not been provided in the accounts.

Pending completion of legal formalities related to the merger, the company remains as a "Shell Company", as on date. The Company has no flight operations nor is undertaking any other activity since April, 1997. The Company, as such, is not a going concern; as per the Government Order related to the merger, the assets and liabilities of the company are

reflected as per book value and no adjustments have been made. The Net realisable value of the assets has neither been calculated nor ascertained. Disclosure in this regard has been made in note no. 1(c) (iii) of Schedule 11.

The said Balance Sheet and Profit & Loss Account read with the notes (Schedule-11), thereon give the information required by the Companies Act, 1956 in the manner so required and subject to our **observations as given above in para f(i) to f(vii) give a true and fair view :**

- 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 Profit & Loss Account of the LOSS of the Company for the year ended on that date.

For Lalit Gupta & Associates
Chartered Accountants

sd/-
L.K. Gupta
Partner

Place : New Delhi

Date : 16 December 2008



ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008 OF VAYUDOOT LTD.

1. a) The Company has maintained records showing, full particulars including, quantitative details and situation of fixed assets. However, Fixed Assets Register had not been maintained, as per requirement of Section 205 and 350 of the Companies Act, 1956 as opening balance, quantity, location, original cost, depreciation were not stated in the same except in respect of aircrafts, aircrafts engines and vehicles for which the Fixed Assets Register is maintained in which these particulars were available.
- b) The Company does not have its own policy for physical verification of Fixed Assets owned by the company. In the absence of relevant records in the Fixed Assets Register, we are unable to comment about the availability of Fixed Assets as items stated in Schedule of Fixed Assets as on 31-03-2008 except for Aircrafts and Engines. Physical verification of other fixed assets was carried out during the year. However, in the absence of proper fixed assets register, the discrepancies, if any, remain unascertained. Majority of these assets are stated to be used by M/s. Indian Airlines Ltd. (now NACIL).
- c) No fixed assets have been disposed of during the year which could effect the company as a going concern. In this connection our observations at para 2(f)(vii) of the main report may please be referred where we have stated that company is no longer a going concern.
2. As per the information & explanation given to us, entire stock of stores & spares is in the custody of Indian Airlines Ltd. and physical verification if any would have been conducted by them. No records in this regard are available with the company. In the books of accounts 100% provision has already been made towards obsolescence.
3. a) The company has not granted any loans secured or unsecured to companies, firms or other parties required to be listed in the register maintained u/s 301 of the Companies Act, 1956. The company has taken unsecured loan from four parties aggregating Rs. 53.74 crores as per Schedule 4 of Balance Sheet.
- b) *In respect of rate of interest and other terms and conditions of the deposits taken by the company attention is invited to note no. 1 of schedule no 11 part B- Notes on accounts and our observations in para 2(f) of main audit report.*
- c) The company is only a shell company awaiting legal merger with IAL. All the liabilities as per the terms of the merger are to be discharged by IAL.
4. Since the company is not carrying on any business and there has been no transaction for purchase of inventories and fixed assets and for sale of goods the provision of the para regarding internal control procedures is not applicable during the year.
5. According to the information and explanation given to us, the company has not made any transactions of purchase of goods and materials and sale of goods, materials or services which are required to be entered in the register maintained under section 301 of the Companies Act, 1956.
6. According to the information and explanation given to us the company did not accept deposit from the public and as such provisions of this para are not applicable.
7. The company does not have any internal audit system.
8. The Central Government has not prescribed the maintenance of cost records under section 209(l)(d) of the Companies Act, 1956 for any of the products of the company.
9. The accumulated losses of the company at Rs. 257.81 crores far exceed the net worth of the company. The company has not been carrying on any business since 1.4.1997. Company incurred cash losses in the year under audit and also in the immediate preceding year.
10. The company has not granted any loans and advances on the basis of any security by way of pledge.
11. Provision of clause 4 (xiii) regarding Chit Fund is not applicable.
12. The company is not dealing in or trading in shares/securities and debentures and other investments. Accordingly clause 4(xiv) is not applicable.
13. As per the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions.



14. During the year the company did not take any loan. The company has since stopped its business operations with effect from 1.4.1997, therefore the utilisation of term loans taken prior to that period cannot be commented upon.
15. The government of India vide its order dated 25.05.1993 passed the order of merger of the company with Indian Airlines Ltd. and moratorium was placed. The assets and liabilities are outstanding for quite a long time. Therefore we are not in a position to give our comments on utilisation of funds.
16. The company has not made any allotment of shares during the year.
17. Provisions of clause of 4(xix) in respect of debentures is not applicable.
18. Provisions of clause of 4(xx) regarding end use of money raised by public issue is not applicable.
19. As per the information and explanation given to us no case of any fraud on or by the company has been noticed or reported during the year.

For Lalit Gupta & Associates
Chartered Accountants

sd/-
L.K. Gupta
Partner

Place : New Delhi
Date : 16 December 2008.



DIRECTORS' REPLY TO THE AUDITORS REPORT ON BALANCE SHEET AS ON 31st MARCH, 2008 AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

The Board of Directors have gone through the Auditor's Report on the Balance Sheet as on 31st March, 2008 and the Profit & Loss account for the year ended on that date. The Board's replies to the auditor's comments given in the said report are as under :

Auditor's Comments Vide Para No.	Management Replies
2(f)(i)	This is in accordance with the Accounting Policy of the Company being followed consistently over the years.
2(f)(ii)(iii) & (iv)	This is a statement of fact.
2(f) (v)(a)	This is in accordance with the decision of the Government of India. Since no valuation was available when these assets were transferred nominal value of Re.1 was considered. More-over the aircraft/Helicopters of the Agro Aviation Division were disposed off in 2002-03 and as directed by the Government, equity shares were issued by Indian Airlines to the Government of India for the entire sale proceeds.
2(f)(v)(b)	This is a statement of fact.
2(f)(vi)(a)	The management is of the view that the loans and advances as reflected are generally recoverable.
2(f)(vi)(b)	All loan amounts have been confirmed. Balances with oil companies were also confirmed. Other suppliers etc. the same is in correspondence.
2(f) (vii)	This is a statement of fact. Referring to the annexure to the Auditor's Report, the comments are self explanatory and are in the nature of statutory requirement. However, our comments wherever required are as under :-
Para (1) (a, b & c)	A separate fixed assets register is being maintained for each year showing full details required by the order. As per para 12(g) of the order, it is not necessary to show item wise details of opening balance of each fixed assets. Regarding physical verification, the aircraft and engines consist of 66% of the total assets, which been duly physically verified. For the remaining assets, a committee has been formed for ascertaining the physical position of the assets. The task is in progress. However, the points have been noted.
Para (2)	Since the flight operations have been transferred to IAL, such records are maintained by them.
Para (7)	Consequent to the merger decision, the Company has discontinued its flight operations and did not undertake any commercial activity. There are only few entries passed at Hqrs. As such, the Management is of the view that internal audit is not required.

For and on behalf of the Board

sd/-
S. Chandrasekhar
Director

Place : New Delhi
Date : 16 December 2008.

BALANCE SHEET AS AT 31st MARCH 2008

(Amount in Rupees)

Particulars	Schedule	March 31, 2008		March 31, 2007	
Sources of Funds					
1. Shareholders' Fund					
a. Share Capital	1	364,200,000		364,200,000	
b. Reserve & Surplus	2	35,438,127	399,638,127	35,438,127	399,638,127
2. Loan Funds					
a. Secured Loans	3	-		-	
b. Unsecured Loans	4	537,404,745	537,404,745	537,404,745	537,404,745
Total fund employed			937,042,872		937,042,872
1. Application of Funds					
Fixed Assets	5				
a. Gross Block		94,471,837		94,471,837	
b. Less Depreciation		83,583,892		82,874,112	
Net Block			10,887,945		11,597,725
2. Current Assets Loans and Advances	6				
A. Current Assets :					
(i) Inventories		-		-	
(ii) Sundry Debtors		15,530,419		15,530,419	
(iii) Cash & Bank Balances		17,365		18,715	
(iv) Loans & Advances		1,179,950	16,727,734	1,229,950	16,779,084
3. LESS : Current Liabilities & Provisions	7				
a. Current Liabilities		1,576,609,831		1,576,447,385	
b. Provisions		92,093,903	1,668,703,734	92,093,903	1,668,541,288
Net Current Assets			(1,651,976,000)		(1,651,762,204)
4. Miscellaneous Expenditures					
Profit & Loss Account			2,578,130,927		2,577,207,351
Total Assets			937,042,872		937,042,872

As per our report of even date attached

For Lalit Gupta & Associates
Chartered Accountants

For and on behalf of the Board

sd/-
Lalit K. Gupta
Partner

sd/-
Raghu Menon
Chairman

sd/-
S. Chandrasekhar
Director

sd/-
R. Thyagarajan
General Manager (Finance)

Place : New Delhi
Date : 16 December 2008



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

(Amount in Rupees)

Particulars	Schedule	2007-08	2006-07
Income			
Non-Operating Revenue	8	-	5,180
Total Revenue		-	5,180
Expenditure			
1. Employees Remuneration & Benefits	9	17,502	34,301
2. Office & Administrative Expenses	10	196,294	45,390
3. Non Operating Expenses		-	-
4. Depreciation	5	709,780	800,179
5. Write Off Of Asset		-	-
Total Expenditure		923,576	879,870
Profit/(Loss) Before the Prior Year Adjustment		(923,576)	(874,690)
Net Profit/(Loss) for the year Before Tax		(923,576)	(874,690)
Provision for Taxation		-	-
Net Profit/(Loss) for the Year		(923,576)	(874,690)
Balance of Loss Brought Forward from Previous Year		(2,577,207,351)	(2,576,332,661)
Balance of (Loss)/Profit Carried To Balance Sheet		(2,578,130,927)	(2,577,207,351)

As per our report of even date attached

For Lalit Gupta & Associates
Chartered Accountants

For and on behalf of the Board

sd/-
Lalit K. Gupta
Partner

sd/-
Raghu Menon
Chairman

sd/-
S. Chandrasekhar
Director

sd/-
R. Thyagarajan
General Manager (Finance)

Place : New Delhi
Date : 16 December 2008

SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET
SCHEDULE-1 : SHARE CAPITAL
(Amount in Rupees)

Particulars	(Amount in Rupees)	
	March 31, 2008	March 31, 2007
AUTHORISED SHARE CAPITAL		
500000 Equity Shares of Rs. 1000/- each	500,000,000	500,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
364200 Equity Shares of Rs. 1000/- Each Fully paid up for cash	364,200,000	364,200,000
	364,200,000	364,200,000

SCHEDULE-2 : RESERVES & SURPLUS
(Amount in Rupees)

Particulars	(Amount in Rupees)	
	March 31, 2008	March 31, 2007
Capital Reserve	35,438,127	35,438,127
	35,438,127	35,438,127

SCHEDULE-3 : SECURED LOANS
(Amount in Rupees)

Particulars	(Amount in Rupees)	
	March 31, 2008	March 31, 2007
Secured Loans	-	-
(Secured from Bank by Hypothication of Inventories of Aircraft Spares and Rotables, inward RR's/GR's Bills of lading, trust, receipt and book debts)	-	-

SCHEDULE-4 : UNSECURED LOANS AND ADVANCES
(Amount in Rupees)

Particulars	March 31, 2008		March 31, 2007	
Unsecured Loans and Advances				
a) From Banks				
Bank of India	-	-	-	-
b) From Others				
Air India	170,637,210		170,637,210	
Indian Airlines	130,083,296		130,083,296	
I.A.A.I.	77,016,052		77,016,052	
Ministry of civil aviation	159,668,187	537,404,745	159,668,187	537,404,745
Total Loan		537,404,745		537,404,745

SCHEDULE-5 : FIXED ASSETS & DEPRECIATION

(Amount in Rupees)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	as at 1.4.2007	additions during the year	adjustment made during the year	as at 31.3.2008	upto 31.3.2007	provided for the year	added back	upto 31.3.2008	as at 31.3.2008	as at 31.3.2007
AIRCRAFT	53,794,356	-	-	53,794,356	48,414,919	-	-	48,414,919	5,379,437	5,379,437
AIRCRAFT ENGINE	8,731,568	-	-	8,731,568	8,131,568	-	-	8,131,568	600,000	600,000
SUB TOTAL	62,525,924	-	-	62,525,924	56,546,487	-	-	56,546,487	5,979,437	5,979,437
GROUND SUPPORT	15,884,674	-	-	15,884,674	14,645,317	334,844	-	14,980,161	904,513	1,239,357
SUB TOTAL	15,884,674	-	-	15,884,674	14,645,317	334,844	-	14,980,161	904,513	1,239,357
FURNITURE & FIXTURES	15,080,741	-	-	15,080,741	10,741,331	374,936	-	11,116,267	3,964,474	4,339,410
SUB TOTAL	15,080,741	-	-	15,080,741	10,741,331	374,936	-	11,116,267	3,964,474	4,339,410
MOTOR VEHICLES	980,498	-	-	980,498	940,977	-	-	940,977	39,521	39,521
TOTAL ASSETS	94,471,837	-	-	94,471,837	82,874,112	709,780	-	83,583,892	10,887,945	11,597,725
PREVIOUS YEAR	94,471,837	-	-	94,471,837	82,073,933	800,179	-	82,874,112	11,597,725	-

Notes : Aircraft includes assets of erstwhile Agro Division at nominal value of Re. 1/-.

SCHEDULE-6 : CURRENT ASSETS, LOANS & ADVANCES

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
A. Current Assets		
1. a) Inventories (Valued at Cost)	67,135,452	67,135,452
Less : Provision for Obsolescence of Inventory	67,135,452	67,135,452
Total	0	0
2. Sundry Debtors		
Debts Outstanding For a period Exceeding 6 months :		
Secured Considered Good	664,514	664,514
Unsecured Considered Good	14,865,905	14,865,905
Unsecured Considered Doubtful	20,895,160	20,895,160
	36,425,579	36,425,579
Less : Provision for Doubtful Debts	20,895,160	20,895,160
	15,530,419	15,530,419
3. Cash and Bank balances		
a) Balances with Scheduled Banks :		
In Current A/c	17,365	18,715
Total	17,365	18,715
B. Loans & Advances		
- Advance Recoverable in Cash or in Kind for the value to be received	-	-
- Unsecured Considered Good	247,978	247,978
- Unsecured Considered Doubtful	52,896	52,896
- Income Tax Deducted at Source	29,388	29,388
- Security Deposit Considered Good	902,584	952,584
- Security Deposit Considered Doubtful	27,100	27,100
Total	1,259,946	1,309,946
Less Provisions	79,996	79,996
Total	1,179,950	1,229,950

SCHEDULE-7 : CURRENT LIABILITIES & PROVISIONS

(Amount in Rupees)

Particulars	March 31, 2008	March 31, 2007
A. Current liabilities	1,538,307,725	1,538,145,279
1. Sundry Creditors	35,434,603	35,434,603
2. Other Liabilities	1,500,568	1,500,568
3. Security Deposit	1,366,935	1,366,935
4. Customers at Credit		
Total	1,576,609,831	1,576,447,385
B. Provisions for Expenses	92,093,903	92,093,903
Total	92,093,903	92,093,903

SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT**SCHEDULE-8 : MISCELLANEOUS INCOME**

(Amount in Rupees)

Particulars	2007-08	2006-07
Amount received from MTNL	-	5,180
Security Deposit Considered Doubtful Recover	-	-
Sundry Debtor Considered Doubtful Recover	-	-
Total	-	5,180

SCHEDULE-9 : EMPLOYEES REMUNERATION & BENEFITS

(Amount in Rupees)

Particulars	2007-08	2006-07
1. Salaries & Wages	17,502	34,301
Total	17,502	34,301

SCHEDULE-10 : ADMINISTRATION EXPENSES

(Amount in Rupees)

Particulars	2007-08	2006-07
1. Office & Misc. Expenses (Bank Charges)	1,350	550
2. Payment to Auditors - Audit Fee	44,944	44,840
3. Interest	61,450	-
4. Rent, Rates & Taxes	88,550	-
Total	196,294	45,390



CCHEDULE - 11

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting :

The accounts have been prepared on historical cost basis.

2. Depreciation :

(i) Depreciation on fixed assets has been charged on straight line method. The depreciation on the assets acquired before 2nd April, 1987 has been charged keeping in view the expected useful life of the various assets as approved by the Board of Directors of the company in its meeting held on 18th April, 1981. In case of aircraft and aircraft engines, the residual value after the expected working life is taken at 10% of the costs whereas, in case of other fixed assets, the residual value is taken at 5% of the cost. Consequent upon amendment of the Companies Act, 1956, by the Companies Amendment Act, 1988, depreciation on assets acquired after 2nd April, 1987 has been charged at the rates prescribed in Schedule XIV of the Companies Act, 1956 as amended from time to time.

(ii) Depreciation rates followed by the Company for assets acquired before 2nd April, 1987 are shown hereunder;

Depriciation of Assets	Rate of Assets Acquired before 2nd April, 1987
Aircraft	7.5%
Aircraft Engine	7.5%
Motor Vehicle	19%
Ground Support Equipment	19%
Furniture & Fixture	9.5%

(iii) No depreciation is provided on assets of Agro Aviation taken in the books at a nominal value of Re. 1/-.

(iv) Depreciation on the assets in the nature of plant and machinery costing Rs. 5,000/- & below has been provided at 100% in the year of purchase itself.

3. Valuation of Stores & Spares

Stores and Spares are valued at cost on first-in-first out basis. Provision for obsolescence of aircraft stores and spares are made upto 100% of the value of Stores and Spares.

4. Prior Period Expense/Income

Transactions relating to earlier period in respect of individual items of expenditure/income exceeding Rs. 10,000/- are accounted for under 'Prior Period Adjustment Account' in the Profit & Loss Account.

5. General Stores, Consumables & Oil

General Stores and Consumables are charged to the Profit & Loss account at the time of purchase.

6. Insurance Claims

Claims recoverable including Lay-up refunds from insurance companies exceeding Rs. 1,00,000/- are accounted for on accrual basis.

7. Warranty Claims and Interest Recoverable

Warranty claims and interest recoverable from ticketing agents and others on delayed payments are accounted for on actual receipt basis.

8. Provision for Doubtful Debts

Provision for doubtful debts is made where the Company has filed a suit in court or on debts which have become time barred, whichever is earlier.

9. Gratuity

Gratuity liability has not been provided for by the company since it is accounted for on cash basis. The



amount of gratuity liability has not been ascertained. However, subsequent to merger notification all the employees have been absorbed by Indian Airlines Ltd./Air India Ltd. and the gratuity liability of the employees for their service with Vayudoot Ltd. is being borne by the respective companies.

10. Subsidy/Grant

Subsidy/Grant-in-aid is accounted for on receipt basis.

B. NOTES :

1. Merger of Vayudoot Ltd. with Indian Airlines Ltd. (now NACIL)

The Government of India, Ministry of Civil Aviation *vide* its letter No. AV.18013/44/92-ACVL dated 25th May, 1993 conveyed its decision to merge the company with Indian Airlines Ltd. (IAL). The Government also decided that :

- a) The Equity share of the company held by Air India will be transferred to IAL for a token consideration.
- b) There will be a moratorium on the dues and servicing of dues owed to Government, Public Sector Undertakings and banks for a period of five years and there after the dues will be discharged by IAL in ten annual instalments. In case of delay in payment of instalment, interest at the bank rate prevailing at that time would be payable.
- c) Pending completion of legal formalities of merger, the company will be retained as a clearly identifiable separate division of IAL.

Consequent to the above decision of the Government of India :

- i) The entire shareholding of Air India Ltd. amounting to Rs. 18.21 crores were transferred to IAL for Re 1/- thus, making the company a wholly owned subsidiary of IAL under its direct administrative control.
- ii) The employees of the company were absorbed in Indian Airlines Ltd. and Air India.
- iii) The flight operations of the company were discontinued effective 1st April, 97 and it is not undertaking any commercial activity. The company thus is remaining as a "shell" company awaiting the legal merger with IAL. As such the company is not a going concern. The assets and liabilities of the company are reflected as per the book value, after making necessary provision for depreciation, doubtful debts etc. as per the Company law provisions and accounting policies. In view of the same, revaluation of assets and liabilities have not been carried out and the accounts are being prepared on going concern basis.

2. Current Status of Moratorium and Merger :

- i) Initial moratorium of five years on dues / servicing was further extended twice as under:
 - a) Vide notification No. AV. 18030/3/97 dated 3rd June, 1999 upto 24th May, 2000.
 - b) Vide notification No. AV. 18030/3/97-ACIA (VOL. IV) dated 17th Jan, 2005 upto 31st March, 2005.
 - c) Vide notification No. AV. 18030/3/97-ACIA (VOL. IV) dated 28th July, 2006 upto 30th Sept., 2006.
- ii) Government of India, Ministry of Civil Aviation *vide* Notification No. AV. 18030/3/97-ACIA (VOL. IV) dated 17th Jan, 2005 conveyed Government's decision to approve in principle one time non-plan budgetary assistance of Rs. 1,38,30,75,560/- to Indian Airlines Ltd. to clear the dues of the following creditors in full and final settlement of their claims:

a)	Hindustan Aeronautics Limited	Rs. 1,14,70,00,000
b)	Oil & Natural Gas Commission	Rs. 7,88,28,767
c)	Oil Companies	Rs. 8,99,92,000
d)	Banks	Rs. 4,37,54,793
e)	Others	Rs. 2,35,00,000
TOTAL		Rs. 1,38,30,75,560



The Govt. has released the funds of Rs. 1,38,30,75,560/- in two phases to Indian Airlines Ltd. out of which payment of Rs. 135,48,55,835/- was made by them. The related balances on this account have been transferred to IAL account.

Further, vide this notification and also office memorandum No. AV. 18030/3/97-ACIA(VOLIV) dated 21st February, 2005, Government of India, Ministry of Civil Aviation conveyed Government's decision to Indian Airlines Ltd. to write off the dues amounting to Rs. 1,27,85,88,058/- in respect of the following creditors:

a)	Indian Airlines Ltd.	Rs. 69,15,63,232
b)	Air India	Rs. 17,06,37,210
c)	IAAI	Rs. 7,70,16,052
d)	National Airport Authority	Rs. 14,86,60,130
e)	Ministry of Civil Aviation	Rs. 15,96,68,187
f)	IATT	Rs. 3,10,43,247
Total		Rs. 1,27,85,88,058

The legal formalities of merger of Vayudoot Ltd. with Indian Airlines Ltd. (now National Aviation Company of India Limited) is expected to be completed in the year 2008-09. On completion of legal formalities, Vayudoot Ltd. will be merged with National Aviation Company of India Limited and necessary action in regard to above notifications of Government of India will be taken by National Aviation Company of India Limited.

3. Agro Aviation Division :

The Agro Aviation Division of the Ministry of Civil Aviation was transferred to the company vide Government of India Notification No-AV/18030/112/87 dated 18th Jan, 1988. The assets transferred on "as is where is basis" were taken in the books of the Company at a token consideration of Re. 1/-. Substantial parts of these assets have been disposed of over the years.

4. Capital Reserve (Schedule 2)

Capital Reserve of Rs. 3.54 crores represents the proceeds on account of insurance claims over and above the book value of the aircraft that crashed during 1988-89 and 1989-90.

5. Fixed Assets (Schedule 5) :

- As on 31st March, 2008 two aircraft were operational, which were being operated by NACIL. These aircraft are registered with DGCA in the name of NACIL and all the expenditure for their operations and maintenance of the fleet is being incurred by NACIL.
- Since the legal merger of the company with NACIL is yet to take place, the assets and liabilities of the company continued to be reflected in the books of Vayudoot Ltd. and the depreciation where applicable is continued to be provided by the company. However, all the assets are being operated and maintained by NACIL.

6. Current Assets, Loans and Advances (Schedule 6) :

- Amount due for ex-officers : Rs. 1,76,550
(Rs.1,76,550)
- In view of no flight operations since April, 1997, 100% obsolescence have been provided on aircraft Stores & Spares including Rotables.

7. Current Liabilities and Provisions (Schedule 7) :

The liabilities in respect of the invoices of foreign suppliers outstanding as on 31.3.2008 was Rs. 85.39 lacs. In view of the basic accounting principles of booking all anticipated losses and not accounted for anticipated profit unless realised, as stated in AS-11 notional profit of Rs. 9,29,443/- has not been accounted for and accordingly the liability has not been updated at exchange rate prevailing as on 31st March, 2008.

- The outstanding balance in unsecured loans accounts receivable and payable are subject to reconciliation and confirmation.
- In the absence of any taxable income for the year, and in view of losses, no provision has been made for income-tax. Assessment had been completed upto the Assessment year 2002-03.
- In the opinion of the Board, Current Assets and Loans and Advances are at the value stated if realised,

in the ordinary course of business. The provision for depreciation and for all known liabilities is adequate and not in excess of the amount reasonably necessary. There are no Contingent Liabilities other than those stated below.

11. **Earnings per share :**

Basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, with the weighted number of equity share outstanding during the year. Earnings per share has been computed as under :

a)	Profit/(Loss) after taxation	(9,23,576)
b)	Number of equity shares outstanding at the beginning of the year	3,64,200
c)	Earning per share	(2.54)

12. Figures have been rounded off to the nearest of rupee.

13. Previous Year's figures have been recast to the extent grouping is altered during the current year. Previous year figures in the notes are indicated in brackets.

14. Hotel Sunbeam, Chandigarh had filed a recovery suit in the Hon'ble High Court of Punjab and Haryana at Chandigarh towards arrear of rent, Interest etc. for Rs. 2,18,559.80. It was finally settled for Rs.1,50,000/- vide court CR No. 714 of 1989 passed on 31st Oct, 2007. As per Court order the payment of Rs. 1.50,000/- (Rs. one lakh fifty thousand only) has been made to hotel Sunbeam, Chandigarh on account of rent and interest. (arrear of rent 15.10.1987 to 30.09.1988 is Rs. 88,550/- and interest for the period 1992 to June, 2007 is Rs. 61,450/-)

15. **CONTINGENT LIABILITIES :**

Claims against the company not acknowledged as debts

	2007-08 (Rs.)	2006-07 (Rs.)
Legal claims not acknowledged as debts	59,97,878	59,97,878

16. **ADDITIONAL INFORMATION :**

	2007-08	2006-07
Auditor's Remuneration		
Audit Fees to statutory auditors	44,944	44,840
TOTAL	44,944	44,840

All other additional information required under part II and III of Schedule VI may be read as nil/not applicable.

Signatures appended from Schedule 1 to 10 forming part of Balance Sheet & Profit & Loss Account.

Signed in terms of our report of even date.

For Lalit Gupta & Associates

Chartered Accountants

sd/-
Lalit K. Gupta
Partner

For and on behalf of the Board

sd/-
Raghu Menon
Chairman

sd/-
S. Chandrasekhar
Director

sd/-
R. Thyagarajan
General Manager (Finance)

Place : New Delhi
Date : 16 December 2008

**ANNEXURE****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 - 112262	State Code -	55
Balance Sheet Date	31 - 03 - 2008		
	Date Month Year		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS : (AMOUNT IN RS. THOUSANDS)

Total liabilities	2,605,747	Total Assets	2,605,747
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Source of Funds

Paid up Capital	364,200	Reserves & Surplus	35,438
Secured Loans	-	Unsecured Loans	537,404

Application of Funds

Net Fixed Assets	10,888	Investments	NIL
Net Current Assets	(1,651,976)	Misc. Expenditure	NIL
Accumulated profit / (Loss)	(2,578,131)		

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	-	Total Expenditure	924
Profit / (Loss) before Tax	(924)	Divident Rate	NIL
Earning per share in Rs.	(2.54)		

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

Product Description	N/A
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नेटवर्क NETWORK

