

**AIR INDIA AIR TRANSPORT
SERVICES LIMITED**

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BOARD OF DIRECTORS (AS ON 22.12.2009)

Shri Arvind Jadhav

Chairman

Shri N. Vaghul

Shri E. K. Bharat Bhushan

Shri Prashant Sukul

Chief Operating Officer

Capt. A. K. Sharma

Auditors

M/s. Pee Dee Kapur & Co.

Solicitors

M/s. M. V. Kini & Co.

Bankers

HDFC Bank Ltd.

Registered Office

Airlines House,
113, Gurudwara Rakabgunj Road,
New Delhi-110 001.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixth 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 31 March 2009.

CAPITAL STRUCTURE :

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

| | (Rupees) |
|---|-----------------------|
| AUTHORISED : | |
| 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 |
| ISSUED, SUBSCRIBED AND PAID-UP CAPITAL : | |
| 50,000 Equity Shares of Rs.10/- each | 5, 00,000 |

FINANCIAL RESULTS :

| | (Rupees in Lakhs) | |
|---------------------------------------|-------------------|----------|
| | 2008-09 | 2007-08 |
| Total Revenue | 5993.24 | 3080.40 |
| Total Expenditure | 6086.77 | 3191.54 |
| Profit / (Loss) before Depreciation | (93.52) | (111.14) |
| Less : Depreciation | 0.22 | 0.23 |
| Profit / (Loss) before Taxation | (93.75) | (111.37) |
| Profit / (Loss) after Tax | (98.51) | (111.81) |
| Less : Deferred Tax Liability / Asset | 0.06 | 0.05 |
| Net Profit / (Loss) | (98.45) | (111.76) |

ACTIVITY OF AIATSL UPTO SEPTEMBER 2009

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 1 September, 2009 is given below :

| | |
|--|-------------|
| Jr. Executive Tech. | 12 |
| Customer Agent | 230 |
| Ramp Service Agent | 110 |
| Security Agent | 433 |
| Handyman | 270 |
| Utility Service Agent (absorbed as per MOU) | 56 |
| Equipment Operator/Technicians (Retired from Air India) | 3 |
| Total | 1114 |

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 2008-09 :

- At **Kozhikode** passenger, baggage and ramp handling of Emirates effective 1 July, 2008, passenger, baggage handling of Etihad flights effective August 2008 and passenger, baggage, cargo and cabin cleaning of Saudia/Bahrain flights effective 29 March, 2009.
- At **Chennai** providing 40 handymen for cargo handling effective 29 December, 2008.
- At **Trichy** the contract for passenger, baggage handling of Air Asia Flights was awarded effective 1 November 2008, however, the operation started from February 2009.
- At **Mumbai** following activities were carried out :
 - ★ Providing dedicated check-in staff for Thai Airways and Malaysian Airline effective 15 May and 16 October 2008, respectively.
 - ★ Providing passenger, baggage, cargo, cabin handling for IC coded flights at Terminal-II were taken over and outsourced by AIATSL effective 16 October 2009.

The company has also employed around 2200 staff on behalf of AI-SATS for Bangalore and Hyderabad, which will eventually be transferred to respective JVs after incorporation.

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, 2009, and the 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 :

During the year, four Board Meetings were held. During the year 2008-09, the Board consisted of the following members :

| | | |
|---|---|---------------------------------|
| Shri Raghu Menon, Chairman & Managing Director, NACIL. | - | Chairman |
| Shri N.Vaghul, Chairman, ICICI Bank. | - | Director |
| Smt. Vilasini Ramachandran, Additional Secretary and Financial Advisor, Ministry of Civil Aviation. | - | Director |
| Shri R. K. Singh, Joint Secretary, Ministry of Civil Aviation. | - | Director (upto 16.02.2009) |
| Shri Prashant Sukul, Joint Secretary, MOCA | - | Director (w.e.f. 16.02.2009) |

Presently, the Board consists of the following :

| | | |
|---|---|----------|
| Shri Arvind Jadhav, CMD, NACIL | - | Chairman |
| Shri E. K. Bharat Bhushan, Joint Secy & Fin. Advisor, MOCA | - | Director |
| Shri Prashant Sukul, Joint Secretary, MOCA | - | Director |
| Shri N. Vaghul, Ex-Chairman, ICICI Bank | - | Director |

Shri Raghu Menon ceased to be Chairman of the Company effective 20 May 2009 and Shri Arvind Jadhav took over as Chariman effective that date. Shri E.K. Bharat Bhushan, Jt. Secretary & Financial Advisor, Ministry of Civil Aviation was appointed as Director of the Company vice Smt. Vilasini Ramachandran effective 20 May 2009.

The Board places on record its appreciation of the valuable services rendered by Shri Raghu Menon as Chairman-AIATSL, Smt.Vilasini Ramachandran and Shri R. K. Singh as Director during their tenure.

AUDITORS :

M/s. Pee Dee Kapur & Co, Chartered Accountants were appointed Statutory Auditors of the company for the year 2008-09, by the Office of the Comptroller & Auditor General of India.

AUDITORS' REPORT :

The comments of the Statutory Auditors and reply thereto by the Management are at Annexure-I.

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.

REVIEW OF ACCOUNTS FOR THE YEAR ENDED 31st March 2009 AND COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA U/S 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE COMPANY :

The Comptroller and Auditor General of India have decided vide their report dated 30th November 2009, not to review the report of the Statutory Auditors' on the accounts of the Company for the year ended 31st March 2009 and as such have no comments to make u/s 619(4) of the Companies Act, 1956 and the same is at Annexure-II.

ACKNOWLEDGEMENTS :

The Board of Directors wish to place on record their appreciation for the assistance and cooperation received from NACIL, 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, various other Government Departments.

For and on behalf of the Board

Sd/-
Arvind Jadhav
Chairman

Place : New Delhi
Date : 22 December 2009.

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 LIMITED FOR THE YEAR ENDED 31 MARCH 2009.

The preparation of financial statements of **Air India Air Transport Services Limited** for the year ended 31 March 2009 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 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 11 November 2009.

I on behalf of the Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors' on the accounts of **Air India Air Transport Services Limited** for the year ended 31 March 2009 and as such have no comments to make 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 : 30 November 2009.

REPORT OF THE AUDITORS 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 31 March, 2009, 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 reconciling balances in respect of certain accounts as referred to in Note No. 3 of Schedule No. 11.**
 - b. **Revenue on Handling Services being rendered in the entire year to the holding company M/s. National Aviation Company of India Limited has not been recognized timely, as referred to in Note 6 of the Schedule No. 11.**
 - c. **The company is in the process of reconciling Service Tax records as referred to in Note No. 7 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 22 March, 2002, issued by the Ministry of Law, Justice and Company Affairs.
 - f. As the Central Government is yet to notify Cess payable under Section 441 A, the reporting requirement Section 227 (3)(g) of the Companies Act, 1956, does not arise.
 - g. 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 31 March, 2009;
 - 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 : Chennai
Dated : 11 November 2009

ANNEXURE TO AUDITOR'S REPORT

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, there arises no 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.
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.3,59,87,186/- (previous year debit balance of Rs.4,08,73,624/-); 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) In our opinion and according to the information and explanation given to us, the company has an internal audit system commensurate with the size and nature of its business.
- 8) We have been informed that the Central Government has not prescribed the maintenance of costs 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.
- 9) 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 31 March, 2009 for a period of more than six months from the date they became payable, **except professional tax of Rs.3,55,068/- (Previous Year Rs.1,30,831/-)**. Further to the best of our knowledge, the Central Government has till date not prescribed the amount of cess payable under section 441A of the Act, no comments in this respect have been made.
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.

- 10) The Company has been registered for a period of not less than 5 years. The accumulated losses of the company at the end of the financial year under report are not less than fifty percent of its net-worth. The company has incurred cash losses during the financial year under report and has also incurred cash losses during the immediately preceding financial year.
- 11) The company has neither taken any loans from a financial institutions and/or Banks nor issued any debentures. Hence clause 4(xi) of the Order is not applicable to the company for the year under report.
- 12) 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.
- 13) 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.
- 14) 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.
- 15) 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 institution. Accordingly clause 4 (xv) of the Order is not applicable.
- 16) The Company has not obtained any term loan during the year. Accordingly, clause 4(xvi) of the Order is not applicable.
- 17) 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.
- 18) The Company has not made any preferential allotment of shares during the year. Hence clause 4(xviii) of the Order is not applicable.
- 19) The Company has not issued any debentures. Accordingly, clause 4(xix) of the Order is not applicable.
- 20) The Company has not raised any money by way of public issues. Accordingly, clause 4(xx) of the Order is not applicable.
- 21) 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 : Chennai
Dated : 11 November 2009

Statutory Auditors' Report for the Financial Year 2008-09 and Management's Comments thereon.

| Sr. No. | Audit Observations | Management's Comments |
|---------|---|---|
| 1. | <p><u>Para No. 4a</u></p> <p>The company is in the process of reconciling balances in respect of certain accounts as referred to in Note No. 3 of Schedule No. 11.</p> | <p>Reconciliation of the balances in the Sundry Creditors accounts is an ongoing process.</p> |
| 2. | <p><u>Para No. 4b</u></p> <p>Revenue on Handling Services being rendered in the entire year to the holding company M/s. National Aviation Company of India Ltd. has not been recognized timely, as referred to in Note 6 of the Schedule No. 11.</p> | <p>Corrective action has been taken during FY 2009-10.</p> |
| 3. | <p><u>Para No. 4c</u></p> <p>The company is in the process of reconciling Service Tax records as referred to in Note No. 7 of Schedule No. 11.</p> | <p>Reconciliation of Service Tax records is an ongoing process.</p> |

BALANCE SHEET AS AT MARCH 31, 2009

(Amount in Rupees)

| Particulars | Schedule | March 31, 2009 | March 31, 2008 |
|--|----------|---------------------|---------------------|
| SOURCES OF FUNDS : | | | |
| Shareholders' Funds : | | | |
| Share Capital | 1 | 500,000 | 500,000 |
| Deferred Tax Liability | | 9,180 | 15,311 |
| TOTAL | | 509,180 | 515,311 |
| APPLICATION OF FUNDS : | | | |
| Fixed Assets : | | | |
| Gross Block | 2 | 135,323 | 135,323 |
| Depreciation Block | | 109,680 | 87,744 |
| Net Block | | 25,643 | 47,579 |
| Current Assets, Loans and Advances : | | | |
| Sundry Debtors | 3 | 66,610,728 | 50,437,702 |
| Cash and Bank Balances | 4 | 3,996,946 | 1,440,893 |
| Loans and Advances | 5 | 35,493,120 | 20,118,030 |
| | | 106,100,794 | 71,996,625 |
| Less : | | | |
| Current Liabilities | 6 | 124,732,669 | 88,793,478 |
| Provisions | 7 | 7,852,151 | 526,248 |
| | | 132,584,819 | 89,319,726 |
| Net Current Assets | | (26,484,025) | (17,323,101) |
| Miscellaneous Expenditure : | | | |
| Preliminary Expenses to the extent not written off or adjusted | 8 | 3,340,750 | 4,008,900 |
| Profit and Loss Account | | 23,626,812 | 13,781,933 |
| TOTAL | | 509,180 | 515,311 |
| Significant Accounting Policies and Notes on Accounts | 11 | | |
| Balance Sheet Abstract and Company's General Business Profile | 12 | | |

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/-
Arvind Jadhav
Chairman

Sd/-
Prashant Sukul
Director

Place : Chennai
Date : 11 November 2009

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

(Amount in Rupees)

| Particulars | Schedule | 2008 - 09 | 2007 - 08 |
|--|----------|---------------------|---------------------|
| Income : | | | |
| Revenue from Handling Services | | 597,792,423 | 306,324,034 |
| Other Income | | 1,531,671 | 1,715,421 |
| TOTAL | | 599,324,094 | 308,039,455 |
| Expenditure : | | | |
| Handling & Operational Expenses | | 201,819,232 | 162,812,737 |
| Personnel Expenses | 9 | 399,358,565 | 151,342,589 |
| Office, Establishment and Administrative Expenses | 10 | 6,830,998 | 4,308,299 |
| TOTAL | | 608,008,795 | 318,463,625 |
| Operating Profit / (Loss) for the year | | (8,684,701) | (10,424,170) |
| Depreciation | | 21,936 | 21,936 |
| Preliminary Expenses written off | | 668,150 | 668,150 |
| Net Profit / (Loss) Before Tax and Prior Period Items | | (9,374,787) | (11,114,256) |
| Less : Prior Period Items | | - | 22,460 |
| Net Profit / (Loss) Before Tax and After Prior Period Items | | (9,374,787) | (11,136,716) |
| Less : | | | |
| Provision for Income Tax - Current Year | | 453,492 | - |
| Provision for Fringe Benefit Tax - Current Year | | 9,393 | 26,248 |
| Income Tax / TDS paid for Earlier Years | | 13,339 | 6,754 |
| Fringe Benefit Tax for Earlier Years | | - | 10,903 |
| | | (9,851,010) | (11,180,621) |
| Add : Deferred Tax Liability reversed / (originated) | | 6,131 | 5,173 |
| Net Profit / (Loss) for the year After Tax Effect | | (9,844,879) | (11,175,448) |
| Balance Brought Forward From Last Year | | (13,781,933) | (2,606,485) |
| Balance Carried Forward to Balance Sheet | | (23,626,812) | (13,781,933) |
| Earning Per Share | | (197) | (224) |
| Significant Accounting Policies and Notes on Accounts | 11 | | |
| Balance Sheet Abstract and Company's General Business Profile | 12 | | |

The Schedules referred to above form an integral part of the Profit and 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/-
Arvind Jadhav
Chairman

Sd/-
Prashant Sukul
Director

Place : Chennai
Date : 11 November 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Amount in Rupees)

| Particulars | 2008-09 | 2007-08 |
|---|--------------------|--------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit / (Loss) Before Taxation : | (9,374,787) | (11,136,716) |
| Add : Adjustment for Non-Cash Items : | | |
| Depreciation | 21,936 | 21,936 |
| Preliminary Expenses Written Off | 668,150 | 668,150 |
| Operating Profit before Working Capital changes | (8,684,701) | (10,446,630) |
| Tax Items | (476,224) | (43,903) |
| Net Profit after Tax Effect (a) | (9,160,924) | (10,490,533) |
| Decrease / (Increase) in Sundry Debtors | (16,173,026) | (21,112,985) |
| Decrease / (Increase) in Loans & Advances | (15,375,090) | (10,159,225) |
| Decrease / (Increase) in Current Liabilities & Provisions | 43,265,093 | 42,506,333 |
| Changes in Working Capital (b) | 11,716,977 | 11,234,123 |
| Net Cash (Outflow) / Inflow from Operations (a+b) (A) | 2,556,053 | 743,589 |
| B. CASH FLOW FROM INVESTING ACTIVITIES (B) | - | - |
| C. CASH FLOW FROM FINANCING ACTIVITIES (C) | - | - |
| Net increase / (decrease) in Cash & Cash Equivalents (A+B+C) | 2,556,053 | 743,589 |
| Opening Balance of Cash & Cash Equivalents as on 01-04-2008 | 1,440,893 | 697,304 |
| Add : Net increase in Cash & Cash Equivalents | 2,556,053 | 743,589 |
| Closing Balance of Cash & Cash Equivalents as on 31-03-2009 | 3,996,946 | 1,440,893 |

As per our report attached

For Pee Dee Kapur & Co.
Chartered Accountants

Sd/-
Sapna Kapur
Partner
Membership No. 501000

Place : Chennai
Date : 11 November 2009

For and on behalf of the Board

Sd/-
Arvind Jadhav
Chairman

Sd/-
Prashant Sukul
Director

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

| Particulars | March 31, 2009 | March 31, 2008 |
|--|----------------------|----------------|
| 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 Capital | | |
| 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 BLOCK | | | NET BLOCK | |
|----------------------|------------------|---------------------------|------------------|--------------------|---------------------------|-----------------|-------------------------------------|-------------------------------------|
| | As on 31.03.2008 | Additions during the year | As on 31.03.2009 | Upto 31.03.2008 | Depreciation for the year | Upto 31.03.2009 | Written Down Value as at 31.03.2009 | Written Down Value as at 31.03.2008 |
| Computer and Printer | 135,323 | - | 135,323 | 87,744 | 21,936 | 109,680 | 25,643 | 47,579 |
| TOTAL | 135,323 | - | 135,323 | 87,744 | 21,936 | 109,680 | 25,643 | 47,579 |
| PREVIOUS YEAR | 135,323 | - | 135,323 | 65,808 | 21,936 | 87,744 | 47,579 | 91,451 |

SCHEDULE - 3 : SUNDRY DEBTORS :**(Amount in Rupees)**

| Particulars | March 31, 2009 | March 31, 2008 |
|--|-------------------|----------------|
| Sundry Debtors (Unsecured but Considered Good by the Management) | | |
| I. Debts outstanding for a period exceeding six months. | | |
| From AI-SATS Bangalore -- Associate Concern | 77,442 | - |
| II. Other Debts | | |
| From National Aviation Company of India Ltd. -- Holding Company | 35,987,186 | 40,873,624 |
| From AI-SATS Bangalore -- Associate Concern | 16,726,746 | 1,233,464 |
| From AI-SATS Hyderabad -- Associate Concern | 13,819,354 | 8,330,614 |
| TOTAL | 66,610,728 | 50,437,702 |

Note : The above Debts are due from the Companies / Concerns 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, 2009 | March 31, 2008 |
|--|-----------------------|-----------------------|
| Cash in Hand | 1,842 | 3,516 |
| Bank Balances : | | |
| In Current Account with Scheduled Bank | 3,995,104 | 1,437,377 |
| TOTAL | 3,996,946 | 1,440,893 |

SCHEDULE - 5 : LOANS AND ADVANCES :**(Amount in Rupees)**

| Particulars | March 31, 2009 | March 31, 2008 |
|--|-----------------------|-----------------------|
| (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 |
| Pending proceeds of DD cancellation | 13,630 | - |
| Income Tax Paid | - | 13,339 |
| Advance Fringe Benefit Tax | 53,511 | 25,245 |
| Tax Deducted at Source | 28,580,091 | 13,960,642 |
| Cheques Deposited but not cleared | 32,500 | - |
| Service Tax - Input Credit - Interim | 6,489,388 | 5,794,804 |
| TOTAL | 35,493,120 | 20,118,030 |

SCHEDULE - 6 : CURRENT LIABILITIES :**(Amount in Rupees)**

| Particulars | March 31, 2009 | March 31, 2008 |
|--|-----------------------|-----------------------|
| Sundry Creditors - Handling Charges | 61,937,356 | 52,669,680 |
| Sundry Creditors - Other Expenses | 40,109,570 | 23,282,162 |
| Professional Tax Payable | 831,976 | 454,052 |
| PF & EDLI Charges Payable | 2,544,449 | 977,485 |
| Earnest Money / Security Deposits | 970,000 | 1,820,000 |
| Service Tax Output Payable - Interim | 9,278,199 | 8,553,132 |
| Service Tax Output Payable - Actual | 2,863,086 | - |
| Tax Deducted at Source (TDS) Payable | 1,800,240 | 1,036,967 |
| Cheques Issued but not presented for Payment | 4,397,793 | - |
| TOTAL | 124,732,669 | 88,793,478 |

SCHEDULE - 7 : PROVISIONS :**(Amount in Rupees)**

| Particulars | March 31, 2009 | March 31, 2008 |
|----------------------------------|-----------------------|-----------------------|
| Provision for Gratuity | 5,453,318 | - |
| Provision for Leave Encashment | 1,935,948 | 500,000 |
| Provision for Income Tax | 453,492 | - |
| Provision for Fringe Benefit Tax | 9,393 | 26,248 |
| TOTAL | 7,852,151 | 526,248 |

SCHEDULE - 8 : PRELIMINARY EXPENSES :**(Amount in Rupees)**

| Particulars | March 31, 2009 | March 31, 2008 |
|-----------------------------------|-----------------------|-----------------------|
| Balance as per last Balance Sheet | 4,008,900 | 4,677,050 |
| Less : | | |
| Written off during the year | 668,150 | 668,150 |
| TOTAL | 3,340,750 | 4,008,900 |

SCHEDULES ATTACHED TO AND FORMING PART OF PROFIT & LOSS ACCOUNT**SCHEDULE - 9 : PERSONNEL EXPENSES :****(Amount in Rupees)**

| Particulars | 2008-09 | 2007-08 |
|--------------------|--------------------|----------------|
| Salaries | 370,217,284 | 137,722,639 |
| Bonus | 8,649,711 | 7,039,093 |
| PF & EDLI Charges | 14,945,223 | 6,326,667 |
| Gratuity | 5,453,318 | - |
| Training Expenses | 48,427 | 90,000 |
| Uniform Expenses | 44,602 | 164,190 |
| TOTAL | 399,358,565 | 151,342,589 |

SCHEDULE - 10 : OFFICE, ESTABLISHMENT AND ADMINISTRATIVE EXPENSES :**(Amount in Rupees)**

| Particulars | 2008-09 | 2007-08 |
|--|------------------|----------------|
| Recruitment Expenses | 3,552,449 | 1,247,773 |
| Rent | 412,102 | 453,600 |
| Water Charges | 533,067 | 484,743 |
| Electricity Charges | 1,471,595 | 1,070,628 |
| Property Tax | 206,447 | - |
| Communication Expenses | 52,846 | 21,649 |
| Conveyance Expenses | 48,471 | 176,141 |
| Rates, Fee and Taxes | 6,452 | 2,630 |
| Travelling Expenses | 110,764 | 7,578 |
| Staff Welfare Expenses | - | 20,710 |
| Postage & Courier Charges | 32,711 | 21,819 |
| Printing & Stationery | 8,173 | 1,855 |
| Office Expenses | 127,039 | 134,519 |
| Advertisement Expenses | 71,976 | 474,395 |
| Bank Charges | 10,235 | 478 |
| Interest on Professional Tax | - | 7,392 |
| Interest on FBT | - | 3,955 |
| Professional & Consultation Fees | 56,188 | 49,446 |
| Legal Expenses | 2,500 | - |
| Miscellaneous Expenses | 2,983 | 36,489 |
| <u>Remuneration to Statutory Auditor :</u> | | |
| - Audit Fees | 100,000 | 75,000 |
| - Reimbursement of Out of Pocket Expenses | 10,000 | 7,500 |
| <u>Remuneration to Tax Auditor :</u> | | |
| - Tax Audit Fees | 15,000 | 10,000 |
| TOTAL | 6,830,998 | 4,308,299 |

SCHEDULE - 11 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS**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.

Provision for Gratuity and Leave Encashment in respect of all eligible employees are 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 are 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 reasonable 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 2009 Rs. Nil/- (Previous year Rs. Nil).

2. The company has been rendering Airport and 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. Sundry creditors for expenses includes Rs. 622,57,298/- (Previous Year Rs. 5,36,46,520/-), for which the Company is in the process of reconciling the balances. The effect of adjustments, if any, on account of pending reconciliations/ balance confirmations, on the Profit and Loss Account and the relevant items of Balance Sheet cannot be ascertained presently.
4. Bonus amounting to Rs. 86,49,711/- is towards Statutory Bonus for the Current Year in respect of its eligible employees; whereas the corresponding figure of the same in Previous Year amounting to Rs.70,39,093/- was for two years viz. Rs.31,40,573/- for financial year 2006-07 and Rs.38,98,520/- for the financial year 2007-08.

5. Employee Benefits

The Company has classified various benefits provided to employees as under :

- i) Defined Contribution Plan
 - a) Provident Fund

The expenses incurred on account of above benefits have been included in Schedule 9 of Personal Expenses.

- ii) Defined Benefits Plan
 - a) Gratuity
 - b) Compensated Absences – Earned Leaves

In accordance with the Accounting Standard AS 15 (Revised 2005), actuarial valuation was obtained from the actuary in respect of the aforesaid defined benefit plan using Projected Unit Credit Method. The details of the same are as follows :

(Rs./Lakhs)

| No. | | Gratuity Un-Funded | Leave Encashment Un-Funded |
|-------------|---|-----------------------|-------------------------------|
| I. | Components of Employer Expense | | |
| 1. | Current Service Cost | 54.53 | 19.36 |
| 2. | Interest Cost | - | - |
| 3. | Expected Returns on Plan Assets | - | - |
| 4. | Curtailement Cost /(Credit) | - | - |
| 5. | Settlement Cost /(Credit) | - | - |
| 6. | Past Service Cost | - | - |
| 7. | Actuarial (Gain)/Loss recognized | - | - |
| 8. | Expense Recognized in Statement of Profit / Loss | 54.53 | 14.36 |
| II. | Actual Return For the Year Ended 31st March 2009 | - | - |
| III. | Net (Asset) / Liability Recognized in Balance Sheet as at March 31, 2009 | | |
| 1. | Present Value of Defined Benefit Obligation | 54.53 | 19.36 |
| 2. | Fair Value on Plan Assets | - | - |
| 3. | Status (Surplus / Deficit) | 54.53 | 19.36 |
| 4. | Unrecognized Past Service Cost | - | - |
| 5. | Net (Assets) / Liability Recognized in Balance Sheet | 54.53 | 19.36 |
| IV. | Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2009 | | |
| 1. | Present Value of Obligation at Beginning of the year | - | - |
| 2. | Current Service Cost | 54.53 | 19.36 |
| 3. | Interest Cost | - | - |
| 4. | Curtailement Cost | - | - |
| 5. | Settlement Cost | - | - |
| 6. | Plan Amendments | - | - |
| 7. | Acquisitions | - | - |
| 8. | Actuarial (Gain)/Loss on Obligations | - | - |
| 9. | Benefits Paid | - | - |
| 10. | Present Value of Obligation at end of the year | 54.53 | 19.36 |

| | | | |
|-------------|---|-------------------------------------|--------|
| V. | Change in Fair Value of Assets during the year ended March 31, 2009 | | |
| 1. | Fair Value of Plan Assets at Beginning of the year | - | - |
| 2. | Acquisitions Adjustment | - | - |
| 3. | Expected Return on Plan Assets | - | - |
| 4. | Actuarial (Gain) / Loss on Plan Assets | - | - |
| 5. | Contributions | - | - |
| 6. | Benefits Paid | - | - |
| 7. | Fair Value of Plan Assets at the end of the year | - | - |
| VI. | Actuarial Assumptions | | |
| 1. | Mortality Rate | As per LIC (1994-96) Ultimate Table | |
| 2. | Retirement or Disablement | 58 Yrs | 58 Yrs |
| 3. | Discount Rate | 6.25% | 6.25% |
| 4. | Inflation Rate | 5% | 5% |
| 5. | Return on Asset | - | - |
| VII. | Major Category of Plan Assets as a % of the total Plan Assets as on 31.03.09 | | |
| 1. | Government Securities | - | - |
| 2. | Special Deposit Scheme | - | - |
| 3. | High Quality Corporate Debt | - | - |
| 4. | Insurance Companies | - | - |
| 5. | Cash & Cash Equivalents | - | - |

6. The company has been rendering services pertaining to the ground handling services at various Airports during the entire financial year. The Revenue for the said services rendered to the Holding Company NACIL has been recognized only in February 2009 and March 2009.
7. The Company is in the process of reconciling its Service Tax Records in order to ascertain service tax liability and credit on input services vis-à-vis actual payment received from/made to various parties. 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.

8. 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.

9. 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 Concern - M/s. Air India SATS – Hyderabad
- (iii) Associate Concern - M/s. Air India SATS – Bangalore
- (iv) Group Company - M/s. Air India Charters Limited
- (v) Group Company - M/s. Hotel Corporation of India Limited (Chef Air)
- (vi) Key Managerial Personnel & Relatives: Mr. Raghu Menon, 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.

10. Earning Per Share :

| | 2008-2009 | 2007-2008 |
|---|---------------------|------------------|
| i) Net Profit/ (Loss) for the year (Rs.) | (98,44,879) | (1,11,75,448) |
| 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 | (197) | (224) |

11. Deferred Tax Liability

The deferred tax liability as at March 31, 2009 comprises of the following :

| | As at April 1, 2008 Amount (Rs.) | Charged / Credited during the year Amount (Rs.) | As at March 31, 2009 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 | NIL | NIL | NIL |
| Depreciation | (15,311) | 6,131 | (9,180) |
| Total Deferred Tax Liabilities | (15,311) | 6,131 | (9,180) |
| Net Deferred Tax Assets / (Liabilities) | (15,311) | 6,131 | (9,180) |

12. 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.
13. Salaries and Wages for the current year includes an amount of Rs.1,50,08,708/- (Previous Year: Rs. Nil) 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.
14. There are no Micro, Small and Medium Enterprises to whom company owes dues, which are outstanding for more than 45 days as on March 31, 2009 and there were no delays as per the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 in payment of dues to any such enterprises. The above information as required to be disclosed under the said Act has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the Auditors. (Previous Year: Rs. Nil)
15. 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.
16. There had been no earnings or outgo in Foreign Currencies during the year.
17. 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

Sd/-
Sapna Kapur
Partner
Membership No. 501000

Place : Chennai
Date : 11 November 2009

For and on behalf of the Board

Sd/-
Arvind Jadhav
Chairman

Sd/-
Prashant Sukul
Director

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 31,2009 | | |

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 | : | 509,180 | Total Assets | : | 509,180 |
|-------------------|---|---------|--------------|---|---------|

Source of Funds :

| | | | | | |
|-----------------|---|---------|------------------------|---|-------|
| Paid Up Capital | : | 500,000 | Reserves and Surplus | : | NIL |
| Secured Loans | : | NIL | Unsecured Loans | : | NIL |
| | | | Deferred Tax Liability | : | 9,180 |

Application of Funds :

| | | | | | |
|--------------------|---|--------------|-------------------|---|-----------|
| Net Fixed Assets | : | 25,643 | Investments | : | NIL |
| Net Current Assets | : | (26,484,025) | Misc. Expenditure | : | 3,340,750 |
| Accumulated Losses | : | 23,626,812 | | | |

IV. Performance of Company (Amount in Rupees)

| | | | | | |
|---------------------------|---|-------------|-------------------|---|-------------|
| Total Income | : | 599,324,094 | Total Expenditure | : | 608,698,881 |
| Extraordinary Item | | | | | |
| Profit Before Tax | : | (9,374,787) | Profit After Tax | : | (9,844,879) |
| Earning Per Share (Basic) | : | (197) | | | |

V. Generic Names of Three Principle Products / Services of Company

Product Description : Ground Handling Services of Airlines

For Pee Dee Kapur & Co.
Chartered Accountants

Sd/-
Sapna Kapur
Partner
Membership No. 501000

Place : Chennai
Date : 11 November 2009

For and on behalf of the Board

Sd/-
Arvind Jadhav
Chairman

Sd/-
Prashant Sukul
Director