AIR INDIA CHARTERS LIMITED

CONTENTS

BOARD OF DIRECTORS (AS ON 28.12.2011)

Shri Rohit Nandan	**Chairman**
Shri L. Raja Sekhar Reddy	
Shri Syed Nasir Ali	
ACM (Retd.) Fali H. Major	
Shri S. Venkat	

Company Secretary

Smt. Aditi Khandekar

Auditors

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

Legal Advisors

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

Bankers

ICICI Bank

HDFC BAnk

State Bank of India

Registered Office

21st Floor, Air India Building,
Nariman Point,
Mumbai-400 021.

DIRECTORS' REPORT

The Directors take pleasure in presenting the 40th Annual Report of the Company together with the Audited Accounts and Auditor's Report for the year ended 31 March 2011.

REVIEW OF PERFORMANCE

The highlights of the Physical and Financial Performance of the Company for 2010-11 vis-a-vis 2009-10 are as under :

The Scheduled Services Revenue, before revenue sharing with the holding company Air India Limited (AI) , declined marginally from Rs. 1710.36 crores in 2009-10 to Rs. 1708.21 crores in 2010-11. Despite a 7.5% increase in yield, the lower revenue was primarily due to a 4.1 % decline in the number of single flights, which was mainly due to loss of one aircraft in Mangalore Crash on 22nd May 2010.

During the year under review, the Total Revenue of the Company, after revenue sharing with AI, was Rs. 1,351.66 crores as compared to Rs. 1,401.86 crores for the year 2009-10, representing a decrease of approximately 3.58 % (the total revenue includes profit of Rs. 38.96 crores due to retirement of one aircraft at Mangalore, as stated above). The total expenditure of the Company was Rs. 1,743.35 crores as against Rs. 1,762.55 crores for the year 2009-10, representing a marginal decrease of 1.09 %.

Operating expenses decreased by Rs. 43.86 crores due to the decrease in the number of flights operated in 2010-11 and returning three very first dry leased aircraft. However, inspite of reduction in flying hours during 2010-11, the total operating cost has not reduced proportionately, due to increase in fuel rates by 17% (Rs. 63.10 crores).

The Net Loss before taxation during 2010-11 was Rs.391.69 crores as against Rs. 360.69 crores in 2009-10.

SUMMARISED FINANCIAL PERFORMANCE :

	Rupees in Crores
Total Revenue	1,351.66
Total Expenses	1,743.35
Loss before taxation	391.69
Less : Earlier years income tax provision written back	0.47
Net Loss	391.22
Add : Balance brought forward from last year	714.69
Net Loss carried forward	1,105.91

SUMMARISED PHYSICAL PERFORMANCE :

ASKMs (Million)	8,144.15
RPKMs (Million)	5,643.54
Pax Load Factor	69.30
No. of Revenue Pax (Million)	2.38
Yield Per RPKM	2.96
Single Flights	19,101
Revenue Flying Hours	72,557

SHARE CAPITAL

As on 31 March 2011, the Authorised Capital of the Company was Rs. 30 crores divided into 30 lakhs Equity Shares of Rs.100 each.

AIRCRAFT FINANCING

As on 31 March 2011, the position of foreign currency borrowing for Aircraft was as under :

	Rupees in Crores
Total Loan due as on 1 April 2010	2,832.49
Less : Amount repaid during April 2010 to March 2011	438.95
Less : Exchange adjustments due to revision in rates of currencies	6.58
Balance as on 31 March 2011	2,386.96

AIR INDIA EXPRESS OPERATIONS

Fleet Size

As on 31 March 2010 the Company had a fleet of 22 B737-800 aircraft (including 4 dry leased aircraft). In May 2010, due to the unfortunate incident at Mangalore, Air India Express lost one of its owned aircraft VT-AXV. Thus as on 31 March 2011 the Company had 21 B737-800 aircraft (including 4 dry leased aircraft) in its fleet.

Operations

Air India Express ended 2009-10 with a total of 203 flights per week. The same schedule was continued in Summer 2010. Despite the unfortunate loss of VT-AXV on May 22, 2010 this schedule was maintained for 3 months.

In September 2010, in order to remove dead legs and reduce cost of operation, an aircraft base was created in Tiruchirapalli and one aircraft was moved from Chennai to Tiruchirapalli. This aircraft operated direct point-to-point flights to Singapore and Dubai. This eliminated the Chennai-Tiruchirapalli dead leg which resulted in cost reduction of about Rs. 6.2 crores annually. At the same time Chennai-Kuala Lumpur flight was rerouted as Chennai-Tiruchirapalli-Kuala Lumpur, in order to provide a direct flight from Tiruchirapalli to Kuala Lumpur and recapture the market from South East Asian carriers who had monopolized the market. This flight also provided a night time connection from Chennai to Singapore via Tiruchirapalli, in addition to the daily Chennai-Singapore flight in the afternoon.

However, from the end of August 2010, Air India Express was forced to curtail operations due to an acute shortage of cabin crew. Despite this, Air India Express operated almost all of its scheduled flights up to September 20, 2010 which constituted the peak period for return travel to Gulf at the end of the Summer vacation. Some flights were operated with Air India aircraft. After September 20, 2010, in the traditional lean season, some flight operations were curtailed. Air India Express was forced to reduce its flights to 166 flights per week. As an immediate measure, frequency was curtailed on several routes instead of withdrawing operations from any sector. Flights on the Gulf route were curtailed as it was low season, rather than South East Asia which was in its shoulder/peak season due to Dassera and Diwali holidays. Passengers of the curtailed flights were accommodated on alternate Air India/Air India Express flights or given full refund according to their preference.

Walk-in interviews for recruiting Cabin crew were conducted on August 24, 2010 in Kochi.

Winter 2010 commenced with a curtailed schedule comprising 156 flights per week due to continued Cabin Crew restrictions. In this schedule, loss-making flights such as Dhaka-Kolkata-Bangkok, Mumbai-Dhaka were withdrawn. Frequency of operation was reduced on some routes like Chennai-Singapore, Kozhikode-Muscat, Kuwait etc. A second aircraft was placed in Mangalore from Delhi. The thrice weekly Kozhikode-Managalore-Dubai flight was rerouted as Mangalore-Dubai direct flight, thereby reducing the cost of operation. Amritsar-Abu Dhabi-Muscat flights were operated with Mangalore based aircraft as Mangalore-Abu Dhabi-Muscat-Amritsar vv flight. This resulted in removal of the Delhi-Amritsar dead leg, resulting in an annualised cost reduction of about Rs. 7 crores.

Curtailed flights were re-introduced in a phased manner from December 2010, as and when the crew completed their mandatory training and became available for flying. All Kerala-Gulf flights were reinstated by February 14, 2011. Details on the number of flights restored are given below :

Month	No. of Flights per week	Additional Flights per week
November 2010	156	—
December 2010	163	6
January 2011	170	7
February 2011	189	19
Total Flights Restored		33

Dhaka-Kolkata-Bangkok flights were not reintroduced and the frequency of day-time Chennai-Singapore flight was maintained at 4 flights per week due to their continued poor performance. Mumbai-Dhaka flights were not reintroduced as they were no longer required by Air India, which had shifted its hub and thereby most of its international operations to New Delhi. Kozhikode-Mangalore-Dubai vv flight was continued as Mangalore-Dubai vv and Amritsar-Abu Dhabi-Muscat was continued on the Mangalore based aircraft to reduce cost of operation.

Thus Air India Express ended the Winter 2010-11 Schedule with 189 flights per week. A breakup of these flights is given in the following table :

Sr. No.	Route	Flights/Week
1.	India / Dubai	54
2.	India / Abu Dhabi	23
3.	India / Sharjah	19
4.	India / Abu Dhabi / Muscat	8
5.	India / Muscat	14
6.	India / Doha / Bahrain	15
7.	India / Al Ain	1
8.	India / Salalah	3
9.	India / Kuwait	5
10.	India / Singapore	15
11.	India / Kuala Lumpur	7
12.	India / Colombo	7
13.	India / Dhaka	4
14.	Domestic	14
	TOTAL	**189**

The current year began on an optimistic note with the seat factors and yields showing a positive trend. By the end of September 2011, Air India Express has already carried 1.4 million passengers. Passenger Seat Factor has increased by 2% while passenger yield has increased by over 5.6%.

COMPENSATION TO THE VICTIMS OF FLIGHT IX-812 OF 22 MAY 2010

In an unfortunate accident to flight IX-812 of 22 May 2010 in Mangalore, 152 passengers and 6 crew members on board died. 8 passengers survived the accident.

An interim compensation of Rs.10 lakhs to each of the deceased of 12 years and above, Rs.5 lakhs to each of the deceased below 12 years of age and Rs.2 lakhs to each of the injured passengers was paid. Distribution of compensation commenced within a week of the accident and an amount of Rs.14.16 crores was paid as interim compensation in 166 cases. The process of final settlement started and as of September 2011, 66 cases have been settled completely and 7 cases have been settled partly (wherein only some of the family members have accepted the claim and others either have not accepted or not yet claimed), for a total amount of Rs.56.84 crores (including interim compensation). These claims are being settled on actual 'Proof of Loss' basis sustained by the members of family as defined by the Carriage by Air Act, 1972 which incorporates the Montreal Convention.

Aircraft despatch reliability

The aircraft despatch reliability for the year was 99.29%.

On Line Stations

As on 31 March 2011 the online stations were as under :

India : Amritsar, Chennai, Jaipur, Kochi, Kolkata, Kozhikode, Lucknow, Mangalore, Mumbai, Pune, Thiruvananthapuram and Tiruchirapalli.

Foreign : Abu Dhabi, Al Ain, Bahrain, Colombo, Dhaka, Doha, Dubai, Kuala Lumpur, Kuwait, Muscat, Salalah, Sharjah and Singapore.

HUMAN RESOURCES

Staff Strength

The staff strength as on 31 March 2011 was as under :

SC	172
ST	48
OBC	274
General	562
Total	1056

IMPLEMENTATION OF OFFICIAL LANGUAGE

The Company is taking effective steps for the implementation of the provisions of the Official Language Act and Rules framed under the Act.

VIGILANCE

During the year under review there was no vigilance case in the Company.

DISCLOSURE OF PARTICULARS OF EMPLOYEES

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is as follows :

During the year under review, Capt. Pawan Arora was appointed as Chief Operating Officer for the period 5 October 2010 to 11 February 2011. For this period, he was paid a total gross salary of Rs.42,25,807/-.

DIRECTORS

As on 31 March 2011 the Board of Directors of the Company comprised of the following :

Shri Arvind Jadhav Chairman & Managing Director, Air India Ltd.	Chairman
Shri L. Raja Sekhar Reddy Director, Ministry of Civil Aviation	
Shri Syed Nasir Ali Director, Ministry of Civil Aviation	
Shri S. Chandrasekhar Director - Finance, Air India Ltd.	

Effective 12 August 2011 Shri Rohit Nandan has been appointed as Chairman on the Board of the Company vice Shri Arvind Jadhav.

Effective 31 August 2011 Shri S. Chandrasekhar has ceased to be a Director on the Board of the Company.

The Board places on record its appreciation of the valuable services rendered by Shri Arvind Jadhav and Shri S. Chandrasekhar during their tenure as Chairman and Director respectively on the Board of the Company.

The Board met 4 times during the year to discuss important issues which *inter alia* included appointment of Chief Operating Officer, accident to aircraft VT-AXV at Mangalore on 22 May 2010, new reservation system, working capital borrowings, extension of dry lease of 4 B737-800 aircraft, carrier progression for aircraft engineers and technicians, shifting of engineering base from Mumbai to Thiruvanthapuram, induction of manpower etc.

AUDIT COMMITTEE

As on 31 March 2011 the Audit Committee of the Board comprised the following Members :

Shri L. Raja Sekhar Reddy
Shri Arvind Jadhav
Shri S. Chandrasekhar

<u>Terms of Reference</u>

1. to consider the appointment of the external auditor, the audit fee and all matters related to an auditor's resignation or dismissal;
2. to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to ensure coordination where more than one audit firm is involved;
3. to review the half-yearly and annual financial statements before submission to the Board;
4. to discuss problems and reservations arising from the interim and final audits and any matter that the auditor may wish to discuss in the absence of Management where necessary;

5. to review the statutory auditor's report, Management's response thereto and to take steps to ensure implementation of the recommendations of the Statutory Auditors;
6. to review the Company's statement on internal control systems prior to endorsement by the Board;
7. to review the internal audit programme, ensure coordination between the internal and external auditors and also to ensure that the internal audit function is commensurate with the size and nature of the airline's business and is provided adequate resources and representation within the company;
8. to consider the major findings of internal investigation and Management's response thereto;
9. to review on a continuous basis the internal controls, systems and procedures in the Company and to make suggestions to strengthen these controls etc.; and
10. to consider other matters as defined by the Board.

AUDITORS

The Comptroller & Auditor General of India has appointed M/s. J.P.J. Associates as Statutory Auditors of the Company for the financial year 2010-11.

COMMENTS OF COMPTROLLER AND AUDITOR GENERAL

The Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31 March 2011 are annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

(i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;

(ii) The Directors have selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profit or loss of the Company for that period;

(iii) The Directors have taken proper and sufficient care 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;

(iv) The Directors have prepared the Annual Accounts on a 'going concern' basis.

ACKNOWLEDGEMENTS

The Board sincerely appreciates the Company's valued customers in India and abroad for using the services of Air India Express and looks forward to their continued support and confidence.

The Board also gratefully acknowledges the support and guidance received from parent Company viz. Air India Ltd., various Ministries of the Government of India, and the Ministry of Civil Aviation in particular, in Company's operations and development plans. The Board expresses their grateful thanks also to the DGCA, Comptroller and Auditor General of India, the Ministry of Corporate Affairs, the Statutory Auditors, Airports Authority of India, other Govt. Departments, airlines, agents, Indian Financial Institutions and banks including the EXIM bank of USA.

For & on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 28 November 2011

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF AIR INDIA CHARTERS LIMITED FOR THE YEAR ENDED 31 MARCH 2011.

The preparation of financial statements of **AIR INDIA CHARTERS LIMITED** for the year ended 31 March 2011 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 28 November, 2011.

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 CHARTERS LIMITED** for the year ended 31 March, 2011 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/-
Alka R. Bhardwaj
Principal Director of Commercial Audit
& *ex-officio* **Member, Audit Board II, Mumbai**

Place : Mumbai
Date : 16 December 2011

REPORT OF THE AUDITORS TO THE MEMBERS OF AIR INDIA CHARTERS LIMITED

1. We have audited the attached Balance Sheet of **M/s. AIR INDIA CHARTERS LIMITED**, as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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 misstatements. 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 by the Companies (Auditor's Report) (Amendment) Order, 2004 (the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. ***Attention is invited to***

   a) Method of providing depreciation

   Method of providing Depreciation on aircrafts and airframes equipments (737-800) has been changed during the year 2007-08 by considering the estimated life of aircraft as 20 years as against 17 years considered in earlier years, The CLB permission is awaited. This has resulted in higher estimated life of assets and has resulted in depreciation provision for the year being lower by Rs.336.89 Millions (Previous year Rs. 311.31 Millions). The loss for the year is understated to that extent. The accumulated losses are understated to the extent of Rs.1116.09 Millions (Previous year Rs. 874.66 Millions). Consequently, the Fixed Assets have also been overstated to the extent of Rs. 1122.04 Millions. (Previous years Rs.876.93 Millions) and Capital Reserve is overstated to the extent of Rs. 5.95 Millions (Previous year Rs. 2.27 Millions).

   b) As stated in Note 10 of Schedule U, the Company is not to share the cost towards common facilities and services with effect from the year 2007-08. The impact of such costs, which is not ascertainable, would not be reflected in determining the profitability of the company.

   c) As per the resolution passed by the Board of Directors and as per the terms of amended MOU between Air India Limited (Holding Company) and AICL, the revenue earned by AICL is shared in the ratio of 25% and 75% respectively with effect from 1st April, 2005.

5. Further to our comments in the Annexure referred to in paragraph (3) 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 purposes of our audit, ***except in respect of certain accounts as referred to Note 17 of Schedule U. The consequential effect of adjustments, if any, thereof is not presently quantifiable.***

   b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books maintained at Central Accounts Office of the Company, incorporating the returns received from the stations and reports received from outsourced agencies and found to be generally adequate for the purpose of audit;

   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956***;***

e) The company has taken a stand that it is a Government Company and hence the disqualification of Directors under the provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 in the light of Circular No. 2/5/2001-CL-V : General Circular No. 8/2002 dated 22nd March, 2002, is not applicable to it;

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and ***subject to paragraphs 4 and 5 above*** give a true and fair view in conformity with the accounting principles generally accepted in India :

i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;

ii) in the case of the Profit and Loss Account, of the **Loss** of the Company for the year ended on that date; and

iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For J.P.J. Associates
Chartered Accountants
FRN 113012W

Sd/-
Pravin R. Deshpande
Partner
Membership No. 045249

Place : New Delhi
Dated : 28 November 2011

ANNEXURE TO AUDITOR'S REPORT

(Referred to in Paragraph (3) of our report of even date on the accounts for the year ended 31st March, 2011).

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation in respect of Fixed Assets.

(b) The fixed assets of the Company have been physically verified by the management during the year at most locations. and in our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. However, in the absence of reconciliation between book records and physical count sheets, we are unable to ascertain whether the Physical Verification revealed any material discrepancy.

(c) There is no disposal of fixed assets during the year.

(ii) (a) The stock of inventory are held by the Holding Company (Air India Ltd.) and are certified by them and accepted as correct without verification.

(b) As certified by the Holding Company (Air India Ltd.), the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. We have relied on the certificate given by Air India Ltd.

(c) As certified by the Holding Company (Air India Ltd.) and according to the information and explanations given to us, records of inventory is maintained by Air India Ltd. also as certified by Air India Ltd., the discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account. We have relied on the certificate given by Air India Ltd.

(iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub – clause (b), (c) and (d) are not applicable.

(b) The Company, has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub clause (f) and (g) are not applicable.

(c) The company has been maintaining current account with the holding company M/s. Air India Ltd. wherein funds are regularly paid, received on on-account for inter company transactions basis during the year. As explained to us this current account is not in the nature of loan as referred in Note 7 (a). The year end balance in this account is credit balance of Rs. 4,544.8 Million (Previous year credit balance of Rs. 2,908.7 Million). Maximum Balance during the year Rs. 4,544.8 Million (Previous year credit balance of Rs. 2,908.7 Million).

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets.

As regard inventory in view of the fact that procurement, consumption, physical custody is totally controlled by the Holding Company, hence we are unable to comment on the adequacy of internal control system of the same.

As regard to the sale of services, ***internal controls in the nature of monitoring of fare structure by the commercial department needs to be adequately documented as the documents are sold through internet in view of increase in business. Internal control in respect of refund of tickets needs to be strengthened.***

During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system, except as stated above.

The Company does not deal in Goods and hence the sale of goods does not apply except for a few items required to be sold as inflight services. The amount is not significant.

(v) (a) Based on the Audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that there are no particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that Section.

Hence, the question of commenting whether the transactions made in pursuant of such contracts or arrangements, were made at prices which are reasonable having regards to the prevailing market prices at the relevant time does not arise.

(vi) The Company has not accepted any deposits from public to which the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 apply.

(vii) ***In our opinion, the internal audit function needs to be further strengthened including timely performance reporting, its compliance and extending the scope to cover major operational departments and major foreign stations so as to ensure effective control and to make it commensurate with the size and nature of its business***.

(viii) As per the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.

(ix) (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income tax, Sales tax, Service tax, Custom Duty, and other material statutory dues applicable to it except as stated below

In absence of proper linkage between deductions and deposits of income tax deducted at source and reconciliations of balances outstanding we are not in a position to offer any comments, including delay, if any.

Pending Final decision of the competent authority and according to the information and explanation given to us, the company is not covered by the provisions of Laws relating to Investor Education and Protection Fund and Employees' State Insurance.

According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31, 2011 for a period of more than six months from the date on which they became payable ***except profession tax current year Rs. NIL (Previous year Rs. 0.8 Million) and Custom Duty current year Rs. NIL (Previous year Rs. 2.5 Millions).***

(b) According to the records of the Company and information and explanation given to us there are no dues outstanding in respect of Income tax, Wealth tax, Service tax, cess or other statutory dues on account of any dispute ***except Rs. 88.46 milions custom and excise department on fuel (Previous year Rs.36.52 Million) and Rs. 279.73 million service tax on fees paid on ECB loan and other services (Previous year Rs.32.02 Millions).***

(x) The accumulated losses (inclusive of deferred tax liability) of the Company, at the end of the financial year exceed fifty percent of its net worth. There are cash losses during the financial year covered by our audit and there were cash losses during immediately preceding financial year. As per representation given by the Management there is no adverse impact on going concern assumption.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks.

(xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.

(xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

(xvi) In our opinion and according to explanation given to us, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and cash flows of the Company we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

(xix) According to the information and explanations given to us, the Company has not created securities or charged in respect of unsecured debentures aggregating of Rs. 950 Millions.

(xx) The Company has not made any public issue and therefore the question of disclosing the end use of money does not arise.

(xxi) Based upon the audit procedures performed and according to the information and explanations given to us, we report that no major frauds on or by the Company has been noticed or reported during the year.

For J.P.J. Associates
Chartered Accountants
FRN 113012W

Sd/-
Pravin R. Deshpande
Partner
Membership No. 045249

Place : New Delhi
Dated : 28 November 2011

MANAGEMENT'S COMMENTS ON STATUTORY AUDITOR'S REPORT FOR THE FINANCIAL YEAR 2010-11.

Audit Para	Audit Observation	Management Comment
4 (a)	**Method of providing depreciation**	
	Method of providing Depreciation on aircrafts and airframes equipments (737-800) has been changed during the year 2007-08 by considering the estimated life of aircraft as 20 years as against 17 years considered in earlier years. The CLB permission is awaited. This has resulted in higher estimated life of assets and has resulted in depreciation provision for the year being lower by Rs.336.89 Million (Previous year Rs.311.31 Million). The loss for the year is understated to that extent. The accumulated losses are understated to the extent of Rs.1116.09 Million (Previous year Rs. 874.66 Million). Consequently, the Fixed Assets have also been overstated to the extent of Rs.1122.04 Million. (Previous years Rs.876.93 Million) and Capital Reserve is overstated to the extent of Rs.5.95 Million (Previous year Rs. 2.27 Million).	With the acquisition of the latest state-of-art technology, Boeing 737 new aircraft into the fleet, from the year 2006 onwards, which have a longer life span and economic life as demonstrated by the manufacturer viz. Boeing, it is felt necessary, to amortize the cost of aircraft over a longer life span i.e. 20 years which is usually the retention period of aircraft. The OEM, M/s. Boeing, have indicated that the life of aircraft could be up to 30 years and also confirmed that the structure is designed to a long crack initiation life, so that airplanes can be operated economically without the burden of unscheduled maintenance. The company had referred the matter to Ministry of Corporate Affairs to revise the rates. The Ministry of Corporate Affairs, has responded and sought further clarification that how new B737-800 aircraft is different from the earlier Boeing 737 (Technically & Life-wise) alongwith certificate from Chartered Engineer and Manufacturer's brochure.
4 (b)	**Sharing of common costs and revenue sharing :**	
	As stated in Note 10 of Schedule U, the Company is not to share the cost towards common facilities and services with effect from the year 2007-08. The impact of such costs, which is not ascertainable, would not be reflected in determining the profitability of the company.	The Company is sharing 25% of its revenue with its Holding Company, as per MOU effective 1st April, 2007 and approval of the Board of Air India Limited and Air India Charters Limited.
(c)	As per the resolution passed by the Board of Directors and as per the terms of amended MOU between Air India Ltd. (Holding Company) and AICL, the revenue earned by AICL is shared in the ratio of 25% and 75% respectively with effect from 1st April, 2005.	
5 (a)	**Accounts subject to reconciliation / confirmation :**	
	We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit, except in respect of certain accounts as referred to Note 17 of Schedule U. The consequential effect of adjustments, if any, thereof is not presently quantifiable.	During the financial year 2010-11, majority of unreconciled account as on 31st March, 2010 have been reconciled. As regard to the Reconciliation of TDS Account, we have taken required steps and the current year's balances are in control, however this account still has the balances of previous year, which would be reconciled during next year. This exercise will be taken up and completed on a priority basis.

MANAGEMENT'S COMMENTS ON ANNEXURE TO AUDITOR'S REPORT

Audit Para	Audit Observation	Management Comment
(iv)	**Inventory :** As regard inventory in view of the fact that procurement, consumption, physical custody is totally controlled by the Holding Company, hence we are unable to comment on the adequacy of internal control system of the same.	The procurement, consumption and balances of inventory is generated through the "SMART" ERP system which provides the data for Air India Limited (AI). Since the inventory accounting function for AICL is fully managed by (AI), the information is extracted from the SMART system by AI for AICL.
(iv)	**Sale of Services:** As regard to the sale of services, internal controls in the nature of monitoring of fare structure by the commercial department needs to be adequately documented as the documents are sold through internet in view of increase in business. Internal control in respect of refund of tickets needs to be strengthened.	Air India Express is in the process of replacing vendor for Reservation System. This aspect will be taken care in the new system.
(vii)	**Internal Audit:** In our opinion, the internal audit function needs to be further strengthened including timely performance reporting, its compliance and extending the scope to cover major operational departments and major foreign stations so as to ensure effective control and to make it commensurate with the size and nature of its business.	Due to paucity of time, various aspects covering operational areas could not be covered during the internal audit for the year 2010-11. We intend to cover operational areas during the internal audit for 2011-12 covering audit of 'Revenue Reconciliation System', Payment Gateway, compliance of statutory obligations, etc.
(ix)(a)	**Deduction and Deposits of Income-Tax deducted at Source :** In absence of proper linkage between deductions and deposits of income tax deducted at source and reconciliations of balances outstanding we are not in a position to offer any comments, including delay, if any.	During the financial years 2009-10 & 2010-11, we have guided all the stations for the proper accounting of TDS and there is improvement. However still there is scope for improvement which shall be taken care during forthcoming financial year.
(ix)(b)	**Demand from Customs & Service Tax Authority:** According to the records of the Company and information and explanation given to us there are no dues outstanding in respect of Income tax, Wealth tax, Service tax, cess or other statutory dues on account of any dispute except Rs.88.46 Million Custom & Excise department on fuel, (Previous year Rs. 36.52 Million) and Rs.279.73 million service tax on fees paid on ECB loan and other services (Previous year Rs. 32.02 Million).	As regards custom duty on ATF levied on the domestic leg of international flights by the Customs & Excise dept. and demand from Service Tax authorities regarding service tax payable on fees paid on ECB Loan, both the matters are under appeal and we are of the opinion that the outcome of the same is likely to be in favour of the company.

BALANCE SHEET AS AT MARCH 31, 2011

(Rupees in Million)

Particulars	Schedule	March 31, 2011		March 31, 2010	
I. SOURCES OF FUNDS :					
Shareholders' Funds :					
a) Capital	A	**300.0**		300.0	
b) Reserves & Surplus	B	**406.2**		427.1	
			706.2		727.1
Loan Funds :					
Unsecured Loans	C		**13,841.9**		11,348.0
Future Lease Obligation	D		**22,919.6**		27,374.9
TOTAL			**37,467.7**		39,450.0
II. APPLICATION OF FUNDS :					
Fixed Assets :	E				
a) Gross Block		**39,819.2**		41,929.7	
Less : Depreciation		**6,064.5**		4,364.9	
b) Net Block		**33,754.6**		37,564.8	
c) Capital Work-in-Progress		**3.0**		-	
		33,757.6		37,564.8	
Current Assets, Loans and Advances :					
a) Inventories	F	**435.4**		384.4	
b) Sundry Debtors	G	**383.2**		792.9	
c) Cash and Bank Balances	H	**499.0**		247.9	
d) Other Current Assets	I	**0.3**		1.2	
e) Loans and Advances	J	**964.6**		1,259.0	
		2,282.5		2,685.4	
Less : Current Liabilities and Provisions	K				
a) Current Liabilities		**9,598.6**		7,910.6	
b) Provisions		**32.9**		36.5	
		9,631.5		7,947.1	
Net Current Assets			**(7,349.0)**		(5,261.7)
Profit and Loss Account	L		**11,059.1**		7,146.9
TOTAL			**37,467.7**		39,450.0
Significant Accounting Policies	T				
Notes to Accounts	U				

The Schedules referred to herein above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our report of even date.

For J.P.J. Associates
Chartered Accountants
FRN 113012W

For and on behalf of the Board

Sd/-
Pravin R. Deshpande
Partner
M. No. 045249

Sd/-
Rohit Nandan
Chairman

Sd/-
L. Raja Sekhar Reddy
Director

Sd/-
Aditi Khandekar
Company Secretary

Place : New Delhi
Date : 28 November 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in Million)

Particulars	Schedule	2010 - 11		2009 - 10	
I. Revenue :					
1. Traffic	**M**				
i) Scheduled Services		**12,811.6**		12,827.7	
ii) Others		**-**	**12,811.6**	400.5	13,228.2
2. Handling, Servicing and Incidental	**N**		**301.2**		225.3
Operating Revenue			**13,112.8**		13,453.5
3. Other (Net)	**O**		**403.8**		565.1
Total Revenue **I**			**13,516.6**		14,018.6
II. Expenses :					
1. Payments to and Provisions for Employees including Crew Allowances	**P**		**967.6**		1,127.9
2. Fuel and Oil - Aircraft			**7,204.1**		6,573.1
3. Insurance - Aircraft			**157.6**		153.1
4. Navigation, Landing, Housing and Parking			**1,024.8**		1,162.0
5. Hire and Lease Rental Charges - Aircraft			**995.0**		1,609.3
6. Handling Charges			**1,310.0**		1,337.9
7. Material Consumed - Aircrafts			**265.9**		328.2
8. Outside Repairs - Aircrafts			**471.4**		521.8
9. Passenger Amenities			**238.9**		286.8
10. Commission (Net)			**116.6**		94.9
11. Communication Charges :					
i) Reservation Systems		**21.3**		17.2	
ii) Others		**4.2**	**25.5**	5.2	22.4
12. Travelling Expenses :					
i) Crew		**273.0**		224.0	
ii) Others		**32.2**	**305.2**	30.4	254.4
13. Depreciation	**E**		**1,897.9**		1,782.5
14. Other Expenses	**Q**		**155.2**		320.0
Total Operating Expenses **II**			**15,135.7**		15,574.3
III. Profit before Interest, Prior Period Adjustments, Extraordinary Items and Taxation **I-II**			**(1,619.1)**		(1,555.7)
Interest and Finance Charges	**R**	**2,141.4**		2,052.7	
Prior Period Adjustments (Net)	**S**	**156.4**		(1.5)	
			2,297.8		2,051.2
IV. Profit/(Loss) before Taxation			**(3,916.9)**		(3,606.9)
Less : Provision for Taxation					
i) Current Tax		**-**		-	
ii) Earlier Years Income Tax Provision written back		**(4.7)**		-	
iii) Deferred Tax		**-**		-	
			(4.7)		-
V. Profit/(Loss) after Taxation			**(3,912.2)**		(3,606.9)
Balance Brought Forward			**(7,146.9)**		(3,540.0)
VI. Balance Carried Forward to Balance Sheet			**(11,059.1)**		(7,146.9)

Basic and Diluted Earning per Share of Rs.100 each. Refer Note No. 18

Significant Accounting Policies **T**

Notes to Accounts **U**

The Schedules referred to herein above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

For J.P.J. Associates
Chartered Accountants
FRN 113012W

Sd/-
Pravin R. Deshpande
Partner
M. No. 045249

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Sd/-
L. Raja Sekhar Reddy
Director

Sd/-
Aditi Khandekar
Company Secretary

Place : New Delhi
Date : 28 November 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in Million)

Particulars	2010 - 11		2009 - 10	
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit / (-) Loss Before Taxation		**(3,916.9)**		(3,606.9)
ADJUSTMENTS FOR :				
Depreciation	**1,897.9**		1,782.5	
Exchange Rate Difference	**(47.5)**		14.4	
Interest Expenses	**2,141.4**		2,052.7	
Prior Period Items (Non Cash)	**17.2**		-	
Profit on Sale of Assets	**(389.6)**		-	
Provision for Gratuity	**12.1**		3.2	
Provision for Leave Encashment	**2.7**		1.9	
Provision Written Back	**(2.5)**		-	
Interest on Bank & Other Deposits	**(2.0)**		(2.2)	
		3,629.8		3,852.5
Cash Surplus / (-) Defecit Before Variation in Net Working Capital		**(287.1)**		245.6
Changes in Working Capital				
(-) Increase / Decrease in Sundry Debtors	**409.7**		(505.6)	
(-) Increase / Decrease in Loans & Advances	**294.4**		303.5	
(-) Increase / Decrease in Other Current Assets	**0.9**		0.1	
(-) Increase / Decrease in Inventories	**(51.0)**		13.0	
Increase / (-) Decrease in Current Liabilities & Provisions	**1,676.7**		5,061.8	
		2,330.7		4,872.8
Net Cash (-) Outflow / Inflow from Operations		**2,043.7**		5,118.4
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	**(82.1)**		(3,649.9)	
AS 11 Impact	**115.3**		-	
Capital Reserve Adjustment	**20.9**		-	
Proceeds from Fixed Assets	**2,227.5**		-	
Interest received on Bank & Other Deposits	**2.0**		2.2	
Net Cash (-) Outflow / Inflow from Investing Activities		**2,283.6**		(3,647.7)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Interest Expenses	**(2,141.4)**		(2,052.7)	
Increase / (Decrease) of Loans	**(1,982.2)**		(294.6)	
Issue of Unsecured Debentures	**-**		950.0	
Net Cash (-) Outflow / Inflow from Financing Activities		**(4,123.6)**		(1,397.3)
Net Increase / (-) Decrease in Cash & Cash Equivalents		**203.7**		73.4
Exchange Rate Difference		**47.5**		(14.4)
Add : Cash at the beginning of the year		**247.9**		188.9
Cash at the end of the year		**499.0**		247.9

This is the Cash Flow referred to in our report of even date.

1. Cash and cash equivalent for the year ended 31 March 2011 include unrealised gain (Net) of Rs. 47.5 Million (Previous Year loss of Rs. 14.4 Million) on account of translation of foreign currency bank balances.
2. Cash and cash equivalent includes Fixed Deposits of Rs. 8.7 Million (Previous Year Rs. 30.6 Million) which are not available for free use due to Lien.

For J.P.J. Associates
Chartered Accountants
FRN 113012W

For and on behalf of the Board

Sd/-
Pravin R. Deshpande
Partner
M. No. 045249

Sd/-
Rohit Nandan
Chairman

Sd/-
L. Raja Sekhar Reddy
Director

Sd/-
Aditi Khandekar
Company Secretary

Place : New Delhi
Date : 28 November 2011

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE : "A" : CAPITAL

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
AUTHORISED		
3 Million Equity Shares of Rs. 100 each	**300.0**	300.0
ISSUED, SUBSCRIBED AND PAID UP		
3 Million Equity shares of Rs.100 each fully paid up	**300.0**	300.0
(The entire Share Capital is held by Air India Ltd. Previously known as National Aviation Company of India Ltd. A company formed under the Companies Act, 1956 and its Nominees)	**300.0**	300.0

SCHEDULE : "B" : RESERVES AND SURPLUS

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
Capital Reserve	**427.1**	440.0
Less : Depreciation (Refer Schedule E)	**(20.9)**	(12.9)
	406.2	427.1

SCHEDULE : "C" : UNSECURED LOANS

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
From Banks (Repayable within one year)	**12,891.9**	10,398.0
Debentures (Repayable within one year - Nil) (Previous Year NIL) (950 Unsecured, reedemable, non-convertible debenture of face value Rs. 10 Lakhs each at interest rate of 9.38%)	**950.0**	950.0
(Guaranteed by Government of India to the extent of Rs.950.0 Millions; Previous Year - Rs.950.0 Millions)	**13,841.9**	11,348.0

SCHEDULE : "D" : FUTURE LEASE OBLIGATION

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
Future Lease Obligation	**22,919.6**	27,374.9
(Guaranteed by Government of India to the extent of Rs. 21,410.1 Millions; Previous Year - Rs. 24,947.4 Million) Amount repayable within one year Rs. 2,970.6 Million (Previous year Rs. 4,298.5 Million)		
	22,919.6	27,374.9

SCHEDULE : "E" : FIXED ASSETS

(Rupees in Millions)

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at April 1, 2010	**Additions during the year**	**Deductions/ Adjustments during the year**	**As at March 31, 2011**	As at April 1, 2010	**For the year**	**On Deductions/ Adjustments**	**Upto March 31, 2011**	**As at March 31, 2011**	As at March 31, 2010
A. AIRCRAFT FLEET & EQUIPMENT										
1. B737-800 Aircarft	24178.3	-72.1	1299.0	**22807.3**	2491.1	1090.6	-148.1	**3433.5**	**19373.7**	21687.3
2. B737-800 Spares Engines & QEC Kits	15766.3	-43.0	775.4	**14947.9**	1638.2	714.3	- 88.4	**2264.1**	**12683.8**	14128.2
3. Simulators	440.0	-	-	**440.0**	12.9	20.9	-	**33.8**	**406.2**	427.1
4. Aero Engine Equipment Rotables	134.4	64.5	79.7	**119.2**	12.8	6.7	-3.1	**16.4**	**102.8**	121.5
5. Airframe Equipment Rotables	1349.2	1.0	-79.7	**1429.9**	196.8	79.9	20.2	**296.9**	**1132.9**	1152.3
SUB TOTAL "A"	41868.2	-49.6	2074.4	**39744.3**	4351.8	1912.4	-219.4	**6044.7**	**33699.4**	37516.4
B. OTHER ASSETS										
1. Vehicles	8.7	-	-	**8.7**	2.5	0.8	-	**3.3**	**5.4**	6.3
2. Plant and Machinery	9.7	0.9	-	**10.6**	0.5	0.5	-	**1.0**	**9.6**	9.2
3. Furniture and Fixtures	3.3	1.0	-	**4.3**	1.1	0.3	-	**1.4**	**2.9**	2.2
4. Office Appliances and Equipment	3.0	2.3	-	**5.3**	0.4	0.3	-	**0.6**	**4.6**	2.6
5. Computer Systems	12.2	1.8	-	**13.9**	4.5	2.2	0.1	**6.9**	**7.0**	7.6
6. Ramp Equipments	18.9	3.4	-	**22.3**	3.3	1.7	-	**5.0**	**17.3**	15.6
7. Electric Fittings	0.1	-	-	**0.1**	-	-	-	**-**	**0.1**	0.1
8. Workshop Equipments	5.6	4.2	-	**9.8**	0.9	0.7	-	**1.6**	**8.3**	4.8
SUB TOTAL "B"	61.5	13.6	-	**75.0**	13.2	6.5	0.1	**19.8**	**55.2**	48.4
GRAND TOTAL	41929.7	-36.0	2074.4	**39819.3**	4365.0	1918.9	-219.3	**6064.5**	**33754.6**	37564.8
Previous Year	35252.9	6676.7	-	41929.7	2569.2	1795.4	0.3	4364.9	37564.8	32683.8
Capital Work in Progress	-	3.0	-	3.0	-	-	-	-	3.0	-

Note 1) : Capital Work in Progress includes Rs. 3.0 Million as advance for purchase of plant & machinary (Previous Year Rs. NIL).

Note 2) : Aircraft Fleet and Equipment includes 17 (Previous Year 18) B737-800 (Registration No. VT-AXH, AXI, AXJ, AXM, AXN, AXP, AXQ, AXR, AXT, AXU, AXW, AXX, AXZ, AYA, AYB, AYC and AYD) acquired on finance lease. Gross Block : Rs.22807.3 Million (P.Y. Rs.24178.3 Million), Depreciation : Rs.3433.5 Million (P.Y. Rs.2491.1 Million), Net Block : Rs.19373.7 Million (P.Y. Rs.21687.3 Million). Future Lease rental obligations aggregate to Rs.22919.7 Million (P.Y. Rs.27374.9 Million) for which liability of an equal amount is included in the year-end balance of Future Lease Obligation.

Note 3) : Aero Engine Equipment Rotables & Airframe Equipment Rotables are regrouped.

Note 4) : Depreciation during the year amount to Rs.20.9 Million (P.Y. Rs.12.9 Million) on Simulator has been adjusted from Capital Reserve created for Capitalisation of Simulator.

(Rupees in Million)

Particulars	**For the year March 31, 2011**	For the year March 31, 2010
Depreciation for the year ending March 31, 2011	**1,918.9**	1,795.4
Less : Depreciation transferred to Capital Reserve	**(20.9)**	(12.9)
Depreciation for the year ending March 31, 2011 taken to Profit and Loss Account	**1,898.0**	1,782.5

SCHEDULE : "F" : INVENTORIES

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
Stores and Spare Parts (Refer Note No.7a of Schedule U)	**435.4**	384.4
	435.4	384.4

SCHEDULE : "G" : SUNDRY DEBTORS

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
SECURED		
Debts Outstanding for a period exceeding Six Months	-	-
Other Debts (Secured by Bank Guarantee)	**181.9**	237.5
i)	**181.9**	237.5
UNSECURED		
Considered Good		
Debts Outstanding for a period exceeding Six Months Due from holding company Air India Ltd. Rs.134.76 Million (P.Y. Rs.75.81 Million)	**141.4**	105.1
Other Debts Debts Outstanding for a period exceeding Six Months Due from holding company Air India Ltd. Rs.28.1 Million (P.Y. Rs.30.9 Million)	**59.9**	450.3
ii)	**201.3**	555.4
Total i) + ii)	**383.2**	792.9

SCHEDULE : "H" : CASH AND BANK BALANCES

(Rupees in Million)

Particulars		March 31, 2011	March 31, 2010
1. Cash on Hand	I	**8.1**	6.8
2. Balances with Banks :			
a) In Current Accounts with Scheduled Banks		**335.7**	79.1
b) In Current Accounts with Non-Scheduled Banks***		**146.6**	131.4
c) In Deposit Accounts with Scheduled Banks		**8.7**	30.6
	II	**491.0**	241.1
Total	**I + II**	**499.0**	247.9

***** CURRENT ACCOUNTS WITH NON-SCHEDULED BANKS**

(Rupees in Million)

Name of the Bank & Station	Balance as on March 31, 2011	Maximum Balance During the year
Citibank Mother A/C - Dubai	**87.2**	194.9
Citibank Expenditure A/C - New York	**52.3**	287.8
DBS Bank Collection A/C - Singapore	**7.1**	113.4
Total	**146.6**	

SCHEDULE : "I" : OTHER CURRENT ASSETS

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
Interest Accrued on Deposits	**0.3**	1.2
	0.3	1.2

SCHEDULE : "J" : LOANS AND ADVANCES

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
Unsecured and considered good		
i) Advances Recoverable in Cash or in Kind or for Value to be received (Due from Air India Air Transport Services Ltd. Rs.0.3 Million Previous Year Rs. 0.01 Million)	**898.3**	1,180.3
ii) Advance Payment of Taxes and Tax Deducted at Sources	**66.3**	78.7
	964.6	1,259.0

SCHEDULE : "K" : CURRENT LIABILITIES AND PROVISIONS

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
A. CURRENT LIABILITIES :		
i) Sundry Creditors (Includes Rs.246.6 Million due to Air India Limited Previous Year Rs.713.4 Million)	**3,290.5**	3,645.3
ii) Advances from Customers	**1,517.3**	1,150.4
iii) Other Liabilities (Net)	**246.0**	206.2
iv) Due to Holding Company - Air India Limited.	**4,544.8**	2,908.7
	9,598.6	7,910.6
B. PROVISIONS FOR :		
i) Taxation	**-**	18.5
ii) Gratuity	**21.7**	9.5
iii) Leave Encashment	**11.2**	8.5
	32.9	36.5
	9,631.5	7,947.1

SCHEDULE : "L" : PROFIT AND LOSS ACCOUNT

(Rupees in Million)

Particulars	March 31, 2011	March 31, 2010
Balance B/F	**(7,146.9)**	(3,540.0)
Profit / (Loss) for the year	**(3,912.2)**	(3,606.9)
Balance carried to Balance Sheet	**(11,059.1)**	(7,146.9)

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

SCHEDULE : "M" : TRAFFIC REVENUE

(Rupees in Million)

Particulars		2010-11	2009-10
SCHEDULED SERVICES			
1. Passenger		**17,068.4**	16,723.7
Less : Service Tax		**(338.0)**	-
Net		**16,730.4**	16,723.7
2. Excess Baggage		**175.7**	182.1
3. Cargo		**172.9**	195.6
4. Mail		**3.1**	2.2
		351.7	379.9
Less : Revenue Sharing with Air India Limited		**(4,270.5)**	(4,275.9)
Net Revenue	**I**	**12,811.6**	12,827.7
OTHERS			
1. Charter - TDS Rs. NIL (Previous year Rs. 5.1 Million)		**-**	226.4
2. Pool Revenue		**-**	88.2
3. Block Seat Arrangement		**-**	85.9
	II	**-**	400.5
Total	**I + II**	**12,811.6**	13,228.2

SCHEDULE : "N" : HANDLING, SERVICING AND INCIDENTAL REVENUE

(Rupees in Million)

Particulars	2010-11	2009-10
1. Handling and Servicing - Other	**57.2**	63.1
TDS Rs. 1.1 Million (Previous year Rs. 1.2 Million)		
Less : Service Tax	**(5.3)**	(5.9)
Net	**51.9**	57.2
2. Incidental	**134.7**	40.0
3. Transaction Fees	**114.6**	128.1
	301.2	225.3

SCHEDULE : "O" : OTHER REVENUE

(Rupees in Million)

Particulars	2010-11	2009-10
1. Interest on Deposits from Banks		
TDS Rs. 0.14 Million (Previous year Rs. 0.3 Million)	**2.0**	2.2
2. Provision No Longer Required	**2.5**	-
3. Operational Support Credits	**-**	298.9
4. Supplier Credit and Others	**0.5**	264.0
5. Profit or Loss on Sale / Scrappage of Assets	**389.6**	-
6. Difference in Exchange	**9.2**	-
	403.8	565.1

SCHEDULE : "P" : PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

(Rupees in Million)

Particulars	2010-11	2009-10
1. Salaries, Wages, Bonus and Gratuity	**872.5**	1,069.7
2. Crew Allowances	**60.7**	40.2
3. Contribution to Provident and Other Funds	**9.9**	8.6
4. Staff Welfare Expenses	**2.4**	6.5
5. Staff Training Expenses	**22.1**	2.7
	967.6	1,127.7

SCHEDULE : "Q" : OTHER EXPENSES

(Rupees in Million)

Particulars	2010-11	2009-10
1. Rates and Taxes	**0.2**	0.7
2. Rent	**9.4**	9.0
3. Repairs to :		
i) Buildings	**0.6**	-
ii) Others	**3.3**	1.6
4. Hire of Transport	**31.1**	31.2
5. Electricity and Heating Charges	**0.9**	0.3
6. Publicity and Sales Promotion	**10.0**	8.4
7. Printing and Stationery	**3.5**	3.6
8. Legal Charges	**1.4**	-
9. Auditors' Remuneration and Expenses	**0.5**	0.3
10. Expenses on Block Seat Arrangements	**-**	83.8
11. Exchange Rate Variation	**-**	3.6
12. Consumption - Non Aircraft	**0.1**	22.8
13. Service Tax	**130.7**	139.3
14. Chargeback Account	**-**	0.2
15. Miscellaneous Expenses	**(36.5)**	15.2
	155.2	320.0

SCHEDULE : "R" : INTEREST & FINANCE CHARGES

(Rupees in Million)

Particulars	2010-11	2009-10
1. Interest on :		
a) Aircraft Loans	**753.3**	782.5
b) Other Loans	**1,271.8**	1,149.3
2. Finance Charges	**116.3**	120.9
	2,141.4	2,052.7

SCHEDULE : "S" : PRIOR PERIOD ADJUSTMENTS

(Rupees in Million)

Particulars		2010-11	2009-10
1.	Passenger & Excess Baggage Revenue	**90.5**	(38.3)
2.	Staff Training Expenses to 3rd Parties	**-**	(1.6)
3.	Pax Amenities Catering on Ground	**(0.4)**	-
4.	Landing, Housing and Parking	**0.4**	13.0
5.	Salaries / Staff Welfare Expenses	**-**	(3.3)
6.	Crew Hotel Expenses	**2.1**	0.2
7.	Material Consumption	**-**	25.7
8.	Licence Fee for Flight Kitchen Service	**-**	0.3
9.	Handling Charges	**61.5**	-
10.	Deposit Premium of Aircraft	**9.3**	-
11.	Depreciation	**17.1**	0.3
12.	Others (Net)	**(24.1)**	2.2
		156.4	(1.5)

SCHEDULE - "T" : SIGNIFICANT ACCOUNTING POLICIES :

1. **SIGNIFICANT ACCOUNTING POLICIES :**

i. **<u>Accounting Convention</u> :**

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

ii. **<u>Use of Estimates</u> :**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period particularly in respect of major items such as Traffic Revenue, Provisions for liabilities, Depreciation, Obsolescence, Doubtful Debts and Advances and the Contingent liabilities. Difference between the actual results and estimates are recognized in the period in which results are known / materialised.

iii. **<u>Fixed Assets and Depreciation</u> :**

(a) Fixed Assets are stated at historical cost.

(b) (i) Aircraft Fleet and Equipment are stated at purchase price. Other incidental costs including interest wherever applicable are also capitalized up to the date of first commercial flight.

(ii) Other Assets including aircraft rotables are capitalized and stated at historical cost.

(c) Aircraft fleet and equipment under leases, in respect of which substantially all the risks and rewards of ownership are transferred to the company are considered as Finance lease and are capitalized.

(d) Credits allowed by the Manufacturers/Vendors are reviewed and evaluated by the Company and directly identifiable credits are adjusted towards the Cost of the Asset. Other credits in the nature of Operational Support are credited to the Profit & Loss Account.

(e) Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except for the following :

(i) The new generation 737-800 aircraft are depreciated up to 95% of the block value over 20 years.

(ii) 'Airframe Equipment - Rotables' & 'Aero Engine Equipment - Rotables' relating to aircraft are also depreciated up to 95% of the base value over the remaining average useful life of the fleet. (737-800 aircraft is estimated as 20 years).

(iii) Depreciation on additions to other fixed assets and Rotables is provided for the full year in the year of capitalization and no depreciation is provided in the year of disposal.

(f) Assets of value not exceeding Rs. 5000 in each case are depreciated fully in the year of purchase.

(g) The Exchange difference on Foreign Currency long term borrowing relating to acquisition of depreciable assets is depreciated over the remaining useful life of related asset including the year in which such exchange difference arises.

iv. **<u>Impairment of Assets</u> :**

The carrying value of Fixed Asset are reviewed for impairment at each Balance Sheet date to determine whether there is any indication of impairment.

If the carrying value of a Fixed Asset exceeds its estimated recoverable amount an impairment loss is recognized in the Profit & Loss Account and the Fixed Assets are written down to their recoverable amount.

v. **<u>Inventory</u> :**

(a) Spare parts stores and tools are valued at cost on weighted average basis.

(b) Obsolescence relating to 737-800 fleet is made only on non moving inventory for a period exceeding 5 years upto completion statutory life of a particular fleet of aircraft.

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

vi. **Foreign Currency Translation :**

(a) **Current Assets and Current Liabilities :**

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

(b) **Foreign Currency Loans :**

The outstanding balances of foreign currency loans (including loans availed for acquisition of assets) at the year end are translated at FEDAI Rate at the year end.

The company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 (AS11) notified by Government of India on 31st March, 2009. Accordingly the effect of exchange differences on foreign currency loans of the Company is accounted by addition or deduction to the cost of the assets so far it relates to depreciable capital assets and in other cases by transfer to “Foreign Currency Monetary Items Translation Difference Account” to be amortised over the balance period of the long term monetary items or 31st March, 2011 whichever is earlier.

(c) **Revenue and Expenditure Translations :**

i. Based on the exchange rates published by the IATA, exchange rates are established for translating the foreign currency revenue and expenditure transactions during the year and the exchange differences are transferred to the Profit & Loss Account.

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

vii. **Revenue Recognition :**

(a) Pax Revenue is recognized on flown basis. At year end, the value of advance pax sales is assessed as forward sales. Subsequent refunds/unclaimed tickets have been recognized in year of refund/cancellation.

(b) Handling charges are shown Net of Service Tax.

(c) The Pool Revenue is accounted on an accrual basis as per the arrangements with the airlines concerned.

(d) The services are accounted for on actual services rendered.

viii. **Operating Leases :**

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

(b) Contributions made to lessors on account of Maintenance Reserve for which maintenance is expected to arise during the lease period is treated as a Prepaid Expense. These contributions are expensed whenever the maintenance expenditure arises or at the end of the expiry of the lease period.

ix. **Borrowing Cost :**

(a) Borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets including capital work in progress are capitalized upto the time the asset gets ready for its intended use.

(b) Borrowing cost other than stated above is treated as period cost.

x. **Retirement Benefits :**

(a) Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.

(b) Post employment benefits are recognized as an expense in the Profit and Loss Account for the year in which employee has rendered services. The estimated liability on account of long term benefits is discounted to the current value using the yield on government bonds as the discounting rate.

(c) Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Profit and Loss Account.

xi. **Other Liabilities :**

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

xii. **Taxes on Income :**

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

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

xiii **Provisions and Contingent Liabilities :**

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are not provided for and are stated by way of notes to accounts. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

xiv. **Prior Period Items :**

The Income and Expense which arise in the current period as a 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.

xv. **Cash Flow Statement :**

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, financing and investing activities of the company are segregated.

SCHEDULE - "U" : NOTES TO ACCOUNTS :

1. **Contingent Liability** :

a) The Company has employed various staff on Contractual basis and hence there is a Contingent Liability to the extent of the unexpired contract period. The amount for the same cannot be ascertained.

b) The Company has received notices from Customs and Excise Department towards applicability of duty on consumption of fuel on domestic flights. The Company has accounted the claims for the same during the financial year for Rs. 88.5 Million. (Previous Year Rs. 36.5 Million).

c) The Company has also received show cause notices from Directorate General of Central Excise Intelligence, on applicability of Service Tax on various fees paid on External Commercial Borrowings(ECB) loans (under Banking & Financial Services), on Management, Maintenance & Repair Service on leased aircraft and, as recipient of service from Non-Resident Service Providers. The Service Tax liability for the period 2005 to 2010 as per the show cause notice dated October 18,2010 is Rs.279.73 Million (Previous Year Rs.32.02 Million) has not been provided as the company has referred the matter to the Ministry to waive the applicability of Service Tax. The company is also representing the matter with the Service Tax department. The liability on account of interest and penalty is not considered above since the same has not been charged/demanded in the show cause notice.

d) Letter of Credits issued by the Bank outstanding amounting to Rs. 535.1 Million (Previous Year: Rs. 673.50 Million).

2. **Capital Commitments :**

a) Aircraft Projects:

Capital Commitments are in respect of estimated amount of contracts remaining to be executed on Capital Account (Net of Advances) Rs.406.6 million (Previous Year Rs. 409.4 Million).

b) Trivandrum Hangar Project in respect of equipments being procured Rs.8.2 Million (Previous Year Rs. 4.7 Million).

3. **Retirement Benefits :**

(a) Contributions to Defined Contribution Schemes such as Provident Fund are charged to the Profit & Loss Account as follows :

Provident Fund Rs. 9.1 Million (Previous Year : Rs. 7.8 Million).

(b) The Company also provides retirement benefits in the form of Gratuity and Leave Encashment on the basis of valuation, as at the Balance Sheet Date, carried out by independent Actuaries, as per revised AS15 issued by the Institute of Chartered Accountants of India. Net liability as per Actuarial Valuation is as follows :

i) Leave Encashment Rs. 11.2 Million (Previous Year : Rs. 8.4 Million) (Unfunded)

ii) Defined Benefit Plan - Gratuity (Unfunded)

	Particulars	As at 31.03.11	As at 31.03.10
a)	Change in Benefit Obligation		
	Liability at the beginning of the year	9.6	6.3
	Interest Cost	-	-
	Current Service cost	-	-
	Benefit Paid	-	-
	Actuarial (gain)/Loss on Obligations	12.1	3.3
	Liability at the end of the year	21.7	9.6
b)	Fair Value of Plan Assets		
	Fair Value of Plan Assets at the beginning of the year	-	-
	Expected return on Plan Assets	-	-
	Contributions	-	-
	Benefit Paid	-	-
	Actuarial (gain)/Loss on Plan Assets	-	-
	Fair Value of Plan Assets at the end of the year	-	-
	Total Actuarial (gain)/Loss on Plan Assets	-	-

	Particulars	As at 31.03.11	As at 31.03.10
c)	Actual return on Plan Asset	-	-
	Expected return on Plan Asset	-	-
	Actuarial (gain)/Loss on Plan Asset	-	-
	Actual return on Plan Asset	-	-
d)	Amount recognized in the Balance Sheet	-	-
	Liability at the end of the year	21.7	9.6
	Fair Value of Plan Assets at the end of the year	-	-
	Difference	-	-
	Amount recognized in the Balance Sheet	21.7	9.6
e)	Expenses recognized in the Profit & Loss Account	-	-
	Current Service Cost	-	-
	Interest Cost	-	-
	Expected return on Plan Asset	-	-
	Net Actuarial (gain)/Loss to be recognized	12.1	3.3
	Expenses recognized in the Profit & Loss Account	12.1	3.3
f)	Balance Sheet reconcilation		
	Opening Net Liability	9.6	6.3
	Expense as above	12.1	3.3
	Employer's contribution	-	-
	Closing Net Liability	21.7	9.6
g)	Actuarial Assumptions for the year		
	Discount rate	8.25%	8.00%
	Rate of return on Plan Asset	-	-
	Salary Escalation	5.00%	5.00%

4. In the absence of information of supplier's status, as defined under the Interest on Delayed payments to Small Scale and Ancillary Industrial Undertakings Act, 1993, and Micro Medium and Small Enterprises (MSME) Act 2006, the disclosure for unpaid amounts together with interest on delayed payments, if any, to such suppliers, could not be made in the Accounts.

5 During the year ended 31st March, 2010, the Company had issued 950 Privately Placed Rated, Listed, Unsecured, Taxable, Redeemable, Non-Convertible Debentures with face value of Rs.10 Lacs each, aggregating Rs.95 Crores. These bonds have Government of India Guarantee. The Bond issue has been rated by CRISIL as AAA (SO) and Fitch Ratings as AAA (ind)(SO)(Exp).

These debentures are redeemable at par on March 26, 2020. Redemption Reserve as required under section 117C of the Companies Act 1956 has not been created since there are no profits.

6. During the current financial year the company has billed Air India Limited (Holding Company) towards various handling services. The amount so billed has been recognized as handling revenue and the cost incurred has been debited to the Staff Cost.

7. a) Procurement of Stores, Aircraft etc. is controlled and monitored by the Air India Limited(Holding Company). While the company has opened independent bank accounts at various Indian/foreign locations, there are still some transactions carried out by Air India Limited for and behalf of the company and vice-versa. Expenditure/collections at some stations are made by Air India Limited on behalf of the company and same has been routed through the Current Account based on information provided by AIR INDIA LIMITED.

b) Cargo, Mail and Excess Baggage at few stations revenue are controlled and monitored by Air India Limited on behalf of the company and the same has been accounted based on information provided by Air India Limited.

8. Miscellaneous Receipts includes Credits allowed by the Manufacturers/Vendors in the nature of Operational Support against the Aircraft purchased during the year amounting to Rs. NIL (Previous Year Rs.298.9 Million).

9. As per MOU between Air India Limited (Holding Co.) and AICL, revenue earned from Scheduled Services of AICL has been shared between Air India Limited and Air India Charters Limited in the ratio 25% and 75% respectively.

10. Pursuant to the Undertaking between Air India Charters Ltd and Air India Limited, and commercial decisions, AICL was to share cost towards common facilities and services till 31st March, 2007. However, as per representation received from Air India Limited no such cost towards common facilities and services will be allotted to AICL. However, in a phased manner, for those stations which have only Air India Express flight operations, the complete station expenditure is being debited to Air India Charters Limited.

11. During the year, Air India Express B737-800 flight IX-812 (VT AXV) from Dubai to Mangalore was involved in an accident on 22 May 2010. The accident occurred after the aircraft landed at Mangalore airport and overshot the runway. There were 160 passengers and 6 crew members on board. There were 8 survivors. 158 passengers perished in the accident.

The Aircraft VT-AXV was declared as a 'Total Loss" and the company has received the full amount of US $ 50 Million equivalent to Rs. 2227.50 Million, from the Insurance Company. The aircraft VT-AXV also had liability coverage for combined single limit (bodily injury /property damage / personal injury) of US $ 1,500 Million, any one occurrence.

Till date, the company has settled 77 cases (70 cases as full and final basis and 07 cases partly settled) and the amount disbursed from has been reimbursed by the Insurance Company. The total liability claims received so far are fully covered under the insurance coverage and hence no provision for liability is required in accounts.

12. **Segment Reporting :**

i) In terms of AS-17, the company is engaged in airline related business, which is its primary business segment and hence segment results are not discussed. The details of geographical area wise gross revenue earned (derived by allocating revenue to the area in which the sale was made) are given hereunder :

(Rupees in Million)

Particulars		**Current Year**	Previous Year
a)	Gulf	**8,807.9**	7,395.2
b)	S.E. Asia	**1,792.3**	1,853.0
c)	India	**6,130.2**	7,475.5
	TOTAL	**16,730.4**	16,723.7

ii) The major revenue earning asset of the company is aircraft fleet which is flexibly deployed across its worldwide route network. There is no suitable basis for allocation of assets and liabilities to geographical statement, consequently, area-wise assets and liabilities are not disclosed.

iii) Presentation of Annual Accounts read with the Directors Report every year enables better understanding of the performance of the enterprise, better assessment of risk and returns, and makes more informed judgment about the activities of the company as a whole.

13. **Leases :**

i. Finance Leases :

Aircraft Fleet and Equipment acquired under finance leases are treated as if they had been purchased outright. The cost of these assets taken on lease is Rs.36,403.5 Million (Previous Year Rs.38,593 million). The future lease obligation is Rs.22,919.6 Million as at March 31, 2011. (Previous Year Rs. 27,374.9 Million).

The breakup of total minimum lease payments due as at 31st March 2011 and their corresponding present values are as follows :

(Rupees in Million)

Particulars		As at 31st March 2011	As at 31st March 2010
a)	Outstanding balance of minimum lease payments including interest thereon,		
	- Not later than 1 year	**3,400.2**	4,790.4
	- Later than 1 yr and not later than 5 yrs	**10,995.0**	11,832.7
	- Later than 5 yrs.	**10,598.4**	13,350.5
	Total	**24,993.6**	29,973.6
b)	Present value of (a) above		
	- Not later than 1 year	**2,970.6**	4,298.5
	- Later than 1 yr and not later than 5 yrs	**9,764.9**	10,377.1
	- Later than 5 yrs.	**10,184.2**	12,699.3
	Total	**22,919.6**	27,374.9
c)	Finance Charges	**2,074.0**	2,598.7

ii. Operating Leases :

(a) Aircraft :

The Company has taken Aircrafts on non-cancelable lease. The future minimum lease rental payments as on 31st March, 2011 is as under :

Liability on Account of future Minimum lease rental payments, as on 31st March 2011 is :

(Rupees in Million)

	Current Year	Previous Year
Payable within 1 year	**656.7**	975.4
Payable later than 1 year and	**1,320.9**	59.7
Not later than 5 years	**-**	-
	1,977.6	1,035.1

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

Lease Rental recognized in the Profit and Loss Account is Rs.995.0 Million (Previous Year Rs.1,609.3 Million). Contribution to Maintenance Reserve to the extent not utilized, recognized in the Profit & Loss Account is Rs.83.8 Million (Previous Year Rs.157.6 Million). During the year, three dry leased aircraft were returned to Lessor consequent upon the expiry of the lease period.

As per the terms of the lease Agreement, M/s. Air India Limited Holding company, has given a Corporate Guarantee on behalf of the company in respect of lease of the Aircraft.

(b) Non-aircraft :

Liability on Account of future Minimum lease rental payments, as on 31st March 2011 is :

(Rupees in Million)

	Current Year	Previous Year
Payable within 1 year	**4.49**	6.34
Payable later than 1 year and	**0.78**	1.61
Not later than 5 years	**-**	-
	5.27	7.95

However, in case of premature termination balance lease rent for un-expired period is payable as per specified notice period in individual contract.

iii. Arrangement for Finance Leases :

The aircraft capitalized (737-800) were delivered to AICL between December 2006 to December 2009. 85% of aircraft financing package provided by the financial institutions is guaranteed by US Exim which in turn is guaranteed through a GOI guarantee in favour of US Exim. The balance 15% is arranged through Commercial loans. Under the financing arrangement with US Exim the company has to form a Special Purpose Vehicle Company (SPV Company) which would be located in a tax free jurisdiction which would own the asset. A two tier structure was therefore put in place whereby the head lessor (SPV Company) was situated in Delaware which could lease the aircraft to an Irish SPV (established in order to make the transaction tax neutral) . Since the issue of settling the GOI guarantee took considerable time, the company in the meanwhile had to take delivery of the aircraft in its books through a temporary financing arrangement. When the US Exim guaranteed loan was in place it was decided to cover all the delivered aircraft in the fleet up to that point by transferring the assets to the SPV Company based in Delaware and lease it again through the Irish SPV. There was as such no actual sale to the SPV Company but this had to be done to complete and comply the formalities of putting together a financial arrangement which was guaranteed through the US Exim. All costs related to the acquisition of the aircraft including the setting up of the SPV Companies have been capitalized in the books since it pertained to the acquisition of the aircraft. The lease has been structured as a financial lease so that the ownership in the aircraft would pass on to AICL at the end of the lease period. In the meanwhile i.e. the time from when the asset was initially acquired by the company in its books to the date the asset was transferred to the SPV company certain installments in the form of principal and interest fell due which were paid off. Thus there was no impairment loss suffered by the company in this transaction.

14. Related Party Transactions :

Disclosure as required by Accounting Standard 18 (AS18) "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, are given below :

A. **Related party :**

1. Key Managerial Personnel & Relatives :

1.	Shri Arvind Jadhav	Chairman	
2.	Shri S. Chandrasekhar	Director	
3.	Smt. Abha Shukla	Director	upto 27 April 2010
4.	Shri Raja Sekhar Reddy	Director	
5.	Shri Syed Nasir Ali	Director	from 27 April 2010

B. **Related Party Transactions :**

i. There are no Transactions with key Managerial Personnel.

ii. Transactions such as providing Airline Related services in the Normal course of Airline business are not included.

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 is required to be disclosed in accounts under the Companies Act, 1956.

15. Deferred Tax Asset/(Liability) is as under :

(As worked out by the Management)

(Rupees in Millions)

	As at 31st March 2011	As at 31st March 2010
Deferred Tax Liability : (DTL)		
Depreciation	**8,530.0**	6,610.5
Deferred Tax Assets : (DTA)		
Disallowances as per I.T. Act'61 (Net)	**44.0**	10.0
Loss	**8,486.0**	6,600.5
Total DTA	**8,530.0**	6,610.5
Net DTA/(DTL)	**-**	-

Note :

As assessments of previous financial years are yet to be completed, as a prudence, deferred tax asset on account of unabsorbed depreciation and business loss has been recognized to the extent it can be realized against reversal of deferred tax liability on account of depreciation.

16. As per accounting policy followed, as prudence the company has charged-off the CENVAT credit up to 31st March, 2011. However, the company reserves the right to claim accumulated CENVAT credit as per clarification by CBEC Vide Circular No. File No.137/72/2008-CX.4 dated 21st November, 2008 towards payment of future output Service Tax.

17. a) TDS Accounts (Net) Rs. 19.35 Million (P.Y. Rs. 1.58 Million) are subject to reconciliation.

b) During the year, station-wise Booking Office (BO) Recoverable accounts have been reconciled. The station-wise balances lying in these accounts over and above the balances confirmed by the stations, have been transferred to Unidentified Receipts, amounting to Rs. 2.07 Million.

c) During the year the following accounts are reconciled :

(i) GSA (Debtors) Rs. NIL. (Previous year unreconciled balance of Rs.0.2 Million).

(ii) PGP Payable Rs. NIL (Previous year unreconciled balance Rs. 22.94 Million).

(iii) PGP Suspense Rs. NIL (Previous year unreconciled Rs. 123.7 Million).

The impact on Profit & Loss Account on such reconciliation/confirmation, if any, is not ascertained. However, the Management doesn't expect any material adjustment on receipt of confirmation/reconciliation of such balances.

18. Earnings per Share :

Particulars	**31st March 2011**	31st March 2010
Amount used as numerator Profit (Loss) after tax and extra ordinary items * (Rs. in Millions) *Includes Deferred Tax	**(3,913.0)**	(3,606.9)
No. of Shares	**30,00,000**	30,00,000
Basic and diluted earning per share (in Rupees)	**(1,304.33)**	(1,202.3)

19. Remuneration to various Auditors :

The details of the audit fees and out of pocket expenses for the year 2010-2011 are as under :

(Rupees in Millions)

	2010-11	2009-10
Statutory Auditors :		
Audit Fees for the year (Provision)	**0.32**	0.25
Audit Fees (for Previous Year)	**Nil**	Nil
Out of Pocket Expenses (On payment basis)	**0.02**	0.02
Internal Auditors :		
Internal Audit Fees	**0.25**	0.10
Out of pocket Expenses (On payment basis)	**0.02**	0.02
Tax Auditors :		
Tax Audit Fees	**0.10**	0.10
Out of pocket expenses (On payment basis)	**0.01**	0.01

20. In the opinion of the management, the year end balances of Current Assets, and Loans and Advances are expected to realize in the ordinary course of business and current liabilities expected to arise, at least to the extent the amount at which they are stated.

21. As per the notification issued by the Ministry of Corporate Affairs, Government of India, dated February 08, 2011, and as the consent given by the Board with regard to non-disclosure of information referred in paragraph 4D (a) to (e), except (d) of Part II, Schedule VI to the Companies Act, 1956, the same is not disclosed.

22. There is no remittance during the year in foreign currency on account of dividend.

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

24. Outstanding Liabilities include an ad-hoc provision of Rs.NIL (Previous Year Rs. 50.0 Million) towards certain expenses/liability for which bills have not been received as at Balance Sheet.

25. Borrowing costs capitalized during the year is Rs.0.11 Million (Previous Year Rs. 354.78 Million).

26. Previous Year figures have been re-grouped and re-cast wherever necessary, to make them comparable.

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

For J.P.J. Associates Chartered Accountants FRN 113012W	For and on behalf of the Board		
Sd/- **Pravin R. Deshpande** Partner M. No. 045249	Sd/- **Rohit Nandan** Chairman	Sd/- **L. Raja Sekhar Reddy** Director	Sd/- **Aditi Khandekar** Company Secretary

Place : New Delhi
Date : 28 November 2011

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.		11-15328	State Code	:	11
Balance Sheet Date	:	March 31, 2011			

II. Capital Raised during the Year (Amount Rupees in Thousand)

Public Issue	:	NIL	Rights Issue	:	NIL
Bonus Issue	:	NIL	Private Placement	:	NIL

III. Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousand)

Total Liabilities	:	47,099,262	Total Assets	:	47,099,262

Source of Funds :

Paid Up Capital	:	300,000	Capital Reserve	:	406,228
Secured Loans	:	0	Unsecured Loans	:	36,761,546

Application of Funds :

Net Fixed Assets	:	33,757,629	Investments	:	NIL
Net Current Assets	:	7,348,992	Misc.Expenditure	:	NIL
Deferred Tax Assets	:	NIL			

IV. Performance of Company (Amount Rupees in Thousand)

Turnover	:	13,516,613	Total Expenditure	:	17,433,508
Extraordinary Income		-			
Profit/Loss Before Tax	:	(3,912,191)	Profit/Loss After Tax	:	(3,912,191)
Earning Per Share (Basic)	:Rs.	(1,304.1)	Dividend	:	0

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

1. Passenger Carrier
2. Cargo Carrier
3. Handling Services

Product Code	Product / Service description
720	Air Transport carrier (of passengers and cargo)

For J.P.J. Associates
Chartered Accountants
FRN 113012W

For and on behalf of the Board

Sd/-
Pravin R. Deshpande
Partner
M. No. 045249

Sd/-
Rohit Nandan
Chairman

Sd/-
L. Raja Sekhar Reddy
Director

Sd/-
Aditi Khandekar
Company Secretary

Place : New Delhi
Date : 28 November 2011