

**AIR INDIA ENGINEERING
SERVICES LIMITED**

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BOARD OF DIRECTORS (AS ON 29.12.2011)

Shri Rohit Nandan

Chairman

Shri E. K. Bharat Bhushan

Shri Prashant Sukul

Air Chief Marshal Fali H. Major (Retd.)

Chief Operating Officer

Shri K. M. Unni

Auditors

M/s. N. K. Sheth & Company
Chartered Accountants,
Mumbai

Bankers

HDFC Bank Ltd.

Registered Office

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

DIRECTORS' REPORT

The Directors take pleasure in presenting the Seventh Annual Report of the Company, together with the Audited Accounts, Auditors' Report and Comments by the Comptroller and Auditor General of India, for the year ended 31 March 2011.

FINANCIAL PERFORMANCE :

No business transactions were carried out during the period under review.

OTHER FINANCIAL INFORMATION :

Share Capital :

The Authorised Share Capital of the Company is Rs. 10,00,00,000/-. The entire Paid-up Share Capital of the Company, amounting to Rs. 5,00,000/- (50000 Equity Shares of Rs. 10/- each) has been subscribed and paid-up by Air India Limited.

Foreign Exchange Earnings :

Since the Company has not commenced any business activities, the foreign exchange earnings for the period under review is NIL.

OPERATIONALISATION :

The Board of Directors of Air India Limited, the parent company, at its Meeting held on 7 August 2010 approved operationalisation of Air India Engineering Services Limited. Cabinet Note for operationalisation has been submitted to the Ministry of Civil Aviation. Once the approval of the Cabinet is received, the assets and manpower from Air India Ltd., will be transferred to Air India Engineering Services Limited as initial capital infusion by Air India Limited and the Company will be treated as a separate profit centre for carrying out the Maintenance, Repair and Overhaul activities of Airbus and Boeing fleet.

DIRECTORS' RESPONSIBILITY STATEMENT :

The Board of Directors of the Company confirm :

1. that in the preparation of the Annual Accounts, the applicable accounting standards have been followed and there has been no material departure;
2. that the selected accounting policies were applied consistently and the Directors made judgements 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 31 March 2011 and of the profit or 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; and
4. that the annual accounts have been prepared according to the going concern basis.

BOARD OF DIRECTORS :

As on 31 March 2011 the Board consisted of the following Members :

Shri Arvind Jadhav - Chairman
Chairman & Managing Director
Air India Limited

Shri E. K. Bharat Bhushan
Addl Secretary & Financial Advisor
Ministry of Civil Aviation

Shri Prashant Sukul
Joint Secretary, Ministry of Civil Aviation

Air Chief Marshal Fali H. Major (Retd.)

Shri Arvind Jadhav ceased to be Chairman of the Company effective 13 September 2011 and Shri Rohit Nandan took over as Chairman effective that date.

The Board places on record its appreciation of the valuable services rendered by Shri Arvind Jadhav as Chairman of the Company.

The Board met four times during the year.

COMMENTS OF COMPTROLLER AND AUDITOR GENERAL :

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

AUDITORS :

M/s N. K. Sheth & Company, Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the year 2010-11 by the Comptroller & Auditor General of India.

ACKNOWLEDGEMENTS :

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

For & on behalf of the Board

Sd/-
ROHIT NANDAN
Chairman

Place : New Delhi
Date : 29 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 ENGINEERING SERVICES LIMITED FOR THE YEAR ENDED 31ST MARCH 2011.

The preparation of financial statements of **Air India Engineering Services Limited** for the year ended 31st 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 30 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 Engineering Services Limited** for the year ended 31st 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 ENGINEERING SERVICES LIMITED

We have audited the attached Balance Sheet of **AIR INDIA ENGINEERING SERVICES LIMITED** as at 31st March 2011 and Profit & 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.

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 test basis evidence supporting the amounts and disclosure in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003 and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us in the course of Audit, we enclose in the Annexure a statement on the matters specified in the said Order to the extent applicable to the Company.

Attention is drawn to para 5 of Schedule "C" containing Notes to Accounts. As stated therein, in absence of any turnover or receipts, the Company is not liable to pay or provide for cess u/s 441(A) of the Companies Act, 1956. In view of non applicability of section 441 (A) to the company, reporting u/s 277(3)(g) by auditor is not applicable for the year under consideration.

Further to our comments in annexure referred to above we report that :

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by the law have been kept by the company so far as appears from our examination of the books.
- 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 Profit and Loss account, Balance Sheet and Cash Flow Statement comply with the accounting standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956.
- e) According to information and explanation given to us and on the basis of the confirmation of the company, we report that none of the Directors is disqualified from being appointed as directors in the terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us the said accounts read with other notes thereon give the information required by the companies Act, 1956, in the manner so required and give a true and fair view:
 1. In the case of the Balance Sheet of the state of affairs of the company as at 31st March 2011.
 2. In the case of Profit and Loss account of the Loss for the year ended on that date.
 3. In case of Cash Flow Statement of the cash flow for the year ended as on that date.

For N. K. Sheth & Company
Chartered Accountants

Sd/-
Naresh K. Sheth
Proprietor
Membership No. 33698

Place : Mumbai
Dated : 30 November 2011

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in our report of even date on the accounts of **AIR INDIA ENGINEERING SERVICES LIMITED** as on 31st March 2011.)

- (1) The Company does not have fixed assets. Accordingly, provision of clause No. 4(i) relating to fixed assets is not applicable.
- (2) The Company is not carrying on any trading or manufacturing activities. Accordingly, the provisions of clause 4 (ii) of the Companies (Auditor's Report) Order 2003 relating to inventories are not applicable to the company.
- (3)
 - (a) The company has taken loan from its Holding Company. The amount involved is Rs. 9,35,536/-. The rate of interest, terms and conditions of such loan is not prima facie prejudicial to the interest of the company.
 - (b) The company has not granted any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) of the Companies (Auditor's Report) Order 2003 relating to loans given are not applicable to the company.
- (4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company with regard to purchase of fixed assets and other activities. During the course of audit we have not observed any continuing failure to correct major weaknesses in internal controls.
- (5) During the year under consideration the company has not entered into any transaction that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (v) of the Companies (Auditor's Report) Order 2003 relating to transactions, contracts and arrangements referred to in section 301 of Companies Act 1956 are not applicable to the company.
- (6) The company has not accepted any deposits from the public.
- (7) The company does not have formal internal audit system.
- (8) We are informed that the maintenance of the cost records has not been prescribed by the Central Government under the section 209(1)(d) of the Companies Act 1956.
- (9)
 - (a) There are no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty, Excise duty and Cess at year end for a period of more than six month from the date they became payable.
 - (b) According to the information and explanation given to us, there are no dues of Sales tax, Income tax, Customs duty, Wealth tax, Excise duty and Cess which have been not been deposited on account of any dispute.
- (10) The company is having accumulated losses of Rs.9,50,978/- which is more than 50% of its net worth. During the year, the Company has incurred cash loss of Rs. 16,747/-. Cash loss in the immediately preceding year was Rs. 20,473/-.
- (11) The Company do not have borrowing from Financial Institution, Bank or Debenture Holders. Accordingly, the provisions of clause 4 (xi) of the Companies (Auditor's Report) Order 2003 relating to default in repayment of bank borrowings are not applicable to the company.
- (12) The company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.
- (13) The company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (14) During the year under consideration the company has not dealt in or traded in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (15) According to information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.

- (16) The company has not taken any term loan during the year under consideration. Accordingly, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (17) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (18) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (19) The company has not issued any debentures during the year and no such debentures are outstanding during the year under consideration. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (20) The company has not made any public issue during the year under consideration. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- (21) According to information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For N. K. Sheth & Company
Chartered Accountants

Sd/-
Naresh K. Sheth
Proprietor
Membership No. 33698

Place : Mumbai
Dated : 30 November 2011.

BALANCE SHEET AS AT MARCH 31, 2011**(Amount in Rupees)**

Particulars	Schedule	March 31, 2011	March 31, 2010
I. SOURCES OF FUNDS :			
Shareholder's Funds :			
Share Capital	A	500,000	500,000
Loan Fund :			
Unsecured Loans from Holding Company		935,536	923,201
TOTAL		1,435,536	1,423,201
II. APPLICATION OF FUNDS :			
Current Assets, Loans and Advances :			
Balance in Current Account with Scheduled Bank		500,000	500,000
Less : Current Liabilities and Provisions			
Provision for expenses		15,442	11,030
Net Current Asset		484,558	488,970
Profit and Loss Account			
Debit Balance		950,978	934,231
TOTAL		1,435,536	1,423,201
Significant Accounting policies	B		
Notes on Accounts	C		

As per our Report of even date

For N. K. Sheth & Company
Chartered Accountants

Sd/-
Naresh K. Sheth
Proprietor
Membership No. 33698

Place : Mumbai
Date : 30 November 2011

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 29 November 2011

Sd/-
Prashant Sukul
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**(Amount in Rupees)**

Particulars	Schedule	2010-11	2009-10
<u>INCOME :</u>			
Total Income		-	-
TOTAL		-	-
<u>EXPENDITURE :</u>			
ROC Filing Fees		3,500	5,000
Audit Fees (Satutory Audit Fees inclusive of Service Tax)		11,030	11,030
Professional Charges		2,217	4,443
TOTAL		16,747	20,473
PROFIT/(LOSS) FOR THE YEAR		(16,747)	(20,473)
Deferred Tax Assets recognised / (reversed)		-	(297,540)
PROFIT/(LOSS) AFTER TAX		(16,747)	(318,013)
Balance of Profit/(Loss) Brought Forward from Previous Year		(934,231)	(616,218)
Profit/(Loss) Carried Forward to the Balance Sheet		(950,978)	(934,231)
Earning / (Loss) per Share		(0.33)	(6.36)

As per our Report of even date

For N. K. Sheth & Company
Chartered AccountantsSd/-
Naresh K. Sheth
Proprietor
Membership No. 33698Place : Mumbai
Date : 30 November 2011

For and on behalf of the Board

Sd/-
Rohit Nandan
ChairmanPlace : New Delhi
Date : 29 November 2011Sd/-
Prashant Sukul
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in Rupees)

Particulars	2010-11		2009-10
1. CASH FLOW FROM OPERATING ACTIVITY			
Net Profit / (Loss) Before Tax as per Profit and Loss A/c	(16,747)		(20,473)
Adjusted for Preliminary Expenses Written Off	-		-
Operating Profit / (Loss) before Working Capital changes	(16,747)		(20,473)
Adjusted for Current Liabilities	4,412		4,688
Net Cash Flow from Operating Activities		(12,335)	(15,785)
2. CASH FLOW FROM INVESTING ACTIVITY	-		-
3. CASH FLOW FROM FINANCING ACTIVITY			
Proceeds from Issue of Share Capital	-		-
Preliminary Expenses	-		-
Loans adjustment	12,335		15,785
Net Cash Flow from Financing Activities		12,335	15,785
Net Increase/(Decrease) in Cash and Cash Equivalents		-	-
Opening Balance of Cash/Cash Equivalents	500,000		500,000
Closing Balance of Cash/Cash Equivalents	500,000		500,000

For N. K. Sheth & Company
Chartered Accountants

Sd/-
Naresh K. Sheth
Proprietor
Membership No. 33698

Place : Mumbai
Date : 30 November 2011

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 29 November 2011

Sd/-
Prashant Sukul
Director

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

Particulars	March 31, 2011	March 31, 2010
Authorised Share Capital		
9,000,000 Equity Shares of Rs.10/- each.	90,000,000	90,000,000
100,000 Preference Shares of Rs.100/- each.	10,000,000	10,000,000
TOTAL	100,000,000	100,000,000
Issued, Subscribed and Paid-up Capital		
50,000 Equity Shares of Rs.10/- each (100% held by holding company M/s. Air India Limited)	500,000	500,000
TOTAL	500,000	500,000

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

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

2. PROVISION FOR CURRENT AND DEFERRED TAX :

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

3. PRELIMINARY EXPENSES :

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

SCHEDULE - C : NOTES TO ACCOUNTS :

- The previous year's figures are regrouped or rearranged wherever necessary.
- Information Pursuant to Para 3 and 4 of Schedule VI of the Companies Act 1956 is not applicable to the Company as the Company has not started its activities.
- In accordance with the A.S.-22 "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, as there is no virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realized, deferred tax assets have not been recognized for the current year.
- The Company is yet to commence its operations. The accounts are prepared on the basis of "Going Concern".

5. The Company is yet to commence its operations. In absence of any turnover or receipts, it is not liable to pay or provide for any cess u/s 441(A) of the Companies Act, 1956.

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

A. Registration Details :

Registration No. : 125114
State Code : 55
Balance Sheet Date : 31-03-2011

B. Capital raised during the year : Rs. Nil

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

Total Liabilities : Rs.1,435.53 Total Assets : Rs.1,435.53

Sources of Funds

Paid up Capital : Rs. 500.00 Reserves & Surplus : -
Secured Loans : - Unsecured Loans : Rs. 935.53

Application of Funds

Net Fixed Assets : - Investments : -
Net Current Assets : Rs. 484.56 Miscellaneous Exp. : -
Deferred Tax Asset : - Accumulated Losses : Rs. 950.98

D. Performance of Company :

Turnover/Income : - Total Expenditure : Rs. 16.75
Profit/(Loss) before extra
ordinary item and taxation : Rs. (16.75) Profit/(Loss) Before
Tax : Rs.(16.75)
Profit/(Loss) After Tax : Rs. (16.75) Earning/(Loss) per Share : Rs.(0.33)

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

Item Code : Not Applicable
Product Description : Not Applicable

As per our Report of even date

For N. K. Sheth & Company
Chartered Accountants

Sd/-
Naresh K. Sheth
Proprietor
Membership No. 33698

Place : Mumbai
Date : 30 November 2011

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 29 November 2011

Sd/-
Prashant Sukul
Director