AIR INDIA ENGINEERING SERVICES LIMITED
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BOARD OF DIRECTORS (AS ON 28.05.2015)

Shri Rohit Nandan    Chairman
Shri B.S. Bhullar
Shri S. Venkat

Auditor
M/s. Jhawar Mantri & Associates
Chartered Accountants

Registered Office
Airlines House
113, Gurdwara Rakabganj Road
New Delhi-110 001.
DIRECTORS’ REPORT

The Directors take pleasure in presenting the Tenth 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, 2014.

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 was submitted to the Ministry of Civil Aviation. Cabinet had approved operationalisation of AIESL on 6 September 2012. It was proposed that the assets and manpower from Air India Limited, will be transferred to Air India Engineering Services Limited as per the decision of the Cabinet. The Company will be treated as a separate profit centre for carrying out the Maintenance, Repair and Overhaul (MRO) activities of Airbus and Boeing fleet. The process of operationalisation has accordingly started w.e.f. 1st February, 2013. Further, steps have been initiated to obtain/fulfil various Regulatory and Statutory approvals/compliances in order to start MRO activities.

During the year 2013-14, the company (AIESL) entered into a Memorandum of Understanding (MoU) with its parent company viz. Air India Ltd. (AI) regarding the services to be provided on maintenance and repair and overhaul facilities to Air India. The MoU inter-alia also includes the following:-

1. AI has decided to transfer its MRO business (including infrastructure) to AIESL.
2. AIESL shall obtain all necessary approvals / licenses etc. from all concerned statutory and regulatory authorities / agencies including DGCA of India to carry out & perform MRO activities.
3. AI shall provide AIESL a total equity of Rs. 375 Cr. during first three years and support required for Capital expenditure to the extent of Rs.974 crores till FY 2017.
4. AI shall transfer all its movable assets pertaining to MRO and the value of movable assets to be transferred by AI to AIESL to constitute & form part of the initial equity / investment in AIESL.
5. AIESL to share 20% of its labour revenue from third parties from the fourth year of operations or as mutually agreed.

An MoU has also been entered into with Airline Allied Services Ltd. (AASL), a wholly owned subsidiary of AIL, wherein AASL has decided to transfer its MRO activities (including infrastructure) to AIESL and AASL agreed to commit its fleet in entirety for all MRO work to AIESL.

Similarly, an MoU has also been entered into during 2014-15 with Air India Charters Ltd. (AICL), a wholly owned subsidiary of AIL, wherein AICL has decided to transfer its MRO activities (including infrastructure) to AIESL and AICL agrees to commit its fleet in entirety for all MRO work to AIESL.

As such, AIESL shall be having committed business from Air India group along with infrastructure and other support. The company as of 1st January, 2015 as also obtained DGCA certificate for the repair and overhaul of its facilities. Certificate of facilities for EASA and FAA would be procured shortly.

MRO FACILITY AT NAGPUR

As a part of commitment in the Purchase Agreement for fleet of 68 aircraft comprising 18 B737s, 23 B777s and 27 B787s with Air India Ltd., Boeing has invested about USD 107 million (Rs.650 crores approx.) towards the MRO facility including certain Equipment/Tooling required for Aircraft Maintenance and associated Overhaul Shops for maintenance of aircraft and components. Additional investment of at least USD 10 Million (Rs.60 crores approx.) is expected to be made by Air India Ltd. to make the facility functional.

50 acres of land was acquired by Air India Ltd. on a 99 year lease term from MADC in SEZ area near Nagpur Airport to set up the MRO facility. Boeing selected CBRE (CB Richard Ellis) as Project management Consultants (PMC) and M/S Larsen & Toubro as Design & Build (D&B) contractor
The construction work commenced in March 2011 and the facility has been commenced and handed over to AI in December, 2014.

The facility consists of two wide body Hangars (100mx100m each), Support Building (approx. 24000 sq. m), Ground Support Equipment building and other Miscellaneous buildings. Initially the proposal is to take up the task of B777 major check (C Check) along with certain back shop activities like Cabin Survival Equipment/ Compressed Gas Oxygen Shop.

The hangars are of international standard meeting NFPA 409 Fire standards and equipped with facilities such as mechanised sliding door, underground utility pits, aircraft cabin cooling, hangar ventilation, Building Management System (BMS) etc.

There are other peripheral amenities like rain water harvesting, effluent treatment plant, solar water heaters/street lights that contribute towards green initiatives.

The necessary manpower to run the Nagpur facility has already been identified. AIESL will get the right of use to these hangers in order to service the fleet of Air India and third parties.

**SETTING UP OF GENx / GE90 ENGINE OVERHAUL AND TESTING FACILITY**

In order to supplement this MRO Facility at Mihan SEZ, Nagpur, Air India Ltd. has decided to set up an Engine Overhaul Facility for GENx-1B Engine (powering B 787) and GE90 Engine (powering B 777), at an estimated cost of USD 89 Million. (Rs.540 crores approx.)

The Project will comprise following 3 stages :

I Setting up GE90 Engine Testing Facility (Expected completion - December, 2015)
II Upgrade of above I for testing GENx Engines. (Expected completion - December, 2016)
III Setting up GENx / GE90 Engine Overhaul Workshop (Expected completion - December, 2017)

Approx. USD 64.5 Million (Rs.390 crores approx.) will be provided by GE Aviation as MRO Credit Allowance, as per the agreements signed with Air India Ltd., towards setting up of GENx Engine Overhaul Facility.

**AIESL will get the right of use of these facilities.**

**FINANCIAL PERFORMANCE :**

No business transactions were carried out by the company 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.

**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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 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, 2013 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.

AUDITORS:

M/s. Jhawar Mantri & Associates, Chartered Accountants, Mumbai, were appointed as Statutory Auditors for the year 2013-14 by the Comptroller & Auditor General of India.

BOARD OF DIRECTORS:

During the year, the Board of Directors held four meetings. As on 31st March 2014, the Board consisted of the following Members:-

Shri Rohit Nandan Chairman & Managing Director Air India Limited
Ms. M. Sathiyavathy Addl. Secretary & Financial Advisor Ministry of Civil Aviation
Shri. G. Asok Kumar Joint Secretary Ministry of Civil Aviation
Shri S Venkat Director (Finance) Air India Limited

ACKNOWLEDGEMENTS:

The Board sincerely acknowledges the support and guidance received from the, Ministry of Civil Aviation, Comptroller and Auditor General of India, Ministry of Corporate Affairs and other agencies.

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 26 November 2014

The preparation of financial statements of Air India Engineering Services Limited (AIESL) for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Independent 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 Standards on Auditing 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 02 December 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of AIESL under section 619(3) (b) of the Companies Act, 1956 of the financial statements for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to working papers of the Independent Auditors and is also limited primarily to inquiries of the Independent Auditors and is also limited primarily to inquiries of the Independent Auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report:

Notes forming Part of Financial Statements

Consequent to Cabinet approval in September 2012 to operationalise AIESL as an independent entity for Maintenance Repair and Overhaul (MRO) services, AIESL has been operationalised effective 1 February, 2013. In pursuance to this, Memorandum of Understanding (MOU) has been signed between Air India Limited (AIL) and AIESL on 5 April, 2013 to formalise the relationship.

As per this MOU:

- AIL shall transfer its MRO business at various locations across India to AIESL on the date of execution of this MOU.
- AIL shall provide to AIESL a total equity of Rs. 375 crore during the first three years and support for capital expenditure of Rs. 974 crore till financial year (FY) 2017.
- AIL shall transfer all its movable assets pertaining to MRO unit of AIL and AIL subsidiaries to AIESL.
- AIESL agreed to share with AIL each month a sum equal to 20 per cent of labour revenue earned from third party customer airlines by providing MRO services.

As this is material information and MOU had been entered during the FY 2013-14, it should have been disclosed in Financial statements.

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

Sd/-

Parama Sen
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-II, Mumbai

Place : Mumbai
Date : 7 May 2015

<table>
<thead>
<tr>
<th>Audit Observation</th>
<th>Management Reply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consequent to Cabinet approval in September 2012 to operationalize AIESL as an independent entity for Maintenance Repair and Overhaul (MRO) services, AIESL has been operationalized effective 1 February, 2013. In pursuant to this, Memorandum of Understanding (MOU) has been signed between Air India Limited (AIL) and AIESL on 5 April, 2013 to formalize the relationship. As per this MOU: • AIL shall transfer its MRO business at various locations across India to AIESL on the date of execution of this MOU. • AIL shall provide to AIESL a total equity of Rs. 375 crore during the first three years and support for Capital expenditure of Rs.974 crore till financial year (FY) 2017. • AIL shall transfer all its movable assets pertaining to MRO unit of AIL and AIL subsidiaries to AIESL. • AIESL agreed to share with AIL each month a sum equal to 20 percent of labour revenue earned from third party customer airlines by providing MRO services. As this is material information and MOU had been entered during the FY 2013-14, it should have been disclosed in Financial statements.</td>
<td>The MoU between AI &amp; AIESL requires that “AIESL shall obtain all necessary approvals/licenses/permissions/clearances from all concerned statutory and regulatory authorities/ agencies including but not limited to Director General of Civil Aviation in order to carry out and perform MRO Services and other obligations in respect thereof.” AIESL could not start as MRO during 2013-14 in the absence of DGCA approval/ License i.e. CAR 145 which is mandatory &amp; fundamental for functioning as MRO in India. The disclosure has been made in the accounts vide Note No 69 (c) of the Notes to the Accounts of AI for FY 2013-14 with regard to hiving off process could not be completed as at the year end and the revenue and expenditure related to these services compiled by AI management continued to be included in the AI books. Suitable disclosure to this effect has been made in Directors’ Report for the year 2013-14 which forms part of the Annual Report of the Company for the year.</td>
</tr>
</tbody>
</table>
REPORT OF THE AUDITORS TO THE MEMBERS OF AIR INDIA ENGINEERING SERVICES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Air India Engineering Services Limited ('the Company') which comprises the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the accounting standards notified under 'the Companies Act, 1956' of India (the "Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncement issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

(a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
(b) In the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. Reporting whether Directors are disqualified as on 31 March 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 is not required as the same is not applicable to Government Company in lieu Notification No. GSR 829 (E) dated 21-10-2003.
3. As required by section 227(3) of the Act, 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 law have been kept by the Company so far as appears from our examination of those books;

c. in our opinion, the Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;

d. in our opinion, the Balance Sheet and Statement of Profit and Loss, comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013;

e. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Jhawar Mantri & Associates
Chartered Accountants
FRN. : 113221W

Sd/-
(B.P. Mantri)
Partner
M. No.: 045701

Place : Navi Mumbai
Date : 2 December 2014
ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

REFERRED TO IN PARAGRAPH (1) UNDER THE HEADING OF "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

1. The Company does not have any fixed assets. Accordingly clause is not applicable.
2. The Company is not carrying on any trading or manufacturing activities. Accordingly clause relating to inventory is not applicable.
3. In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered by the register maintained under section 301 of the Companies Act, 1956 according to the information and explanations given to us:
   a) The Company has taken unsecured loans from its Holding Company Air India Limited. There is only one party and amount involved is Rs. 10,30,423. 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.
   b) The rate of interest and other terms and conditions of such loans taken by the company, are prima facie not prejudicial to the interests of the Company.
4. Since there are no activities regarding purchase of inventory and fixed assets and sale of goods and services during the year, this clause is not applicable.
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 this clause is not applicable.
6. The Company has not accepted any fixed deposits from the public during the year.
7. As per information and explanation given to us the company does not require formal internal audit system as per this clause.
8. As informed to us, the Central Government has not prescribed maintainance of cost records under clause (d) of sub-section (1) of section 209 of the Act.
9. a) Since Company is yet to commence its operations most of the statutory provisions are not applicable. According to information and explanation given to us, there are no other undisputed statutory dues outstanding as at 31st March 2014 for a period of more than six months from the date they became payable.
   b) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty, cess that have not been deposited on account of any dispute.
10. The Company is having accumulated losses of Rs. 10,33,349/- which is more than 50% of its net worth. During the year, the Company has incurred cash losses of Rs. 31,059/-. Cash Loss in the immediately preceding financial year was Rs. 21,480/-.
11. The Company does not have borrowing from Financial Institution, Bank or Debenture Holders. Accordingly clause is not applicable.
12. According to 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.
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 clause is not applicable.
15. As per the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly clause is not applicable to the Company.
16. The company has not obtained any term loan during the year. Accordingly clause is 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 are of the opinion that no funds raised on short-term basis have been used for any longterm investment.

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 Act.

19. The company has not raised any money by issue of debentures during the year.

20. The company has not raised any money through a public issue during the year.

21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For Jhawar Mantri & Associates
Chartered Accountants
FRN. : 113221W

Sd/-
(B.P. Mantri)
Partner
M. No.: 045701

Place : Navi Mumbai
Date : 2 December 2014
## BALANCE SHEET AS ON 31 MARCH 2014

(Amount in Rupees)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Note No.</th>
<th>As at March 31, 2014</th>
<th>As at March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>2</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Reserves and surplus</td>
<td>3</td>
<td>(1,033,349)</td>
<td>(1,002,290)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>4</td>
<td>1,030,423</td>
<td>980,881</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>5</td>
<td>22,472</td>
<td>21,409</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>519,546</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>II. ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6</td>
<td>519,546</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>519,546</td>
<td>500,000</td>
</tr>
</tbody>
</table>

Significant Accounting Policies

1

See accompanying notes to the financial statements
As per our report of even date attached

For and on behalf of
Jhawar Mantri & Associates
Chartered Accountants
FR No. 113221W

Sd/-
(B. P. Mantri)
Partner
M. No. 045701

Sd/-
(Rohit Nandan)
Chairman

Sd/-
(S. Venkat)
Director

Sd/-
(Arun K. Jain)
Ch. of Finance

Sd/-
(Rajni Kant)
Co. Secretary

Sd/-
(H. R. Jagannath)
Ch. Executive Officer

Place : Navi Mumbai
Date : 02 December 2014

For and on behalf of the Board

Place : Delhi
Date : 26 November 2014
<table>
<thead>
<tr>
<th>Particulars</th>
<th>Note No.</th>
<th>2013-14</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Revenue from operations</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>II. Total Revenue (I)</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>III. Expenses:</td>
<td>7</td>
<td>31,059</td>
<td>21,480</td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
<td>31,059</td>
<td>21,480</td>
</tr>
<tr>
<td>Total expenses</td>
<td></td>
<td>31,059</td>
<td>21,480</td>
</tr>
<tr>
<td>IV. Profit before exceptional and extraordinary items and tax (II-III)</td>
<td></td>
<td>(31,059)</td>
<td>(21,480)</td>
</tr>
<tr>
<td>V. Exceptional items</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VI. Profit before extraordinary items and tax (IV-V)</td>
<td></td>
<td>(31,059)</td>
<td>(21,480)</td>
</tr>
<tr>
<td>VII. Extraordinary Items</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VIII. Profit before tax (VI-VII)</td>
<td></td>
<td>(31,059)</td>
<td>(21,480)</td>
</tr>
<tr>
<td>IX. Tax expense:</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current tax</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>X. Profit (Loss) for the period (VIII-IX)</td>
<td></td>
<td>(31,059)</td>
<td>(21,480)</td>
</tr>
<tr>
<td>XI. Earnings per equity share:</td>
<td>9</td>
<td>(0.62)</td>
<td>(0.43)</td>
</tr>
<tr>
<td>Basic and Diluted</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statements

As per our report of even date attached

For and on behalf of
Jhawar Mantri & Associates
Chartered Accountants
FR No. 113221W

Sd/-
(B. P. Mantri)
Partner
M. No. 045701

Sd/-
(Rohit Nandan)
Chairman

Sd/-
(S. Venkat)
Director

Sd/-
(Arun K. Jain)
Ch. of Finance

Sd/-
(Rajni Kant)
Co. Secretary

Sd/-
(H. R. Jagannath)
Ch. Executive Officer

Place : Navi Mumbai
Date : 02 December 2014

For and on behalf of the Board

Jhawar Mantri & Associates
Chartered Accountants
FR No. 113221W

Sd/-
(B. P. Mantri)
Partner
M. No. 045701

Sd/-
(Rohit Nandan)
Chairman

Sd/-
(S. Venkat)
Director

Sd/-
(Arun K. Jain)
Ch. of Finance

Sd/-
(Rajni Kant)
Co. Secretary

Sd/-
(H. R. Jagannath)
Ch. Executive Officer

Place : Delhi
Date : 26 November 2014
## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

(Amount in Rupees)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2013-14</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1  CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit/(Loss) Before Tax</td>
<td>(31,059)</td>
<td>(21,480)</td>
</tr>
<tr>
<td>Change in Current Liabilities</td>
<td>1,063</td>
<td>(15,566)</td>
</tr>
<tr>
<td><strong>Net Cash Flow from Operating Activities</strong></td>
<td></td>
<td>(29,996)</td>
</tr>
<tr>
<td><strong>2  CASH FLOW FROM INVESTING ACTIVITY</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>3  CASH FLOW FROM FINANCING ACTIVITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from Issue of Share Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Long Term Borrowings</td>
<td>49,542</td>
<td>37,046</td>
</tr>
<tr>
<td><strong>Net Cash Flow from Financing Activities</strong></td>
<td>49,542</td>
<td>37,046</td>
</tr>
<tr>
<td><strong>Net Increase/(Decrease) in Cash and Cash Equivalents</strong></td>
<td>19,546</td>
<td>-</td>
</tr>
<tr>
<td><strong>Opening Balance of Cash/Cash Equivalents</strong></td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Closing Balance of Cash/Cash Equivalents</strong></td>
<td>519,546</td>
<td>500,000</td>
</tr>
</tbody>
</table>

As per our report of even date attached

For and on behalf of
Jhawar Mantri & Associates
Chartered Accountants
FR No. 113221W

Sd/-
(B. P. Mantri)
Partner
M. No. 045701

Sd/-
(Rohit Nandan)
Chairman

Sd/-
(S. Venkat)
Director

Sd/-
(Arun K. Jain)
Ch. of Finance

Sd/-
(Rajni Kant)
Co. Secretary

Sd/-
(H. R. Jagannath)
Ch. Executive Officer

Place : Navi Mumbai
Date : 02 December 2014

For and on behalf of the Board

Place : Delhi
Date : 26 November 2014
NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

NOTE “1” : 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.

The accounts are prepared on the basis of “Going Concern”.

2. PROVISION FOR CURRENT TAX AND DEFERRED TAX:

Provision for current tax, if any, is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from ‘timing difference’ 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.

NOTE "2" : SHARE CAPITAL

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As at March 31, 2014</th>
<th>As at March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Amount Rs.</td>
</tr>
<tr>
<td>a) Authorised Equity Shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Shares of Rs.10 each</td>
<td>9,000,000</td>
<td>90,000,000</td>
</tr>
<tr>
<td>Preference Shares of Rs. 100 each</td>
<td>100,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000,000</td>
<td></td>
</tr>
<tr>
<td>b) Issued, Subscribed &amp; Paid up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Shares of Rs.10 each fully paid</td>
<td>50,000</td>
<td>500,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>c) Reconciliation of Shares</td>
<td></td>
<td>Current Year</td>
</tr>
<tr>
<td></td>
<td>No of Shares</td>
<td>Amount</td>
</tr>
<tr>
<td>Equity Shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares Outstanding at the beginning</td>
<td>50,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Add: Issued during the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less : Reduction during the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares Outstanding at the year end</td>
<td>50,000</td>
<td>500,000</td>
</tr>
<tr>
<td>d) Details of Shares held by the Holding Company, Subsidiary and associates.</td>
<td>Year ended 31.03.2014</td>
<td>Year ended 31.03.2013</td>
</tr>
<tr>
<td>Shares held by Holding Company</td>
<td>Percentage</td>
<td>No of Shares</td>
</tr>
<tr>
<td>Air India Limited</td>
<td>100%</td>
<td>50,000</td>
</tr>
<tr>
<td>e) Details of Major Shareholders, holding more than 5% of the above issued Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name of Shareholder</td>
<td>Current Year</td>
<td>Previous Year</td>
</tr>
<tr>
<td></td>
<td>No of Shares</td>
<td>% of holding</td>
</tr>
<tr>
<td>Air India Limited</td>
<td>50,000</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>50,000</td>
<td>100</td>
</tr>
</tbody>
</table>
### NOTE ‘3’ : RESERVES AND SURPLUS

<table>
<thead>
<tr>
<th>Particular</th>
<th>As at March 31, 2014</th>
<th>As at March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus in Profit and loss account</td>
<td>(1,002,290)</td>
<td>(980,810)</td>
</tr>
<tr>
<td>Opening balance</td>
<td>(31,059)</td>
<td>(21,480)</td>
</tr>
<tr>
<td>(+) Net Loss for the current year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>(1,033,349)</td>
<td>(1,002,290)</td>
</tr>
</tbody>
</table>

### NOTE ‘4’ : LONG TERM BORROWINGS

<table>
<thead>
<tr>
<th>Particular</th>
<th>As at March 31, 2014</th>
<th>As at March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured loans from Related Party</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Holding Company : Air India Limited</td>
<td>1,030,423</td>
<td>980,881</td>
</tr>
<tr>
<td>(Rate of Interest - Nil, Repayment terms - Nil)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,030,423</td>
<td>980,881</td>
</tr>
</tbody>
</table>

### NOTE ‘5’ : OTHER CURRENT LIABILITIES

<table>
<thead>
<tr>
<th>Particular</th>
<th>As at March 31, 2014</th>
<th>As at March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses Payable</td>
<td>22,472</td>
<td>21,409</td>
</tr>
<tr>
<td>TOTAL</td>
<td>22,472</td>
<td>21,409</td>
</tr>
</tbody>
</table>

### NOTE ‘6’ : CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Particular</th>
<th>As at March 31, 2014</th>
<th>As at March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Current Accounts</td>
<td>519,546</td>
<td>500,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>519,546</td>
<td>500,000</td>
</tr>
</tbody>
</table>

### NOTE ‘7’ : OTHER EXPENSES

<table>
<thead>
<tr>
<th>Particular</th>
<th>2013-14</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors Remuneration (Refer Note No. 8)</td>
<td>11,236</td>
<td>11,236</td>
</tr>
<tr>
<td>Legal, Professional and Filing Charges</td>
<td>19,169</td>
<td>10,244</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>654</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>31,059</td>
<td>21,480</td>
</tr>
</tbody>
</table>
NOTE ‘8’: PAYMENTS OF AUDITORS AS (Amount in Rupees)

<table>
<thead>
<tr>
<th>Particular</th>
<th>2013-14</th>
<th>2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory Audit</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Reimbursement of Service Tax</td>
<td>1,236</td>
<td>1,236</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>11,236</td>
<td>11,236</td>
</tr>
</tbody>
</table>

NOTE ‘9’: EARNING PER SHARE (EPS) (Amount in Rupees)

<table>
<thead>
<tr>
<th>Particular</th>
<th>As at March 31, 2014</th>
<th>As at March 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit after tax as per Profit &amp; Loss A/c (Rs.)</td>
<td>(31,059)</td>
<td>(21,480)</td>
</tr>
<tr>
<td>Weighted Average number of Equity Share outstanding during the year</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Basic and diluted Earning/(Loss) Per Share (Rs.)</td>
<td>(0.62)</td>
<td>(0.43)</td>
</tr>
<tr>
<td>Nominal Value Per Equity Share (Rs.)</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

NOTE ‘10’: DEFERRED TAX

In accordance with 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.

NOTE ‘11’

In the TAP (Turn Around Plan) for AIL (Air India Limited), the engineering services business was proposed to be hived off to the subsidiary company AIESL. As part of TAP / FRP, AI transferred employees for engineering activities to AIESL. Consequently to the cabinet approval to operationalise AIESL as independent entity for MRO services, an MOU has been signed between AI and AIESL on April 5, 2013 to formalise the relationship. As per this MOU, AI shall transfer its MRO business to AIESL besides transfer of engineering related assets & manpower and other supports etc. However, assets & employees continued in AI books of accounts.

While the hiving off process is to be completed as at the year end, the revenue and expenditure related to MRO services continued in the accounts of AIL.

In the 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.
NOTE ‘12’: RELATED PARTY DISCLOSURES

Transactions during the year with related party

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Holding Company</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses Reimbursed</td>
<td>49,542</td>
<td>49,542</td>
</tr>
<tr>
<td></td>
<td>(37,046)</td>
<td>(37,046)</td>
</tr>
<tr>
<td>Unsecured Loans Balance as at 31st March, 2014</td>
<td>1,030,423</td>
<td>1,030,423</td>
</tr>
<tr>
<td></td>
<td>(980,881)</td>
<td>(980,881)</td>
</tr>
</tbody>
</table>

Name, detail and relationship with related party

<table>
<thead>
<tr>
<th>S. no</th>
<th>Relationship</th>
<th>Name of Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Holding Company</td>
<td>Air India Limited</td>
</tr>
</tbody>
</table>

NOTE ‘13’:
Previous year’s figures have been arranged or regrouped, wherever considered necessary to conform to current year’s presentation as per revised Schedule VI format.

As per our Report of Even Date attached

For and on behalf of
Jhawar Mantri & Associates
Chartered Accountants
FR No. 113221W

Sd/-
(B. P. Mantri)
Partner
M. No. 045701

Sd/-
(Rohit Nandan)
Chairman

Sd/-
(S. Venkat)
Director

Sd/-
(Arun K. Jain)
Ch. of Finance

Sd/-
(Rajni Kant)
Co. Secretary

Sd/-
(H. R. Jagannath)
Ch. Executive Officer

Place : Navi Mumbai
Date : 02 December 2014

For and on behalf of the Board

FR No. 113221W

Place : Delhi
Date : 26 November 2014