

AIRLINE ALLIED SERVICES LIMITED

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BOARD OF DIRECTORS (AS ON 14.12.2009)

Shri Arvind Jadhav

Chairman

Shri V. K. Sharma

Shri S. Chandrasekhar

Capt. Rakesh Anand

Shri Vijay Paul

Smt. Abha Shukla

Shri L. R. S. Reddy

Secretary

Shri Arun K. Goyal

Auditors

M/s. Jindal & Co.
Chartered Accountants
3803, David Street, Daryaganj,
New Delhi-110 002.

Bankers

State Bank of India

Syndicate Bank

Indian Overseas Bank

Registered Office

Room No. 205, 2nd Floor,
G+5 Building, Terminal-I,
IGI Airport, Palam,
New Delhi-110 037.

DIRECTORS' REPORT

The Directors of your company have pleasure in presenting the Twenty Sixth Annual Report together with audited statement of Accounts of Airline Allied Services Ltd. for the year ended 31 March 2009.

During the year, the company suffered net loss of Rs.81.83 crores mainly due to decline in load and seat factors owing to intense competition in aviation market resulting in decline in number of passenger and hence revenue.

Financial and Physical Performance

The Financial and Physical performance for the year under review vis-a-vis the previous year is given hereunder :-

Financial Performance

	(Rupees in Lacs)	
Particulars	2008-09	2007-08
Operating Revenue	28866.69	30340.88
Operating Expenses	36999.69	35950.05
Operating Profit / (Loss)	(8133.00)	(5609.17)
Prior period Adjustments	49.54	306.57
Net Profit / (Loss) for the year Before Tax	(8182.54)	(5915.74)
Net Profit / (Loss) for the year After Tax	(8182.54)	(5915.74)
Share Capital	225.00	225.00

Physical Performance

	2008-09	2007-08
ATKms (in millions)	48.20	56.99
RTKms (in millions)	28.90	40.15
Passengers Carried (in millions)	0.318	0.536
Seat Factor (%)	57.00	67.69
Load Factor (%)	59.96	70.46

Fleet Expansion

During the year 2008-09, one CRJ aircraft was inducted into the fleet. One more aircraft was added in April' 2009 making it fleet of four CRJ aircraft as on date.

Fleet Position

The fleet position of the company as at the year end consisted of 16 leased aircraft as under :-

Aircraft Type	No. of Aircraft	
Boeing 737-200	06	Leased from NACIL
ATR-42-320	07	Leased from different overseas lessors
Bombardier CRJ 700	03	Leased from different overseas lessors

NEW LINKS

The company introduced services on the following new routes :-

(a) With ATR Aircraft :

- Delhi / Pathankot / Delhi w.e.f. 03rd December' 2008.
- Kullu / Pathankot w.e.f. 03rd December' 2008.

(b) With CRJ Aircraft :

- Delhi / Ahmedabad / Delhi (Morning) w.e.f. 1st December' 2008
- Delhi / Ahmedabad / Delhi (Evening) w.e.f. 23rd March' 2009
- Delhi / Vadodra / Delhi w.e.f. 1st November' 2008
- Chennai / Vizag / Chennai w.e.f. 22nd August' 2008

As at the year end, the network of the company consisted of 25 stations within the country for passenger operations.

Operations in the North East

Alliance Air has been operating air services in the North East with ATR aircraft since 2002 in terms of an MOU with the North Eastern Council. The arrangement with the NEC which was initially for a 5 year period and presently arrangement with NEC has been extended till the end of year 2009. A new schedule of services has been formulated in consultation with the NEC and put into effect from 5th July 2008. The extended arrangement has a provision for night halting of one aircraft at Guwahati.

Human Resources

The staff strength of the company at the close of the year was **734** (768) consisting of **692** (729) employees on contract and the rest on deputation. Out of the 692 contractual employees 253 were female employees comprising 36% of the total staff strength. Total staff strength also included 39 scheduled cast 24 Scheduled Tribe and 67 OBC employees.

Engineering and Maintenance Activities

The Engineering Department with its workforce continued to provide valuable support and services for maintaining the fleet of aircraft with the company.

Some of the activities being performed by the Engineering Department are as under :

ATR42-320 Aircraft

ATR fleet consisting of seven ATR 42-320 aircraft are being maintained by AASL as per the schedules approved by DGCA based on Manufacturer's Planning Document (MPD) and other additional work scope based on our experience and recommendations of the manufacturers and Regulatory Authority.

- Kolkata is the main engineering base for maintenance activities on ATR 42-320 aircraft and Guwahati has also been developed as a sub-base.
- Infrastructure and capability has been developed to carry out '1C' Check (4000 FH), '2C' Check (8000 FH), '4C' Checks (16000 FH) & '8' yearly check and 24000 cycle inspection.
- The base is approved by DGCA for undertaking maintenance of ATR 42-320 aircraft up to '4C' Checks. Also, the base is approved for carrying out one yearly, four yearly, twelve yearly structural inspections and 24000-cycle inspection.
- The base has capability of carrying out replacement of main elements of the aircraft i.e. engines, landing gears, propellers and Structural Repair etc. which are major maintenance tasks.
- ATR Aircraft is now being operated from Delhi also and Delhi base has the capability to carryout maintenance up to '3A' check on ATR 42-320 aircraft.

Bombardier CRJ 700 Aircraft

These aircraft are being maintained by AASL as per the schedules approved by DGCA based on Manufacturer's Planning Document (MPD) and other additional work scope based on our experience and recommendations of the manufacturers and Regulatory Authority.

- Delhi is the main engineering base for maintenance activities on CRJ 700 aircraft.
- Infrastructure and capability has been developed to carry out checks till '6A' Check
- The base is approved by DGCA for undertaking maintenance of CRJ 700 aircraft up to 'A' Checks and multiples thereof. Also the base is approved for carrying out 4 yearly and 6 yearly inspections.

B-737-200 Aircraft

The Major Maintenance activities of Boeing 737 freighter aircraft are carried out by NACIL where as all Line Maintenance activities up to '3A' Check is performed by Alliance Air.

All the Boeing 737 aircraft are being maintained as per the Schedules approved by the DGCA based on Manufacturers Planning Document (MPD) and further enhanced work scope based on experience, recommendations of the manufacturers and Regulatory Authorities approval.

Delhi is the DGCA approved B737-200 aircraft main maintenance base for Alliance Air. Maintenance Schedules are being carried out by Alliance Air on B-737 aircraft from Transit Check to '3A' check.

Infrastructure at Outstations

Necessary Line Maintenance infrastructure particularly with reference to transit maintenance has been developed. All the necessary equipment has been positioned and is being maintained. Assistance of NACIL is taken as and when needed. ATR 42-320 aircraft was operating to 11 outstations in Eastern Region and 8 outstations in Northern Region and CRJ was operating to 7 outstations.

Quality Control

All the Quality Control functions pertaining to ATR 42-320, CRJ-700 and Boeing B-737 aircraft are being carried out by Alliance Air which includes monitoring of aircraft, aircraft systems, components, rectification of technical defects, reliability, delays and defect investigations and implementation of recommendations of Permanent Investigation Board (PIB).

Technical Training

The refresher courses for ATR-42-320 aircraft are conducted by the Airlines in-house. For other technical training courses related to ATR, CRJ and Boeing aircraft, the engineering personnel are sent to either Air India Engineering Training School or to the Manufacturer Training facilities. During the year the Engineering personnel attended various training courses. The participants were 71 for ATR, 02 for CRJ and 92 for Boeing aircraft.

Flight Safety

The safety of aircraft and passengers receives the utmost priority in the overall objective of Airline Allied Services Ltd. The commitment to safety manifests from the fact that the company has an independent Flight Safety Department. The Flight Safety Department in consonance to the regulatory requirements carries out both the preventive and investigative functions for the Airline.

Airline Allied Services Ltd. supports and promotes all legal requirements pertaining to safety with the objective of identification of any unsafe acts and practices and intervention before these acts and practices manifests themselves as incidents/ accidents. The preventive safety activities are accomplished completely in line with the regulatory requirements as also in compliance with the company policies. These include, the cockpit voice recorder monitoring, flight data recorder monitoring, airline field inspection, and surveillance in operations and training. All reported incidents and investigations and the recommendations and feedback are included in the operation procedure and policies to prevent recurrences. The investigations are carried out with DGCA representations.

Some of the activities being undertaken to ensure safety of the aircraft as well as passengers are as under :-

- The Flight Operation Quality Assurance (FOQA) programmes has prime function of flight Surveillance, wherein the cockpit and cabin of aircraft are observed for compliance to the quality in operations in respect to the crew members.
- The flight occurrence which are classified as incidents by the regulatory norms are investigated by Investigation Board of the Airline in coordination with the Air Safety Directorate of the DGCA.
- The recommendations of Investigation Board are circulated to the respective departments for their compliance to the applicable recommendations.
- The Airline has established facility for data downloads and data monitoring of flight data from flight data recorder of ATR 42-320, CRJ-700 and B-737 aircraft. All flight data are downloaded and are analysed regularly for compliance and adherence in the safety envelope.
- Regular Internal Safety Audit is conducted for safety evaluations of the Airline and the findings are actioned. The report of the same is also filed with the DGCA.

During the year, 2 airfield inspections were conducted by the Airline for airfield suitability for aircraft operations. This is in addition to the flight inspection conducted in coordination with NACIL team in air fields where both Airline Allied Services Ltd. and NACIL flights are operated. During the year, 17 cockpit Surveillance flights and 48 Cabin inspections were also carried out.

Training

Airline Allied Services Ltd. conducted Pilot / Cabin Crew and Flight Despatcher training in-house for both initial and recurrent trainings. The training is an on-going exercise and the year 2008-09 following trainings were successfully completed :-

i) Pilots :

- (a) B 737-200 - Initial type rating was conducted for one captain and ten co-pilots in addition to thirty one pilots recurrent trainings. In all seven ground school refresher courses were conducted during the said period.

- (b) ATR - Initial type rating was conducted for seven co-pilots and recurrent training for thirty pilots were conducted in this period. Ten ground school refreshers were also conducted this year, to provide recency during the said period.

ii) Cabin crew :

Five conversion training and eleven refresher training covering 224 cabin crew were conducted during the year.

Economy Measures

The following economy measures were initiated during the year :

- i. Fuel conservation policy as a part of standard operating procedure in operation.
- ii. Crew scheduling is made to ensure high productivity.
- iii. Optimised air routes and flight altitude are chosen to have cost effectiveness.

Stores

Inventory of ATR/ CRJ aircraft spare parts and consumable items has been computerized and is on OASIS as is being done for other aircraft operated by NACIL and AASL for effective control and monitoring.

Use of Hindi

To fulfill the objectives of the Official Language policy of the Government, the Company played its role in promoting the usage of Hindi at all levels. Staff was encouraged to work in Hindi. Hindi Pakhwara was conducted, wherein employees participated with enthusiasm. Prizes and awards were distributed during the function.

Contribution to Exchequer

The Company has contributed **Rs.1388.90 lacs** (Rs.2441.81 lacs) to Government exchequer by way of Sales Tax and other levies on Aviation Turbine Fuel.

Industrial Relations

Industrial relations in the Company have been cordial during the year.

Particulars of Employees

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 regarding employees is annexed with the Report.

Director's Responsibility Statement

Your Directors confirm :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) that they have advised such accounting policies, and applied them consistently and 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 at end of the financial year and of the profit or loss of the Company for that period.
- iii) that they 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) that they have prepared the annual accounts on a going concern basis.

Audit Committee

The provisions of Section 292A of the Companies Act, 1956 does not apply to the Company since it is applicable to the Companies having a paid-up Capital of above Rs. 5 crores and the paid-up Capital of the Company is only Rs. 2.25 crores.

Statutory Auditors

The Comptroller & Auditor General of India (CAG), has appointed M/s. Jindal & Co., Chartered Accountants as Statutory Auditors of the Company.

Auditors Report

The Statutory Auditors have made certain observations in their Audit Report on the accounts for the year ending 31.03.2009. The Management's replies to their observations are annexed as addendum to this report.

Board of Directors

During the year under report, the Board of Directors held five meetings.

The existing Board of Directors of the Company comprise of the following members :-

- | | | |
|------|---------------------------------------------------------------------------------------------------------|----------|
| i) | Shri Arvind Jadhav
CMD,
National Aviation Company of India Limited | Chairman |
| ii) | Shri V. K. Sharma
SBU Head - MRO (Engine & components)
National Aviation Company of India Limited | Director |
| iii) | Shri S. Chandrasekhar
Director (Finance)
National Aviation Company of India Limited | Director |
| iv) | Capt. Rakesh Anand
Executive Director (Operations)
National Aviation Company of India Limited | Director |
| v) | Shri Vijay Paul
Executive Director, Northern Region
National Aviation Company of India Limited | Director |
| vi) | Ms. Abha Shukla
Director
Ministry of Civil Aviation | Director |
| vii) | Shri L.R.S. Reddy
Director Finance
Ministry of Civil Aviation | Director |

The management of the business of the Airline is controlled by Chief Operating Officer (COO). The present COO is Shri Sunil Kishen, Executive Director (SR), NACIL.

The Board placed on record its deep appreciation for the excellent services rendered as members of the Board by S/Shri Raghu Menon, D. S. Kohli, Ms. Manjira Khurana and Capt. Ashok Raj.

Acknowledgment

The Board of Directors wish to express gratitude for the cooperation, guidance and support received from Ministry of Civil Aviation, NACIL and other Government agencies.

The Directors are pleased to place on record their appreciation of the sustained and dedicated efforts put in by all the employees.

For and on behalf of the Board

Sd/-
Arvind Jadhav
Chairman

Place : New Delhi
Date : 30 September 2009

Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with the The Companies (Particulars of Employees) Rules 1975 and forming part of the Director's Report for the year ended 31st March 2009.

"Employed throughout the year"

SR. NO.	EMP. CODE	NAME	QUALIFI- ATION	DESIGNATION	AGE	DATE OF JOINING	LAST EMPLOYER	NATURE OF DUTIES	GROSS SALARY RUPEES	DATE OF BIRTH
1.	10002	CAPT. ANGEL RUBEN FRANCESCHINI	ALTP	COMMANDER	59	09/03/2006	N.A.	FLYING	5060282	28/02/1950
2.	10011	CAPT. ANDY WAHYU	ALTP	SR. CAPT.	45	22/01/2006	BAUTACIA AIR	FLYING	5051313	22/07/1964
3.	10216	CAPT. RAJINDER SINGH	MATRIC	CHIEF PILOT	60	15/07/1996	EAST-WEST	FLYING	7287147	06/08/1948
4.	10729	CAPT. JAVED AHMED	B.SC.	CHIEF PILOT	58	15/05/1997	MODILUFT	FLYING	8014785	01/01/1951
5.	10978	CAPT. B.K. KESWANI	10+2	SR. CAPT.	62	21/06/1999	JET AIR	FLYING	5855350	09/06/1946
6.	11068	CAPT. R.I. SINGH	10+2	SR. CAPT.	60	01/11/1999	SAHARA	FLYING	6543559	22/11/1948
7.	11365	CAPT. A.K MALHOTRA	CPL	SR. FIRST OFFICER	62	01/07/2004	IAL	FLYING	5856374	03/06/1946
8.	11449	CAPT. PRASHANT SHARMA	B.SC.	FIRST OFFICER	35	27/02/2007	N.A.	FLYING	2691369	27/09/1973
9.	11455	CAPT. MANAV SHARMA	B.A.	FIRST OFFICER	29	15/12/2005	N.A.	FLYING	2757850	02/03/1980
10.	11524	CAPT. MS. DIVYA K. SANGHVI	B.SC.	CO-PILOT	36	15/04/2006	BOMBAY FLYING CLUB, MUMBAI	FLYING	2734212	27/08/1972
11.	11566	CAPT. M.S. SUNDRAM	10+2	FLEET CAPTAIN	64	08/05/2006	N.A.	FLYING	6499378	07/05/1945
12.	11608	CAPT. K. ASHWIN KUMAR	B.SC.	CO-PILOT	36	13/12/2005	N.A.	FLYING	2680103	04/04/1973
13.	11629	CAPT. SANJEEV CHOPRA	GRADUATE	FIRST OFFICER	43	26/05/2007	N.A.	FLYING	2878989	17/02/1966
14.	11641	CAPT. TARANPREET SINGH GUJRAL	10+2	CO-PILOT	22	25/10/2007	N.A.	FLYING	2751673	27/09/1987
15.	11656	CAPT. R.S. NEGI	B.COM.	FIRST OFFICER	39	25/10/2007	UNITER HELICHARTERS PVT. LTD.	FLYING	2817810	18/10/1969
16.	11662	CAPT. TARUN KUMAR	B.SC.,L.L.B.	FIRST OFFICER	38	22/11/2007	N.A.	FLYING	2889510	10/06/1970
17.	11677	CAPT. ANURAG	10+2,CPL, RTR(A)	FIRST OFFICER	41	28/11/2007	N.A.	FLYING	2785230	04/06/1967
18.	11683	CAPT. KAPIL KUMAR SINGH	M.A.	FIRST OFFICER	45	11/12/2007	N.A.	FLYING	2543938	22/03/1964
19.	60111	CAPT. SANJAY GUPTA	10+2 SCIENCE, A.M. Ae.S.I.	FLEET SUP.	43	10/12/2002	N.A.	FLYING	11177169	02/03/1966
20.	60354	CAPT. SURINDER KUMAR	B.SC.	FIRST OFFICER	40	01/02/2006	N.A.	FLYING	2747605	20/09/1968
21.	60423	CAPT. NAVEEN SAROHA	B.A.	FIRST OFFICER	32	29/08/2006	N.A.	FLYING	2701423	13/02/1977
22.	85013	CAPT. BRAHM PRAKASH	N.A.	COMMANDER	52	12/01/2008	N.A.	FLYING	5617764	01/07/1957
23.	85034	CAPT. PRAVEEN SHARMA	N.A.	FIRST OFFICER	45	24/01/2008	N.A.	FLYING	3227383	29/11/1963
24.	85055	CAPT. K. CHERIAN	N.A.	COMMANDER	55	01/01/2008	N.A.	FLYING	2646634	20/05/1953
25.	90036	CAPT. SURJO DKUKO PURWAN DONO	ALTP	COMMANDER	47	01/09/2006	SHAHEEN AIR	FLYING	4834390	04/11/1961
26.	95015	CAPT. MINORU KAWAKUBO	ALTP	COMMANDER	61	01/08/2006	TACV AIRLINE	FLYING	5236724	22/06/1947
27.	98002	CAPT. B.B. SHAH	EX-PAT	COMMANDER	41	16/07/2007	N.A.	FLYING	5733044	24/07/1967
28.	98003	CAPT. KINTU RAYMOND NEWA	EX-PAT	COMMANDER	41	05/12/2007	N.A.	FLYING	5250763	03/12/1967
29.	98004	CAPT. FRESON SERGE	EX-PAT	SR. CAPT.	40	20/12/2007	N.A.	FLYING	4479600	30/04/1968
30.	98005	CAPT. ADI AHDIYAT	EX-PAT	COMMANDER	N.A.	02/12/2007	N.A.	FLYING	4403344	N.A.
31.	98009	CAPT. WILLIAM N. KENE JR.	EX-PAT	COMMANDER	49	07/12/2007	N.A.	FLYING	3654277	12/02/1960

Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with the The Companies (Particulars of Employees) Rules 1975 and forming part of the Director's Report for the year ended 31st March 2009.

"Employed for part of the year"

SR. NO.	EMP. CODE	NAME	QUALIFICATION	DESIGNATION	AGE	DATE OF JOINING	DATE OF LEAVING	LAST EMPLOYER	NATURE OF DUTIES	GROSS SALARY RUPEES	DATE OF BIRTH
1.	10012	CAPT. LEXMONO PARWOTO KHRDIMAN	ALTP	SR. CAPT.	47	08/07/2006	30/04/2008	N.A.	FLYING	363000	28/06/1961
2.	11476	CAPT. P.P. SINGH	ALTP, RT (COP), FRTO, RTR	SR. CAPT.	65	10/02/2006	16/03/2009	N.A.	FLYING	4228186	12/12/1943
3.	11482	CAPT. Y.P. SHARDA	PRE. ENGG.	SR. CAPT.	65	10/02/2006	12/12/2008	N.A.	FLYING	5695927	19/03/1944
4.	11704	CAPT. ANSHUL SHARMA	M.SC.	FIRST OFFICER	30	15/05/2008		N.A.	FLYING	2329216	12/12/1978
5.	11752	CAPT. ARIZ J. ENGINEER	B.COM.	FIRST OFFICER	43	19/08/2008		N.A.	FLYING	1720641	07/12/1965
6.	60561	CAPT. PRADEEP SHARMA	M.SC., BE(AERO)	FLEET CAPTAIN	54	10/11/2008		N.A.	FLYING	2377671	24/05/1953
7.	85061	CAPT. TANUSHREE MATHUR	10+2	FIRST OFFICER	35	15/04/2008		N.A.	FLYING	2529344	14/02/1974
8.	85076	CAPT. RAHUL PURI	N.A.	COMMANDER	33	17/09/2008		N.A.	FLYING	1400658	21/12/1975
9.	85082	CAPT. ROHIT RIKHEY	N.A.	COMMANDER	28	17/09/2008		N.A.	FLYING	1408141	17/04/1980
10.	85097	CAPT. AJIT SAROHA	N.A.	COMMANDER	27	17/09/2008		N.A.	FLYING	1405289	06/06/1979
11.	98006	CAPT. JOHN ARTHUR ANNIN	EX-PAT	COMMANDER	24	05/05/2008		N.A.	FLYING	4929267	25/10/1984
12.	98008	CAPT. JUNAIDI NASUTAN	EX-PAT	COMMANDER	N.A.	26/07/2008		N.A.	FLYING	3385105	N.A.
13.	98010	CAPT. HECTOR LEON GONIEZ	EX-PAT	COMMANDER	60	13/05/2008		N.A.	FLYING	4335078	24/03/1949
14.	90015	CAPT. DANIEL OSCAR MENDEZ	ALTP	COMMANDER	51	01/03/2008	28/02/2009	N.A.	FLYING	4174729	02/08/1957
15.	90057	CAPT. DANDYWASNO	ALTP	COMMANDER	36	30/10/2006	28/03/2009	N.A.	FLYING	4792030	16/06/1972
16.	95036	CAPT. BAMBANG SUHARDIMAN	EX-PAT	COMMANDER	N.A.	03/05/2007	08/10/2008	N.A.	FLYING	2334904	N.A.
17.	95042	CAPT. ARIZWAN AZIZ	EX-PAT	SR. CAPT.	54	02/08/2007	28/03/2009	N.A.	FLYING	4792030	14/09/1954
18.	95048	CAPT. FERNANDO JOSE GONJALEZ	EX-PAT	SR. CAPT.	N.A.	22/06/2007	28/06/2008	N.A.	FLYING	536776	N.A.
19.	98001	CAPT. RISHI ASHOK KUMAR DAVDA	EX-PAT	CO-PILOT	27	11/09/2007	26/02/2009	N.A.	FLYING	2954050	20/11/1981
20.	98007	CAPT. BRIAN BGOYA	EX-PAT	COMMANDER	N.A.	03/07/2008	14/08/2008	N.A.	FLYING	320310	N.A.
21.	98011	CAPT. EVAN NYARANGA KUNDU	EX-PAT	COMMANDER	N.A.	20/11/2008	18/03/2009	N.A.	FLYING	1023770	N.A.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF AIRLINE ALLIED SERVICES LIMITED FOR THE YEAR ENDED 31ST MARCH 2009.

The preparation of financial statements of **Airline Allied Services Limited** for the year ended 31st March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30th September 2009.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **Airline Allied Services Limited** for the year ended 31st March 2009. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to enquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619(4) of the Companies Act, 1956.

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

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

Place : New Delhi
Date : 11 December 2009.

REPORT OF THE AUDITORS TO THE MEMBERS OF AIRLINE ALLIED SERVICES LIMITED

We have audited the attached Balance Sheet of **AIRLINE ALLIED SERVICES LIMITED** as at 31 March 2009, the Profit & Loss Account and also the Cash Flow Statement of the company 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 the 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion **except to the extent these standards could not be applied in their entirety for want of adequacy of appropriate internal control system and accounting procedures followed by the company.**

1. As required by the Companies (Auditors' Report) Order, 2003, as amended, 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 during the course of our audit, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 herein above, we report that :
 - (i) 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 **except as stated in para (viii), (ix), (xi), (xii), (xiv), (xv), (xvii), (xviii), (xix), (xx) & (xxiii) hereinafter.**
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books **except to the extent as stated in para (viii), (ix), (xi), (xii) & (xx) hereinafter.**
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956 **except as stated in para (xii), (xiv), (xvi) and (xvii) hereinafter.**
 - (v) In view of Government Notification No. GSR 829 (E) dated 21st October 2003, Government Companies are exempt from the applicability of provision of Section 274(1)(g) of the Companies Act, 1956.
 - (vi) **The financial statements under report are drawn up on a going concern basis. In view of accumulated losses and resultant negative net worth to the tune of Rs 50998.23 lacs, the assumption of going concern depends upon the continued adequate financial support from the holding company, NACIL. It is observed that the outstanding dues of the company to its holding company, NACIL is Rs.54229.21 lacs as on 31.03.2009, an increase of Rs.13185.64 lacs over the previous year's balance of Rs.41043.57 lacs.**
 - (vii) **NACIL vide its letter dated 21st March, 2008 had intimated that an amount of Rs.30675.17 lacs owing from AASL as on 31st March, 2007 had been written off in the books of that year of erstwhile Indian Airlines (now NACIL) as a conservative measure and the write off did not prejudice NACIL's right to recover the same from Alliance Air in future. In the year 2007-08 also NACIL wrote off the AASL balances. Same position has continued up to 31.03.2009 also. However as per the books of AASL, the amount payable to NACIL as on 31.03.2009 was Rs.54229.21 lacs, which had not been then correspondingly written back based on expert opinion. We are unable to comment the impact of non write-back of the liability, due to NACIL.**
 - (viii) **The internal control system and accounting procedures are generally inadequate and not implemented / enforced resulting in lack of regular, complete and correct flow of information, specially in the following areas :**
 - Transactions relating to Traffic Revenue (except charter revenue)**
 - Expenditure on Service Charges.**
 - Expenditure relating to Interrupted trips.**
 - Expenditure on SOD Tickets.**

Retrieval of catering dry stores.

ATR Aircraft Inventories.

Delay in receipt and accounting of credits due from M/s. ATR in terms of agreements and consequential delay in adjustments of withholding tax.

Documentation for fuelling & offloading of Aviation Turbine Fuel in Aircraft.

Employees leave record and encashment of leave.

- (ix) Profit and Loss Account under this report includes Traffic Revenue (except charter revenue) Rs.1448.10 lacs and expenditure on account of Food Services and Other Pax Amenities Rs.45.19 lacs, Service charges Rs.255.40 lacs and Other Operating and Administration expenses of Rs.126.95 lacs accounted for on the basis of credit and debit notes raised by NACIL. In the absence of basic records and other relevant details available with the company, the revenue and expenditure stated herein above were relied upon and remained unverified to that extent.
- (x) In respect of ATR/CRJ aircraft inventories, procurement is made by NACIL and later on transferred to the company. This does not seem proper without invoice and charge of applicable sales tax (VAT) - Amount unascertained. Moreover sufficient control does not exist to ensure that all inventory transactions are authorized and processed completely.
- (xi) Customs and Freight on aircraft spare parts which form part of aircraft inventories, comprise of freight, duties, incidentals etc. on aircraft inventories owned by the company as well as those kept on lease from the manufacturers and also include freight, incidentals etc. on aircraft components and spares exported for repairs. In the absence of proper segregation, the customs and freight on aircraft spares amounting to Rs.344.68 lacs lying at the end of the year and Rs.49.20 lacs allocated to material consumed for the year remained unverified and hence correctness of these amounts could not be commented upon.
- (xii) Non-compliance of Accounting Standard AS-2 (Revised) "Valuation of Inventories".
- a. Inventories have been arrived at without proper identification and allocation of freight, duties, incidentals etc. with respect to specific items.
 - b. Further, inventories have been valued without considering the net realizable value.
- The impact of the above on the accounts remained unascertained.
- (xiii) The account with the Airport Authority of India Ltd (AAI) is unreconciled and unconfirmed and may include element of expenditure/income. The company has shown NIL(Previous year RS.175.89 lacs) as contingent liability. As confirmed by AAI the outstanding against AASL was Rs.2737.49 lacs whereas the in the books of AASL is shown as Rs.1278.16 lacs. This has resulted in under statement of liabilities by Rs.1459 lacs.
- (xiv) Accounting of certain transactions on settlement basis (Refer para 4, 10(a), (b) & (c) of Accounting Policies) and credit of insurance premium received back against lay up of aircraft on the basis of Credit Note from NACIL is not in accordance with the assumption of accrual basis of accounting and Accounting Standard AS 1- "Disclosure of Accounting Policies" and AS 5 (Revised)-" Net Profit or Loss for the period, prior period items and changes in Accounting Policies". Amount unascertained.
- (xv) The lease and maintenance charges for Boeing 737 Aircraft taken from NACIL have been fixed for a lump sum charge of Rs.800 lacs. However, working in justification of reduction in lease charges in comparison to previous year (Rs.3200 lacs) was not available. In this connection, reference may be made to Para 16 of Schedule XX Notes on Accounts wherein it was observed that the agreement for lease charges had been signed with NACIL on 22.06.2009 i.e much after the closing of the financial year.
- (xvi) Non-compliance of AS 17- "Segment Reporting". In our opinion, an operation pertaining to ATR Aircraft is a separate segment considering its economical and geographical implications as per the terms of sanction of Grant (Refer Para No. 14 of Schedule XX "Notes on Accounts"). Similarly operation of 6 Boeings 737 aircraft exclusively for freighter services under specific agreements with parties is also a separate segment considering its economical implication.
- (xvii) Reference para 6 of schedule XIX-Significant Accounting polices, the company has not adopted the Accounting Standard AS-15 Revised for provision of liability for gratuity on the basis of actuarial valuation as per defined benefit plan covering the eligible employees.

- (xviii) **Non-accounting of advance passenger receipts, revenue from no show pax, and income from cancellation fees, income from refund administration fees and commission earned on PSF. Amount unascertained.**
- (xix) **Understatement of cargo revenue due to charging a single rate per tonne kilometer instead of various rates in addition to the basic rate, viz. documentation charge, valuation charge, cartage charge, demurrage charge etc. Amount unascertained.**
- (xx) **Non-confirmation of balances in respect of accounts receivables and payables, advances to parties and other liabilities. We are unable to comment on the impact of adjustments arising out of non-confirmation of such balances on the financial statements.**
- (xxi) **Non-charging of Sales Tax (VAT) by NACIL in respect supplies of dry stores items to the company. Amount unascertained.**
- (xxii) **As per management estimates, provision of Fringe Benefit Tax liability of Rs.275.87 lacs (including Rs.248.21 lacs up to 31.03.2008) on value of free/concessional tickets issued by the company to its employees has not been considered (Refer Para 1(E) and 11 of Notes on Accounts-Schedule XX). This has resulted in understatement of loss by Rs.27.66 Lacs and accumulated losses by Rs.275.87 lacs.**
- (xxiii) **The company has shown a contingent liability in respect of demand by the income tax department for the assessment year 1997-98 which is said to be disputed by the company. In the absence of status/details of income tax assessments for other years, we are unable to comment upon the liability of the company in this regard. Amount unascertained.**
- (xxiv) (a) **Refer para 2(ii) of schedule XX Notes to accounts, agreement with NACIL and M/s. Gati Ltd. for freighter operations stands terminated in March 2009. The company has changed its accounting policies with regard to claims invoices preferred against the parties. Which are now accounted for on settlement basis. Consequently claims lodged by company against M/s. Gati Ltd. amounting to Rs.11198 lacs have not been recognized as revenue. The change in accounting policy has resulted in understatement of revenue and current assets by Rs.11198 lacs.**
- (b) **No provision of expenses for claims raised towards painting Charges of 4 (four) B-737 aircraft for Gati Ltd. for Rs.195.92 lacs has not been made resulting in understatement of expenditure to that extent.**
- (xxv) **The MOU with the Department of Post for operating Charter Freighter aircraft in the North East Sector expired on 23.08.2008. The same has not been renewed but the Company has continued to provide services to the DOP in terms of earlier MOU. We are unable to comment upon the financial implication in respect of such continuation. Amount unascertained.**

In respect of observations contained in paragraphs (vii) (ix), (x), (xi), (xii), (xiv), (xv), (xvii), (xviii), (xix), (xx), (xxi), (xxiii), and (xxv), we are unable to express our opinion regarding the effect on the accounts in respect of the matters specified therein. Further, due to impact of observations contained in paragraphs (xiii), (xxii) and (xxiv)(b), loss for the year Rs.8182.54 lacs as reported would have been Rs.9865.12 lacs. The total net current assets would have been Rs.53132.28 lacs (as against the reported figure of Rs.51201.49 lacs). The accumulated losses would have been Rs.53154.01 lacs (as against the reported figure of Rs.51223.22 lacs). Subject to the above observations, we report that 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 Accounting Policies and Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- (i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009 and
- (ii) In the case of Profit & Loss Account, of the loss disclosed for the year ended on that date.
- (iii) In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

For JINDAL & COMPANY
Chartered Accountants

Sd/-
(Dr. Akhil Jindal)
Partner
M. No. 90515

Place : New Delhi
Dated : 30 September 2009

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph '1' of our report of even date

- (i) (a) The company has generally maintained proper records to show full particulars including quantitative details and locations of fixed assets.
- (b) According to information and explanations given to us, the physical verification of fixed assets was to be carried out on a biennial basis. Last such verification was carried out for the period ended 31st March, 2007, for which reconciliation is in the process of finalization. The exercise of write off unserviceable & misplaced assets has not been carried out in respect of observations of physical verification carried out earlier. The company has not carried out physical verification which was due to be carried out in 2008-09.
- (c) During the year, company has not disposed of any substantial / major part of fixed assets.
- (ii) (a) According to information and explanations given to us, physical verification of dry stores has been carried out at the close of the year **except at Catering Department, stores lying with Caterers and outstations**. In the case of inventories relating to ATR Aircraft, physical verification has been carried out for the year and we have been informed that no material discrepancies were noticed on such physical verification.
- (b) **The coverage and procedure of physical verification of stock need to be improved /formulated in absence of laid down procedure.**
- (c) Inventories for ATR/CRJ Aircraft are procured by erstwhile M/s. NACIL. Records relating to receipts, issues and closing stock of inventories are maintained by the company in Kolkata and by NACIL in Hyderabad (for ATR aircraft). CRJ aircraft inventories are maintained by NACIL in Delhi. Closing stock of inventories are verified physically and discrepancies analyzed/actions taken. **In our opinion, the internal control system in respect of maintainance of aircraft inventories needs improvement. Further there should be better functional coordination between the company's ATR/CRJ stores section and the finance department.**
- (iii) (a) According to the information and explanations given to us, the company has neither granted nor taken any loans secured or unsecured to/from the parties as referred in section 301 of the Companies Act, 1956. However, it is observed that the register under section 301 of the Companies Act, 1956 is not maintained properly.
- (b) Since the company has not granted/taken any loans, the clause (b), (c) and (d) relating to the rate of interest, receipt of principal amount, overdue amount does not apply.
- (c) It may however be mentioned that the company has an outstanding dues of **Rs.54229.21 Lacs** to its holding company - NACIL. **It is also observed that the company has granted an interest free unsecured loan of Rs. 2.61 Lacs to an ex-deputationist from Government, which is not being recovered since long.**
- (iv) In our opinion and according to the information and explanations given to us, **internal control procedures are not commensurate with the size of the company and nature of its business with regard to recording of revenue, inventory control, sale/loaning of inventories and spares and certain expenditure and services. The weaknesses in internal control procedures have been observed, and reported repeatedly due to continued failure and non improvements over the years.**
- (v) (a) **The requisite particulars of arrangements required to be entered in the register(s) under Section 301 of the Companies Act, 1956 have not been updated. The required register are not maintained properly.**
- (b) In view of our observation under Para (a) herein above, we are unable to comment on the compliance of the provisions of the clause relating to reasonableness of prices of the transactions.
- (vi) The company has not accepted deposits from the public, therefore, provision of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
- (vii) **The internal auditor for the year 2008-09 was appointed by the company in 18th February, 2009 only. In our opinion, the internal audit system needs to be strengthened and improved to be commensurate with its size and nature of its business in order to have adequate coverage of the transactions, specially in the areas like lease and other connected agreements for ATR/CRJ aircraft operations, revenue receipts, fuel upliftment/payments and inventory control.**

- (viii) We have been informed that the Central Government has not prescribed for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act.
- (ix) (a) According to the records of the company and information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax, Income Tax Deducted at source and other statutory dues **except some delay in deposit has been noticed in case of tax deducted at source, service tax and withholding tax.** Custom duty is handled by IAL and it is confirmed that there are no undisputed dues outstanding against it. **The company has not provided for fringe benefit tax of Rs275.87 lacs(including Rs 248.21 lacs up to 31.03.2008) on Free/concessional tickets to its employees.**
- (b) According to the records of the company and as per information and explanations given to us, income tax demand aggregating to Rs.140.44 lacs for the assessment Year 1997-98 has been said to be disputed by the company and the amount of Rs.140.44 lacs has been deposited under protest. The matter is pending with Income Tax Appellate Tribunal for disposal.
- (x) **The company has suffered loss for the year and has also negative net worth. The company has incurred cash losses during the year under report and also in the immediately preceding financial year.**
- (xi) According to the records of the company, there are no amounts due to financial institutions, banks or debenture holders.
- (xii) According to the records of the company, 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) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Societies are not applicable to the company.
- (xiv) According to the records of the company and information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the records of the company and information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) According to the records of the company, the company has not obtained any term loan during the year.
- (xvii) According to the information and explanations given to us, no funds have been raised on short-term basis.
- (xviii) The company has not made any allotment of shares.
- (xix) The company has not issued any debentures.
- (xx) The company has not raised money by public issues.
- (xxi) 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 JINDAL & COMPANY
Chartered Accountants

Sd/-
(Dr. Akhil Jindal)
Partner
M. No. 90515

Place : New Delhi
Dated : 30 September 2009

COMMENTS OF THE STATUTORY AUDITORS

The Management's comments to the observations of the Auditors are as under :

Most of the points raised by the Auditors are self-explanatory. However, information / explanation wherever required are furnished below :

Sr. No.	Audit Observations	Management Comments
1.	As required by the Companies (Auditors' Report) Order, 2003, as amended, 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 during the course of our audit, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 & 5 of the said Order.	Self explanatory
2.	<p>Further to our comments in the Annexure referred to in Paragraph 1 herein above, we report that :</p> <p>(i) 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 except as stated in para (viii), (ix), (xi), (xii), (xiv), (xv), (xvii), (xviii), (xix), (xx) & (xxiii) hereinafter.</p> <p>(ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books except to the extent as stated in para (viii), (ix), (xi), (xii) & (xx) hereinafter.</p> <p>(iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.</p> <p>(iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956 except as stated in para (xii), (xiv), (xvi) and (xvii) hereinafter.</p> <p>(v) In view of Government Notification No. GSR 829 (E) dated 21st October 2003, Government Companies are exempt from the applicability of provision of Section 274(1)(g) of the Companies Act, 1956.</p> <p>(vi) The financial statements under report are drawn up on a going concern basis. In view of accumulated losses and resultant negative net worth to the tune of Rs 50998.23 lacs, the assumption of going concern depends upon the continued adequate financial support from the holding company, NACIL. It is observed that the outstanding dues of the company to its holding company, NACIL is Rs. 54229.21 lacs as on 31.03.2009 an increase of Rs. 13185.64 lacs over the previous year's balance of Rs.41043.57 lacs.</p> <p>(vii) NACIL vide its letter dated 21st March, 2008 had intimated that an amount of Rs. 30675.17 lacs owing from AASL as on 31st March' 2007 had been written off in the books of that year of erstwhile Indian</p>	<p>Self explanatory</p> <p>Self explanatory</p> <p>Self explanatory</p> <p>Self explanatory</p> <p>Self explanatory</p> <p>Statement of fact</p> <p>Suitable and adequate disclosures have been made in the Notes on Accounts No. 5(i) – Schedule XX.</p>

Sr. No.	Audit Observations	Management Comments
	<p>Airlines (now NACIL) as a conservative measure and the write off did not prejudice NACIL's right to recover the same from Alliance Air in future. In the year 2007-08 also NACIL wrote off the AASL balances. Same position has continued up to 31.03.2009 also. However, as per the books of AASL, the amount payable to NACIL as on 31.03.2009 was Rs.54229.21 lacs which had not been then correspondingly written back based on expert opinion. We are unable to comment the impact of non write-back of the liability, due to NACIL.</p> <p>(viii) The internal control system and accounting procedures are generally inadequate and not implemented / enforced resulting in lack of regular, complete and correct flow of information, specially in the following areas :</p> <p>Transactions relating to Traffic Revenue (except charter revenue).</p> <p>Expenditure on Service Charges.</p> <p>Expenditure relating to Interrupted trips.</p> <p>Expenditure on SOD Tickets.</p> <p>Retrieval of catering dry stores.</p> <p>ATR Aircraft Inventories.</p> <p>Delay in receipt and accounting of credits due from M/s ATR in terms of agreements and consequential delay in adjustments of withholding tax.</p> <p>Documentation for fuelling & offloading of Aviation Turbine Fuel in Aircraft.</p> <p>Employees leave record and encashment of leave.</p> <p>(ix) Profit and Loss Account under this report includes Traffic Revenue (except charter revenue) Rs 1448.10 lacs and expenditure on account of Food Services and Other Pax Amenities Rs 45.19 lacs, Service charges Rs. 255.40 lacs and Other Operating and Administration expenses of Rs 126.95 lacs accounted for on the basis of credit and debit notes raised by NACIL. In the absence of basic records and other relevant details available with the company, the revenue and expenditure stated herein above were relied upon and remained unverified to that extent.</p>	<p>The holding company, NACIL provides flight handling, sales marketing and booking and other support services to the Company in terms of MoU signed between the two. The holding company has its own control procedures and its records are subject to audit. The comments below, which are mainly arising out of transactions related to NACIL may be taken with this point in view.</p> <p>Revenue is accounted in terms of declared accounting policy no.4 - Schedule XIX.</p> <p>Service Charges are paid to NACIL as per the MoU pertaining to transactions handled by them for which relevant records are maintained at their end.</p> <p>The relevant records for interrupted trips are available. For expenditure incurred by NACIL on behalf of the company, individual records are with them.</p> <p>The SOD travel is as per SOD order issued from Alliance Air. This expenditure is booked as per the debits from NACIL. The debit is for PSF which is sector wise.</p> <p>The accounting for retrieval of dry stores is as per the advice from the respective regions.</p> <p>The inventory is specific to aircraft type. The procurement on behalf of AASL is made by NACIL. The accounting is made by AASL as already disclosed in para 4 (i) of notes on accounts Schedule XX.</p> <p>Follow up with ATR is regular for issuance of credit notes.</p> <p>Aviation fuel is a sensitive item and there are established procedures followed by technical personnel for the same.</p> <p>Noted.</p> <p>In terms of the MOU between NACIL and AASL, NACIL provides sales marketing and booking facilities and other support services for the companies flight operations.</p> <p>The revenue generated for AASL flights are passed on by NACIL on the basis of records with them.</p> <p>The revenue recognition is as per Accounting Policy no. 4 - Schedule XIX.</p> <p>For other support services, NACIL debit AASL as per the agreed terms/rates as per MOU for which relevant support records are maintained by them.</p>

Sr. No.	Audit Observations	Management Comments
	<p>(x) In respect of ATR/ CRJ aircraft inventories, procurement is made by NACIL and later on transferred to the company. This does not seem proper without invoice and charge of applicable sales tax (VAT) - Amount unascertained. Moreover, Sufficient control does not exist to ensure that all inventory transactions are authorized and processed completely.</p> <p>(xi) Customs and Freight on aircraft spare part which form part of aircraft inventories, comprise of freight, duties, incidentals etc. on aircraft inventories owned by the company as well as those kept on the lease from manufacturers and also include freight, incidentals etc. on aircraft components and spares exported for repairs. In the absence of proper segregation, the customs and freight on aircraft spares amounting to Rs 344.68 lacs lying at the end of the year and Rs 49.20 lacs allocated to material consumed for the year remained unverified and hence correctness of these amounts could not be commented upon.</p> <p>(xii) Non-compliance of Accounting Standard AS-2 (Revised) "Valuation of Inventories".</p> <p>a. Inventories have been arrived at without proper identification and allocation of freight, duties, incidentals etc. with respect to specific items.</p> <p>b. Further, inventories have been valued without considering the net realizable value.</p> <p>The impact of the above on the accounts remained unascertained.</p> <p>(xiii) The account with the Airport Authority of India Ltd. (AAI) is unreconciled and unconfirmed and may include element of expenditure/income. The company has shown NIL (Previous year 175.89 lacs) as contingent liability. As confirmed by AAI the outstanding against AASL was Rs.2737.49 lacs whereas in the books of AASL is shown as Rs. 1278.16 lacs. This has resulted in under statement of liabilities by Rs. 1459 lacs.</p> <p>(xiv) Accounting of certain transactions on settlement basis (Refer Para 4, 10(a), (b) & (c) of Accounting Policies) and credit of insurance premium received back against lay up of aircraft on the basis of Credit Note from NACIL is not in accordance with the assumption of accrual basis of accounting and Accounting Standard AS 1 - "Disclosure of Accounting Policies" and AS 5 (Revised) - "Net Profit or Loss for the period, prior period items and changes in Accounting Policies". Amount unascertained.</p>	<p>AASL does not have elaborate back office, therefore, NACIL helps for procurement of the inventory. The payments for procurement are mainly paid by AASL .</p> <p>GRANs are issued and inventory statements are made and certified at the end of the year in respect of ATR/CRJ inventory.</p> <p>Suitable and adequate disclosures have been made in para 4 (iii) in the notes on accounts Schedule XX.</p> <p>Suitable and adequate disclosures have been made in para 4 (iii) in the notes on accounts Schedule XX.</p> <p>Inventories are valued at cost or market value whichever is lower as disclosed in the accounts in Schedule III.</p> <p>We had written to AAI for balance confirmation for which no reply have been received from them.</p> <p>Statutory Auditor have provided a copy of letter dated 15.09.09 addressed to them from AAI wherein, the outstanding balance is Rs. 27.37 crore.</p> <p>In the absence of any details, the balance shown by AAI needs to be verified and reconciled after which necessary accounting action/adjustments will be made if necessary.</p> <p>Due and adequate disclosure in this regard have been made in notes on accounts 10(a) of Schedule XX.</p> <p>This policy is consistently followed over the years.</p> <p>The lay up claims are made with the insurance companies at the end of the insurance policy period, which takes time to settle after approval by the re- insurers etc . Hence, estimation of lay up, if any , is not possible.</p> <p>As such , the credits in respect of insurance lay up claims are accounted as and when the credits received from NACIL.</p>

Sr. No.	Audit Observations	Management Comments
	<p>(xv) The lease and maintenance charges for Boeing 737 Aircraft taken from NACIL have been fixed for a lump sum charge of Rs 800 lacs. However, working in justification of reduction in lease charges in comparison to previous year (Rs. 3200 lacs) was not available. In this connection reference may be made to para 16 of Schedule XX, Notes on accounts wherein it was observed that the agreement for lease charges had been signed with NACIL on 22.06.2009 i.e. much after the closing of the financial year.</p> <p>(xvi) Non-compliance of AS 17-”Segment Reporting”. In our opinion, an operation pertaining to ATR Aircraft is a separate segment considering its economical and geographical implications as per the terms of sanction of Grant. (Refer Para No. 14 of Schedule XX “Notes on Accounts”). Similarly operations of 6 Boeings 737 aircraft exclusively for freighter services under specific agreements with parties is also a separate segment considering its economical implication.</p> <p>(xvii) Reference para 6 of schedule XIX – Significant Accounting policies, the company has not adopted the Accounting Standard AS-15 Revised for provision of liability for gratuity on the basis of actuarial valuation as per defined benefit plan covering the eligible employees.</p> <p>(xviii) Non-accounting of advance passenger receipts, revenue from no show pax, and income from cancellation fees, income from refund administration fees and commission earned on PSF. Amount unascertained.</p> <p>(xix) Understatement of cargo revenue due to charging a single rate per tonne kilometer instead of various rates in addition to the basic rate, viz. documentation charge, valuation charge, cartage charge, demurrage charge etc. Amount unascertained.</p> <p>(xx) Non-confirmation of balances in respect of accounts receivables and payables, advances to parties and other liabilities. We are unable to comment on the impact of adjustments arising out of non-confirmation of such balances on the financial statements.</p> <p>(xxi) Non-charging of Sales Tax (VAT) by NACIL in respect of supplies of dry stores items to the company. Amount unascertained.</p> <p>(xxii) As per management estimates, provision of Fringe Benefit Tax liability of Rs.275.87 Lacs (including Rs. 248.21 lacs up to 31.03.2008) on value of Free/ concessional tickets issued by the company to its</p>	<p>The lessors do not require to justify the reduction in lease charges.</p> <p>Due disclosure has been made in Para (14) of Notes on Account – Schedule XX. This policy is similar to NACIL and is consistently followed and accepted.</p> <p>Since the employees are on fixed term contract. The provision is based on the method permitted in the AS 15 and the terms of the provisions of payment of Gratuity Act.</p> <p>Revenue is accounted on the basis of actual passengers flown in terms of declared Accounting Policy no. 4 – Schedule XIX. Thus the estimation or accounting of these items does not arise.</p> <p>Cargo booking and handling are carried out by NACIL on company's behalf and NACIL maintains records and incur expenditure.</p> <p>As per MOU with NACIL there is no specific cargo rate. Therefore, the revenue is as per credits received from them for the tonnage of cargo.</p> <p>This has been the consistent policy since inception.</p> <p>The reconciliation with oil companies have been carried out. Letters for confirmation of balance have also been sent to other major creditor like AAI. AAI has been commented by audit separately. For other smaller parties, bills received have been accounted for and provisions/ liabilities provided wherever necessary.</p> <p>The expenditure for dry store items are accounted as per debits received from NACIL.</p> <p>This has been disclosed vide note no. 11 of Schedule XX. Also this amount has been shown under Contingent Liability.</p>

Sr. No.	Audit Observations	Management Comments
	<p>employees has not been considered (Refer Para 1(E) and 11 of Notes on Accounts - Schedule XX). This has resulted in understatement of loss by Rs.27.66 Lacs and accumulated losses by Rs.275.87 lacs.</p> <p>(xxiii) The company has shown a contingent liability in respect of demand by the income tax department for the assessment year 1997-98, which is said to be disputed by the company. In the absence of status/ details of income tax assessments for other years, we are unable to comment upon the liability of the company in this regard. Amount unascertained.</p> <p>(xxiv) (a) Refer para 2(ii) of schedule XX Notes to accounts, agreement with NACIL and M/s Gati Ltd. for freighter operations stands terminated in March 2009. The company has changed its accounting policies with regard to claims invoices preferred against the parties. Which are now accounted for on settlement basis. Consequently, claims lodged by the company against M/s Gati Ltd. amounting to Rs. 11198 lacs have not been recognized as revenue. The change in accounting policy has resulted in understatement of revenue and current assets by Rs. 111198 lacs.</p> <p>(b) No provision of expenses for claims raised towards Painting Charges of 4 (four) B-737 aircraft for Gati Ltd. for Rs. 195.92 has also not been made resulting in understatement of expenditure to that extent.</p> <p>(xxv) The MOU with the Department of Post for operating Charter Freighter aircraft in the North East Sector expired on 23.08.2008. The same has not been renewed but the company has continued to provide services to the DOP in terms of earlier MOU. We are unable to comment upon the financial implication in respect of such continuation. Amount unascertained.</p>	<p>The status remains unchanged since financial year 2003-04.</p> <p>The Agreement between NACIL and M/S, GATI for freighter operations was terminated in March 2009. Consequently, the company has raised certain claims on GATI as disclosed in Para 2 (ii) of Schedule XX notes to accounts. As per Accounting Policy of the Company the claims made by company are accounted on realization. This is also in tune with the requirement of AS-9. Hence, there is no understatement of revenue.</p> <p>This is a claim made on GATI, hence, no provision is required in terms of AS-9 as explained above.</p> <p>The Agreement between DOP and NACIL has been renewed on 23rd July 2009. Hence, there is no liability on the company.</p>

ANNEXURE TO THE AUDITOR'S REPORT

Sr. No.	Audit Observations	Management Comments
(i)	<p>(a) The company has generally maintained proper records to show full particulars including quantitative details and locations of fixed assets.</p> <p>(b) According to information and explanations given to us, the physical verification of fixed assets was to be carried out biennial basis. Last such verification was carried out for the period ended 31st March, 2007, for which reconciliation is in the process of finalization. The exercise of write off unserviceable & misplaced assets has not been carried out in respect of observations of physical verification carried out earlier. The company has not carried out physical verification which was due to be carried out in 2008-09.</p> <p>(c) During the year, company has not disposed of any substantial / major part of fixed assets.</p>	<p>Self explanatory.</p> <p>Statement of fact. The physical verification of Fixed Assets will be carried in next year.</p> <p>Statement of fact.</p>
(ii)	<p>(a) According to information and explanations given to us, physical verification of dry stores has been carried out at the close of the year except at Catering Department, stores lying with Caterers and outstations. In the case of inventories relating to ATR Aircraft, physical verification has been carried out for the year and we have been informed that no material discrepancies were noticed on such physical verification.</p> <p>(b) The coverage and procedure of physical verification of stock need to be improved /formulated in absence of laid down procedure.</p> <p>(c) Inventories for ATR/CRJ Aircraft are procured by M/s. NACIL. Records relating to receipts, issues and closing stock of inventories are maintained by the company in Kolkata and by NACIL in Hyderabad (for ATR aircraft). CRJ aircraft inventories are maintained by NACIL in Delhi. Closing stock of inventories are verified physically and discrepancies analyzed/actions taken. In our opinion, the internal control system in respect of maintenance of aircraft inventories needs improvement. Further there should be better functional coordination between the company's ATR/CRJ stores section and the finance department.</p>	<p>Dry Stores in hand with Catering department/ Caterers/ outstations are charged as expense being small amounts.</p> <p>Self explanatory</p> <p>Noted</p> <p>Self explanatory</p> <p>Noted</p>
(iii)	<p>(a) According to the information and explanations given to us, the company has neither granted nor taken any loans secured or unsecured to/from the parties as referred in section 301 of the Companies Act, 1956. However, it is observed that the register under section 301 of the Companies Act, 1956 is not maintained properly.</p> <p>(b) Since the company has not granted/taken any loans, the clause (b), (c) and (d) relating to the rate of interest, receipt of principal amount, overdue amount does not apply.</p> <p>(c) It may however be mentioned that the company has an outstanding dues of Rs. 54229.21 lacs to its holding company –NACIL. It is also observed that the company has granted an interest free unsecured loan of Rs. 2.61 Lacs to an ex-deputationist from Government, which is not being recovered since long.</p>	<p>Statement of fact.</p> <p>As required by the Act, each year declaration of interest are obtained from the directors and is submitted to the Board in their meeting.</p> <p>Statement of fact.</p> <p>The matter is being followed up for settlement with Ministry of Civil Aviation and Government of Madhya Pradesh-the parent department of the deputationist.</p>

Sr. No.	Audit Observations	Management Comments
(iv)	In our opinion and according to the information and explanations given to us, internal control procedures are not commensurate with the size of the company and nature of its business with regard to recording of revenue, inventory control, sale/loaning of inventories and spares and certain expenditure and services. The weaknesses in internal control procedures have been observed, and reported repeatedly due to continued failure and non improvements over the years.	The company has its own internal control procedures with regard to the expenditures/ purchases. Further, revenue accounting infrastructure maintained by NACIL is being utilised and relied upon by the company. The holding company handles primary transactions and maintains basic records.
(v)	(a) The requisite particulars of arrangements required to be entered in the register(s) under Section 301 of the Companies Act, 1956 have not been updated. The required register are not maintained properly. (b) In view of our observation under Para (a) herein above, we are unable to comment on the compliance of the provisions of the clause relating to reasonableness of prices of the transactions.	As required by the Act, each year declaration of interest are obtained from the directors and is submitted to the Board in their meeting. Self-explanatory.
(vi)	The company has not accepted deposits from the public, therefore, provision of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.	Statement of fact.
(vii)	The internal auditor for the year 2008-09 was appointed by the company on 18th February, 2009 only. In our opinion, the internal audit system needs to be strengthened and improved to be commensurate with its size and nature of its business in order to have adequate coverage of the transactions, specially in the areas like lease and other connected agreements for ATR/CRJ aircraft operations, revenue receipts, fuel upliftment/payments and inventory control.	Noted
(viii)	We have been informed that the Central Government has not prescribed for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act.	Statement of fact.
(ix)	(a) According to the records of the company and information and explanations given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax, Income Tax Deducted at source and other statutory dues except some delay in deposit has been noticed in case of tax deducted at source, service tax and withholding tax. Custom duty is handled by IAL and it is confirmed that there are no undisputed dues outstanding against it. The company has not provided for fringe benefit tax of Rs 275.87 lacs (including Rs 248.21 lacs up to 31.03.2008) on Free/concessional tickets to its employees. (b) According to the records of the company and as per information and explanations given to us, income tax demand aggregating to Rs 140.44 lacs for the assessment Year 1997-98 has been said to be disputed by the company and the amount of Rs. 140.44 lacs has been deposited under protest. The matter is pending with Income Tax Appellate Tribunal for disposal.	Self-explanatory. This is disclosed in the Notes on accounts, Para 11 - Schedule XX. This is disclosed in the Notes on accounts, Para 1 (C) - Schedule XX.

Sr. No.	Audit Observations	Management Comments
(x)	The company has suffered loss for the year and has also negative net worth. The company has incurred cash losses during the year under report and also in the immediately preceding financial year.	Statement of fact.
(xi)	According to the records of the company, there are no amounts due to financial institutions, banks or debenture holders.	Statement of fact.
(xii)	According to the records of the company, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.	Statement of fact.
(xiii)	The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Societies are not applicable to the company.	Statement of fact.
(xiv)	According to the records of the company and information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments.	Statement of fact.
(xv)	According to the records of the company and information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.	Statement of fact.
(xvi)	According to the records of the company, the company has not obtained any term loan during the year.	Statement of fact.
(xvii)	According to the information and explanations given to us, no funds have been raised on short-term basis.	Statement of fact.
(xviii)	The company has not made any allotment of shares.	Statement of fact.
(xix)	The company has not issued any debentures.	Statement of fact.
(xx)	The company has not raised money by public issues.	Statement of fact.
(xxi)	To the best of knowledge and belief and according to the information and explanation given to us, no fraud on or by the company was noticed or reported during the year.	Self explanatory.

BALANCE SHEET AS AT MARCH 31, 2009**(Amount in Rupees)**

Particulars	Schedule	As at March 31, 2009		As at March 31, 2008	
I. SOURCES OF FUNDS :					
(1) Shareholders' Funds :					
a) Share Capital	I		22500000		22500000
TOTAL			22500000		22500000
II. APPLICATION OF FUNDS :					
(1) Fixed Assets :	II				
a) Gross Block		57781729		56696142	
Less : Depreciation		37455164		35888758	
b) Net Block			20326565		20807384
(2) (A) Current Assets, Loans and Advances					
a) Inventories	III	124847767		70855400	
b) Sundry Debtors	IV	707795273		240118253	
c) Cash and Bank Balances	V	1707003		1059097	
d) Loans and Advances	VI	76361946		74286894	
e) Other Current Assets	VII	239446558		21126058	
		1150158547		407445702	
Less :					
(B) Current Liabilities and Provisions					
a) Current Liabilities	VIII	5996273942		4583409369	
b) Provisions	IX	274033759		159788017	
		6270307701		4743197386	
Net Current Assets (A - B)			(5120149154)		(4335751684)
(3) Miscellaneous Expenditure (to the extent not written off or adjusted)					
Deferred Revenue Expenditure			0		33375830
(4) Profit and Loss Account			5122322589		4304068470
TOTAL			22500000		22500000

Significant Accounting Policies XIX

Notes on Accounts XX

Schedules I to XX form an integral part of the Accounts.

In terms of our report of even date attached.

For and on behalf of
Jindal & Co.
Chartered AccountantsSd/-
Dr. Akhil Jindal
Partner
M. No. 90515

For and on behalf of the Board

Sd/-
S. Chandrasekhar
DirectorSd/-
V. K. Sharma
DirectorSd/-
A. Chandrasekharan
Executive Director (Fin)Sd/-
Sunil Kishen
Chief Operating OfficerSd/-
Arun K. Goyal
Company SecretaryPlace : New Delhi
Date : 30 September 2009

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

(Amount in Rupees)

Particulars	Schedule	2008 - 09	2007 - 08
I. Income :			
Traffic Revenue	X	2433960580	2628141863
Miscellaneous Revenue	XI	67708389	48654332
Grant for ATR-operation		385000000	357291666
		2886668969	3034087861
II. Expenditure :			
Aircraft Lease Handling & Maintenance Charges	XII	1073273349	923012008
Fuel and Oil (Aircraft)		1280620973	1405967685
Landing, Housing, Parking and Other Airport Fees		48067545	78728565
Navigational Charges		76313569	93365806
Food Services and Other Passenger Amenities	XIII	31761144	60975513
Insurance	XIV	39717410	35950691
Material Consumed - Aircraft		56447364	37547369
Training Expense		37916260	27478989
Service Charges		25539717	99060973
Employees' Remuneration and Benefits	XV	450034432	351125777
Other Operating Expenses	XVI	462036448	375053930
General Administration Expenses	XVII	80847098	57758177
Depreciation	II	3830825	5148260
Provision for Obsolescence of Spares		12868248	31504598
Provision for Redelivery Cost		18717858	9856876
Provision for Fringe Benefit Tax		1976900	2469300
		3699969140	3595004517
Operating Profit / (Loss) { I - II }		(813300171)	(560916656)
Add : Prior Period Adjustments (Net)	XVIII	4953948	30657294
Profit / (Loss) Before Tax		(818254119)	(591573950)
Less : Provision for Tax		0	0
Profit / (Loss) After Tax		(818254119)	(591573950)
Add : Loss Brought Forward		(4304068470)	(3712494520)
Loss Carried to Balance Sheet		(5122322589)	(4304068470)
Basic & Diluted Earning per share of Rs.100/- each - Refer Note on Accounts (Point No. 19)		(3636.68)	(2629.22)
Significant Accounting Policies	XIX		
Notes on Accounts	XX		

Schedules I to XX form an integral part of the Accounts.

In terms of our report of even date attached.

For and on behalf of
Jindal & Co.
Chartered Accountants

Sd/-
Dr. Akhil Jindal
Partner
M. No. 90515

For and on behalf of the Board

Sd/-
S. Chandrasekhar
Director

Sd/-
V. K. Sharma
Director

Sd/-
A. Chandrasekharan
Executive Director (Fin)

Sd/-
Sunil Kishen
Chief Operating Officer

Sd/-
Arun K. Goyal
Company Secretary

Place : New Delhi
Date : 30 September 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Amount in Rupees)

Particulars	2008-09		2007-08	
A. CASH FLOW FROM OPERATING ACTIVITIES :				
a) Profit / (Loss) Before Tax for the year as per Profit & Loss A/c		(818254119)		(591573950)
b) Add : Adjustment for :				
1. Depreciation	3830825		5148260	
2. Insurance Reserve (Net)	0		(17627856)	
3. Deferred Revenue Exp. Written Off	33375830		11283892	
4. Provisions / Liabilities Written Back	(51976680)		(23981487)	
5. Loss/(Profit) on Disposal of Fixed Assets (Net)	0		0	
6. Interest on FDR	(741)		(619)	
7. Provision made during the year	139510394		27998528	
8. Provision for obsolescence of spares	12868248		31504598	
9. Provision for doubtful debts & advances (Net)	0		(71327)	
10. Provision for unserviceable Fixed Assets	0	137607876	0	34253989
c) Operating Profit/(Loss) before Working Capital changes.		(680646243)		(557319961)
Add : Change in working capital*				
- (Increase)/Decrease in Sundry Debtors	(467677020)		(240118253)	
- (Increase)/Decrease in Stock	(47288255)		(36673176)	
- (Increase)/Decrease in Other Current Assets	(218320500)		59952503	
- (Increase)/Decrease in Loans & Advances	4688618		(26706407)	
- (Increase)/Decrease in Current Liabilities	1422953615	694356458	841575539	598030206
(*Increase in Current Assets and Decrease in Current Liabilities are shown in brackets)				
d) Cash generated from Operation		13710215		40710245
Less : Adjustments against previous year Provisions	(5209936)		(8160497)	
Less : Wealth Tax paid	(3856)		(12200)	
Less : FBT paid	(2500000)		(2973402)	
Less : Income Tax paid	(4263670)	(11977462)	(7467595)	(18613694)
e) Net Cash from Operating Activities			1732753	22096551
B. CASH FLOW FROM INVESTING ACTIVITIES :				
a) Purchase of Fixed Assets		(1085587)		(2128324)
b) Interest on FDR		741		619
c) Proceeds from disposal of Fixed Assets		0		0
d) Deferred Revenue Expenses			(1084846)	(19953100)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
D. NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)			647907	15746
E. CASH & CASH EQUIVALENTS AS AT 01.04.2008			1059096	1043350
F. CASH & CASH EQUIVALENTS AS AT 31.03.2009 (E+D)			1707003	1059096

Note : The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the AS-3 (Revised 1997) on "Cash Flow Statements" issued by ICAI.

Previous year figures have been regrouped/rearranged wherever necessary.

In terms of our report of even date attached.

For and on behalf of
Jindal & Co.
Chartered Accountants

For and on behalf of the Board

Sd/-
Dr. Akhil Jindal
Partner
M. No. 90515

Sd/-
S. Chandrasekhar
Director

Sd/-
V. K. Sharma
Director

Sd/-
Sunil Kishen
Chief Operating Officer

Place : New Delhi
Date : 30 September 2009

Sd/-
A. Chandrasekharan
Executive Director (Fin)

Sd/-
Arun K. Goyal
Company Secretary

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE I : SHARE CAPITAL**

(Amount in Rupees)

Particulars	As at March 31, 2009	As at March 31, 2008
a) AUTHORISED CAPITAL		
5,00,000 (5,00,000) Equity Shares of Rs. 100/- each	50000000	50000000
b) ISSUED, SUBSCRIBED & PAID UP CAPITAL		
2,25,000 (2,25,000) Equity shares of Rs.100/- each fully paid up (100% held by holding company - NACIL)	22500000	22500000

SCHEDULE II : FIXED ASSETS & DEPRECIATION

(Amount in Rupees)

Particulars of Assets	Rate of Dep. as per Sch.XIV	Gross Block as on 1-4-2008	Additions During 2008-09	Sold/ Discarded during 2008-09	Adjustment (+) add in F.A (-) less in F.A	Gross Block as on 31-3-2009	Depreciation upto 1-4-2008	Depreciation for the year 2008-09	Accum. Dep. on Assets Discarded	Adjustment (+) add in Dep. (-) less in Dep.	Cumulative Depreciation as on 31-3-2009	Net Block as on 31-3-2009	Net Block as on 31-3-2008
FURNITURE & FIXTURES	6.33%	10941058	31183	0		10972241	8064978	396317	0		8461295	2510946	2876080
OFFICE EQUIPMENT	4.75%	9141681	0	0		9141681	4063634	401308	0		4464942	4676739	5078047
TELECOM EQUIPMENT	4.75%	2903961	0	0		2903961	1439429	125384	0		1564813	1339148	1464532
MOTOR VEHICLE	9.50%	5849609	0	0		5849609	3698371	555713	0		4254084	1595525	2151238
DATA PROCESSING EQUIPMENT	16.21%	10089772	397740	0		10487512	9099897	436381	0		9536278	951234	989875
GROUND SUPPORT EQUIPMENT	4.75%	4498006	0	0		4498006	2828610	100484	0		2929094	1568912	1669396
GROUND SUPPORT EQUIPMENT (ATR)	(as per policy)	12879575	656664	0		13536239	6518559	1787543	0	(2264419)	6041683	7494556	6361016
MEDICAL EQUIPMENT	7.07%	392480	0	0		392480	175280	27695	0	0	202975	189505	217200
TOTAL		56696142	1085587	0	0	57781729	35888758	3830825	0	(2264419)	37455164	20326565	20807384
PREVIOUS YEAR		54567818	2128324	0	0	56696142	30740498	5148260	0	0	35888758	20807384	

Note :

- The Motor Vehicles include two cars, original cost Rs.2,83,145/- and W.D.V. Rs.5,858/- for which Registration is in the name of NACIL erstwhile Indian Airlines.
- Gross Block as on 31-3-2009 includes Rs.88,24,403/- (Rs.84,07,145/- as on 31-3-2008) for the assets below Rs.5000/- each on which depreciation @100% has been charged.
- Fixed Assets includes items procured by NACIL erstwhile IA, accounted on the basis of debits.

SCHEDULE III : INVENTORIES**(Amount in Rupees)**

Particulars	As at March 31, 2009			As at March 31, 2008		
	(As taken, valued and certified by management) (Valued at cost or market value which ever is lower)					
(I) Aircraft Inventories						
a) Spares - Non-Rotables	81780867			62009944		
b) Spares - Rotables	41106900			23952046		
c) Special Tools	13777376			12608450		
d) General Tools	222233			222233		
e) Custom / Freight on Aircraft Spare Parts	34468175			23781799		
	171355551			122574472		
Less : Provision for Obsolescence	49823706	121531845		56527817	66046655	
(II) Goods in Transit (Aircraft)		228048	121759893		122581	66169236
(III) Other Inventories						
a) Fuel and Oil (Aircraft)			1100575			2648865
b) Other Consumables			1987299			2037299
(IV) Assets - Unserviceable / lost pending Disposal / adjustment (W.D.V.)						
Less : Provision for Assets - Unserviceable / lost pending Disposal / adjustment		981016			981016	
		981016	0		981016	0
			124847767			70855400

SCHEDULE IV : SUNDRY DEBTORS**(Amount in Rupees)**

Particulars	As at	
	March 31, 2009	March 31, 2008
(Unsecured)		
I. Considered Good		
Debts Outstanding for more than six months	296942879	0
Others	410852394	240118253
II. Considered Doubtful		
Debts Outstanding for more than six months	326200	326200
	708121473	240444453
Less : Provision for doubtful debts	326200	326200
	707795273	240118253

SCHEDULE V : CASH AND BANK BALANCES**(Amount in Rupees)**

Particulars	As at	
	March 31, 2009	March 31, 2008
a) Cash-in-Hand	0	0
b) Cash / Cheques-in-transit	0	0
c) With Scheduled Banks in		
- Current Accounts	1696334	1049168
- Fixed Deposit*	10669	9929
	1707003	1059097

(*FDR under lien against Bank Guarantee)

SCHEDULE VI : LOANS AND ADVANCES**(Amount in Rupees)**

Particulars	As at March 31, 2009		As at March 31, 2008	
	(Unsecured and considered good, unless otherwise stated)			
a) Loans and Advances to Staff	198518	148358	1352055	1301895
Less : Provision for doubtful advances	50160		50160	
b) Claims Recoverable from Staff	8524387	0	8524387	0
Less : Provision for doubtful recovery	8524387		8524387	
c) Advance Recoverable in Cash or Kind or for Value to be received	13610826	13340383	20236990	19966547
Less : Provision for doubtful advances	270443		270443	
d) Advance Income Tax and Tax Deducted at Source	57609264	41917929	50845594	35154259
Less : Provision for Income Tax	15691335		15691335	
e) Prepaid Expenses		19150811		15322668
f) Security Deposits		1804465		2541525
		76361946		74286894

SCHEDULE VII : OTHER CURRENT ASSETS**(Amount in Rupees)**

Particulars	As at March 31, 2009		As at March 31, 2008	
	a) Receivable under ATR Agreements		49238225	
ATR France	44585390	19171856		
With-holding Tax	4652835		1954202	
b) Maintenance Contribution (deposit)	199012263	0	75146436	0
Less : Provision for Maintenance Expenses	199012263		75146436	
c) Grant from NEC - Shillong Receivable		190208333		0
		239446558		21126058

SCHEDULE VIII : CURRENT LIABILITIES**(Amount in Rupees)**

Particulars	As at	As at
	March 31, 2009	March 31, 2008
A) SUNDRY CREDITORS		
a) NACIL	5322686227	3784242198
b) Others	334912546	213079937
	5657598773	3997322135
B) OTHER LIABILITIES		
a) Tax Deducted at Source - payable	82513952	22049322
b) Security Deposit from Staff	21213272	30008060
c) Others	234947945	514238185
d) Grant received in Advance from NEC - Shillong for ATR - Operation	0	19791667
	338675169	586087234
(A + B)	5996273942	4583409369

SCHEDULE IX : PROVISIONS

(Amount in Rupees)

Class of Provision	Opening Balance on 01.04.2008	Amount Used during the period	Unused Amount reversed during the period	Provision Outstanding from Opening Balance	Provision made during the year	Closing Balance on 31.03.2009
Provision for Wealth Tax	6520	3856	2664	0	1030	1030
Provision for Fringe Benefit Tax	9542500			9542500	1976900	11519400
Provision for Bonus	1756979	1389503		367476	1569992	1937468
Provision for Gratuity	18610134	500979		18109155	3560269	21669424
Provision for Landing and Navigation	67309259	2873103	3440152	60996004	9372729	70368733
Provision for Food Services and Other Pax Amenities	63575			63575	2203801	2267376
Provision for Other Operating Expenses	62499050	446351	16608044	45444655	120825673	166270328
Total Provision	159788017	5213792	20050860	134523365	139510394	274033759

SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT**SCHEDULE X : TRAFFIC REVENUE**

(Amount in Rupees)

Particulars	2008 - 09	2007 - 08
a) Passenger Revenue	1337945842	1919961407
b) Charter Revenue	985853728	527970889
c) Cargo Revenue	17409539	118860938
d) Excess Baggage Revenue	10783398	6233522
e) Mail Revenue	81968073	55115107
	2433960580	2628141863

SCHEDULE XI : MISCELLANEOUS REVENUE

(Amount in Rupees)

Particulars	2008 - 09	2007 - 08
a) Other Miscellaneous Revenue	15731709	13756116
b) Foreign Exchange Fluctuation Account	0	10916729
c) Liabilities / Provision no longer required written back	51976680	23981487
	67708389	48654332

SCHEDULE XII : AIRCRAFT LEASE, HANDLING & MAINTENANCE**(Amount in Rupees)**

Particulars	2008 - 09	2007 - 08
a) Aircraft Lease & Maintenance Charges	1058723402	829579615
b) Aircraft Handling Charges	14549947	93432393
	1073273349	923012008

SCHEDULE XIII : FOOD SERVICES & PASSENGER AMENITIES**(Amount in Rupees)**

Particulars	2008 - 09	2007 - 08
a) Inflight Catering Expenses	20515625	34614168
b) Interrupted Trip Expenses	6223517	17021044
c) Inflight Dry Store Items	5022002	9340301
	31761144	60975513

SCHEDULE XIV : INSURANCE**(Amount in Rupees)**

Particulars	2008 - 09	2007 - 08
a) Aircraft Insurance including Spares	26994584	17267043
b) CSL & Passenger Liability	12722826	18683648
	39717410	35950691

SCHEDULE XV : EMPLOYEES' REMUNERATION & BENEFITS**(Amount in Rupees)**

Particulars	2008 - 09	2007 - 08
a) Pay and Allowances	429136003	329142535
b) Employer's Contribution to P.F.	7538892	6579554
c) Staff Welfare Expenses	2642737	4010109
d) Other Staff Cost	5586539	6823993
e) Bonus / Ex-Gratia	1569992	1581869
f) Gratuity	3560269	2987717
	450034432	351125777

SCHEDULE XVI : OTHER OPERATING EXPENSES

(Amount in Rupees)

Particulars	2008 - 09	2007 - 08
a) Publicity and Sales Promotion	843704	4770128
b) Aircraft Cleaning and Furnishing	312086	2689299
c) Telephone Expenses	3459515	4115199
d) Travelling Expenses	24347467	32455782
e) Hotel Accomodation - Crew	34997902	42152349
f) Hire of Transport for Crew	14030467	12978910
g) Other Operating Expenses	3335247	5766647
h) Technical Services	334718730	233929024
i) Hire of Aircraft - (A320)	12615500	24912700
j) Deferred Revenue (Ab-initio Training) Expenses Written Off	33375830	11283892
	462036448	375053930

SCHEDULE XVII : GENERAL ADMINISTRATION EXPENSES

(Amount in Rupees)

Particulars	2008 - 09	2007 - 08
a) Printing and Stationery	2139502	2623294
b) Repairs and Maintenance - Vehicles	2048241	1993404
c) Repairs and Maintenance - Others	1727468	1467389
d) Auditors' Remuneration :		
Statutory Audit Fee	350000	250000
Other Services - Cash Flow	50000	50000
Service Tax (including cess)	60590	37080
Other Expenses	77123	50000
e) Legal Fees and Professional Charges	5191071	14662590
f) Rent	17610650	17814092
g) Rates and Taxes	1030	6520
h) Housekeeping	15680292	14620867
i) Other Miscellaneous Expenses	2484212	4182941
j) Foreign Exchange Gain / Loss	33426919	0
	80847098	57758177

SCHEDULE XVIII : PRIOR PERIOD ADJUSTMENTS (NET)

(Amount in Rupees)

Particulars	2008 - 09	2007 - 08
a) Fuel and Oil	4879160	24283954
b) Landing and Navigation	280412	59331
c) Food Services and Other Passenger Amenities	1028364	68134
d) Aircraft Lease, Maintenance and Handling Charges	1537956	0
e) Training	1580439	0
f) Other Operating Expenses and General Admn. Expenses etc. (Include Rs.41,14,540/- of Material Consumed - Aircraft)	(4352383)	6245875
Net	4953948	30657294

ATTACHMENT TO THE ANNUAL ACCOUNTS 2008-2009**SCHEDULE XIX : SIGNIFICANT ACCOUNTING POLICIES****1. Basic of accounting**

The Financial Statements have been prepared on historical cost convention on the accrual basis.

2. Fixed Assets

The company is having aircraft on operating lease.

Assets have been accounted for on the acquisition price basis. The assets transferred by NACIL are being capitalised on the charge debited.

Physical verification of the assets is done over a period of two years i.e. on biennial basis.

3. Depreciation

Depreciation on fixed assets has been provided on Straight-line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. Depreciation on the assets costing Rs. 5,000/- and below has been provided @ 100% in the year of acquisition. Depreciation on Ground Support Equipment (GSE) specific to leased CRJ & ATR aircraft has been provided based on the completed aircraft lease months over the total aircraft lease months from the date of use with realisable value at end of lease taken as NIL.

4. Revenue Recognition

Passenger revenue has been accounted for on the basis of flown coupons report for passengers travelled, reflecting realised revenue. Revenue for Excess Baggage, Mail and Cargo has been accounted for on the basis of revenue credited by NACIL at rates applicable thereat. Freight and Charter revenue has been accounted for on accrual basis as per the Freight/ Charter hours except for claims on parties which are accounted on settlement basis.

5. Provision for Doubtful Debts

Sundry debtors pertaining to the Government, Government Departments, and Public Sector Undertaking and provided for only when specifically known to be doubtful. All other sundry debtors are provided for, if they are either more than three years or specifically known to be doubtful.

6. Gratuity

Provision for gratuity has been made for contractual employees on the basis of 15 days basic salary for each completed year of service or part thereof exceeding 6 months. For employees on deputation from NACIL, the gratuity is provided by NACIL. For such deputationists, a suitable prorated charge is debited by NACIL.

7. Training charges

Re-conversion and training charges are charged to the revenue in the year of incurrence of expenditure.

8. Prior Period Transaction

Transactions related to the earlier period are accounted for as per Accounting Standard 5 of ICAI.

9. Inventory

(a) Stock in hand as at the close of the year for Aircraft Spare Parts (Non Rotable) stated at weighted average cost and Aircraft Spare Parts (Rotable), Tools, Goods-in-transit, consumables Stores items (Catering Dry stores, printing and stationery, uniform, etc.) and Aviation Turbine Fuel at cost.

(b) Provision for obsolescence of Aircraft Rotables and Special Tools made annually on closing stock based on completed aircraft lease months over the total aircraft lease months from the date of stock held, and, on expiry of lease, charged as consumption net of realisation, if any. Besides, obsolescence is also provided on closing stock of Aircraft non rotables including FDI thereon and on rotables, based on completed lease months over the total aircraft lease months.

10. Accounting on Settlement Basis

Settlement basis of accounting has been followed in the following cases :-

- (a) For prepaid/ accrued expenses upto Rs. 10,000/- for individual items.
- (b) For arrears payable arising out of wage settlements for employees of NACIL on deputation and other deputationists.
- (c) For interest and other claims on/ from suppliers and other parties.

11. Foreign Currency Transactions

- (a) Foreign currency liabilities and assets have been accounted on the basis of average of Banker's Selling Rate at the beginning and at the end of each month for subsequent month.
- (b) Any difference due to variation in Exchange rate on the date of payment of revenue nature are transferred to "Foreign Exchange Fluctuation Account."
- (c) Liabilities of foreign currency are revalued at the year end 'Bankers Selling Rate' Exchange difference arising on revaluation are transferred to "Foreign Exchange Fluctuation Account".

12. Accounting for Grants

The Grants are accounted as Other Income on prorata basis over the agreed period of aircraft lease months.

13. Provisions, Contingent Liabilities and Contingent Assets

- (a) Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be outflow of resources.
- (b) Contingent liabilities in each case are disclosed in respect of possible obligations that arise from past events but their existence confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.
- (c) Contingent Assets are neither recognised nor disclosed in the financial statements.

14. Lease/ Supplier Credits

Lessor's/ Suppliers Credits received which are not arising out of normal Lease and Maintenance Agreement are accounted as Income in the year of receipt.

15. Other Liabilities

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

SCHEDULE XX : NOTES ON ACCOUNTS 2008-09**1. CONTINGENT LIABILITY : (to the extent not provided for) :-**

		(Rupees In Lacs)
A.	Standby Letter of Credits under Aircraft Lease and Maintenance Support Agreement for ATR and CRJ operations (Based on guarantee given by NACIL the parent company)	Rs. 2786.62 (Rs. 1206.51)
B.	Claims against the company not acknowledged as debts : Miscellaneous claims (including for unsettled legal claims (Rs. 6.32 lacs) and interest on delays in foreign remittances)	Rs. 108.27 (Rs. 81.11)
C.	Income Tax demand for A.Y. 1997-98 Under Second Appeal with ITAT (Total amount deposited under protest)	Rs. 140.44 (Rs. 140.44)
D.	Estimated amount of contracts remaining to be executed on capital account and not provided for	Rs. 10.69 (Rs. 10.40)
E.	Fringe Benefit Tax on Free / Concessional Tickets Provided to staff	Rs. 275.87 (Rs. 248.21)
F.	Demand from Oil Companies for which no details available or unconfirmed amounts during reconciliation	Rs. 193.91 (Rs. 215.01)
G.	Unconfirmed balance of AAI for which no details available [Refer para no. 10(a)]	Nil (Rs. 175.89)
H.	Payment made by Gati under protest	Nil (Rs. 617.21)

2. Change in Accounting Policy :

- (i) Ab-initio training expense have been charged to P & L account instead of treating as 'Deferred Revenue Expenditure' as in the previous years. Accordingly, carried over balance of Rs. 333.76 lacs under the head 'Deferred Revenue Expenditure' have been fully written off during the year.
- (ii) Freighter revenue has been accounted on the accrual basis as per freighter hours. Agreement between NACIL and M/s Gati Ltd. for freighter operations have been terminated in March' 2009. Consequently, various claims lodged on M/s Gati amounting Rs. 111.98 crore for the financial year 2008-09 will be accounted for on the realization basis in terms of Accounting Policy No. 4 and 10.

3. Depreciation (Schedule II - Fixed Assets) :

The lease agreement for four ATR aircraft has been extended for a further period of 5 years. Consequently, the depreciation on Ground Support Equipment, has been charged considering the 708 aircraft lease months instead of 468 aircraft lease months. Accordingly, the accumulated depreciation to the extent of Rs. 22.64 lacs has been written back.

4. Inventories (Schedule III - Aircraft Inventories) :

- i) The inventories include Aircraft spares, rotables, consumables and tools of ATR and CRJ aircraft. The procurement is made by NACIL. The consumption and closing stock is on the basis of records and details derived from the stores records maintained by the Company in Kolkata & by NACIL at Delhi and Hyderabad.
- ii) Goods in transit amounting to **Rs. 2.28 lacs** (Rs.1.23 lacs) include items at High Sea, items lying with Customs and items under inspection based on certification by NACIL.
- iii) Custom Duties, Freight & Incidentals have been allocated on pro-rata basis on year end value of closing Aircraft spares, rotables and consumption.
- iv) During the year, one CRJ aircraft was added to the existing fleet. One more CRJ aircraft has arrived as on date making the total CRJ fleet to four. Accordingly, Provision for Obsolescence of aircraft spares, rotables and special tools have been made considering total of 708 aircraft months for seven ATR aircraft and 336 aircraft months for four CRJ aircraft.
- v) Provision for Obsolescence of aircraft spares, rotables and special tools in respect of ATR and CRJ aircraft as on 31.03.2009 amounted to **Rs. 498.24 lacs** (Rs. 565.28 lacs) after write back of provision amounting to Rs. 195.72 lacs considering the 708 aircraft lease months instead of 468 aircraft lease months for ATR aircraft.

5. Sundry Creditors (Schedule VIII - A) :

- i) Sundry creditors include **Rs. 532.27** crores due to NACIL representing amount due to NACIL towards aircraft lease and other services after adjusting revenue from flight operations.

NACIL vide its letter dated 21.03.2008, intimated that, an amount of Rs. 306.75 crores owing from AASL as on 31st March 2007 was written off in the books of erstwhile Indian Airlines Ltd. as a conservative measure. The write off does not prejudice NACIL's rights (which has taken over the rights, interest, assets and liabilities of Indian Airlines Ltd. and Air India Ltd.) to recover the same from AASL (Alliance Air) in future. In the year 2007-08 also NACIL wrote off the AASL balances.

The company has taken expert opinion, according to which, in view of the above letter from NACIL, Alliance Air should not write back the sum payable to NACIL erstwhile Indian Airlines Ltd. (IAL). The only way which could enable AASL to claim that its legal obligation to pay the sum has been waived is, when IAL enter into a final settlement agreement with AASL in terms of which IAL agree to waive its legal right to recover the dues from AASL.

In view of the above, the amount of Rs. 378.67 crores payable to erstwhile Indian Airlines Ltd. as on 31.03.08 is included in the Rs.532.27 crores dues to NACIL.

- ii) Other Creditors include **Nil** amount (Rs.0.14 lacs) due to Small-Scale Industrial undertakings. There is no due to Small Scale Industrial undertaking in excess of Rs. 1 lac outstanding for more than 30 days during the year.

6. The proportionate expenditure for redelivery cost for leased ATR and CRJ aircraft has been worked out for **Rs. 609.47 lacs** (588.37 lacs) up to 31.03.2009 on the basis of aircraft months in terms of the agreement with the parties and provision made for the same in the accounts.

7. The salaries of deputationists from NACIL are as per the terms of deputation and are accounted on the basis of the debits received from NACIL. Retirement benefits including PF to the deputationists are accounted by NACIL. The debit from NACIL for its employees on deputation include suitable charge for Provident Fund & Gratuity.

8. For the employees on contract, the company has its own Provident Fund Trust to which contributions are regular.

9. Employees are entitled for encashment upto a maximum of 15 days privilege leave once in a financial year. The amount paid on this account during the year is Rs. 1.82 lacs (Rs.12.96 lacs).

10. a) The Expenses/ Liability towards Landing and Parking charges, Navigation charges, License Fee, Electricity and other miscellaneous charges payable to Airport Authority of India (AAI) are provided on best possible estimates based on available information. The outstanding balance as per books is Rs. 574.47 lacs and a provision of Rs. 703.69 lacs. Vide letter dated 15.09.2009 addressed to Statutory Auditor, M/s. AAI has conveyed an outstanding of Rs.27.37 crores. In the absence of details, these balances shown by AAI needs to be verified and reconciled. The effect of adjustment, if any, consequent to reconciliation will be effected in the year of adjustment.

- (b) The outstanding balances with Oil companies viz. Indian Oil Corporation Ltd. - Rs. 1725.79 lacs, Bharat Petroleum Corporation Ltd. - Rs. 209.72 lacs and Hindustan Petroleum Corporation Ltd. - Rs. 99.53 lacs have been reconciled with the respective oil companies. There are a few entries in the reconciliation remaining unconfirmed by oil companies for which necessary provisions have been made - Rs. 8.99 lacs / reflected in contingent liability - Rs. 193.91 lacs.

11. Pending decision on representation made by the Board of Airline Representatives in India "BAR (I)" to the Statutory Authorities regarding non levy of Fringe Benefit tax on Free/Concessional tickets issued by the Airlines companies to their employees, no provision for the same has been made in the books. However, an amount of **Rs. 275.87 Lacs** (Rs. 248.21 lacs) has been shown under contingent liability.

12. The grant received from NEC for ATR North East operations is accounted for as income taking into account the operations of ATR for the entire period till date, for which the grants were received.

13. Mail Revenue is booked on the basis of credits from NACIL in respect of carriage of mail by AASL. The mail revenue is booked @ Rs. 20.47 Per TKM (Rs. 20.47 per TKM) as per the rates awarded to erstwhile Indian Airlines by the Ministry of Finance by their order dated 9th April' 2007 for the year 2003-04. Rate adjustment for the subsequent years will be made in the year when fresh rates are awarded and communicated by NACIL.

14. Segment Reporting (As required by the AS -17 of ICAI) :

- i) The company is engaged in airline business, which is considered as a single whole business segment. All incomes are incidental to the above business. Details of the revenue earned from various activities related to airline business are given in Schedule X to the Accounts.

- ii) The Company operates flights on domestic routes including charters on demand.
- iii) The revenue earning is from the aircraft, which are on operating lease. These are deployed in various sectors. There is no appropriate basis for allocating the assets and related liabilities in geographical segments.
- iv) Presentation of the Annual Accounts read with Directors' Report enables better understanding of the performance of the business, better assessment of risk and returns and makes more informed judgment about the activities of the Company as a whole.
15. Consequent to the conversion of 737 aircraft for freighter operations by NACIL, the company started freighter charter operations with the freighter version of B-737 from August 2007. The agreements for the freighter charters have been entered into between NACIL and other parties. The security deposits/bank guarantees to be provided by the parties as per the agreements are also held by NACIL.
16. The company operates with Boeing 737 aircraft leased from NACIL and other aircraft leased from other Lessors. NACIL provides handling, marketing, sales and booking and other support services for Alliance Air flight operations with all type of aircraft. For these services as well as the lease and maintenance charges for Boeing aircraft, an rate MoU has been signed with NACIL on 22.06.2009, which is effective from 1st April' 2008. Necessary provision for lease etc amounting to Rs. 10.02 crores has been made in the books.
17. **Related Party Disclosures (As required by the AS- 18 of ICAI) :**
- a. Holding Company NACIL
- b. Subsidiaries / Fellow Subsidiaries / Associates Not applicable
- c. Key Management Personnel
Chairman, (Shri Arvind Jadav)
Chief Operating Officer (Shri Sunil Kishen)
Director (Shri V. K. Sharma)
Director (Shri S. Chandrasekhar)
Director (Capt. Rakesh Anand)
Director (Shri Vijay Paul)
Director (Ms. Abha Shukla)
Director (Shri L.R.S. Reddy)
- d. Relatives of Key Management Not applicable
- e. **Transactions with related parties during the year**

(i) NACIL

		(Rupees in Lacs)	
Nature of Transactions		2008-09	2007-08
Balance payable as at year end		# 54229.21	*41043.57
Items pending acceptance	(Debits)	173.30	5.87
Items pending acceptance	(Credits)	Nil	Nil
Purchase of Fixed Assets		3.10	Nil
Receivable for Services Rendered		884.96	819.76
Payable for Services received		1876.92	1400.01
Agency arrangements :			
Traffic Revenue		14481.07	21001.71
Less : Service charges		255.40	990.61
Net Traffic Revenue		14225.67	20011.10
Leasing arrangements :			
Aircraft Lease, Handling & Maintenance Charges		#989.12	*4158.34
Management contracts including for deputation of employees (Pay & Allowances)		395.72	408.55
Guarantees -			
(a) Standby Letter of Credits for ATR and CRJ operations		2786.62	1206.51
(b) NACIL has also provided corporate guarantees for the aircraft lease.			

#Includes provision made for lease and other charges Rs. 8.76 crores.

*Includes Rs.3201.14 lacs for which provision made in 2007-08.

- (ii) CMD, NACIL - There was no transaction with the party.
- (iii) No Loans or credit transactions were outstanding with Directors or officers of the Company or their relatives at the end of the year which are required to be disclosed.

18. Lease Accounting (As required by the AS - 19 of ICAI) :

- a) The company has taken aircraft on non-cancelable operating lease as under :

Aircraft Type	Lessor	Valid upto
● ATR 42-320	ATR, France	February 2014
● ATR 42-320	ATRiam, Ireland	December 2012
● CRJ 700	Amentum Aircraft Leasing No. Two Limited, Ireland Gladiator Leasing Limited, Malta RBS Aerospace Ireland Leasing Limited, Ireland*	October 2014 January 2015 July 2015
● B-737	NACIL	March 2012

- (b) The lease payment to NACIL for Boeing-737 aircraft taken on lease are mutually agreed on a year-to-year basis. The minimum lease payment under non-cancelable lease in terms of the agreements with other lessors for future are as follows :

Particulars	(Rupees in Lacs)		
	Aircraft Lease rent*	Rotable/Engine Lease Charges*	Maintenance & Other charges*
Not Later than one year	6066.15 (3629.75)	799.01 (271.61)	2676.25 (2096.59)
Later than one year but not later than 5 years	22202.33 (10238.28)	2968.38 (461.71)	8833.21 (3755.92)
Later than 5 years.	2926.94 (2892.48)	673.04 (Nil)	240.72 (Nil)

*These amounts are taken as per the prevailing rates and are subject to annual reconciliation. The conversion rate used for the above purpose is the closing US\$ rate as at 31.3.2009.

- (c) Aircraft Lease rental, other lease charges and maintenance recognised in Profit and Loss account in the current year in respect of the aircraft lease :

Particulars	(Rupees in Lacs)	
	Aircraft Lease	Other Charges
● Boeing B-737	800.00* (3200.00)*	12.37 (619.95)
● ATR 42-320	5713.58* (4367.43)*	119.89 (300.13)
● CRJ 700	4073.65* (728.37)*	13.24 (14.24)

* includes Maintenance Charges

- (d) The lease rental payable for ATR and CRJ aircraft are fixed lease rentals payable monthly. There are no option for purchase of the aircraft at the end of the lease period. The aircraft are permitted to be subleased with prior consent of the lessors.

19. Earning per share :

	2008-09	2007-08
i) Net Profit/ (Loss) for the year (Rs.)	(818254119)	(591573950)
ii) Number of Equity Shares	225000	225000
iii) Nominal value per Eq. Share (Rs.)	100	100
iv) Basic and diluted EPS (Rs.)	(3636.68)	(2629.22)

20. Deferred Taxation Accounting (As required by the AS-22 of ICAI) :

The company has estimated Deferred Tax Assets (Net) of **Rs. 8332.51** Lacs as on 31.03.2009 as compared to Deferred Tax Assets (Net) of Rs. 7950.65 lacs as on 31.03.2008. In view of the history of recent losses of the Company, there is no virtual certainty that sufficient future taxable income will be available against which the above deferred tax assets can be realised. Hence the same have not been accounted for in the books. The breakup of Deferred Tax Assets and liability is as under :-

(Rupees in Lacs)		
Particulars	2008-09	2007-08
Deferred tax Assets		
Provision for Gratuity	73.65	63.26
Provision for Doubtful Debts	31.17	31.17
Provision for Misc. Expenses	818.63	450.25
Unabsorbed Depreciation	91.71	84.45
Provision for Inventory	3.33	3.33
Unabsorbed Loss	7343.34	7343.34
TOTAL	8361.83	7975.80
Less : Deferred Tax Liability		
Depreciation	29.32	25.15
Net Deferred Tax Assets	8332.51	7950.65

21. Impairment of Assets (AS-28) : The company does not own any cash generating asset. The major revenue earning asset of the company is the aircraft fleet, which is taken on operating lease. In respect of other Fixed assets, as per the assessment of the company, there has been no impairment loss during the period.
22. In the opinion of the Management, the realisable value of current assets, loans and advances in the ordinary course of business will not be less than the value at which these are stated in the accounts.
23. The accounts with parties are subject to reconciliation and confirmation.
24. The figures have been rounded off to the nearest rupee.
25. The previous year figures have been regrouped, wherever considered necessary to make them comparable.
26. Previous year figures are indicated in the Notes in brackets.

27. Additional Information :

Information given below include amounts debited/ debitible by NACIL and also include deemed expenditure and earnings in foreign currency.

(Rupees in Lacs)		
Particulars	Current Year	Previous Year
A. Expenditure on Imports (CIF) during the year ended 31st March, 2009		
- Aircraft Spares Parts & Tools	895.74	606.66
- Capital Items - Ground Support Equipment	Nil	Nil
B. Expenditure on Consumption during the year ended 31st March, 2009		
- Imported Spares & Components	(98.53%) 556.19	(97.41%) 365.76
- Indigenous Spares	(1.47%) 8.28	(2.59%) 9.71
C. Earnings in Foreign Currency		
- Interline Revenue	146.66	339.64

Particulars	Current Year	Previous Year
D. Expenditure in Foreign Currency		
- Aircraft Lease & Maintenance Charges	9689.09	5046.14
- Purchase of Stores & Equipments	895.74	606.66
- Technical Literature	88.43	8.19
- Training & Travelling including Ferry	381.56	671.34
- Technical Services	3347.19	2339.29
- Interline Commission	10.59	28.18
(The above information (A to D) is as certified by the Management and relied upon by the Auditors)		
E. Payment to Auditors		
- As Audit Fee	3.50	3.50
- Other services and out of pocket	1.87	1.98
F. The remuneration paid / payable to Managing Director	NIL	NIL

For and on behalf of
Jindal & Co.
Chartered Accountants

Sd/-
Dr. Akhil Jindal
Partner
M. No. 90515

For and on behalf of the Board

Sd/-
S. Chandrasekhar
Director

Sd/-
V. K. Sharma
Director

Sd/-
Sunil Kishen
Chief Operating Officer

Sd/-
A. Chandrasekharan
Executive Director (Fin)

Sd/-
Arun K. Goyal
Company Secretary

Place : New Delhi
Date : 30 September 2009

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**Balance Sheet Abstract and Company's General Business Profile for the Financial Year 2008-2009.****I. Registration Details :**

Registration No.	55-16518	State Code	:	55
Balance Sheet Date	:	March 31,2009		

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

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

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

Total Liabilities	:	22500000	Total Assets	:	22500000
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Source of Funds :

Paid Up Capital	:	22500000	Reserves and Surplus	:	NIL
Secured Loans	:	NIL	Unsecured Loans	:	NIL

Application of Funds :

Net Fixed Assets	:	20326565	Investments	:	NIL
Net Current Assets	:	(5120149154)	Misc.Expenditure	:	NIL
Accumulated (Losses)/Profit	:	(5122322589)	(Deferred Revenue)		

IV. Performance of Company (Amount in Rupees)

Turnover	:	2886668969	Total Expenditure	:	3704923087
Profit / (Loss) Before Tax	:	(818254119)	Profit / (Loss) After Tax	:	(818254119)
Earning Per Share in Rs.	:	(3637)	Dividend Rate %	:	0

V. Generic Names of Three Principle Products / Services of Company (as per Monetary Terms)

Product Description	:	AIRLINES BUSINESS
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For and on behalf of
Jindal & Co.
Chartered Accountants

Sd/-
Dr. Akhil Jindal
Partner
M. No. 90515

Place : New Delhi
Date : 30 September 2009

For and on behalf of the Board

Sd/-
S. Chandrasekhar
Director

Sd/-
V. K. Sharma
Director

Sd/-
A. Chandrasekharan
Executive Director (Fin)

Sd/-
Sunil Kishen
Chief Operating Officer

Sd/-
Arun K. Goyal
Company Secretary