

**AIR INDIA AIR TRANSPORT
SERVICES LIMITED**

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BOARD OF DIRECTORS (AS ON 29.12.2011)

Shri Rohit Nandan

Chairman

Shri E. K. Bharat Bhushan

Shri Prashant Sukul

ACM (Retd.) Fali H. Major

Chief Operating Officer

Shri Satish Chand Mathur

Auditors

M/s. P. M. Agrawal & Associates

Solicitors

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

Bankers

HDFC Bank Ltd.

Registered Office

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

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eighth Annual report of the Company together with the Audited Accounts, Auditors' Report and comments on the Accounts by the Comptroller and Auditor General of India for the year ended 31st March 2011.

CAPITAL STRUCTURE :

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

	(Rupees)
<u>AUTHORISED CAPITAL :</u>	
9 Crore Equity Shares of Rs.10/- each :	90, 00,00,000
10 Lakh Redeemable Preference Shares of Rs.100/- each	10, 00, 00,000
TOTAL	100,00,00,000
<u>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL :</u>	
50,000 Equity Shares of Rs.10/- each	5, 00,000

FINANCIAL RESULTS :

	(Rupees in Lakhs)	
	2010-11	2009-10
Total Revenue	4860.39	6213.05
Total Expenditure	4941.10	6222.33
Profit / (Loss) Before Depreciation	(80.71)	(9.28)
Less : Preliminary Expenses, Depreciation / Tax & Other Items	62.86	(6.70)
Net Profit / (Loss)	(17.85)	(15.98)

ACTIVITY OF AIATSL UPTO SEPTEMBER 2011

Based on the requirement for handling of customer airlines flights at various Indian stations, the number of staff inducted on contract under various categories as on 1 October, 2011 is given below :

Junior Executive Tech.	10
Customer Agent	753
Junior Customer Agent	47
Senior Ramp Service Agent	66
Ramp Service Agent	257
Utility Agent cum Ramp Driver	12
Security Agent	1112
Senior Security Agent	175
Handyman	219
Utility Service Agent (absorbed as per MOU)	50
Total	2701

At all the stations Security Handling of all the flights is carried out exclusively by AIATSL staff, as the same is not permitted to be outsourced to any agency.

The induction process of the following shortfall as per the approval received is under process by the region for various Indian Stations:

Junior Executive Tech.	97
Senior Customer Agent	07
Customer Agent	285
Security Agent	163
Senior Ramp Service Agent	120
Ramp Service Agent	177
Handyman 2 (GOA)	50

Taking over the Ground Handling Functions in Thiruvananthapuram by Air India SATS Airport Services Pvt. Ltd. (AISATS) is under process.

AISATS have taken over the functions of Ground Handling in Delhi effective 10 August 2010 and around 210 staff of AIATSL have been transferred to AISATS in Delhi while the process is still on. All these AIATSL staff of Delhi have entered into a fresh contract with AISATS.

Directors' Responsibility statement :

The Board of Directors of the Company confirms

1. that in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and that there has been no material departure;
2. that the selected accounting policies were applied and the directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011, and the profit/loss of the Company for the year ended on that date;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the Annual Accounts have been prepared on a going concern basis.

Corporate Governance :

Board of Directors :

During the year 2010-11, four Board Meetings were held. As on 31 March, 2011 the Board consisted of the following members :

Shri Arvind Jadhav, Chairman & Managing Director, Air India Ltd.	-	Chairman
Shri E. K. Bharat Bhushan, Addl. Secretary & Financial Advisor, MOCA	-	Director
Shri Prashant Sukul Joint Secretary, MOCA	-	Director
ACM (Retd) Fali H. Major	-	Director

On cessation of Shri Arvind Jadhav as CMD-Air India, he ceased to be on the Board of AIATSL effective 13 September 2011. The Board places on record its appreciation of the valuable services rendered by Shri Arvind Jadhav as Chairman during his tenure. Subsequently, Shri Rohit Nandan has taken over as the Chairman-AIATSL effective 13 September 2011.

AUDITORS :

M/s. P. M. Agrawal & Associates, Chartered Accountants were appointed as Statutory Auditors of the company for the year 2010-11, by the Office of the Comptroller & Auditor General of India.

AUDITORS' REPORT :

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

AUDIT COMMITTEE :

Since the paid up capital of the Company is less than Rs. Five crores, the Company is not required to have an audit committee, in terms of Section 292 A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

No statement has been enclosed on the matters specified, since the Company was engaged in ground handling activities only.

PARTICULARS OF EMPLOYEES :

There were no employees who were employed throughout the year who were in receipt of remuneration of Rs.5 lakhs per month or Rs.60 lakhs per annum. Therefore no statement has been enclosed in this regard.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA :

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

ACKNOWLEDGEMENTS :

The Board of Directors wish to place on record their appreciation for the assistance and cooperation received from Air India Ltd., the Ministry of Civil Aviation, the Airports Authority of India, Bureau of Civil Aviation Security, the office of the Comptroller and Auditor General of India, various other Government Departments.

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 29 November 2011.

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

The preparation of financial statements of **Air India Air Transport Services Limited** for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 November 2011.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors' on the accounts of **Air India Air Transport Services Limited** for the year ended 31 March 2011 and as such have no comments to make under section 619(4) of the Companies Act, 1956.

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

Sd/-
Alka R. Bhardwaj
Principal Director of Commercial Audit
& *ex-officio* Member, Audit Board II, Mumbai

Place : Mumbai
Date : 16 December 2011.

REPORT OF THE AUDITORS TO THE MEMBERS OF AIR INDIA AIR TRANSPORT SERVICES LIMITED

1. We have audited the attached Balance Sheet of **Air India Air Transport Services Limited** as at 31 March 2011, together with Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Attention is invited to Notes to Schedule 12 (B) as under :
 - (a) Note No. 3 : Balance Confirmations and consequent adjustment of Creditors balances.
 - (b) Note No. 6 : Reconciliation of Service Tax Account / Records.
 - (c) Note No. 12 : Company's Net Worth is negative.
 - (d) Note No. 13 : Establishment Support Charges.
4. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books of account, maintained at Central Accounts Office of the Company at Mumbai, incorporating the statements received from various stations and from Outsourced Agencies including Air India (Holding Company) have been relied upon by us for the purpose of our audit;
 - (c) the Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent they are applicable to the Company, except as stated in Para 3 above;
 - (e) the Company being a Government Company, as defined in section 617 of the Companies Act, 1956, is exempted from the applicability of the provisions of clause (g) of sub section (1) of section 274 of the Act, vide circular No. 2/5/2001/CV.V General Circular No. 8/2002 dated 22nd March 2001, issued by the Ministry of Law, Justice and Company Affairs;
 - (f) as the Central Government is yet to notify Cess Payable under Section 441 A, the reporting requirement Section 227(3)(g) of the Companies Act, 1956, does not arises.
 - (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with subject to our remarks as given in para 4 here above and the 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 31 March 2011;
 - (ii) in the case of Profit & Loss Account, of the loss for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flow of the Company for the year ended on that date.

For P. M. Agrawal & Associates
Chartered Accountants

Sd/-
P. M. Agrawal
Partner

Membership No. 013899

Place : New Delhi
Dated : 29 November 2011

ANNEXURE TO AUDITOR'S REPORT

Referred to in Paragraph (4) of our report of even date.

- i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies were noticed by the management on such verification.
- (c) During the year the Company has not disposed off any part of its fixed assets.
- ii) Clause 4(ii) of the order is not applicable, as Company is rendering services, which does not require inventories.
- iii) (a) The Company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register required to be maintained under section 301 of the Companies Act, 1956. Thus clauses b, c and d of (iii) of the Order are not applicable.
- (b) The company has not taken any loans, secured or unsecured from the Companies, firms or parties covered in the register required to be maintained under section 301 of the Companies Act, 1956, except that the Company has been maintaining current account with its holding company M/s. Air India Limited wherein funds were regularly received on 'on account' basis and being adjusted by the Company against value of invoices raised on Air India.

The year end balance of Air India is a debit balance of Rs. 397.35 lakhs (Previous year debit balance of Rs.271.97 lakhs). Thus clauses f and g of (iii) of the Order are not applicable.
- iv) In our opinion the internal control system needs to be strengthened to make the same commensurate with the size of the Company.
- v) (a) In our opinion there are no particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, that needs to be entered into the register required to be maintained under that section as Government Companies are exempt as per notification GSR 233, dated 31.01.1978. Thus clause b of (v) of the Order is not applicable.
- vi) The Company has not accepted any deposits from the public and hence compliance with the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under and the directives issued by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal in respect thereto are either nil or not applicable.
- vii) The Company's internal audit system being conducted by General Manager Air India (Holding Company) (Department of Internal Audit of Air India), needs to be strengthened, so as to make it more effective.
- viii) We have been informed that the Central Government has not prescribed for maintenance of cost records under clause (d) of section (1) of section 209 of the Companies Act, 1956, in respect of the business activities being carried on by the Company. Hence clause (viii) of the Order is not applicable.
- ix) (a) The Company has been generally regular wherever applicable in depositing with the appropriate authorities the undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues. There were no arrears as at 31 March 2011 for a period of more than six months from the date they became payable, except professional tax of Rs.Nil (Previous year Rs. 18,060/-). Further to the best of our knowledge, the Central government has till date not prescribed the amount of cess payable under section 441A of the Act, no comments in this respect have been made.
- (b) There are no dues, wherever applicable in case of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess that have not been deposited with the appropriate authorities on account of dispute;
- x) The accumulated losses of the company at the end of the financial year under report are more than fifty percent of its net-worth. The Company has incurred cash losses in the current financial year and has also incurred cash losses in the immediately preceding financial year.
- xi) The Company has not accepted any amount from the financial institutions, banks or debenture holders. Hence the question of default in repayment of dues does not arise.

- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence the question of maintenance of adequate documents and records does not arise.
- xiii) The Company is not a chit fund / nidhi / mutual benefit fund / society. Hence, the provisions of this clause are not applicable to the Company.
- xiv) The Company does not deal or trade in shares, securities, debentures and other investments. Hence, provisions of this clause are not applicable to the Company.
- xv) The Company has not given any guarantee for loan taken by other from bank or financial institution and hence, provisions of this clause are not applicable to the Company.
- xvi) The Company has not accepted any term loans during the current financial year. Hence the provisions of this clause with regards to utilization of term loans for the purpose for which the loans were obtained are not applicable to the Company.
- xvii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of this clause are not applicable to the Company.
- xviii) The Company prima facie has not used funds raised on short-term basis for long-term investment.
- xix) The Company has not issued any debentures during the year or in earlier years. Hence, provisions of this clause are not applicable to the Company.
- xx) The Company has not raised any money through a public issue during the current financial year.
- xxi) No fraud on or by the Company has been noticed or reported during the current financial year.

For P. M. Agrawal & Associates
Chartered Accountants

Sd/-
P. M. Agrawal
Partner
Membership No. 013899

Place : New Delhi
Dated : 29 November 2011

Statutory Auditors' Report for the Financial Year 2010-11 and Management's Comments thereon :

Para 3 Attention is invited to the following Note Nos. of Schedule 12 B :

Para No.	Audit Observations	Management's Comments
3a.	<p><u>Note No. 3 : Balance confirmations and consequent adjustment of creditors balances :</u></p> <p>The balances appearing under Sundry Creditors, Handling Charges of Rs.728.19 Lakhs and Creditors others Rs.347.46 Lakhs are subject to balance confirmation and consequent adjustments.</p>	<p>Reconciliation of the balances in the Sundry Creditors accounts is an on-going process and Company is in process of reconciling the same.</p>
3b.	<p><u>Note No. 6 : Reconciliation of Service Tax Account / Records :</u></p> <p>The Company is in the process of reconciling its service tax records in order to ascertain service tax liability and cenvat credit on input services with that of actual payment received from / made to various parties and consequent adjustments.</p> <p>Company has received intimation dated 03.08.2010 for EA-2000 audit for which compliance is pending. Status of Service Tax accounts as under :-</p> <p>Service Tax Payable : Rs. 131.73 Lakhs Service Tax Input Credit : Rs. 69.78 Lakhs</p>	<p>The Service Tax liability to the extent reconciled has been discharged. Reconciliation of Service Tax records is an on-going process & Company is in process of reconciling the same. Compliance to intimation under EA-2000 audit is in process.</p>

BALANCE SHEET AS AT MARCH 31, 2011

(Amount in Rupees)

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS :			
Shareholders' Funds :			
Share Capital	1	500,000	500,000
Deferred Tax Liability		-	6,520
TOTAL		500,000	506,520
APPLICATION OF FUNDS :			
Fixed Assets :			
Gross Block	2	135,323	135,323
Less : Depreciation		135,322	131,616
Net Block		1	3,707
Current Assets, Loans and Advances :			
Sundry Debtors	3	43,103,222	54,074,383
Cash and Bank Balances	4	893,829	761,895
Loans and Advances	5	55,957,165	51,045,005
		99,954,216	105,881,283
Less :			
Current Liabilities	6	125,840,711	126,037,303
Provisions	7	6,288,106	7,238,971
		132,128,817	133,276,274
Net Current Assets		(32,174,601)	(27,394,991)
Deferred Tax Assets		3,659,844	-
Miscellaneous Expenditure :			
Preliminary Expenses to the extent not written off or adjusted	8	2,004,450	2,672,600
Profit and Loss Account (Loss)		27,010,306	25,225,204
TOTAL		500,000	506,520
Significant Accounting Policies and Notes forming part of the Accounts	12		
Balance Sheet Abstract and Company's General Business Profile	13		

The Schedules referred to above are an integral part of the Financial Statements.

As per our attached report of even date.

For P. M. Agrawal & Associates
Chartered Accountants

For and on behalf of the Board

Sd/-
P. M. Agrawal
Partner
Membership No. 013899

Sd/-
Rohit Nandan
Chairman

Sd/-
Prashant Sukul
Director

Place : New Delhi
Date : 29 November 2011

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

Particulars	Schedule	2010 - 11	2009 - 10
Income :			
Revenue from Handling Services		483,695,052	620,071,024
Other Income	9	2,344,041	1,233,746
TOTAL		486,039,093	621,304,770
Expenditure :			
Handling & Operational Expenses		178,515,715	203,547,396
Employees Cost	10	289,232,205	391,854,669
Office, Establishment and Administrative Expenses	11	26,361,946	26,831,337
TOTAL		494,109,866	622,233,402
Operating Profit / (Loss) for the year		(8,070,773)	(928,632)
Depreciation		3,706	21,936
Preliminary Expenses written off		668,150	668,150
Net Profit / (Loss) Before Tax and Prior Period Items		(8,742,629)	(1,618,718)
Add / (Less) : Prior Period Items (Net)		2,837,671	(17,426)
Net Profit / (Loss) Before Tax and After Prior Period Items		(5,904,958)	(1,636,144)
(Less) / Add : Provision for Tax			
Income Tax - Current Year		-	-
Prior Period Tax Adjustments		(453,492)	(35,092)
		(5,451,466)	(1,601,052)
(Less) / Add : Deferred Tax Assets		3,666,364	2,660
Net Profit / (Loss) After Tax		(1,785,102)	(1,598,392)
Balance Brought Forward From Last Year		(25,225,204)	(23,626,812)
Balance Carried Forward to Balance Sheet		(27,010,306)	(25,225,204)
Earning Per Share		(35.70)	(31.97)
Significant Accounting Policies and Notes forming part of the Accounts	12		
Balance Sheet Abstract and Company's General Business Profile	13		

The Schedules referred to above are an integral part of the Financial Statements.

As per our attached report of even date.

For P. M. Agrawal & Associates
Chartered Accountants

For and on behalf of the Board

Sd/-
P. M. Agrawal
Partner
Membership No. 013899

Sd/-
Rohit Nandan
Chairman

Sd/-
Prashant Sukul
Director

Place : New Delhi
Date : 29 November 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Amount in Rupees)

Particulars	2010-11	2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) Before Taxation :	(5,904,958)	(1,636,144)
(Less) / Add : Adjustment for Non-Cash Items :		
Depreciation	3,706	21,936
Preliminary Expenses Written Off	668,150	668,150
Operating (Loss) / Profit before Working Capital changes	(5,233,102)	(946,058)
(Less) / Add : Provision for Tax	453,492	35,092
Net (Loss) / Profit after Tax (a)	(4,779,610)	(910,966)
Decrease / (Increase) in Sundry Debtors	10,971,161	12,536,345
Decrease / (Increase) in Loans & Advances	(4,912,160)	(15,551,885)
Decrease / (Increase) in Current Liabilities & Provisions	(1,147,457)	691,455
Changes in Working Capital (b)	4,911,544	(2,324,085)
Net Cash (Outflow) / Inflow from Operations (a+b) (A)	131,934	(3,235,051)
B. CASH FLOW FROM INVESTING ACTIVITIES (B)	-	-
C. CASH FLOW FROM FINANCING ACTIVITIES (C)	-	-
Net increase / (decrease) in Cash & Cash Equivalents (A+B+C)	131,934	(3,235,051)
Opening Balance of Cash & Cash Equivalents as on 01-04-2010	761,895	3,996,946
Add : Net increase in Cash & Cash Equivalents	131,934	(3,235,051)
Closing Balance of Cash & Cash Equivalents as on 31-03-2011	893,829	761,895

As per our attached report of even date.

For P. M. Agrawal & Associates
Chartered Accountants

For and on behalf of the Board

Sd/-
P. M. Agrawal
Partner
Membership No. 013899

Sd/-
Rohit Nandan
Chairman

Sd/-
Prashant Sukul
Director

Place : New Delhi
Date : 29 November 2011

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

Particulars	As at March 31, 2011	As at March 31, 2010
Authorised Share Capital		
9,00,00,000 (9,00,00,000) Equity Shares of Rs.10/- each.	900,000,000	900,000,000
10,00,000 (10,00,000) Redeemable Preference Shares of Rs.100/- each.	100,000,000	100,000,000
TOTAL	1,000,000,000	1,000,000,000
Issued, Subscribed and Paid-up Capital		
50,000 (50,000) Equity Shares of Rs.10/- each fully paid up (The entire Share Capital is held by Air India Ltd., a company formed under the Companies Act, 1956 and its Nominees)	500,000	500,000
TOTAL	500,000	500,000

SCHEDULE - 2 : FIXED ASSETS :**(Amount in Rupees)**

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK (WDV)	
	As on 31.03.2010	Additions during the year	As on 31.03.2011	Upto 31.03.2010	Depreciation for the year	Upto 31.03.2011	As at 31.03.2011*	As at 31.03.2010
Computer and Printer	135,323	-	135,323	131,616	3,706	135,322	1	3,707
TOTAL	135,323	-	135,323	131,616	3,706	135,322	1	3,707
PREVIOUS YEAR	135,323	-	135,323	109,680	21,936	131,616	3,707	25,463

* As on 31st March 2011, the block of assets ceases to exist, but physically exist, hence WDV shown at Re.1/-

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

Particulars	As at March 31, 2011	As at March 31, 2010
Sundry Debtors (Unsecured, Considered Good)		
I. Debts outstanding for a period exceeding six months.	-	-
II. Other Debts		
From Air India Ltd. -- Holding Company		
Billing Account Debit Balance	117,960,268	
Current Account Credit Balance	<u>78,224,943</u>	27,197,234
From AI-SATS Bangalore -- Associate Concern / Joint Venture Company	3,367,897	17,545,644
From AI-SATS Hyderabad -- Associate Concern / Joint Venture Company	-	9,331,505
TOTAL	43,103,222	54,074,383

Note : The above Debts are due from the Companies / Concerns under the same Management within the meaning of sub-section (1B) of Section 370 of the Companies Act 1956.

SCHEDULE - 4 : CASH & BANK BALANCES :**(Amount in Rupees)**

Particulars	As at March 31, 2011	As at March 31, 2010
Cash in Hand	1,915	367
Bank Balances :		
In Current Account with Scheduled Bank	891,914	761,528
TOTAL	893,829	761,895

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

Particulars	As at March 31, 2011	As at March 31, 2010
(Unsecured but Considered Good)		
Advances recoverable in cash or in kind or for which value to be received :		
Security Deposit	324,000	324,000
Advance Fringe Benefit Tax (Net)	79,210	79,210
Tax Deducted at Source	48,506,823	43,803,014
Service Tax - Input Credit	6,978,338	6,835,465
Professional Tax Recoverable from the Employees	7,706	3,316
Advance Against Salary	61,088	-
TOTAL	55,957,165	51,045,005

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

Particulars	As at March 31, 2011	As at March 31, 2010
Sundry Creditors - Handling Charges	72,819,166	71,690,244
Creditors for Other Expenses	34,756,202	37,578,400
Professional Tax Payable	236,086	351,639
PF & EDLI Charges Payable	1,580,813	2,478,347
Earnest Money / Security Deposits	1,393,000	980,000
Service Tax Output Payable	13,172,940	11,159,677
Tax Deducted at Source (TDS) Payable	1,882,504	1,798,996
TOTAL	125,840,711	126,037,303

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

Particulars	As at March 31, 2011	As at March 31, 2010
Provision for :		
Gratuity	5,684,570	5,453,318
Leave Encashment	603,536	1,332,161
Income Tax	-	453,492
TOTAL	6,288,106	7,238,971

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

Particulars	As at March 31, 2011	As at March 31, 2010
Balance as per last Balance Sheet	2,672,600	3,340,750
Less :		
Written off during the year	668,150	668,150
TOTAL	2,004,450	2,672,600

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

Particulars	2010-11	2009-10
Job Recruitment Application Fees	555,600	392,460
Notice Period Salary	717,800	700,887
Sundry Balance Written Back / Off (Net)	-	140,399
Interest on Income Tax Refund	1,070,641	-
TOTAL	2,344,041	1,233,746

SCHEDULE - 10 : EMPLOYEES COST :**(Amount in Rupees)**

Particulars	2010-11	2009-10
Salaries	274,527,193	368,803,996
Bonus	3,134,698	7,075,092
PF & EDLI Charges	11,296,079	15,456,711
Gratuity	231,252	-
Leave Encashment	(270,909)	-
Staff Welfare	313,892	518,870
TOTAL	289,232,205	391,854,669

SCHEDULE - 11 : OFFICE, ESTABLISHMENT AND ADMINISTRATIVE EXPENSES :**(Amount in Rupees)**

Particulars	2010-11	2009-10
Establishment Support Charges	21,561,357	22,783,700
Recruitment Expenses	1,499,061	1,013,930
Rent	310,532	318,627
Water Charges	196,369	491,336
Electricity Charges	1,298,452	1,424,544
Communication Expenses	33,086	38,587
Conveyance	252,448	46,496
Rates and Taxes	211,977	210,947
Travelling Expenses	118,275	72,105
Postage & Courier Charges	29,494	20,399
Printing & Stationery	313,370	5,745
Office Expenses	202,731	177,477
Bank Charges	662	496
Legal and Professional Fees	173,690	99,348
Miscellaneous Expenses	35,442	2,600
<u>Remuneration to Statutory Auditor's :</u>		
- Audit Fees	100,000	100,000
- Out of Pocket Expenses	10,000	10,000
<u>Remuneration to Tax Auditor's :</u>		
- Tax Audit Fees	15,000	15,000
TOTAL	26,361,946	26,831,337

SCHEDULE - 12 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS**A. SIGNIFICANT ACCOUNTING POLICIES :**

The financial statements are prepared under the historical cost convention and all expenditure having a material bearing on the financial statements are recognized on accrual basis. The financial statements comply with the applicable mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

1. Fixed Assets

Fixed Assets includes all expenditure of capital nature and are stated at aggregate of cost of acquisition, installation and commissioning less Cenvat credit wherever applicable. Fixed Assets values are stated at the historical cost less accumulated depreciation and impairment losses, if any. Interest, if any, on borrowing attributable to acquisition of assets are capitalized and included in the cost of asset, as appropriate.

2. Depreciation

Depreciation on Fixed Assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Depreciation on additions to Fixed Assets is provided for the full year in the year of acquisition and no depreciation is provided in the year of disposal.

For assets costing Rs.5,000/- or less, depreciation is provided @100% retaining Re.1/- as residual value in the year of addition, irrespective of date of addition.

3. Revenue Recognition

The revenue is recognized as per terms of relevant agreement and when services are rendered.

4. Employees Benefits

Provident Fund and Family Pension Fund is recognized and charged to Profit and Loss Account on accrual basis.

Provision for Gratuity and Leave Encashment in respect of all eligible employees is provided on actuarial valuation basis as at the Balance Sheet Date.

5. Taxation / Deferred Tax (AS-22)

Current Tax determined is as per the provisions of the Income Tax Act in respect of Taxable Income for the year. Deferred Tax Liability is computed as per Accounting Standard (AS-22). Deferred Tax Asset and Deferred Tax Liability are computed by applying tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

6. Assets taken under Leases

i. Lease, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified, if any, as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term unless there is another systematic basis which is more representative of the time pattern of the Lease.

ii. Assets given under operating leases, if any, are included in Fixed Assets. Lease income is recognized in the Profit and Loss Account on straight line basis over the lease term, unless there is another systematic basis which is more representative of the time pattern of the Lease.

7. Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

8. Prior Period Items and Extraordinary Items

Prior period and Extraordinary items of Income and Expenditure are reported distinctively and included in determination of net profit or loss for the current period.

9. Preliminary Expenses

Preliminary Expenses are amortized over a period of ten years on straight line basis.

B. NOTES TO ACCOUNTS**1. Contingent Liabilities**

Contingent Liabilities as on 31st March 2011 is Rs. Nil/- (Previous year Rs. Nil).

2. The company has been rendering Airports Ground Handling Services, including Passenger Handling, Ramp Handling, Security Handling and Cargo Handling during the year for the Holding Company i.e. Air India Limited and Associate Companies / Joint Ventures Companies, i.e. AI SATS Bangalore and AI SATS Hyderabad.

3. The balances appearing under Sundry Creditors, Handling Charges of Rs.728.19 Lakhs (Previous year Rs.716.90 Lakhs) and Creditors Others Rs.347.46 Lakhs (Previous year Rs.375.78 Lakhs) are subject to balance confirmation and consequent adjustments.

4. Bonus amounting to Rs.31,34,698/- (Previous year Rs.70,57,092/-) is provided as Statutory Bonus for the Current Year in respect of its eligible employees.

5. Employee Benefits (AS-15)

The benefits to employees are classified as under :

i. Defined Contribution Plan :

a) Provident Fund & Family Pension Fund

The expenses incurred on account of Provident Fund and Family Pension Fund has been included in Schedule 10 of Employees Cost.

ii. Defined Benefits Plans :

a) Gratuity

b) Leave Encashment

Actuarial Valuation was obtained from the actuary in respect of the aforesaid defined benefit plans, using Projected Unit Credit Method.

As per the Actuarial Valuation, the liability as at 31.03.11 :

	31.03.2011	31.03.2010
Gratuity	56,84,570	54,53,318
Leave encashment	6,03,536	13,32,161

iii. a) Gratuity

Opening and closing difference of Rs.2,31,252/- is debited to Profit & Loss account.

b) Leave Encashment

Opening balance as on 01.04.2010	Rs.13,32,161/-
Less : Paid during the year	Rs. 4,57,716/-
Balance Payable	Rs. 8,74,445/-
Balance as per Valuation as on 31.03.2011	Rs. 6,03,536/-
Excess provision credited to Employees Cost	Rs. 2,70,909/-

6. The Company is in the process of reconciling its service tax records in order to ascertain service tax liability and credit on input services with that of actual payment received from/made to various parties and consequent adjustments.

Company has received intimation dated 03.08.2010 for EA-2000 Audit for which compliance is pending. Status of Service Tax accounts as under :

Service Tax Payable	Rs.131.73 Lakhs
Service Tax Input Credit	Rs. 69.78 Lakhs

7. **Segment Reporting (AS-17)**

The Company is engaged in providing Airport ground handling services, thus it has only one reportable segment. Hence no disclosures are required. The Company's activities are within India.

8. **Related Party Transactions (AS-18)**

a. Related Parties :-

- i. Holding Company : M/s. Air India Limited
- ii. Other Related Parties :
 - a) Associates Concern : M/s. Air India SATS – Hyderabad
(Joint Venture Company) M/s. Air India SATS – Bangalore
 - b) Group Company : M/s. Air India Charters Limited
M/s. Hotel Corporation of India Limited
- iii. Key Management Personnel : Mr. Arvind Jadhav, Chairman.
- iv. There is no transaction outstanding at the year end with the Key Management personnel and their relatives.

b. Related Party Transactions :-

The Company is owned by Air India and it is a Central Government Company. For the purpose of paragraph 9 of AS 18, the Company would not be required to make any disclosure in its financial statements as regards to related party relationships and transactions.

9. **Earning Per Share :**

Sr. No.	Particulars	2010-11	2009-10
i.	Net Profit / (Loss) for the year (Rs.)	(17,85,102)	(15,98,392)
ii.	No. of Equity Shares	50,000	50,000
iii.	Nominal Value Per Share (Rs.)	10	10
iv.	Basic and Diluted EPS (Rs.) Per Share (Loss)	(35.70)	(31.97)

10. **Deferred Tax Liability**

Opening Deferred Tax Liabilities (B/S.)	Rs. 6,520/-
Closing Deferred Tax Assets (B/S.)	Rs.36,59,844/-
Credited to Profit & Loss A/c.	Rs.36,66,364/-

11. In the opinion of the Board of Directors, the Current Assets and Loans and Advances, if realized in the ordinary course of business, shall not be less than the value at which they are stated in the Balance Sheet and the provisions for all known liabilities have been made in the books of account.

12. The Company's net worth is negative.

Rs. In Lakhs

	31.03.2011		31.03.2010	
Fixed Assets (WDV)		00.01		00.01
Current Assets	999.54		1,058.81	
Current Liabilities	1,321.29	(321.75)	1,332.76	(273.95)
Add : Preliminary Expenses	(20.04)		(26.73)	
Profit & Loss A/c. (Loss)	(270.10)	(290.14)	(252.25)	(278.98)
		(611.88)		(552.93)
Less : Share Capital		5.00		5.00
Negative Net Worth		(606.88)		(547.93)

The above negative net worth of the Company, indicate that the Company needs to review its operational cost/expenses and its reimbursement of expenses from Air India.

13. During the year Establishment Support Charges of Rs.215.61 lakhs (Previous Year: Rs. 227.83 lakhs) debited to Profit and Loss account towards the deputation of Air India (Holding Company) staff. The corresponding income is not being recognised.
14. There are no Micro, Small and Medium Enterprises to whom company owes dues, which are outstanding for more than 45 days as on March 31, 2011. Information as required to be disclosed under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the Auditors.
15. Additional information pursuant to Part II and Part III of Schedule VI to the Companies Act, 1956 has been complied with, wherever applicable. In other cases it is either nil or not applicable to the Company.
16. There had been no earnings or outgo in Foreign Currencies during the year.
17. Previous year's figures have been regrouped, rearranged and/or recast wherever necessary to make them comparable with those of current year.

For P. M. Agrawal & Associates
Chartered Accountants

Sd/-
P. M. Agrawal
Partner
Membership No. 013899

Place : New Delhi
Date : 29 November 2011

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Sd/-
Prashant Sukul
Director

SCHEDULE - 13 : BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

Additional Information pursuant to Part IV of Schedule VI to the Companies Act, 1956.

I. Registration Details :

Registration No.	55-120790	State Code	:	55
Balance Sheet Date	:	March 31,2011		

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

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

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

Total Liabilities	:	500	Total Assets	:	500
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Source of Funds :

Paid Up Capital	:	500	Reserves and Surplus	:	NIL
Secured Loans	:	NIL	Unsecured Loans	:	NIL
			Deferred Tax Liability	:	NIL

Application of Funds :

Net Fixed Assets	:	1	Investments	:	NIL
Net Current Assets	:	(32,175)	Misc.Expenditure	:	2,004
Accumulated Losses	:	27,010	Deferred Tax Assets	:	3,660

IV. Performance of Company (Amount Rupees in Thousand)

Total Income	:	486,039	Total Expenditure	:	494,110
Extraordinary Item					
Profit Before Tax	:	(5,905)	Profit After Tax	:	(5,451)
Earning Per Share (Basic)	:	(Rs. 35.70)			

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

Product Description : Ground Handling Services of Airlines

For P. M. Agrawal & Associates
Chartered Accountants

Sd/-
P. M. Agrawal
Partner
Membership No. 013899

Place : New Delhi
Date : 29 November 2011

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman

Sd/-
Prashant Sukul
Director