

AIRLINE ALLIED SERVICES LIMITED

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BOARD OF DIRECTORS (AS ON 26.12.2011)

Shri Rohit Nandan

Chairman

Shri V. K. Sharma

Shri S. Venkat

Shri Vijay Paul

Capt. A. S. Soman

Shri L. R. S. Reddy

Syed Nasir Ali

Secretary

Shri Arun K. Goyal

Auditors

M/s. Prasad Azad & Co.
Chartered Accountants
1207, Surya Kiran,
19, Kasturba Gandhi Marg,
New Delhi-110 001.

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 Eighth Annual Report together with audited statement of Accounts of Airline Allied Services Ltd. for the year ended 31 March 2011.

During the year, the company incurred lower operating losses of Rs. 29.12 crores (previous year Rs. 41.54 crores) mainly due to higher revenue earnings with increased capacity utilization (Seat Factor) and improved yield. The performance of the Company would have even better but for ATF price gone up during the year from previous year average of Rs.31700/KL to Rs. 37900/KL (increase of 20%) during the current year under review.

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 Crores)	
Particulars	2010-11	2009-10
Operating Revenue	358.26	368.63
Operating Expenses	384.79	407.95
Operating Profit / (Loss)	(26.53)	(39.32)
Prior period Adjustments	2.59	2.22
Net Profit / (Loss) for the year Before Tax	(29.12)	(41.54)
Net Profit / (Loss) for the year After Tax	(29.12)	(41.54)
Share Capital	2.25	2.25

Physical Performance

	2010-11	2009-10
ATKms (in millions)	52.957	60.352
RTKms (in millions)	35.268	38.086
Passengers Carried (in millions)	0.502	0.455
Seat Factor (%)	67.9	66.3
Load Factor (%)	66.6	63.1

Fleet Position

The fleet position of the company as at the year end consisted of 17 leased aircraft as under :-

Aircraft Type	No. of Aircraft	
ATR-42-320	07	Leased from different overseas lessors
Bombardier CRJ 700	04	Leased from different overseas lessors
Boeing 737-200 Freighter	06	Leased from Air India Ltd.

B737 Freighter operations have since been discontinued in April, 2011. With discontinuation of freighter operations, B737 freighter aircraft are now no longer on lease with the Company and the current fleet comprises 11 aircraft (7 ATR & 4 CRJ).

NETWORK / NEW LINKS

As at the year end, the network of the company consisted of 29 domestic stations including 11 stations in Eastern Region. Presently, it has been operating around 276 flights per week.

The company introduced services on the following new routes during the year 2010-11 :-

(a) With ATR Aircraft :

- Delhi / Ludhiana / Delhi – 3 times/ week
- Delhi / Ludhiana / Pathankot & v.v. – 3 times / week
- Chennai / Kochi / Agatti & v.v. – 3 times / week
- Chennai / Bangalore / Agatti & v.v. – 3 times / week

(b) With CRJ Aircraft :

- Delhi / Kanpur / Allahabad route upgraded to CRJ aircraft from ATR aircraft w.e.f. 22nd September, 2010 & operating as Delhi / Kanpur / Allahabad / Delhi – 6 times/ week
- Delhi / Aurangabad / Delhi – 6 times / week
- Delhi / Ranchi / Delhi – 6 times/ week
- Delhi / Guwahati / Delhi - 6 times/ week

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 (NEC). The arrangement with the NEC which was initially for a 5 years period has now been extended for further period on year to year basis with last extension till the end of the year 2011. The Company have submitted the required information for renewal of arrangement with NEC and the same is expected shortly.

Human Resources

The staff strength of the company at the close of the year was 674 (691) including 26 employees on deputation from the parent Company, Air India. Out of above, services of 187 employees were seconded to Air India. Therefore, effectively, the Company had 461 employees at the close of the year for in its own operations. All the employees of the Company are on fixed term contract basis. Out of the 648 contractual employees 228 (35%) were female employees. The staff strength includes 36 Scheduled caste, 22 Scheduled Tribe and 64 OBC employees. Cadre wise as on 31st March, 2011, there were 93 Pilots, 142 cabin crew, 104 AMEs, 78 Technicians and remaining 231 were other categories of employees. The Company has been supplementing cabin crew and other manpower as required by Air India.

Recently, AASL had recruited 254 cabin crew for Air India, out of these 191 cabin crew have been trained and 63 are undergoing training. These crew members would be on deputation with Air India for Airbus operations. These crew members would be in addition to 55 cabin crew of the Company already on deputation with Air India.

As on 31st March, 2011, there were 11 (13) ex-patriate commanders on ATR and 4 (4) ex-patriate commanders on CRJ. The number of ex-patriate pilots has been reduced to 3 on ATR and 2 on CRJ as on 1st December, 2011.

Engineering and Maintenance Activities

ATR42-320 Aircraft

Kolkata is the main engineering base for maintenance activities on ATR 42-320 aircraft. The Scheduled Line Maintenance and Major Maintenance activities (upto '4C' Check i.e. 16000 FH) are being carried out including special inspections, snag rectifications as per trouble shooting / maintenance manuals for continued airworthiness of the aircraft. The base has capability to carrying out replacement of main elements of the aircraft i.e. engines, landing gears, propellers and Structural Repair etc. which are major maintenance tasks. Infrastructure and capability has been developed to carry out '1C' Check (4000 FH), '2C' Check (8000 FH), '4C' Checks (16000 FH) & '8' yearly check.

The structural integrity of the aircraft is ensured by carrying out by Environmental Damage (Corrosions) and Fatigue Damage inspections.

ATR aircraft is being operated from Delhi also and Delhi base has the capacity to carry out maintenance upto '3A' Check on ATR 42-320 aircraft.

Bombardier CRJ 700 Aircraft

Delhi is the main engineering base for maintenance activities on CRJ 700 aircraft. The base has infrastructure and capability has been developed to carry out checks till '6A' Check.

Infrastructure at Outstations

Necessary Line Maintenance infrastructure particularly with reference to transit maintenance has been developed. All the necessary equipments have been positioned. Assistance is sought from AIL, whenever needed.

Technical Training

Type Refresher Course for Engineers both for ATR-42-320 and CRJ-700 are carried out in-house at Air India Engineering Training School.

Flight Safety

The company has an independent Flight Safety Department which functions in consonance to the regulatory requirements carries out both the preventive and investigative functions for the Airline. The preventive functions 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.

Alliance Air during the financial Year 2010-11 under review had no serious incident/accident. Alliance Air experienced two occurrences of bird hits to the aircraft with minor consequential damages. 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 with prime function of flight Surveillance.
- 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 recorders.
- 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.

Training

The training is an on-going exercise in the operations Dept. The Company conducts Pilot/Cabin Crew and Flight Despatcher training courses in-house for both initial and recurrent trainings except Simulator training for pilots which is outsourced.

Since April, 2011 Alliance Air has converted six ATR co-pilots into Commanders and one CRJ co-pilots into Commander. With our planned training measures and conversion of some co-pilots into commander, we were able to relieve the foreigners (Expatriates) pilots and thereby saving cost to the company.

During the year, the Company had also undertaken the specialized type rating training of cabin attendants of third parties aft aircraft and earned revenue.

Inventory Control

Aircraft inventory consisting of aircraft spare parts and consumable items has been monitored and controlled through computerized OASIS software of AIL which is used for both AIL and AASL inventories. AIL exercise its procurement and control procedures for AASL inventories also.

Future Perspective

Presently, fleet of the Company has 11 aircraft on lease comprising 7 ATR-42-320 and 4 CRJ. Out of 7 ATR aircraft, the lease of 3 aircraft would end in the last quarter next year. The aircraft before return will also require to be taken out of the scheduled operations for maintenance jobs to conform to the re-delivery conditions at least three months before the lease expiry. The lease of remaining 4 ATR-42-320 aircraft would end between December' 2013 – February'2014. Therefore, the Company had to plan for leasing in of newer version of ATR aircraft into the fleet at least to replace the above leased aircraft. The lease of 4 CRJ would expire between April' 2014 and July' 2015. As regards, the expansion plan, a comprehensive Turn Around Plan for Air India Ltd. and its subsidiaries including AASL has been prepared by the holding company, Air India. The TAP is at the advance stage of consideration of the Govt. for its approval. The Company would undertake expansion of its fleet and network in line with said TAP as approved by the Govt.

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. To promote Hindi, a Hindi Pakhwara is conducted every year, wherein employees participate in various competition categories like essay writing, poem reciting etc. Prizes and awards are distributed during the function.

Contribution to Exchequer

The Company has contributed Rs. 7.32 crores (Rs. 11.21 crores) 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. Prasad Azad & 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 31.03.2011. The Management's replies to their observations are annexed as addendum to this report.

Comments of Comptroller and Auditor General of India

The comments dated 26/12/2011 of Comptroller and Auditor General of India (C & AG) under Section 619 (4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31 March 2011 have been received. The C & AG has given 'NIL' comments and the same is annexed to this report.

Board of Directors

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

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

- i) Shri Rohit Nandan
CMD,
Air India Limited
- Chairman

- | | | |
|------|--|----------|
| ii) | Shri V. K. Sharma
SBU Head - MRO (Engine & components)
Air India Limited | Director |
| iii) | Capt. A. S. Soman
Executive Director (Operations)
Air India Limited | Director |
| iv) | Shri Vijay Paul
Executive Director, Northern Region
Air India Limited | Director |
| v) | Shri L.R.S. Reddy
Director Finance
Ministry of Civil Aviation | Director |
| vi) | Shri Syed Nasir Ali
Director
Ministry of Civil Aviation | Director |

The management of the business of the Airline is controlled by Incharge, AASL. The present Incharge, AASL is Shri Vipin K. Sharma, SBU Head - MRO (E & C), Air India Ltd.

The Board placed on record its deep appreciation for the excellent services rendered as members of the Board by Shri Arvind Jadhav and Shri S. Chandrasekhar.

Acknowledgment

The Board of Directors wish to express gratitude for the cooperation, guidance and support received from Ministry of Civil Aviation, Air India Ltd. 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 of Directors

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 27 December 2011

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 2011.

"Employed throughout the year"

Sr. No.	EMP. CODE	NAME	QUALIFICATION	DESIGNATION	AGE	DATE OF JOINING	LAST EMPLOYER	NATURE OF DUTIES	GROSS SALARY (Rs.)	DATE OF BIRTH
1.	10216	CAPT. RAJENDRA SINGH	MATRIC	SR. CAPT.	63	15/07/1996	EAST-WEST	FLYING	8966205	06/08/1948
2.	11386	CAPT. RAJ KUMAR RANA	M.SC.	SR.FIRST OFFICER	45	29/11/2006	IAL	FLYING	6096455	23/03/1966
3.	60111	CAPT. SANJAY GUPTA	10+2 SCIENCE A.M., Ae.S.I.	SR. CAPT.	45	10/12/2002	N.A.	FLYING	10931724	02/03/1966
4.	60402	CAPT. SUNIL KUMAR	10+2	SR. CAPT.	32	13/05/2006	N.A.	FLYING	6845761	16/04/1979
5.	60561	CAPT. PRADEEP SHARMA	M.SC. BE(AERO)	SR. CAPT.	58	10/11/2008	N.A.	FLYING	6511298	24/05/1953
6.	85013	CAPT. BRAHM PRAKASH	N.A.	SR. CAPT.	54	12/01/2008	N.A.	FLYING	6254867	01/07/1957
7.	85076	CAPT. RAHUL PURI	N.A.	SR. CAPT.	33	08/09/2008	N.A.	FLYING	6149165	21/12/1978
8.	85097	CAPT. AJIT SAROHA	N.A.	SR. CAPT.	32	17/09/2008	N.A.	FLYING	6116703	06/06/1979
9.	85103	CAPT. HARDEEP SINGH MALHOTRA	B.SC.	SR. CAPT.	45	30/04/2009	N.A.	FLYING	6322265	11/11/1966
10.	95015	CAPT. MINORU KAWAKUBO	EX-PAT	COMMANDER	64	01/08/2006	N.A	FLYING	6948367	22/06/1947
11.	98002	CAPT. BIRAJ BIKRAM SHAH	EX-PAT	COMMANDER	44	16/07/2007	N.A	FLYING	7820829	22/07/1967
12.	98003	CAPT. KINTU RAYMOND NEWA	EX-PAT	COMMANDER	44	05/12/2007	N.A	FLYING	7025745	03/12/1967
13.	10002	CAPT. ANGEL RUBEN FRANCESCHINI	EX-PAT	COMMANDER	61	09/03/2006	N.A	FLYING	7027701	22/02/1950
14.	98005	CAPT. KUMAR BILAS PANDEY	EX-PAT	COMMANDER	55	19/03/2010	N.A	FLYING	7102499	26/12/1956
15.	98007	CAPT. SUNIL OLI ANNIN	EX-PAT	COMMANDER	49	18/03/2010	N.A	FLYING	6892050	04/04/1962
16.	98009	CAPT. WILLIAM N KEENE	EX-PAT	COMMANDER	51	07/12/2007	N.A	FLYING	7233826	12/02/1960

"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 (Rs.)	DATE OF BIRTH
1.	10729	CAPT. JAVED AHMED	B.SC.	SR. CAPT.	60	15/05/1997	28/02/2011	MODILUFT	FLYING	7506280	01/01/1951
2.	10978	CAPT. B. K. KESWANI	10+2	SR. CAPT.	65	21/06/1999	11/04/2010	JET AIR	FLYING	3852355	09/06/1946
3.	60354	CAPT. SURINDER KUMAR	B.SC.	SR. CAPT.	43	01/02/2006	31/01/2011	N.A	FLYING	4941565	20/09/1968
4.	60651	CAPT. SURINDER SINGH	B.SC.	SR. CAPT.	41	26/10/2009	31/12/2010	N.A	FLYING	4053850	02/06/1970
5.	98100	CAPT. AMNER SIFUENTES BARDALEZ	EX-PAT	COMMANDER	48	11/07/2009	10/07/2010	N.A	FLYING	1763310	14/03/1963
6.	98013	CAPT. CARLOS FERNANDO VELASQUEZ	EX-PAT	COMMANDER	28	04/05/2010	31/08/2010	N.A	FLYING	2094882	09/01/1983

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 2011.

The preparation of financial statements of **Airline Allied Services Limited** for the year ended 31st March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 12th December 2011.

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

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

Sd/-

Ila Singh
Principal Director of Commercial Audit
& *ex-officio* Member, Audit Board I, New Delhi

Place : New Delhi
Date : 26 December 2011.

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

We have audited the attached Balance Sheet of **AIRLINE ALLIED SERVICES LIMITED (AASL)** as at 31 March 2011, 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, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (hereinafter called the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, 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 clauses (ix), (x), (xi), (xiv), (xviii) and (xx) 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 clauses (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi) and (xvii) 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 accounts.
 - (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 sub section (3C) of section 211 of the Act **except as stated in clauses (x), (xii), (xiii) and (xv) hereinafter.**
 - (v) In view of Government Notification No. GSR 829 (E) dated 21st October 2003, Government Companies are exempt from the applicability of provisions of section 274(1)(g) of the Act.
 - (vi) **The financial statements of the company under report are drawn up on a going concern basis. In view of loss for the year of Rs. 2912.26 lacs and accumulated losses of Rs. 58,289.53 lacs resulting in erosion of total share capital and negative Net worth to the tune of Rs. 58,064.53 lacs and liability of outstanding dues of the company to its holding company, Air India Limited of Rs. 46,212.78 lacs as on 31 March 2011, we have been given to understand that the assumption of going concern depends upon the continued adequate financial support from the holding company viz. Air India Limited and AASL's future plans of expansion under consideration.**
 - (vii) **The total amount of Rs. 46,212.78 lacs is shown as payable to Air India Limited (including provision of Rs. 440.42 lacs). However, an amount of Rs. 57,983.40 lacs upto 31 March 2010 had been written off by Air India Limited (NACIL) in its books upto 31 March 2010 but the company has not written back the corresponding liability in its books, based on expert opinion obtained by AASL on Air India Limited's letter dated 21 March 2008 intimating that Air India Limited's write off did not prejudice Air India Limited's right to recover the same from AASL in future. We are unable to express our opinion on the impact this non write-back (of the liability due to Air India Limited) will have on the financial statements of the company.**
 - (viii) **We are unable to comment on non accounting of aircraft lease charges, handling charges for administration and operational support, charges for substitution of aircrafts and charges for labour hours spent on in-house maintenance of ATR/CRJ aircrafts (amount not ascertained by the company) (Previous year Rs. 2079 lacs) payable to Air India Limited in light of supplementary note dated 25 April 2011 to MOU dated 04 October 2010 between Air India Limited and AASL, whereas the income corresponding to above has been accounted for by AASL disregarding the matching cost concept of revenue recognition. Further, having substantial impact on accounts, the company should have quantified and disclosed the amounts not booked / accounted during the year.**
 - (ix) **Profit and Loss Account includes Traffic Revenue of Rs. 24,216.09 lacs (other than charter revenue) accounted for on the basis of ledger account of Air India Limited and expenditure on Service charges of Rs. 546.13 lacs and Other Operating and Administration expenses of Rs. 6,470.48 lacs accounted for only on the basis of credit and debit notes raised by Air India Limited. In absence of basic records / vouchers / supporting documents and relevant details, the revenue and expenditure stated above remained unverified to that extent.**

- (x) **System of Inventory Accounting followed by the company is not proper / complete. In this respect our observations are as below :-**
- (a) In respect of ATR / CRJ aircraft inventories, procurement is made by Air India Limited and later on transferred to the company without any invoice and charging of applicable sales tax (VAT) - amount and its impact on accounts is unascertainable. Moreover, sufficient control does not exist to ensure that all inventory transactions are authorized, processed and accounted completely.
 - (b) Custom duty 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 taken on lease from the manufacturers and also include freight, incidentals etc. on aircraft components and spares exported for repairs. In the absence of its item wise segregation and loading, the balance of custom duty and freight on aircraft spares amounting to Rs. 528.11 lacs (Previous Year Rs. 420.67 lacs) lying at the end of the year under Current Assets and Rs. 39.01 lacs (Previous Year Rs. 36.24 lacs) charged to material consumed during the year remained unverified and hence correctness of these amounts and their impact on financials could not be commented upon.
 - (c) The company is not maintaining any record of Inventories at its stores in Delhi, Hyderabad and Kolkata and the financial figures are incorporated in its books at the year end on the basis of abstract received from Air India Limited showing the values of different categories of inventories. In absence of details, correctness of Inventory could not be verified and its impact on accounts could not be commented upon.
 - (d) The consumption of inventory is booked at the year end on the basis of balance arrived at from opening stock plus purchases made during the year less closing stock (advised by Air India Limited) at the end of the year instead of accounting on the basis of actual consumption and disclosing the shortages / excesses, if any, separately. Thus it is not in accordance with the accepted inventory accounting practices and AS-2 (revised) on valuation norms issued by the ICAI. Hence, the consumption of inventory amounting to Rs. 777.31 lacs (Previous Year Rs. 523.26 lacs) could not be verified and impact on accounts can not be commented.
 - (e) **Non-compliance of Accounting Standard AS-2 (Revised) on "Valuation of Inventory" -**
 - i. Inventories have been valued without complete identification and allocation of freight, duties, incidentals etc. with respect to individual items (also refer para 2(x)(b) above).
 - ii. Further, inventories have been valued at cost as against lower of cost and net realizable value.
Impact of the above on the accounts remained unascertained.
- (xi) The accounts with the Airport Authority of India Ltd. and BPCL are un-confirmed and un-reconciled which may include elements of expenditure / income. In absence of confirmations and reconciliations as on 31 March 2011, we are unable to comment on their impact on the accounts.
- (xii) Accounting of certain transactions on settlement basis (Refer Accounting Policy No. 4 and 10 (b), (c) of Schedule XIX) are not in accordance with accrual method of accounting prescribed under the Act, Accounting Standard AS-1 on "Disclosure of Accounting Policies" and AS-5 (Revised) on "Net Profit or Loss for the period, prior period items and changes in Accounting Policies" issued by ICAI. Amount and impact on accounts unascertained.
- (xiii) Accounting policy of the company with respect to accounting of prior period items and prepaid / accrued expenses upto Rs. 10,000/- for individual items (refer Accounting Policy No. 8 and 10 (a) of Schedule XIX) in the year of receipt / payment is not in accordance with accrual method of accounting prescribed under the Act and Accounting Standard AS-5 (revised) issued by the ICAI. Amount and impact on accounts unascertained.
- (xiv) The internal control system and accounting procedures are generally in-adequate 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 / CRJ 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;
 - Employee leave record and encashment of leave;
 - Delay in issuance of bills for freighter income to DOP after due date.

- (xv) The company has not provided liability for leave encashment to the employees for year-end leave balance as required by AS-15 (revised) issued by the ICAI (Refer policy no. 6 of schedule XIX of Significant Accounting Policies). Amount and impact on accounts unascertained.
- (xvi) Non-accounting of advance passenger receipts, revenue from no show pax and income from cancellation fee, Income from refund administration fees and commission earned on PSF. Amount and impact unascertained.
- (xvii) Mail / Cargo revenue is being charged at a single rate per ton kilometer instead of billing at various rates in addition to the basic rate, viz. documentation charges, valuation charges, cartage charges, demurrage charges etc. Amount and impact unascertained.
- (xviii) Non-confirmation of balances in respect of accounts receivable and payable, advance to parties, sundry creditors 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.
- (xix) Non-charging of Sales Tax (VAT) by Air India Limited in respect of supplies of dry stores items to the company. Amount and impact unascertained.
- (xx) The company has shown contingent liability amounting to Rs. 6,585.66 lacs in respect of income tax demands for which no provision has been made as these demands are said to be disputed by the company in appeals (refer note no. 2 of Schedule XX). In view of pending appeals and legal opinion obtained by the company, we are unable to comment upon the liability of the company and its impact on accounts is currently not ascertainable.
- (xxi) Debtors include Rs. 2940.35 lacs recoverable from M/s Gati Limited outstanding since Feb'2009 for aircrafts operated by AASL. Air India Limited had invoked their bank guarantee and recovered Rs. 3000 lacs which was transferred to AASL and the same has been kept by AASL in a separate account of "Security Deposit - Gati" under 'Other Liabilities' as the matter is stated to be in dispute between Air India Limited and M/s Gati Ltd. pending before the Arbitration Tribunal. Accordingly, we are unable to express our opinion on the impact of non-recoverability from or refund to the aforesaid debtor.

In respect of observations contained in clauses (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix), (xx) and (xxi) of paragraph 2 above, we are unable to express our opinion regarding the effect on the accounts in respect of the matters specified therein. 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 Act 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, 2011 and
- (ii) In the case of Profit & Loss Account, of the loss 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 PRASAD AZAD & CO.
Chartered Accountants
Firm Registration No.: 001009N

Sd/-
(K. M. Azad)
Partner
M. No. 5125

Place : New Delhi
Dated : 12 December 2011

ANNEXURE TO THE AUDITOR'S REPORT

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

- (i) (a) The records maintained by the company in respect of its fixed assets are not considered to be proper in so far as **these do not give full particulars of quantitative details, asset identification nos. and situation of fixed assets.**
- (b) According to the information and explanations given to us, the physical verification of fixed assets was to be carried out on biennial basis by the company. As explained, **last verification was carried out for the period ended 31st March'2007, for which reconciliation is still in the process of finalization. The exercise of writing off unserviceable and misplaced assets has not been carried out in respect of observations made on physical verification carried out earlier. The company has not carried out physical verification during the year under audit which was due to be carried out in 2008-09.**
- (c) During the year, no substantial part of fixed assets have been disposed off by the Company.
- (ii) (a) According to information and explanations given to us, **physical verification of inventory has not been conducted by the company** other than ATR stores at Kolkata and CRJ store at Delhi, which was conducted subsequent to the year end. **We are of the opinion that the frequency of such verification is not at reasonable intervals.**
- (b) **Documents / information detailing the procedures followed by the management for aforesaid physical verification of inventory were not provided to us. Hence, we are unable to comment on the reasonableness and adequacy of procedures of such verification followed by the Management in relation to the size of the company and the nature of its business.**
- (c) **As explained to us, inventories for ATR / CRJ Aircraft are procured by Air India Limited and records relating to receipts, issues and closing stock are maintained by Air India Limited. Further, accounting entries by AASL are made for receipts on the basis of advice from Air India Limited which is delayed in almost all cases and for issues at the year end only. Accordingly, we are unable to comment whether the company has maintained proper records of inventory. Discrepancies noticed during physical verification of ATR stores at Kolkata and CRJ store at Delhi were not quantified and not dealt with / adjusted in the books of accounts.**
- (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 companies, firms or other parties covered in the register maintained under section 301 of the Act during the year.
- It may however be mentioned that **the company has granted an interest free unsecured loan of Rs. 2.61 lacs (Previous Year Rs. 2.61 lacs) to an ex-deputationist from Government of India, which has not been recovered since long.**
- (b) Based on the information and explanations provided, since the company has not granted / taken any loans except as stated above, the sub-clauses (b) to (g) of this clause are not applicable.
- (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 purchase of fixed assets and inventory, recording of revenue, inventory control, sale / lending of inventories and spares and certain expenditure and services (also refer para 2(xiv) of our Audit Report). The weaknesses in internal control procedures have been observed and reported repeatedly due to continued failure and non improvement over the years.**
- (v) (a) Based on the audit procedures applied by us and according to the information and explanation provided by the management, we are of the opinion that there are no particulars of contracts and arrangements referred to in Section 301 of the Act that need to be entered into the register required to be maintained under that section.
- (b) Hence, the question of commenting whether the transactions made in pursuance of such contracts or arrangements, were made at prices which are reasonable having regard to prevailing market prices at the relevant time does not arise.
- (vi) According to the information and explanations given to us, the company has not accepted any deposits from the public during the year, therefore, provision of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the company.
- (vii) **The internal audit function was carried out during the year by a firm of chartered accountants appointed by the management. In our opinion, the internal audit system needs to be strengthened and improved to make it commensurate with its size and nature of the company's 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 and frequency of audit and compliance to the internal audit findings.**
- (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 information and explanations given to us and the records of the company examined by us, undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax, Income Tax Deducted

at source and other statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, **however many cases of delay in deposit were noticed in case of tax deducted at source and significant delays in deposit in most of the cases of service tax were observed. Custom duty payments are handled by Air India Limited but confirmation from Air India Limited was not made available to us as to whether there are any undisputed dues pending at the year end or not.**

- (b) **According to the information and explanations given to us, as at 31st March 2011, there are no disputed dues for Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax and other statutory dues etc. outstanding and unpaid at the year end except the following (referred to in Note no. 1 (c) in Schedule 'xx') :**

Statute & nature of dues	Amount (Rs. in lac)	Period to which the amount relates	Forum where the dispute is pending
Income Tax demand	Rs. 140.44	A.Y. 1997-1998	Filing Review Appeal with ITAT is under process
Income Tax demand	Rs. 174.31	A.Y. 2000-2001	Appeal pending with ITAT
Income Tax demand	Rs. 6263.84	A.Y. 2008-2009	Appeal pending with CIT (A)

Further, since the Custom duty payments are handled by Air India Limited, confirmation from Air India Limited was not made available to us as to whether there are any disputed dues pending at the year end or not.

- (x) **The company has accumulated losses at the year end and its net worth is in negative. 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 and on the basis of information and explanations given to us, there is no amount due to financial institutions or banks or debenture holders.
- (xii) According to the records of the company and on the basis of the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, considering the nature of activities carried out by the company during the year, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it. Accordingly, the provisions of this clause are not applicable to the company.
- (xiv) According to the records of the company and on the basis of information and explanations given to us, the company has no dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of this clause are not applicable to the company.
- (xv) According to the records of the company and on the basis of 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 and on the basis of information and explanations given to us, the Company has not obtained any term loans during the year. Accordingly, the provisions of this clause are not applicable to the company.
- (xvii) According to the records of the company and on the basis of information and explanations given to us, there are no funds raised on short term basis which have been used for long term investments during the year.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year. Accordingly, the provisions of this clause are not applicable to the Company.
- (xix) According to the information and explanations given to us, the company has not issued any debentures during the year. Accordingly, the provisions of this clause are not applicable to the Company.
- (xx) According to the information and explanations given to us, the company has not raised any money by public issue during the year. Accordingly, the provisions of this clause are not applicable to the Company.
- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and as per explanations furnished to us by the management, we have neither come across any instances of fraud on or by the company or noticed or reported during the year, nor have we been informed of such cases by the management.

For PRASAD AZAD & CO.
Chartered Accountants
Firm Registration No.: 001009N

Sd/-
(K. M. Azad)
Partner
M. No. 5125

Place : New Delhi
Dated : 12 December 2011

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 / statement of facts. Additional information / explanation wherever required are furnished below :

Sr. No.	Audit Observations	Management Comments
1.	As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (hereinafter called the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, 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 (ix), (x), (xi), (xiv), (xviii) and (xx) 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 (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi) and (xvii) 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 accounts.</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 sub section (3C) of Section 211 of the Act except as stated in para (x), (xii), (xiii) and (xv) 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 Act.</p> <p>(vi) The financial statements of the company under report are drawn up on a going concern basis. In view of loss for the year of Rs. 2912.26 lacs and accumulated losses of Rs.58289.53 lacs resulting in erosion of total shares captial and negative Net worth to the tune of Rs. 58064.53 lacs and liability of outstanding dues of the company to its holding compnay, Air India Limited of Rs.46212.78 lacs as on 31 March 2011, we have been given to understand that the assumption of going concern depends upon the continued adequate financial support from the holding company viz. Air India Limited and AASL's future plans of expansion under consideration.</p>	<p>Self explanatory</p> <p>Self explanatory</p> <p>Self explanatory</p> <p>Self explanatory</p> <p>Self explanatory</p> <p>Self explanatory</p>

Sr. No.	Audit Observations	Management Comments
	<p>(vii) The total amount of Rs. 46212.78 lacs is shown as payable to Air India Limited (including provision of Rs. 440.42 lacs). However, an amount of Rs. 57983.40 lacs upto 31 March 2010 had been written off by Air India Limited (NACIL) in its books upto 31 March 2010 but the company has not written back the corresponding liability in its books, based on expert opinion obtained by AASL on Air India Limited's letter dated 21 March 2008 intimating that Air India Limited's write off did not prejudice Air India Limited's right to recover the same from AASL in future. We are unable to express our opinion on the impact of this non write-back (of the liability due to Air India Limited) will have on the financial statements of the company.</p> <p>(viii) We are unable to comment on non accounting of aircraft lease charges, handling charges for administration and operational support, charges for substitution of aircrafts and charges for labour hours spent on in-house maintenance of ATR/CRJ aircrafts (amount not ascertained by the company) (Previous year Rs. 2079 lacs) payable to Air India Limited in light of supplementary note dated 25 April 2011 to MOU dated 04 October 2010 between Air India Limited and AASL, whereas the income corresponding to above has been accounted for by AASL disregarding the matching cost concept of revenue recognition. Further, having substantial impact on accounts, the company should have quantified and disclosed the amounts not booked / accounted during the year.</p> <p>(ix) Profit and Loss Account includes Traffic Revenue of Rs. 24,216.09 lacs (other than charter revenue) accounted for on the basis of ledger account of Air India Limited and expenditure on Service charges of Rs. 546.13 lacs and Other Operating and Administration expenses of Rs. 6,470.48 lacs accounted for only on the basis of credit and debit notes raised by Air India Limited. In absence of basic records / vouchers / supporting documents and relevant details, the revenue and expenditure stated above remained unverified to that extent.</p> <p>(x) System of Inventory Accounting followed by the company is not proper / complete. In this respect our observations are as below :-</p> <p>(a) In respect of ATR / CRJ aircraft inventories, procurement is made by Air India Limited and later on transferred to the company without any invoice and charging of applicable sales</p>	<p>Suitable and adequate disclosures have been made in the Notes on Accounts No. 4(i) & 13(e)(i) – Schedule XX.</p> <p>Suitable disclosure has been made in the Notes on Accounts No. 11 – Schedule XX.</p> <p>In terms of the MOU between Air India and AASL, for economy of cost and to avoid duplication/overlapping of resource deployment, Accordingly, AASL operations are carried out in utmost synergy with its parent airline. Accordingly, sales network, PSS system and revenue MIS are commonly shared by AASL with AIL. Similarly, for catering and other services, AASL share common caterers/ service The system of accounting also reflects this synergy. However, for all debit / credit notes, the supporting records / vouchers / documents are maintained by the holding company, AIL, which has its own controls & procedures and its records are subject to audit.</p> <p>Moreover, the revenue recognition is as per Accounting Policy no.4 – Schedule XIX.</p> <p>For reasons explained in 2(ix) above, AASL does not have elaborate back office, therefore, Air India only provides administrative support for procurement & stocking of the inventory as required by AASL. The payments to the vendors are mostly made by the company. Since, AIL procure and store items on behalf of AASL without the same require for its own use, no sale is involved. Suitable disclosure has been made in Para 3 (i) under Notes on</p>

Sr. No.	Audit Observations	Management Comments
	<p>tax (VAT) - amount and its impact on accounts is unascertainable. Moreover, sufficient control does not exist to ensure that all inventory transactions are authorized, processed and accounted completely.</p> <p>(b) Custom duty 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 taken on lease from the manufacturers and also include freight, incidentals etc. on aircraft components and spares exported for repairs. In the absence of its item wise segregation and loading, the balance of custom duty and freight on aircraft spares amounting to Rs. 528.11 lacs (Previous Year Rs. 420.67 lacs) lying at the end of the year under Current Assets and Rs. 39.01 lacs (Previous Year Rs. 36.24 lacs) charged to material consumed during the year remained unverified and hence correctness of these amounts and their impact on financials could not be commented upon.</p> <p>(c) The company is not maintaining any record of Inventories at its stores in Delhi, Hyderabad and Kolkata and the financial figures are incorporated in its books at the year end on the basis of abstract received from Air India Limited showing the values of different categories of inventories. In absence of details, correctness of Inventory could not be verified and its impact on accounts could not be commented upon.</p> <p>(d) The consumption of inventory is booked at the year end on the basis of balance arrived at from opening stock plus purchases made during the year less closing stock (advised by Air India Limited) at the end of the year instead of accounting on the basis of actual consumption and disclosing the shortages / excesses, if any, separately. Thus it is not in accordance with the accepted inventory accounting practices and AS-2 (revised) on valuation norms issued by the ICAI. Hence, the consumption of inventory amounting to Rs. 777.31 lacs (Previous Year Rs. 523.26 lacs) could not be verified and impact on accounts can not be commented.</p> <p>(e) Non-compliance of Accounting Standard AS-2 (Revised) "Valuation of Inventory"-</p> <p>i. Inventories have been valued without complete identification and allocation of</p>	<p>Accounts – Schedule XX.</p> <p>GRANs are issued and inventory statements are prepared and certified in respect of ATR/ CRJ inventory.</p> <p>Suitable disclosure has been made in Para 3 (iii) under Notes on Accounts – Schedule XX</p> <p>Suitable disclosure has been made in Para 3 (i) under Notes on Accounts – Schedule XX.</p> <p>Suitable disclosure has been made in Para 3 (i) under Notes on Accounts – Schedule XX.</p> <p>Suitable disclosure has been made in Para 3 (iii) under Notes on Accounts – Schedule XX.</p> <p>Inventories are valued at weighted average cost, as disclosed in the Accounts in Schedule III.</p>

Sr. No.	Audit Observations	Management Comments
	<p>freight, duties, incidentals etc. with respect to individual items (also refer para 2(x)(b) above).</p> <p>ii. Further, inventories have been valued at cost as against lower of cost and net realizable value.</p> <p>Impact of the above on the accounts remained unascertained.</p> <p>(xi) The accounts with the Airport Authority of India Ltd. and BPCL are un-confirmed and un-reconciled which may include elements of expenditure / income. In absence of confirmations and reconciliations as on 31 March 2011, we are unable to comment on their impact on the accounts.</p> <p>(xii) Accounting of certain transactions on settlement basis (Refer Accounting Policy No. 4 and 10 (b), (c) of Schedule XIX) are not in accordance with accrual method of accounting, Accounting Standard AS-1 on "Disclosure of Accounting Policies" and AS-5 (Revised) on "Net Profit or Loss for the period, prior period items and changes in Accounting Policies" issued by ICAI. Amount and impact on accounts unascertained.</p> <p>(xiii) Accounting policy of the company with respect to accounting of prior period items and prepaid / accrued expenses upto Rs. 10,000/- for individual items (refer Accounting Policy No. 8 and 10 (a) of Schedule XIX) in the year of receipt / payment is not in accordance with accrual method of accounting and Accounting Standard AS -5 (revised) issued by the ICAI. Amount and impact on accounts unascertained.</p> <p>(xiv) The internal control system and accounting procedures are generally in-adequate and not implemented / enforced resulting in lack of regular, complete and correct flow of information, specially in the following areas :</p> <ul style="list-style-type: none"> ● Transactions relating to Traffic Revenue (except charter revenue); ● Expenditure on Service Charges; ● Expenditure relating to interrupted trips; 	<p>Suitable disclosures have been made in Para 8 in the Notes on Accounts Schedule XX.</p> <p>This policy is being consistently followed over the years.</p> <p>The Prior period and pre-paid expenses have been accounted for as per Accounting Policies no. 8 and 10 (a) of Schedule XIX.</p> <p>The holding company, Air India provides flight handling, sales & marketing, reservation and other infrastructural supports to the Company in terms of MoU signed between the two as explained in para 2(ix) above. 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 Air India may be taken in the light of above background.</p> <p>Revenue is accounted in terms of declared Accounting Policy no.4 – Schedule XIX.</p> <p>Service Charges are paid to Air India 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 Air India on behalf of the company, adequate records and control & procedures exist at Air India Limited.</p>

Sr. No.	Audit Observations	Management Comments
	<ul style="list-style-type: none"> ● Expenditure on SOD Tickets; ● Retrieval of catering dry stores; ● ATR / CRJ 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; ● Employee leave record and encashment of leave; ● Delay in issuance of bills for freighter income to DOP after due date. <p>(xv) The company has not provided liability for leave encashment to the employees for year-end leave balance as required by AS-15 (revised) issued by the ICAI (Refer policy no. 6 of schedule XIX of Significant Accounting Policies). Amount and impact on accounts unascertained.</p> <p>Non-accounting of advance passenger receipts, revenue from no show pax and income from cancellation fee, Income from refund administration fees and commission earned on PSF. Amount and impact unascertained.</p> <p>(xvi) Mail / Cargo revenue is being charged at a single rate per ton kilometer instead of billing at various rates in addition to the basic rate, viz. documentation charges, valuation charges, cartage charges, demurrage charges etc. Amount and impact unascertained.</p> <p>(xvii) Non-confirmation of balances in respect of accounts receivable and payable, advance to parties, sundry creditors 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>The SOD travel is as per SOD order issued from Alliance Air. The expenditure is booked as per the debits from Air India Limited.</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 Air India. The accounting is made by AASL as already disclosed in Para 2 (i) of Notes on Accounts Schedule XX.</p> <p>With ATR, there is a running account, both amounts payable as well as receivable with balance mostly remain payable to them. Notwithstanding, follow up with ATR is regular for issuance of credit notes wherever required.</p> <p>Noted.</p> <p>The bills on DOP were raised on receipt of requisite support details from Engineering & other concerned departments. These details were necessary for DOP to process payment.</p> <p>AASL employees are entitled to PL encashment upto a maximum of 15 days in a financial year subject to the provisions of rule in this regard. It is further subject to prior approval of the Competent Authority and can not be claimed as matter of right. The employees are under Fixed Term Employee Agreement (FTEA) and any unused balance at the time of cessation of the Agreement (including resignation) in this regard lapses automatically.</p> <p>Since, all sales are made through AIL network, AASL account for the revenue for passengers flown on its flights. Thus, passenger revenue is accounted for on the basis of flown passenger in terms of declared Accounting Policy no.4, Schedule XIX.</p> <p>Cargo activities like booking, documentation, security, warehousing and local transportation etc are carried out by Air India on behalf of the company and Air India maintains the detailed records at their end and transfer cargo revenue on flown basis. Thus, duplication of same infrastructure for AASL is avoided in the interest of economy on administrative costs and synergy. As such, the Cargo revenue is booked in terms of Accounting Policy no. 4 under Schedule XIX.</p> <p>The reconciliation is a continuous process.</p>

Sr. No.	Audit Observations	Management Comments
	<p>(xviii) Non-charging of Sales Tax (VAT) by Air India Limited in respect of supplies of dry stores items to the company. Amount and impact unascertained.</p> <p>(xix) The company has shown contingent liability amounting to Rs. 6,585.66 lacs in respect of income tax demands for which no provision has been made as these demands are said to be disputed by the company in appeals (refer note no. 2 of Schedule XX). In view of pending appeals and legal opinion obtained by the company, we are unable to comment upon the liability of the company and its impact on accounts is currently not ascertainable.</p> <p>(xx) Debtors include Rs. 2940.35 lacs recoverable from M/s Gati Limited outstanding since Feb'2009 for aircrafts operated by AASL. Air India Limited had invoked their bank guarantee and recovered Rs. 3000 lacs which was transferred to AASL and the same has been kept by AASL in a separate account of "Security Deposit - Gati" under 'Other Liabilities' as the matter is stated to be in dispute between Air India Limited and M/s Gati Ltd. pending before the Arbitration Tribunal. Accordingly, we are unable to express our opinion on the impact of non-recoverability from or refund to the aforesaid debtor.</p> <p>In respect of observations contained in paragraphs 2. (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix), (xx) and (xxi) above, we are unable to express our opinion regarding the effect on the accounts in respect of the matters specified therein. 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 Act in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:</p> <p>(i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March,2011 and</p> <p>(ii) in the case of Profit & Loss Account, of the loss for the year ended on that date.</p> <p>(iii) In the case of the Cash Flow statement, of the cash flows for the year ended on that date.</p>	<p>There is no sale of dry stores items by Air India to the company as Air India only provides administrative support for procurement & stocking of Dry Store items as required as per the arrangements like any other support. This is also explained in reply to para 2(ix) above.</p> <p>Disclosed as Contingent liability in Note on Accounts - Para 1 (c) and 2 for these years.</p> <p>Disclosed in Note on Accounts – Para 12, Schedule XX. The agreement was executed between Air India & GATI and the matter is presently subjudice.</p> <p>Self explanatory</p>

ANNEXURE TO THE AUDITOR'S REPORT

Sr. No.	Audit Observations	Management Comments
(i)	<p>(a) The records maintained by the company in respect of its fixed assets are not considered to be proper in so far as these do not give full particulars of quantitative details, asset identification nos. and situation of fixed assets.</p> <p>(b) According to the information and explanations given to us, the physical verification of fixed assets was to be carried out on biennial basis by the company. As explained, last verification was carried out for the period ended 31st March'2007, for which reconciliation is still in the process of finalization. The exercise of writing off unserviceable and 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 during the year under audit which was due to be carried out in 2008-09.</p> <p>(c) During the year, no substantial part of fixed assets have been disposed off by the Company.</p>	<p>Noted. The Company has small fixed assets base. The deficiencies if any, in the records would be identified on verification of assets and adjustments if any would be made in the following year.</p> <p>Noted as above.</p> <p>Statement of fact.</p>
(ii)	<p>(a) According to information and explanations given to us, physical verification of inventory has not been conducted by the company other than ATR store at Kolkata and CRJ store at Delhi which was conducted subsequent to the year end. We are of the opinion that the frequency of such verification is not at reasonable intervals.</p> <p>(b) Documents / information detailing the procedures followed by the management for aforesaid physical verification of inventory were not provided to us. Hence, we are unable to comment on the reasonableness and adequacy of procedures of such verification followed by the Management in relation to the size of the company and the nature of its business.</p> <p>(c) As explained to us, inventories for ATR / CRJ Aircraft are procured by Air India Limited and records relating to receipts, issues and closing stock are maintained by Air India Limited. Further, accounting entries by AASL are made for receipts on the basis of advice from Air India Limited which is delayed in almost all cases and for issues at the year end only. Accordingly, we are unable to comment whether the company has maintained proper records of inventory. Discrepancies noticed during physical verification of ATR stores at Kolkata and CRJ store at Delhi were not quantified and not dealt with / adjusted in the books of accounts.</p>	<p>The physical verification of inventory is being conducted by the Internal auditors on annual basis and considered to be reasonable interval.</p> <p>The report of Internal Audit for the year is on record.</p> <p>The aircraft inventory is maintained / controlled by Air India on OASIS system on behalf of AASL and adequate records for receipt and issue of materials are generated / available.</p> <p>Since, inventory is maintained & controlled by AIL, action for discrepancy, if any, would be taken after verification of records with the assistance of Air India.</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 companies, firms or other parties covered in the register maintained under section 301 of the Act during the year.</p> <p>It may however be mentioned that the company has granted an interest free unsecured loan of Rs. 2.61 Lacs</p>	<p>The matter is being followed up for recovery / settlement.</p>

Sr. No.	Audit Observations	Management Comments
	<p>(Previous Year 2.61 Lacs) to an ex-deputationist from Government of India, which has not being recovered since Long.</p>	
	<p>(b) Based on the information and explanations provided, since the company has not granted / taken any loans except as stated above, the sub-clauses (b) to (g) are not applicable.</p>	<p>Statement of fact.</p>
(iv)	<p>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 purchase of fixed assets and inventory, recording of revenue, inventory control, sale / lending of inventories and spares and certain expenditure and services (also refer para 2(xiv) of our Audit Report). The weaknesses in internal control procedures have been observed and reported repeatedly due to continued failure and non improvement over the years.</p>	<p>The company has its own internal control procedures with regard to the expenditure / purchases. As explained in para 2(ix) above all major purchases are made through AIL. AASL share AIL Revenue Accounting. In other areas also AIL systems are utilized and relied upon by the company. For the transactions handled by AIL on behalf of AASL, the basic records are maintained by AIL, which has adequate internal control procedures.</p>
(v)	<p>(a) Based on the audit procedures applied by us and according to the information and explanation provided by the management, we are of the opinion that there are no particulars of contracts and arrangements referred to in Section 301 of the Act that need to be entered into the register required to be maintained under that section.</p>	<p>Self-explanatory.</p>
	<p>(b) Hence, the question of commenting whether the transactions made in pursuance of such contracts or arrangements, were made at prices which are reasonable having regard to the prevailing market prices at the relevant time does not arise.</p>	<p>Self-explanatory.</p>
(vi)	<p>According to the information and explanations given to us, the company has not accepted any deposits from the public during the year, therefore, provision of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the company.</p>	<p>Statement of fact.</p>
(vii)	<p>The internal audit function was carried out during the year by a firm of chartered accountants appointed by the management. In our opinion, the internal audit system needs to be strengthened and improved to make it commensurate with its size and nature of the company's 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 and frequency of audit and compliance to the internal audit findings.</p>	<p>Noted</p>
(viii)	<p>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.</p>	<p>Statement of fact.</p>

Sr. No.	Audit Observations	Management Comments																
(ix)	<p>(a) According to the information and explanations given to us and the records of the company examined by us, undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax, Income Tax Deducted at source and other statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities but many cases of delay in deposit were noticed in case of tax deducted at source and significant delays in deposit in most of the cases of service tax. Custom duty payments are handled by Air India Limited but confirmation from Air India Limited was not made available to us as to whether there are any undisputed dues pending at the year end or not.</p> <p>(b) According to the information and explanations given to us, as at 31st March 2011, there are no disputed dues for Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax, Custom duty and other statutory dues etc. outstanding and unpaid at the year end except the following (referred to in Note no. 1 (c) in Schedule 'xx'):</p> <table border="1" data-bbox="197 938 791 1327"> <thead> <tr> <th data-bbox="203 938 340 1051">Statute & nature of dues</th> <th data-bbox="340 938 477 1051">Amount (Rs. in lac)</th> <th data-bbox="477 938 614 1051">Period to which the amount relates</th> <th data-bbox="614 938 785 1051">Forum where the dispute is pending</th> </tr> </thead> <tbody> <tr> <td data-bbox="203 1051 340 1178">Income Tax demand</td> <td data-bbox="340 1051 477 1178">Rs.140.44</td> <td data-bbox="477 1051 614 1178">A.Y. 1997 - 1998</td> <td data-bbox="614 1051 785 1178">Filing review Appeal with ITAT is under process</td> </tr> <tr> <td data-bbox="203 1178 340 1306">Income Tax demand</td> <td data-bbox="340 1178 477 1306">Rs.174.31</td> <td data-bbox="477 1178 614 1306">A.Y. 2000 - 2001</td> <td data-bbox="614 1178 785 1306">Appeal pending with ITAT</td> </tr> <tr> <td data-bbox="203 1306 340 1327">Income Tax demand</td> <td data-bbox="340 1306 477 1327">Rs.6263.84</td> <td data-bbox="477 1306 614 1327">A.Y. 2008 - 2009</td> <td data-bbox="614 1306 785 1327">Appeal pending with CIT(A)</td> </tr> </tbody> </table>	Statute & nature of dues	Amount (Rs. in lac)	Period to which the amount relates	Forum where the dispute is pending	Income Tax demand	Rs.140.44	A.Y. 1997 - 1998	Filing review Appeal with ITAT is under process	Income Tax demand	Rs.174.31	A.Y. 2000 - 2001	Appeal pending with ITAT	Income Tax demand	Rs.6263.84	A.Y. 2008 - 2009	Appeal pending with CIT(A)	<p>Self-explanatory.</p> <p>No undisputed dues in this regard have been advised by Air India.</p> <p>This is disclosed in the Notes on Accounts, Para 1 (C) – Schedule XX.</p>
Statute & nature of dues	Amount (Rs. in lac)	Period to which the amount relates	Forum where the dispute is pending															
Income Tax demand	Rs.140.44	A.Y. 1997 - 1998	Filing review Appeal with ITAT is under process															
Income Tax demand	Rs.174.31	A.Y. 2000 - 2001	Appeal pending with ITAT															
Income Tax demand	Rs.6263.84	A.Y. 2008 - 2009	Appeal pending with CIT(A)															
(x)	<p>The company has accumulated losses at the year end and its net worth is in negative. The company has incurred cash losses during the year under report and also in the immediately preceding financial year.</p>	Statement of fact.																
(xi)	<p>According to the records of the company and on the basis of information and explanations given to us, there is no amount due to financial institutions or banks or debenture holders.</p>	Statement of fact.																
(xii)	<p>According to the records of the company and on the basis of the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p>	Statement of fact.																
(xiii)	<p>In our opinion, considering the nature of activities carried out by the company during the year, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it. Accordingly, the provisions of this clause are not applicable to the company.</p>	Statement of fact.																
(xiv)	<p>According to the records of the company and on the basis of information and explanations given to us, the company has no</p>	Statement of fact.																

Sr. No.	Audit Observations	Management Comments
	dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of this clause are not applicable to the company.	
(xv)	According to the records of the company and on the basis of 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 and on the basis of information and explanations given to us, the Company has not obtained any term loans during the year. Accordingly, the provisions of this clause are not applicable to the company.	Statement of fact.
(xvii)	According to the records of the company and on the basis of information and explanations given to us, there are no funds raised on short term basis which have been used for long term investments during the year.	Statement of fact.
(xviii)	According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year. Accordingly, the provisions of this clause are not applicable to the Company.	Statement of fact.
(xix)	According to the information and explanations given to us, the company has not issued any debentures during the year. Accordingly, the provisions of this clause are not applicable to the Company.	Statement of fact.
(xx)	According to the information and explanations given to us, the company has not raised any money by public issue during the year. Accordingly, the provisions of this clause are not applicable to the Company.	Statement of fact.
(xxi)	During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and as per explanations furnished to us by the management, we have neither come across any instances of fraud on or by the company or noticed or reported during the year, nor have we been informed of such cases by the management.	No such instance has come to the notice / reported

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

Particulars	Schedule	As at March 31, 2011		As at March 31, 2010	
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		60936652		60050044	
Less : Depreciation		46272033		42187261	
b) Net Block			14664619		17862783
(2) (A) CURRENT ASSETS, LOANS AND ADVANCES					
a) Inventories	III	136023164		127189139	
b) Sundry Debtors	IV	584778213		1328035094	
c) Cash and Bank Balances	V	3789341		801814	
d) Loans and Advances	VI	118712686		86421309	
e) Other Current Assets	VII	208782469		346446375	
		1052085873		1888893731	
Less :					
(B) CURRENT LIABILITIES AND PROVISIONS					
a) Liabilities	VIII	6393958792		7040670296	
b) Provisions	IX	479245005		381313518	
		6873203797		7421983814	
NET CURRENT ASSETS (A - B)			(5821117924)		(5533090083)
(3) PROFIT AND LOSS ACCOUNT			5828953305		5537727300
TOTAL			22500000		22500000

Significant Accounting Policies

XIX

Notes on Accounts

XX

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

As per our separate report of even date.

FOR PRASAD AZAD & CO.

Chartered Accountants

Firm Registration No.: 001009N

For and on behalf of the BoardSd/-
K.M. Azad
Partner
M. No. 05125Sd/-
Vijay Paul
DirectorSd/-
Vipin K. Sharma
Incharge, AASL & DirectorSd/-
Arun K. Goyal
Company SecretarySd/-
A.K. Agrawal
Executive Director

Place : New Delhi

Date : 12 December, 2011

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

(Amount in Rupees)

Particulars	Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
I. INCOME :			
Traffic Revenue	X	2903545314	3172919792
Miscellaneous Revenue	XI	218713471	58722596
Grant for ATR-operation		460344600	454638000
I		3582603385	3686280388
II. EXPENDITURE :			
Aircraft Lease Handling & Maintenance Charges	XII	1491891551	1517046011
Fuel and Oil (Aircraft)		1120381996	1275145114
Landing, Housing, Parking and Other Airport Fees		32431446	71945901
Navigational Charges		97474924	105501362
Food Services and Other Passenger Amenities	XIII	43320963	36630127
Insurance	XIV	30393965	33461729
Material Consumed - Aircraft		77731226	52326154
Training Expenses		25744797	28826212
Service Charges		56413830	45677050
Employees' Remuneration and Benefits	XV	478616242	480590757
Other Operating Expenses	XVI	260985672	340678133
General Administration Expenses	XVII	59641976	46960241
Depreciation	II	4000612	3809466
Provision for Obsolescence of Spares		48467910	24344399
Provision for Doubtful Recovery		-	133540
Provision for Redelivery Cost		20423573	16404736
II		3847920683	4079480932
OPERATING PROFIT / (LOSS)	{ I - II }	(265317298)	(393200544)
Add : Prior Period Adjustments (Net)	XVIII	25908707	22204167
PROFIT / (LOSS) BEFORE TAX		(291226005)	(415404711)
PROFIT / (LOSS) AFTER TAX		(291226005)	(415404711)
Add : Loss Brought Forward		5537727300	5122322589
Loss Carried to Balance Sheet		(5828953305)	(5537727300)
Basic & Diluted Earning per share of Rs.100/- each - (Refer Note No. 16 of Schedule XX)		(1294.34)	(1846.24)
Significant Accounting Policies	XIX		
Notes on Accounts	XX		

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

As per our separate report of even date.

FOR PRASAD AZAD & CO.
Chartered Accountants
Firm Registration No.: 001009N

For and on behalf of the Board

Sd/-
K.M. Azad
Partner
M. No. 05125

Sd/-
Vijay Paul
Director

Sd/-
Vipin K. Sharma
Incharge, AASL & Director

Sd/-
Arun K. Goyal
Company Secretary

Sd/-
A.K. Agrawal
Executive Director

Place : New Delhi
Date : 12 December, 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 :				
a) Profit / (Loss) Before Tax for the year as per Profit & Loss A/c		(291226005)		(415404711)
b) Add : Adjustment for :				
1. Depreciation	4084772		3809466	
2. Provisions / Liabilities Written Back	(2204560)		(6556975)	
3. Loss / (Profit) on Disposal of Fixed Assets	-		(4200)	
4. Provision made during the year	143473843		124571756	
5. Provision for obsolescence of spares	48467910		24344399	
6. Provision for doubtful debts & advances (Net)	-	193821965	133540	146297986
c) Operating Profit / (Loss) before Working Capital changes.		(97404040)		(269106725)
Add : Change in working capital*				
- (Increase)/Decrease in Sundry Debtors	743256881		(620239821)	
- (Increase)/Decrease in Stock	(57301935)		(26685771)	
- (Increase)/Decrease in Other Current Assets	137663907		(106999817)	
- (Increase)/Decrease in Loans & Advances	3030478		445342	
- (Increase)/Decrease in Current Liabilities	(644506944)	182142387	1050592740	297112673
(*Increase in Current Assets and Decrease in Current Liabilities are shown in brackets)				
d) Cash generated from Operation		84738347		28005948
Less : Adjustments against previous year Provisions	(45542355)		(8918740)	
Less : Wealth Tax paid	-		(1030)	
Less : FBT paid	-		(500000)	
Less : Income Tax paid	(35321855)	(80864210)	(18149883)	(27569653)
e) Net Cash from Operating Activities				436295
B. CASH FLOW FROM INVESTING ACTIVITIES :				
a) Purchase of Fixed Assets		(886609)		(1287299)
b) Proceeds from disposal of Fixed Assets		-		(54185)
		(886609)		(1341484)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
				NIL
D. NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)				(905189)
E. CASH & CASH EQUIVALENTS AS AT 01.04.2010				1707003
F. CASH & CASH EQUIVALENTS AS AT 31.03.2011 (E+D)				801814
		3874137		
				2987528
				801814
				3789342

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.

As per our separate report of even date.

FOR PRASAD AZAD & CO.
Chartered Accountants
Firm Registration No.: 001009N

For and on behalf of the Board

Sd/-
K.M. Azad
Partner
M. No. 05125

Sd/-
Vijay Paul
Director

Sd/-
Vipin K. Sharma
Incharge, AASL & Director

Sd/-
Arun K. Goyal
Company Secretary

Sd/-
A.K. Agrawal
Executive Director

Place : New Delhi
Date : 12 December, 2011

SCHEDULES FORMING PART OF THE ACCOUNTS**SCHEDULE I : SHARE CAPITAL****(Amount in Rupees)**

Particulars	As at March 31, 2011	As at March 31, 2010
a) AUTHORISED CAPITAL		
5,00,000 (Previous Year 5,00,000) Equity Shares of Rs. 100/- each	50000000	50000000
b) ISSUED, SUBSCRIBED & PAID UP CAPITAL		
2,25,000 (Previous Year 2,25,000) Equity shares of Rs.100/- each fully paid up (100% held by holding company - Air India Ltd.)	22500000	22500000

SCHEDULE II : FIXED ASSETS & DEPRECIATION**(Amount in Rupees)**

Particulars of Assets	Rate of Dep.	Gross Block as on 1-4-2010	Additions During 2010-11	Sold/ Discarded during 2010-11	Adjustment (+) add in F.A (-) less in F.A	Gross Block as on 31-3-2011	Accum. Depreciation upto 31-3-2010	Depreciation for the year 2010-11	Accum. Dep. on Assets Discarded	Adjustment (+) add in Dep. (-) less in Dep.	Accum. Depreciation upto 31-3-2011	Net Block as on 31-3-2011	Net Block as on 31-3-2010
FURNITURE & FIXTURES	6.33%	10996970	-	-	-	10996970	8839746	379476	-	-	9219222	1777748	2157224
OFFICE EQUIPMENT	4.75%	9149781	21018	-	-	9170799	4866624	404510	-	-	5271134	3899665	4283157
TELECOM EQUIPMENT	4.75%	2926461	-	-	-	2926461	1690566	126453	-	-	1817019	1109442	1235895
MOTOR VEHICLE	9.50%	5849609	-	-	-	5849609	4784678	379614	-	-	5164292	685317	1064931
DATA PROCESSING EQUIPMENT	16.21%	10603477	256015	-	-	10859492	9987085	383190	-	-	10370275	489217	616392
GROUND SUPPORT EQUIPMENT	4.75%	4498006	-	-	-	4498006	3029578	100484	-	-	3130062	1367944	1468428
GROUND SUPPORT EQUIPMENT (ATR)	(as per policy)	14652243	609576	-	-	15261819	7777298	2199190	-	84160	10060648	5201171	6874945
MEDICAL EQUIPMENT	7.07%	392480	-	-	-	392480	230670	27695	-	-	258365	134115	161810
FA PENDING DISPOSAL		981016	-	-	-	981016	981016	-	-	-	981016	-	-
TOTAL		60050044	886609	-	-	60936652	42187261	4000612	-	84160	46272033	14664619	17862783
PREVIOUS YEAR		58762745	1345683	-	-	60050044	38436180	3809466	-	-	42187261	17862783	20326565

Note :

- The Motor Vehicles include two cars, original cost Rs.2,83,145/- and W.D.V. Rs.NIL for which Registration is in the name of Indian Airlines.
- Gross Block as on 31-3-2011 includes Rs.88,60,968/- (Rs.88,38,018/- as on 31-3-2010) for the assets below Rs.5000/- each on which depreciation @100% has been charged.
- Fixed Assets includes items procured by erstwhile Indian Airlines, accounted on the basis of debits.
- Accumulated Depreciation includes Rs.9,81,016/- on F.A Pending disposal being 100% provisions brought forward from previous years.

SCHEDULE III : INVENTORIES

(Amount in Rupees)

Particulars	As at March 31, 2011		As at March 31, 2010	
(As taken, valued and certified by management) (Valued at Weighted cost)				
(I) Aircraft Inventories				
a) Spares - Non-Rotables	117736047		89183539	
b) Spares - Rotables	56035481		46856829	
c) Special Tools	17984769		16780208	
d) General Tools	222233		222233	
e) Custom / Freight on Aircraft Spare Parts	52811017		42066749	
	244789547		195109558	
Less : Provision for Obsolescence	122636015	122153532	74168105	120941453
(II) Goods in Transit (Aircraft)		10207880		1467693
(III) Other Inventories				
a) Fuel and Oil (Aircraft)		3231482		2792694
b) Other Consumables		430270		1987299
		136023164		127189139

SCHEDULE IV : SUNDRY DEBTORS

(Amount in Rupees)

Particulars	As at March 31, 2011	As at March 31, 2010
(Unsecured)		
I. Considered Good		
Debts Outstanding for more than six months	315239941	895958076
Others	269538272	432077018
II. Considered Doubtful		
Debts Outstanding for more than six months	326200	326200
	585104413	1328361294
Less : Provision for doubtful debts	326200	326200
	584778213	1328035094

SCHEDULE V : CASH AND BANK BALANCES

(Amount in Rupees)

Particulars	As at March 31, 2011	As at March 31, 2010
a) Cash-in-Hand	-	-
b) With Scheduled Banks in - Current Accounts	3789341	801814
	3789341	801814

SCHEDULE VI : LOANS AND ADVANCES

(Amount in Rupees)

Particulars	As at March 31, 2011		As at March 31, 2010	
(Unsecured and considered good, unless otherwise stated)				
a) Loans and Advances to Staff Less : Provision for doubtful advances	846410 75960	770450	224655 75960	148695
b) Claims Recoverable from Staff Less : Provision for doubtful recovery	8524387 8524387		- 8524387	
c) Advance Recoverable in Cash or Kind or for Value to be received Less : Provision for doubtful advances	7539292 378183	7161109	11253438 378183	10875255
d) Advance Income Tax and Tax Deducted at Source Less : Provision for Income Tax	103569364 15691335		87878029	
e) Prepaid Expenses		21098633		21036720
f) Security Deposits		1804465		1804465
		118712686		86421309

SCHEDULE VII : OTHER CURRENT ASSETS

(Amount in Rupees)

Particulars	As at March 31, 2011		As at March 31, 2010	
a) Receivable under ATR/CRJ Agreements ATR France Cilan With-holding Tax	11922732 - 1568804	13491536	37046115 275895 2628032	39950042
b) Maintenance Contribution (deposit) Less : Provision for Maintenance Expenses	631715728 631715728		- 407656255	
c) Grant from NEC - Shillong Receivable		195290933		306496333
		208782469		346446375

SCHEDULE VIII : CURRENT LIABILITIES

(Amount in Rupees)

Particulars	As at March 31, 2011	As at March 31, 2010
A) SUNDRY CREDITORS		
a) Air India Ltd. - Holding Company	4577236483	5788566888
b) Others	1166548865	664750152
	5743785348	6453317040
B) OTHER LIABILITIES		
a) Tax Deducted at Source - payable	19515224	14115378
b) Security Deposit from Staff	19248274	16040326
c) Security Deposit - GATI	300000000	300000000
d) Others	311409946	257197552
	650173444	587353256
	(A + B)	7040670296

SCHEDULE IX : PROVISIONS

(Amount in Rupees)

Class of Provision	Opening Balance on 01.04.2010	Amount Used during the year	Unused Amount reversed during the year	Provision Outstanding from Opening Balance	Provision made during the year	Closing Balance on 31.03.2011
Provision for Fringe Benefit Tax	4674600	-	-	4674600	-	4674600
Provision for Bonus	1803197	1406947	-	396250	1169169	1565419
Provision for Gratuity	23059336	1779319	-	21280017	3974994	25255011
Provision for Landing and Navigation	132042063	10228077	-	121813986	57961522	179775508
Provision for Food Services and Other Pax Amenities	1835025	837000	-	998025	9331346	10329371
Provision for Other Operating Expenses	217899297	31291012	-	186608285	23126776	209735060
Provision for Other Expenses (Air India)	-	-	-	-	47910036	47910036
Total Provision	381313518	45542355	-	335771163	143473843	479245005

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

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Passenger Revenue	2279802292	1877723270
b) Charter Revenue	481935508	1250264000
c) Cargo Revenue	25853371	28513342
d) Excess Baggage Revenue	15171267	12779389
e) Mail Revenue	100782876	3639791
	2903545314	3172919792

SCHEDULE XI : MISCELLANEOUS REVENUE

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Other Miscellaneous Revenue	13464183	24783160
b) Foreign Exchange Fluctuation Account	-	27382461
c) Liabilities / Provisions no longer required written back	2204560	6556975
d) Maintenance Contribution Refund	203044728	-
	218713471	58722596

SCHEDULE XII : AIRCRAFT LEASE, HANDLING & MAINTENANCE

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Aircraft Lease & Maintenance Charges	1488371022	1498297534
b) Aircraft Handling Charges	3520529	18748477
	1491891551	1517046011

SCHEDULE XIII : FOOD SERVICES & PASSENGER AMENITIES

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Inflight Catering Expenses	35577230	25861172
b) Interrupted Trip Expenses	4854196	6639017
c) Inflight Dry Store Items	2889537	4129938
	43320963	36630127

SCHEDULE XIV : INSURANCE

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Aircraft Insurance including Spares	10483437	12668930
b) CSL & Passenger Liability	19910528	20792799
	30393965	33461729

SCHEDULE XV : EMPLOYEES' REMUNERATION & BENEFITS

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Pay and Allowances	460897601	465401664
b) Employer's Contribution to P.F.	6788856	6551807
c) Staff Welfare Expenses	2982922	3185777
d) Other Staff Cost	2802700	1003567
e) Bonus / Ex-Gratia	1169169	1443989
f) Gratuity	3974994	3003953
	478616242	480590757

SCHEDULE XVI : OTHER OPERATING EXPENSES

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Publicity and Sales Promotion	5796	2484
b) Aircraft Cleaning and Furnishing	1511631	1671672
c) Telephone Expenses	2104498	2291213
d) Travelling Expenses	21997401	21473138
e) Hotel Accomodation	17045601	24757940
f) Hire of Transport for Crew	16077770	15806212
g) Other Operating Expenses	2938805	3512551
h) Technical Services	199304170	271162923
	260985672	340678133

SCHEDULE XVII : GENERAL ADMINISTRATION EXPENSES

(Amount in Rupees)

Particulars	2010 - 11	2009 - 10
a) Printing and Stationery	309465	274044
b) Repairs and Maintenance - Vehicles	2323210	2150927
c) Repairs and Maintenance - Others	865918	1432054
d) Auditors' Remuneration :		
Statutory Audit Fee	400000	350000
Other Services - Cash Flow	50000	50000
Service Tax (including cess)	52994	41200
Other Expenses	64500	77123
e) Legal Fees and Professional Charges	1783673	2283021
f) Rent	18489904	17176266
g) Housekeeping	20353591	16999010
h) Other Miscellaneous Expenses	6575042	6126596
i) Foreign Exchange Gain / Loss	8373679	-
	59641976	46960241

SCHEDULE XVIII : PRIOR PERIOD ADJUSTMENTS (NET)

(Amount in Rupees)

Particulars	2010 - 11 DR / (CR)	2009 - 10 DR / (CR)
a) Fuel and Oil	10881387	4512528
b) Food Services and Other Passenger Amenities	24401	-
c) Aircraft Lease, Maintenance and Handling Charges	14861459	11385740
d) Training	1028772	-
e) Other Operating Expenses and General Admn. Expenses etc.	(887312)	6305899
Net	25908707	22204167

SCHEDULE XIX : SIGNIFICANT ACCOUNTING POLICIES**1. Basis 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 Air India Ltd. 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 is 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 is provided @ 100% in the year of acquisition. Depreciation on Ground Support Equipment (GSE) specific to leased CRJ & ATR aircraft is 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 is accounted for on the basis of flown coupons report for passengers travelled, reflecting realised revenue. Revenue for Excess Baggage, Mail and Cargo is accounted for on the basis of revenue credited by Air India Ltd. at rates applicable thereat. Freight and Charter revenue is 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

Provision in respect to Sundry debtors pertaining to the Government, Government Departments and Public Sector Undertaking is 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 and Leave Encashment

Provision for gratuity is made on accrual/actuarial basis by the management for contractual employees on the basis of 15 days basic salary for each completed year of service or part thereof exceeding 6 months. Employees are entitled for encashment upto a maximum of 30 days privilege leave once in a financial year for Cockpit crew and maximum of 15 days for other employees.

7. Training charges

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

8. Prior Period Transaction

Transactions above Rs.10,000/- for individual items related to the earlier period are accounted for in the year of transaction 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) is 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 are stated at cost.

(b) Provision for obsolescence of Aircraft Rotables and Special Tools is 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 Air India Ltd. 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 Profit & Loss A/c as per AS-11 (Revised).
- (c) Liabilities of foreign currency are revalued at the year end 'Bankers Selling Rate' Exchange difference arising on revaluation are transferred to Profit & Loss A/c.

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.

16. Operating Lease

Leases where the lessor effectively retains all the risks and rewards of ownership of the leased assets are classified as operating lease and lease rental payable for the year is charged to Profit & Loss Account.

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

	<u>2010-11</u>	<u>2009-10</u>
A. Standby Letter of Credits under Aircraft Lease and Maintenance Support Agreement for ATR and CRJ operations (Based on guarantee given by Air India Ltd. the parent company)	Rs. 1958.08	(Rs. 2027.22)
B. Claims against the company not acknowledged as debts : Miscellaneous claims (including for unsettled legal claims Rs. 16.30 lacs (Rs. 6.26 lacs) and interest on delays in foreign remittances)	Rs. 184.59	(Rs. 126.18)
C. Income Tax demand for A.Y. 1997-98 Appeal dismissed by ITAT in absence of COD approval (Total amount deposited under protest)	Rs. 140.44	(Rs. 140.44)
Income Tax demand for A.Y. 1998-99	Rs. 7.07	(Nil)
Income Tax demand for A.Y. 2000-01 Under Appeal with ITAT	Rs. 174.31	(Rs. 174.31)
Income Tax demand for A.Y. 2008-09 Under Appeal with CIT(A)	Rs. 6263.84	(Nil)
D. Estimated amount of contracts remaining to be executed on capital account and not provided for	Rs. 10.75	(Rs. 10.69)
E. Fringe Benefit Tax on Free / Concessional Tickets Provided to staff (From A.Y. 2006-07 to A.Y. 2009-10)	Rs. 275.87	(Rs. 275.87)
F. Demand from Oil Companies for which no details available or unconfirmed amounts during reconciliation	Rs. 121.35	(Rs. 121.35)

2. No provision has been considered necessary in respect of disputed demands of Income tax amounting Rs.6585.66 Lacs in view of company's appeals pending / in process of filing with appellate authorities and as advised by tax advisors. However, the same are shown above as contingent Liabilities.

3. Inventories (Schedule III - Aircraft Inventories) :

- i) The inventories mainly include Aircraft spares, rotables, consumables and tools of ATR and CRJ aircraft. The procurement is made by Air India Ltd. on behalf of the company. The consumption and closing stock therefore is on the basis of records and details derived from the stores records maintained / controlled by Air India Ltd. at Kolkata, Delhi and Hyderabad.
- ii) Goods in transit amounting to **Rs. 102.07 lacs** (Rs.14.68 lacs) include items at High Sea, items lying with Customs and items under inspection based on certification by Air India Ltd.
- iii) Custom Duties, Freight & Incidentals have been allocated on pro-rata basis on year end value of closing Aircraft spares, rotables and consumption.
- iv) Provision for Obsolescence of aircraft spares, rotables and special tools in respect of ATR and CRJ aircraft as on 31.03.2011 amounted to **Rs. 1226.36 lacs** (Rs. 741.68 lacs) have been made considering total of 708 aircraft months for seven ATR aircraft and 336 aircraft months for four CRJ aircraft.

4. Sundry Creditors (Schedule VIII - A) :

- i) Sundry creditors include **Rs. 45772.36 lacs** (Rs.57885.68 lacs) due to Air India representing amount due to Air India Ltd. towards aircraft lease and other services after adjusting revenue from flight operations.

Air India Ltd. 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 Air India'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 in future. In the year 2007-08, 2008-09 & 2009-10 also Air India wrote off the AASL balances.

The company has taken expert opinion, according to which, in view of the above letter from Air India Ltd., AASL should not write back the sum payable to Air India Ltd.

- ii) Based on the information available with the Company, the balances outstanding as at the Balance Sheet date **Nil** (Nil) with / to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.
5. The proportionate expenditure for redelivery cost for leased ATR and CRJ aircraft has been worked out for **Rs. 977.75 lacs** upto 31.03.2011 (Rs.773.52 lacs) on the basis of aircraft months in terms of the agreement with the parties and provision made for the same in the accounts.
6. The salaries of deputationists from Air India Ltd. are as per the terms of deputation and are accounted on the basis of the debits received from Air India Ltd. Retirement benefits including PF to the deputationists are accounted by Air India Ltd. The debit from Air India Ltd. for its employees on deputation include charge for Provident Fund & Gratuity.
7. For the employees on contract, the company has its own Provident Fund Trust to which contributions are regular.
8.
 - 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. 788.55 lacs and a provision of Rs. 1497.47 lacs. (total Liability booked as on 31.03.2011 is Rs.2286.02 lacs).
 - b) The outstanding balances with Oil companies viz. Indian Oil Corporation Ltd. - Rs. 7486.67 lacs, Bharat Petroleum Corporation Ltd. - Rs. 1339.19 lacs, Hindustan Petroleum Corporation Ltd. - Rs. 891.58 lacs and Reliance Industries Ltd. - Rs. 3.54 lacs. The IOCL, HPCL and Reliance Industries Ltd. account have been reconciled and reconciliations with BPCL is under process / awaiting confirmation.
9. The grant received / receivable from NEC for ATR North East operations is accounted for as income taking into account the operations of ATR for the year.
10. **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.
11. The company operates Boeing 737 freighter aircraft leased from Air India Ltd. and other aircraft leased from other Lessors. Air India Ltd. provides handling, marketing, sales and booking and other support services for Alliance Air flight operations. For these services as well as the lease charges for Boeing aircraft, a rate MoU has been signed with Air India Ltd. on 04.10.2010, applicable for the year 2010-11. However, as per the supplementary note dated 25th April 2011, lease charges of freighter aircraft, handling services, in house repair charges of aircraft and charges for substitution of aircrafts shall not be billed and claimed by Air India Ltd. on AASL and vice-versa. Accordingly, no accounting for the same has been done by the company.
12. The company undertakes freighter charter operations with freighter B737 aircraft on lease from Air India Ltd. under the agreements for the freighter charters exclusively between Air India Ltd. and concerned parties. The agreement between Air India Ltd. and M/s. GATI was terminated by GATI in March 2009. Consequently, the Bank Guarantee of Rs.30 crores deposited by GATI with Air India Ltd. under the agreement had been invoked by Air India Ltd. for freighter dues. The matter is before the Arbitration and subjudice. Accordingly, the amount realized from Bank Guarantee has been kept in a separate account in the books of the company (AASL) without adjusting against freighter due. The claims / counter claims before the Arbitration Tribunal are exclusively for / against Air India Ltd. and M/s. GATI being the parties to the agreement.

13. Related Party Disclosures (As required by the AS- 18 of ICAI) :

- a. Holding Company Air India Ltd.
- b. Subsidiaries / Fellow Subsidiaries / Associates Not applicable
- c. Key Management Personnel (as on 31.03.2011) Chairman, (Shri Arvind Jadhav) CMD, Air India Ltd.
Incharge AASL (Shri Vipin Kumar Sharma)
Director (Shri S. Chandrasekhar)
Director (Capt. A. S. Soman)
Director (Shri Vijay Paul)
Director (Shri Syed Nasir Ali)
Director (Shri L.R.S. Reddy)
- d. Relatives of Key Management Nil
- e. **Transactions with related parties during the year**

(i) AIR INDIA LTD.

(Rupees in Lacs)

Nature of Transactions	2010-11	2009-10
Balance payable as at year end	*45772.36	*57885.68
Items pending acceptance by Air India (Debits)	291.82	189.15
Items pending acceptance by Air India (Credits)	Nil	Nil
Purchase of Fixed Assets	Nil	10.68
Receivable for Services Rendered	769.01	651.20
Payable for Services received	5953.11	2030.31
Agency arrangements :		
Traffic Revenue	24388.53	19226.56
Less : Service charges	546.13	456.77
Net Traffic Revenue	23842.40	18769.79
Leasing arrangements :		
Aircraft Lease, Handling & Maintenance Charges	25.29	171.43
Management contracts including for deputation of employees (Pay & Allowances)	492.08	366.01
Guarantees -		
(a) Standby Letter of Credits for ATR and CRJ operations	1958.08	2027.22
However, Air India Ltd. has also provided corporate guarantees for the aircraft lease.		

*Excludes provision made for Rs. 440.42 lacs (Rs.97.72 lacs) towards expenses.

- (ii) CMD, Air India Ltd. - 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.

14. 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	October 2014
	Gladiator Leasing Limited, Malta	January 2015
	RBS Aerospace Ireland Leasing Limited, Ireland	July 2015
	CILAN MSN 10048 Ltd., Ireland	April 2016
● B-737	Air India Ltd.	March 2012

- (b) The lease payment to Air India Ltd. 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 :

(Rupees in Lacs)			
Particulars	Aircraft Lease rent*	Rotable/Engine Lease Charges*	Maintenance & Other charges*
Not Later than one year	6165.44 (6353.62)	878.42 (886.70)	2543.88 (2516.04)
Later than one year but not later than 5 years	18173.88 (21159.83)	2772.59 (3011.29)	3785.92 (6033.56)
Later than 5 years.	80.05 (1391.56)	12.73 (309.94)	4.59 (110.86)

*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 31.3.2011.

- (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 :

(Rupees in Lacs)		
Particulars	Aircraft Lease & Maintenance Charges	Other Charges
● Boeing B-737 / A310	Nil (Nil)	9.16 (84.18)
● ATR 42-320	8339.96 (8531.13)	20.76 (97.82)
● CRJ 700	6543.76 (6451.85)	5.29 (5.49)

- (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.

15. Earning per share :
(Calculation of EPS - Basic and Diluted)

	2010-11	2009-10
i) Net Profit/ (Loss) for the year (Rs.)	(291226005)	(415404711)
ii) Number of Equity Shares o/s at the end of the year	225000	225000
iii) Nominal value per Eq. Share (Rs.)	100	100
iv) EPS Basic and diluted (Rs.)	(1294.34)	(1846.24)

Since the company does not have any dilutive securities, the basic and diluted earning per share are the same.

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

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 deferred tax assets can be realised. Hence the same have not been accounted for in the books.

- 17. 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.

- 18.** 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.

- 19.** The accounts with parties are subject to reconciliation and confirmation.

- 20.** The figures have been rounded off to the nearest rupee.

21. The previous year figures have been regrouped / reclassified, wherever considered necessary to make them comparable.
22. Previous year figures are indicated in the Notes in brackets.
23. **Additional Information :**

Information given below include amounts debited by Air India Ltd. 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, 2011		
- Aircraft Spares Parts & Tools	1424.55	773.20
- Capital Items - Ground Support Equipment	6.09	Nil
B. Expenditure on Consumption during the year ended 31st March, 2011		
- Imported Spares & Components	(100%) 777.15	(100%) 523.26
- Indigenous Spares	-	-
C. Earnings in Foreign Currency		
- Interline Revenue	192.00	391.09
D. Expenditure in Foreign Currency		
- Aircraft Lease & Maintenance Charges	14820.50	14049.86
- Purchase of Stores & Equipments	1430.64	773.20
- Technical Literature	Nil	9.82
- Training & Travelling (including Ferry)	412.72	332.36
- Technical Services	1993.01	2711.63
- Interline Commission	18.62	31.13
(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 - for current year	4.00	3.50
- for previous year	0.50	-
- Other services and out of pocket	1.17	1.68
F. The remuneration paid / payable to Managing Director	NIL	NIL

As per our separate report of even date.

FOR PRASAD AZAD & CO.
Chartered Accountants
Firm Registration No.: 001009N

For and on behalf of the Board

Sd/-
K.M. Azad
Partner
M. No. 05125

Sd/-
Vijay Paul
Director

Sd/-
Vipin K. Sharma
Incharge, AASL & Director

Sd/-
Arun K. Goyal
Company Secretary

Place : New Delhi
Date : 12 December, 2011

Sd/-
A.K. Agrawal
Executive Director (Fin.)

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 2010-2011.****I. Registration Details :**

Registration No.	55-16518	State Code	:	55
Balance Sheet Date	:	March 31,2011		

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	:	14664619	Investments	:	NIL
Net Current Assets	:	(5821117924)	Misc.Expenditure	:	NIL
Accumulated (Losses)/Profit	:	(5828953305)	(Deferred Revenue)		

IV. Performance of Company (Amount in Rupees)

Turnover	:	2903545314	Total Expenditure	:	3847920683
Profit / (Loss) Before Tax	:	(291226005)	Profit / (Loss) After Tax	:	(291226005)
Earning Per Share in Rs.	:	(1294)	Dividend	:	0

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

Product Description	:	AIRLINES BUSINESS
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