NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

NOTE " 1"

A. CORPORATE INFORMATION

Air India Ltd represents the merged company which came into existence consequent upon the amalgamation of erstwhile Indian Airlines Ltd and erstwhile Air India Ltd as on 1st April 2007. The amalgamated company was known as National Aviation Company of India Limited (NACIL). The name of the company was changed to "Air India Ltd." w.e.f 24/11/2010. The company provides domestic and international air transport services within India as also across the globe. The aircraft fleet of the company consists of a wide range of aircraft mainly comprising of Airbus and Boeing aircraft such as A-319, A-320, A-321,A-330,B-747,B-777 and B-787. The Airline Industry has generally been affected by economic slowdown coupled with high fuel cost. The company has during the financial year 2011-12 adopted/ implemented a Turnaround Plan (TAP) and a Financial Restructuring Plan (FRP) to improve its operational and financial performance.

During the year the Company has implemented SAP-ERP system of accounting. The accounts of the company for both wide body and narrow body operations were maintained separately till the date of migration and in SAP-ERP effective Jan. 2013.

B. ACCOUNTING CONVENTION

i) These Financial Statements have been prepared on going concern concept on accrual basis (except as specifically stated) under historical cost convention, and are in compliance with generally accepted accounting principles and the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

ii) The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which results are known / materialized.

iii) The Company being in service sector, there is no specific operating cycle, 12 months period has been adopted as "the Operating Cycle" in-terms of the provisions of Revised Schedule VI to the Companies Act 1956.

C. SIGNIFICANT ACCOUNTING POLICIES

1. FIXED ASSETS

i) a) Aircraft are stated at purchase price.

b) Other assets, including Aircraft Rotables, are capitalized and stated at historical cost.

c) Other incidental costs including interest wherever applicable, are also capitalized up to the date of commercial operation.

ii) Expenditure on major modernization /modification /conversion of aircraft, resulting in increased efficiency/ economic life, is capitalized.

iii) Aircraft Fleet and Equipment under leases, in respect of which substantially all the risks and rewards of ownership are transferred to the Company, are considered as Finance Leases and are capitalized.

iv) Physical Verification of Assets

Physical Verification of Assets is done on a rotational basis so that every asset is verified once in every two years and the discrepancies observed in the course of the verification are adjusted in the year in which report is submitted.

v) Gain or loss arising out of sale/scrap of Fixed Assets including aircraft over the net depreciated value is taken to Statement of Profit &Loss as Non-Operating Revenue or Expenses.

2. DEPRECIATION

a) Depreciation is provided on all assets on straight-line method.

b) The rates adopted are in accordance with the manner prescribed under Schedule XIV of the Companies Act, 1956 except for the following :

i) New Fleet of Boeing and A-320 family aircraft are depreciated upto 95% of the block value over 20 years instead of 16.96 years.

ii) Aircraft rotables relating to Airbus family are depreciated upto 95% of the value over the residual average useful life of the aircraft fleet relating to respective engineering base, for relevant year of purchase.

iii) Aircraft rotables relating to Boeing are depreciated up-to 95% of the value over the residual average useful life of the related aircraft fleet for the relevant year of purchase.

iv) Electrical fittings, Typewriter & Office Appliances, Other General Equipment and Cabin Catering Equipment are depreciated @ 6.33% instead of 4.75% upto 95% of the value.

v) Motor Cars are depreciated at 20% instead of 9.5% upto 95% of the value.

vi) Depreciation on additions to “Rotables” and “Other Fixed Assets” is provided for the full year in the year of acquisition and no depreciation is provided in the year of disposal.

c) Major modifications / refurbishment, modernization / conversion carried to leased assets are shown under improvement to leasehold assets and amortized over the balanceperiod of lease.

d) Leasehold Land other than perpetual lease is amortized over the period of lease.

e) Intangible assets which have a useful economic life are amortized over the estimated useful life.

f) Assets of small value not exceeding Rs.5000 in each case are fully provided for/charged off.

3. INVESTMENTS

Long-term investments are stated at cost less permanent diminution in value, if any. Current investments are valued at lower of cost and fair market value

4. INVENTORIES

i) Inventories are valued at cost or Net realizable Value (NRV) whichever is lower. Cost is determined using the weighted average formula.

ii) Repairable spares are those which have an economic life greater than the operating cycle and can be reused after repairs and are expensed at the time of scrappage and are however classified as Current Assets. External Repairs are charged of as and when incurred.

iii) Expendables/consumables are charged off at the time of initial issue except those meant for repairs of repairable which are expensed when the work order is closed. At the yearend estimated cost of expendables/ consumables required for restoration of repairable are provided for in respect of open work orders.

iv) Obsolescence provision for aircraft stores and spare parts:

a) Provision is made for the non-moving inventory exceeding a period of five years (net of realizable value of 5%) except for (b) & (c).

b) Provision is made in full (net of estimated realizable value) for aircraft fleet which has been phased out unless the same can be used in other Aircraft..

c) Obsolescence provision in respect of inventories exclusively relating to aircraft on dry/wet lease, is made on the basis of the completed lease period compared to the total lease period as at the year-end.

v) Obsolescence provision for non-aircraft stores and spares is made for non-moving inventory exceeding a period of five years.

5. MANUFACTURER'S CREDIT

Manufacturers' credits entitlements received from Aircraft / Engine manufacturers, Buyer Furnished Equipment vendors, Seller Furnished Equipment vendors are treated as incidental revenue on accrual basis by debiting Advances. Such advances are adjusted upon utilization.

6. REVENUE RECOGNITION

a) Passenger, Cargo and Mail Revenue are recognized when transportation service is provided. At the end of each financial year, based on available historical statistical data, a certain estimated percentage of the value of tickets/airway bills remaining unutilized, is recognized as Revenue.

b) Loss or gain on reissue / refund / involuntary transfer of passengers to other carriers is also included in the revenue for the period of uplift.

c) Blocked Space arrangements / Code share revenue/expenditure is recognized on an actual basis, based on uplift data received from the code share partners. Wherever details from code share partners are not available, revenue / expenditure is booked to the extent of documents/information received, and adjustments required, if any, are carried out at the time of such information being received.

d) Income from Interest is recognized on a time proportion basis. Dividend is recognized as income when the right to receive is established.

e) The claims receivable from Insurance Company are accounted for on their acceptance by the Insurance Company.

f) Warranty claims /credit notes received from vendors are recognized on acceptance of claim/receipt of credit note.

g) Other Operating Revenue is recognized when goods are delivered or services rendered during the year.

7. PROVISION FOR DOUBTFUL DEBTS

Debts pertaining to the Govt./Govt Departments/Public Sector Undertakings are provided for if they are more than three years old except for debts which are known to be recoverable with certainty. All other debts are provided for, if they are either more than three years old or specifically known to be doubtful.

8. FOREIGN CURRENCY TRANSACTIONS

i) <u>Foreign Currency transactions of Integral Foreign Operations</u>

a) Foreign currency Revenue and Expenditure transactions relating to Integral Foreign Operations are recorded at established monthly rates (based on published IATA rates).

b) Interline settlement with Airlines for transportation is carried out at the exchange rate published by IATA for respective month.

ii) <u>Foreign Currency Monetary Items</u>:

a) The Company has opted for accounting the exchange differences arising on reporting of long-term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 (AS-11) notified by Government of India on 31st March 2009 and further as amended from time to time. Accordingly, the effect of exchange differences arising on settlement or reporting of long term monetary items at the rates different from those at which they were initially recorded during the period, or reported in previous financial statements, is accounted by addition or deduction to the cost of the assets so far as it relates to acquisition of depreciable capital assets and is depreciated over the balance life of the asset and in other cases is accumulated by transfer to “Foreign Currency Monetary Items Translation Difference Account” to be amortized over the balance period of the long term Assets or Liability.

b) Foreign currency monetary items other than those identified as long term at the year-end are converted at the year end exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI), and the gains/losses arising out of fluctuations in exchange rates are recognized in the Statement of Profit and Loss.

c) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists.

9. RETIREMENT BENEFITS

The Retirement Benefits to the employees comprise of Defined Contribution Plans and Defined Benefit Plans.

a) Defined Contribution Plans consist of contributions to Employees Provident Fund and Employees State Insurance Scheme. The Company has created separate Trusts to administer Provident Fund contributions to which contributions are made regularly. ESI dues are regularly deposited with government authorities.

b) The Company’s Defined Benefit Plans, which are not funded, consist of Gratuity, Leave Encashment including Sick Leave and Post Retirement Medical Benefits and other benefits. The liability for these benefits except for (c) below is actuarially determined under the Projected Unit Credit Method at the year end as per Indian Laws.

c) Liability for Gratuity, Leave Encashment, Pension and other retirement Benefits for staff directly recruited at foreign stations is provided in compliance with local laws prevailing in the respective countries based on available information as at the year end.

10. BORROWING COST

a) Borrowing cost that are directly attributable to acquisition, construction or Production of qualifying assets including capital work–in-progress are capitalized upto the date of commercial use of the assets.

b) Interest incurred on funds that are generally borrowed and used indirectly for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at that point of time.

11. IMPAIRMENT OF ASSETS

The carrying values of Fixed Assets of the identified cash-generating unit are reviewed for impairment at each Balance Sheet date to determine whether there is any indication of impairment. The aircrafts are grouped at the fleet type level to constitute a cash-generating unit, for comparing the recoverable amount (higher of its net selling price and value in use) with the carrying amount. The net selling prices of aircraft fleet and equipment are estimated by the management using published sources as available. If the carrying value of a cash-generating unit exceeds its estimated recoverable amount an impairment loss is recognized in the Statement of Profit & Loss and the asset value of the cash-generating unit is reduced to its recoverable amount.

12. OPERATING LEASE

a) Leases where the lessor effectively retains substantially 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 Statement of Profit and Loss.

b) In respect of leases which have been extended by paying a termination/release sum, by which the company acquires a residual right in the aircraft, such sum paid is amortized over the remaining useful life of the aircraft determined by flying hours.

c) Contributions made to lessors on account of Maintenance Reserve for which, maintenance is expected to arise during the lease period is treated as a Prepaid Expense. These contributions are adjusted to expense whenever the maintenance expenditure arises and in case of redelivery of aircraft to the lessor, balance in maintenance reserve is charged as expense. All other contributions towards maintenance reserve are charged off to the revenue in the year of payment.

13. COMMODITY HEDGING TRANSACTIONS

Commodity hedging contracts are accounted for on the date of their settlement and realized gains / losses in respect of settled contracts are recognized in the Statement of Profit and Loss.

14. TAXES ON INCOME

Provision for current tax is made in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is recognised on timing differences between book and taxable profit using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The Deferred tax assets are recognised and carried forward to the extent that there is a virtual certainty based on operational and financial restructuring, revenue generation and cost reduction programme of the company that the assets will be realised in the future.

15. HAJ OPERATIONS

Amount receivable from the Government of India and Central Haj Committee towards expenses incurred by the Company for carrying Haj Ballottee pilgrims is accounted for as Charter Revenue net of the amount paid to other participating airlines. The amount billed towards administrative overheads and delayed payment charges is accounted for as Incidental Revenue.

16. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

a) Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

b) Contingent liabilities exceeding Rs.0.1 million in each case are disclosed in respect of possible obligations that arise from past events but their existence is 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 recognized nor disclosed in the financial statements.

17. FREQUENT FLYER PROGRAMME

The Company operates Frequent Flyer programme that provides travel awards to its members based on accumulated mileage points. The estimated pax amenities and legal liability, if any, for free travel under this programme are provided for and charged to Statement of Profit and Loss.

18. 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.

19. PREPAID EXPENSES / LIABILITY FOR EXPENSES

Pre-paid expenses / Liabilities for expenses are recognized as under:-

a) Foreign Stations – Rs. 50,000/- and above in each case.

b) Domestic Stations – Rs 10,000/- and above in each case.

NOTE "2" : SHARE CAPITAL

(Rupees in Million)

Particulars	As at March 31, 2014	As at March 31, 2013
AUTHORISED		
20,000.0 Million Equity Shares of Rs.10 each (Previous Year : 11,000.0 Million Equity Shares)	**200,000.0**	110,000.0
	200,000.0	110,000.0
ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES		
14,345.0 Million Equity Shares of Rs. 10 each (Previous Year : 9,345.0 Million Equity Shares)	**143,450.0**	93,450.0
TOTAL	**143,450.0**	93,450.0

2.1 The Company is a Government Company with 100% share held by President of India and his nominees, through administrative control of Ministry of Civil Aviation.

2.2 Off the above, 144.95 Million equity shares were issued during the year 2007-08 pursuant to Amalgamation

2.3 Reconciliation of number of shares outstanding at the beginning and end of the reporting period are given below :

Particulars	(Number of Shares in Millions)		(Share Value Rupees in Millions)	
	2013-14	2012-13	**2013-14**	2012-13
Equity Shares at the beginning of the period	**9,345.0**	3,345.0	**93,450.0**	33,450.0
Add : Equity Shares Allotted during the period	**5,000.0**	6,000.0	**50,000.0**	60,000.0
Equity Shares at the end of the period	**14,345.0**	9,345.0	**143,450.0**	93,450.0

2.4 Term/rights attached to equity shares

The company has single class of share capital i.e. Equity Shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

2.5 During the year Authorised Share Capital has been increased from Rs.110,000.0 Million to Rs.150,000.0 Million which was approved in the EGM held on 26th April 2013 and from Rs.150,000.0 Million to Rs.200,000.0 Million which was approved in the AGM held on 24th December 2013.

2.6 Share application money pending allotment represents capital infusion by the Government of India during 2013-14 but allotment of shares approved by the Board of Directors in its 59th meeting held on 16th April 2014.

NOTE “3” : RESERVES AND SURPLUS

(Rupees in Million)

	Particulars	As at March 31, 2014	As at March 31, 2013
1.	CAPITAL RESERVE		
	Balance as per Last Balance Sheet	**1,202.6**	1,258.3
	Add : Additions during the year	**577.9**	-
	Add : Transfer of Capital Reserve from Vayudoot Ltd. (Refer Note 48)	**35.5**	-
	Less : Transfer to the Statement of Profit and Loss as reduction from Depreciation (Refer Note 21)	**55.7**	55.7
	Closing Balance	**1,760.3**	1,202.6
2.	GENERAL RESERVE		
	Balance as per Last Balance Sheet	**-**	-
	Add : Additions during the year	**(1,436.7)**	-
	(Deficit)/Surplus in the Statement of Profit and Loss of Vayudoot Ltd. (Refer Note 48)		
	Less : Deduction during the year	**-**	-
	Closing Balance	**(1,436.7)**	-
3.	OTHER RESERVES		
a)	**Foreign Currency Monetary Item Translation Difference Account**		
	Balance as per last Balance Sheet	**(588.1)**	(367.1)
	Exchange gain/(loss) during the year	**(3,018.6)**	(305.0)
	Amortisation during the year	**204.8**	84.0
	Closing Balance	**(3,401.9)**	(588.1)
4.	**Surplus / (Deficit) in the Statement of Profit & Loss**		
	Balance as per last financial statements	**(254,041.6)**	(199,140.0)
	Loss for the year	**(62,796.0)**	(54,901.6)
	Net deficit in the Statement of Profit & Loss	**(316,837.6)**	(254,041.6)
	TOTAL **(1+2+3+4)**	**(319,915.9)**	(253,427.1)

3.1 *Fixed Assets includes cost of B-777 and B-787 simulator, Nagpur MRO Land received from Boeing and MRO Allowance from GE for Test Cell Facility at Nagpur has been credited to Capital Reserve. The proportionate depreciation provided on the amount credited, has been charged to Capital Reserve.*

3.2 *The Company has elected to account for exchange differences arising on reporting of long-term foreign currency monetary item in accordance with Companies (Accounting Standards) Amendment Rules 2009 pertaining to Accounting Standard 11 (AS-11) notified by Government of India on 31st March, 2009 (as amended on 29th December, 2011) which allows foreign exchange differences on long-term monetary items arising on or after 1st April, 2011 to be capitalised to the extent they relate to acquisition of depreciable assets and in other cases to amortise over the balance period of the respective monetary items. As on 31st March, 2014 a debit of Rs.3,401.9 Million (Previous Year : Rs.588.1 Million) remains to be amortised in the “Foreign Currency Monetary Item Translation Difference Account” (Refer Note 47).*

NOTE "4" : LONG TERM BORROWINGS

(Rupees in Million)

Particulars	Non-Current		Current	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
I Bonds / Debentures	**136,000.0**	136,000.0	**-**	-
II Term Loans				
a) from Banks (Secured)	**124,505.0**	123,912.5	**1,260.1**	1,302.2
b) from Banks (Unsecured)	**4,138.0**	3,749.2	**-**	890.6
c) from Other Parties (Unsecured)	**230.4**	217.3	**9.5**	8.6
III Finance Lease Obligations	**98,664.7**	117,796.4	**21,592.7**	15,778.7
TOTAL	**363,538.1**	381,675.4	**22,862.3**	17,980.1

4.1 Bonds/Debentures

136,000 Redeemable, Unsecured Non-convertible Debentures of face value of Rs.1 Million each (Previous Year : 136,000 Debentures), are guaranteed by Government of India. Maturity Profile and Rate of interest are as set out below :

(Rupees in Million)

Period of Maturity	No of instalments as at March 31, 2014	Amount Payable on Redemption	Rate of Interest	Amount of instalments due as at March 31, 2014
Dec-2031	NA	4,714.0	9.08%	NIL
Nov-2031	NA	10,086.0	9.08%	NIL
Sep-2031	NA	15,000.0	10.05%	NIL
Dec-2030	NA	4,714.0	9.08%	NIL
Nov-2030	NA	10,086.0	9.08%	NIL
Dec-2029	NA	4,714.0	9.08%	NIL
Nov-2029	NA	10,086.0	9.08%	NIL
Dec-2028	NA	4,714.0	9.08%	NIL
Nov-2028	NA	10,086.0	9.08%	NIL
Dec-2027	NA	4,714.0	9.08%	NIL
Nov-2027	NA	10,086.0	9.08%	NIL
Sep-2026	NA	40,000.0	9.84%	NIL
Mar-2020	NA	7,000.0	9.13%	NIL
	TOTAL	**136,000.0**		

4.2 Details of restructured Secured Term Loans from Banks are as under :

(Rupees in Million)

Sr. No.	Restructuring Lender	As at 31.03.2014	As at 31.03.2013
1	Allahabad Bank	**2,901.0**	2,906.9
2	Andhra Bank	**3,491.9**	3,513.0
3	Bank of Baroda	**13,056.4**	13,089.9
4	Bank of India	**16,407.7**	15,768.0
5	Canara Bank	**8,524.9**	8,532.8
6	Central Bank of India	**9,313.8**	9,302.8
7	Corporation Bank	**7,551.5**	7,565.1
8	Dena Bank	**1,365.4**	1,377.5
9	The Federal Bank Limited	**1,958.3**	1,850.6
10	IDBI Bank Limited	**4,352.1**	4,360.5
11	Indian Bank	**4,346.2**	4,356.2
12	Indian Overseas Bank	**7,128.1**	7,109.4
13	Oriental Bank of Commerce	**8,874.6**	8,891.9
14	Punjab National Bank	**12,258.5**	12,252.4
15	Punjab & Sind Bank	**2,754.6**	2,760.6
16	State Bank of India	**6,664.1**	6,731.6
17	Syndicate Bank	**6,395.4**	6,409.8
18	UCO Bank	**5,802.1**	5,814.1
19	United Bank of India	**2,618.5**	2,621.6
	TOTAL	**125,765.1**	**125,214.7**

All Term Loans from above Banks are secured by following 29 aircrafts and 12 immovable properties and all Current Assets (Previous Year 28 aircrafts, 12 immovable properties and all Current Assets). However equitable mortgage for 12 immovable properties with banks are yet to be created :

Aircraft :-

1) A310-F/VT-EQT 2) A319/VT-SCP 3) A319/VT-SCQ 4) A319/VT-SCR 5) A319/VT-SCS 6) A319/VT-SCT
7) A319/VT-SCU 8) A319/VT-SCV 9) A319/VT-SCW 10) A319/VT-SCX 11) A320/VT-ESA 12) A320/VT-ESC
13) A320/VT-ESD 14) A320/VT-ESE 15) A320/VT-ESF 16) A320/VT-ESG 17) A320/VT-ESI 18) A320/VT-ESJ
19) A320/VT-ESK 20) A320/VT ESL 21) A320/VT-EDC 22) A321/VT-PPN 23) A321/VT-PPO 24) A321/VT-PPQ
25) A321/VT-PPV 26) A321/VT-PPW 27) A321/VT-PPX 28) A321/VT-PPT 29) A321/VT-PPU.

Immovable Properties :

1) Building at Old Airport, Kalina, Mumbai
2) Air India Building, Nariman Point, Mumbai
3) Land at CIDCO Plot, Nerul, Navi Mumbai
4) Building at NITC, Santacruz, Mumbai
5) Land at Baba Kharak Singh Marg, New Delhi
6) Staff Quarters - Vasant Vihar, New Delhi
7) Freehold land and Residential flats at Palavanthangal Village & IA Staff Housing Colony, Chennai
8) Unit No. 264, 297, 310, 489, 631, 678, 684, 714, Asiad Village Complex, New Delhi
9) Land at DLF, Qutab Enclave, Phase-III, Gurgaon, Haryana
10) Airlines House, 113, Gurudwara Rakabganj Road, Delhi
11) Freehold Vacant No. 504, Annasalai / Teynampet, Chennai
12) Freehold Land (CTE Complex) and Buildings, Hyderabad

For all Secured Term Loans from Banks, interest rate is linked to respective Bank's Prime Lending Rate / Base Rate / Libor plus Margin. These loans are repayable in Quarterly Instalments starting from 31st December 2013 and ending in 30th September 2026. Disclosure as regards amount of repayment instalment and rate of interest are not made due to complexity of repayment schedules and confidentility clause with the banks as regards interest rate.

4.3 Overdue interest payment on Secured Term Loans from Banks as on 31st March 2014 is Rs. NIL Million (Previous Year : Rs.52.1 Million).

4.4 Unsecured Term Loan from Banks of Rs.4,138.0 Million (Previous Year Rs.4,639.8 Million) are guaranteed by the Government of India to the extent of Rs.4,138.0 Million (Previous Year Rs.3,749.2 Million)

(Rupees in Million)

Period of Maturity	No of Loan instalments	Amount of Loan as at March 31, 2014	Rate of Interest	Amount of instalments due as at March 31, 2014	Amount of interest due as at March 31, 2014	Amount of instalments due as at March 31, 2013	Amount of interest due as at March 31, 2013
Sep-16	1	4,138.0	Libor + 1.45 /2.5	NIL	NIL	NIL	NIL
Feb-14	NIL	NIL	BPLR - 0.50	NIL	NIL	178.1	11.1

4.5 Unsecured Term Loan from Others of Rs.239.9 Million (Previous Year Rs.225.9 Million) are guaranteed by the Government of India to the extent of Rs.239.9 Million (Previous Year Rs.225.9 Million)

(Rupees in Million)

Period of Maturity	No of Loan instalments	Amount of Loan as at March 31, 2014	Rate of Interest	Amount of instalments due as at March 31, 2014
Oct-2039	52	164.9	Interest Free	NIL
Mar-2037	46	75.0	Interest Free	NIL

4.6 Finance Lease Obligations of Rs.120,257.4 Million (Previous Year Rs.133,575.1 Million) are guaranteed by the Government of India to the extent of Rs.97,267.5 Million (Previous Year Rs.109,678.4 Million)

(Rupees in Million)

Period of Maturity	No of Loan instalments	Amount of Loan as at March 31, 2014	Rate of Interest	Amount of instalments due as at March 31, 2014
Jul-22	66	17,223.3	Libor + 0.24	NIL
Sep-21	90	34,423.3	Libor + 0.93	NIL
Feb-21	28	23,176.1	Libor + 0.75	NIL
May-20	50	11,550.2	Libor - 0.05+0.75	NIL
Dec-19	70	16,360.8	Fixed	NIL
Dec-19	23	17,523.7	Libor + 0.75	NIL

4.7 Current maturities of long term borrowings have been grouped under the head Other Current Liabilities (Refer Note No.5)

NOTE "5" : LIABILITIES

(Rupees in Million)

Particulars	Other Long-term Liabilities		Other Current Liabilities	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
Trade Payable	**-**	-	**64,836.5**	65,555.7
(A)	**-**	-	**64,836.5**	65,555.7
Other Liabilities				
a) Current maturities of long-term debts	**-**	-	**1,269.6**	2,201.4
b) Current maturities of finance lease obligations	**-**	-	**21,592.7**	15,778.7
c) Interest accrued but not due on borrowings	**-**	-	**6,400.9**	6,780.6
d) Interest accrued and due on borrowings	**-**	-	**356.4**	298.4
e) Forward Sales (Net) [Passenger / Cargo]	**-**	-	**18,672.7**	17,979.8
f) Advance from customers (Net)	**-**	-	**212.4**	576.1
g) Others Liabilities (Net)	**502.5**	578.3	**27,787.9**	29,111.3
h) Book Overdraft	**-**	-	**-**	298.2
(B)	**502.5**	578.3	**76,292.6**	73,024.5
TOTAL (A + B)	**502.5**	578.3	**141,129.1**	138,580.2

5.1 Trade Payable includes net payable to subsidiary company Air India Air Transport Services Ltd. Rs.106.4 Million (Previous Year : Rs.19.1 Million).

5.2 Details of Current maturities of long term debts / Finance Lease Obligation have been grouped under Long Term Borrowing (Refer Note No.4.7).

5.3 Current maturities of long-term debts includes Unsecured Term Loans from Banks of Rs. NIL Million payable on 31st March 2014 (Previous Year : Rs.178.1 Million) (Refer Note 4.4).

5.4 Interest accrued and due includes Rs. NIL Million being interest on unsecured term loan from banks (Previous Year : Rs.11.1 Million) (Refer Note 4.4).

5.5 Interest accrued and due includes Rs.164.6 Million being interest on Secured Loans repayable on demand from Banks, paid subsequently (Previous Year : Rs. 235.2 Million) (Refer Note 7.4)

5.6 Interest accrued and due includes Rs. NIL Million being interest on Secured Term Loans from Banks (Previous Year : Rs.52.1 Million) (Refer Note 4.3)

5.7 Interest accrued and due includes Rs.191.8 Million being interest on Unsecured Loans repayable on demand from Banks, paid subsequently (Previous Year : Rs. NIL Million) (Refer Note 7.5)

NOTE "6" : PROVISIONS

(Rupees in Million)

Particulars	Long-term Provisions		Short-term Provisions	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
Provision for Employee Benefits				
a) Gratuity	**8,062.0**	8,452.4	**1,594.3**	1,351.1
b) Leave Encashment	**4,459.7**	4,822.2	**894.7**	612.1
c) Post Employment Medical and Other Benefits	**2,068.1**	1,829.8	**85.8**	42.6
(A)	**14,589.8**	15,104.4	**2,574.8**	2,005.8
Other Provisions				
a) Wealth Tax	**-**	-	**16.9**	18.2
b) Frequent Flyer Programme	**-**	-	**103.5**	145.9
(B)	**-**	-	**120.4**	164.1
TOTAL (A + B)	**14,589.8**	15,104.4	**2,695.2**	2,169.9

NOTE “7” : SHORT TERM BORROWINGS

(Rupees in Million)

	Particulars	As at March 31, 2014	As at March 31, 2013
I	**Loans repayable on demand :**		
	a) from Banks (Secured) */**	**89,598.0**	73,645.4
	b) from Other Party (Secured) **	**-**	14,353.4
	c) from Banks (Unsecured)	**30,456.7**	3,606.3
	TOTAL	**120,054.7**	91,605.1

7.1* Secured loans repayable on demand from Banks are to the tune of Rs. 55,521.3 Million (Previous Year Rs. 58,529.7 Million). Details of Secured Loans from Banks are as under :

(Rupees in Million)

Sr. No.	List of Lender	As at March 31, 2014	As at March 31, 2013
1	Allahabad Bank	**850.0**	850.0
2	Andhra Bank	**1,010.0**	1010.0
3	Bank of Baroda	**3,973.9**	3829.0
4	Bank of India	**4,908.9**	6885.6
5	Canara Bank	**2,715.3**	4630.9
6	Central Bank of India	**2,716.5**	6216.5
7	Corporation Bank	**2,210.0**	2210.0
8	Dena Bank	**395.8**	394.2
9	HDFC Bank Ltd.	**162.7**	66.5
10	The Federal Bank Limited	**599.2**	542.8
11	IDBI Bank Limited	**1,265.3**	1273.4
12	Indian Bank	**1,280.0**	1280.0
13	Indian Overseas Bank	**2,024.2**	1775.5
14	Oriental Bank of Commerce	**2,597.7**	2597.7
15	Punjab National Bank	**3,718.8**	3634.3
16	Punjab & Sind Bank	**806.4**	806.4
17	Standard Chartered Bank	**17,048.6**	15449.5
18	State Bank of India	**1,177.8**	878.2
19	Syndicate Bank	**1,862.4**	1867.7
20	UCO Bank	**1,697.8**	1697.8
21	United Bank of India	**2,500.0**	633.7
	TOTAL	**55,521.3**	58,529.7

7.2** Secured loan repayable on demand from Bank is to the tune of Rs.34,076.7 Million (Previous Year Rs.15,115.7 Million). Details of Secured Loans from Banks are as under :

(Rupees in Million)

Sr. No.	Name of the Lender	As at March 31, 2014	As at March 31, 2013
1	Bank of India	**5,931.6**	-
2	Deutsche Bank	**22,453.2**	-
3	Investec Bank	**5,691.9**	-
4	Standard Chartered Bank	**-**	15,115.7
	TOTAL	**34,076.7**	15,115.7
	TOTAL (7.1 + 7.2)	**89,598.0**	73,645.4

*** Security Details for 7.1 is as under :**

The loans to the tune of Rs.55,521.3 Million are secured by Hypothecation of 32 aircraft, 12 immovable properties and all Current Assets. However equitable mortgage for 12 immovable properties with banks are yet to be created :

Aircraft :-

1) A310-F/VT-EQT 2) A319/VT-SCP 3) A319/VT-SCQ 4) A319/VT-SCR 5) A319/VT-SCS 6) A319/VT-SCT 7) A319/VT-SCU 8) A319/VT-SCV 9) A319/VT-SCW 10) A319/VT-SCX 11) A320/VT-ESA 12)A320/VT-ESC 13) A320/VT-ESD 14) A320/VT-ESE 15) A320/VT-ESF 16) A320/VT-ESG 17) A320/VT-ESI 18) A320/VT-ESJ 19) A320/VT-ESK 20) A320/VT-ESL 21) A320/VT-EDC 22) A321/VT-PPN 23) A321/VT-PPO 24) A321/VT-PPQ 25) A321/VT-PPV 26) A321/VT-PPW 27) A321/VT-PPX 28) B747/VT-ESP 29) B747/VT-EVA 30) B747/VT-EVB 31) A321/VT-PPT 32) A321/VT-PPU

Immovable Properties :

1) Building at Old Airport, Kalina, Mumbai
2) Air India Building, Nariman Point, Mumbai
3) Land at CIDCO Plot, Nerul, Navi Mumbai
4) Building at NITC, Santacruz, Mumbai
5) Land at Baba Kharak Singh Marg, New Delhi
6) Staff Quarters - Vasant Vihar, New Delhi
7) Freehold land and Residential flats at Palavanthangal Village & IA Staff Housing Colony, Chennai
8) Unit No. 264, 297, 310, 489, 631, 678, 684, 714, Asiad Village Complex, New Delhi
9) Land at DLF, Qutab Enclave, Phase-III, Gurgaon, Haryana
10) Airlines House, 113, Gurudwara Rakabganj Road, Delhi
11) Freehold Vacant No. 504, Annasalai / Teynampet, Chennai
12) Freehold Land (CTE Complex) and Buildings, Hyderabad

(Previous Year : Secured loans repayable on demand from Banks are secured by Hypothecation of 31 aircrafts, 12 immovable properties and all Current Assets)

7.3** Secured loan repayable on demand from Others is to the tune of Rs. NIL Million (Previous Year Rs.14,353.4 Million) :

(Rupees in Million)

Sr. No.	Name of the Lender	As at March 31, 2014	As at March 31, 2013
1	Boeing Credit Corporation	-	14,353.4

** **Security details for 7.2 and 7.3 is as under :**

The loans to the tune of Rs.34,076.7 Million (Previous Year Rs.29,469.1 Million) are secured by Hypothecation of 6 aircraft 1) B787/VT-ANA, 2) B787/VT-ANB, 3) B787/VT-ANE, 4) B787/VT-ANG, 5) B787/VT-ANN, 6) B787/VT-ANO (Previous Year : Secured by Hypothecation of 9 aircrafts).

7.4 Overdue interest payment on Secured Loans of Rs.55,521.3 Million from Banks as on 31st March 2014 is Rs. 164.6 Million (Previous Year : Rs.235.2 Million). Disclosure as regards Bank wise amount and period of default is not made due to complexity of data & confidentiality clause with the banks (Refer Note 5.5).

7.5 Overdue interest payment on Unsecured Loans of Rs.30,456.7 Million from Banks as on 31st March 2014 is Rs. 191.8 Million (Previous Year : Rs. NIL Million). Disclosure as regards Bank wise amount and period of default is not made due to complexity of data & confidentiality clause with the banks (Refer Note 5.7).

NOTE “8” : FIXED ASSETS

(Rupees in Million)

Sr. No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at April 01, 2013	Additions	Deductions / Adjustments	As at March 31, 2014	Upto April 01, 2013	For the year	Deductions / Adjustments	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
TANGIBLE ASSETS :											
A.	**AIRCRAFT FLEET & ROTABLES**										
1	Airframes										
	Owned & Self Operated	227,655.2	43,060.3	47,166.5	223,549.0	46,369.7	12,023.0	6,279.8	52,112.9	**171,436.1**	181,285.5
2	Aero Engines & Power Plants										
	Owned & Self Operated	83,189.1	19,025.9	20,577.4	81,637.6	16,504.0	4,353.9	2,732.3	18,125.6	**63,512.0**	66,685.1
3	Simulators & Link Trainers	2,424.8	-	-	2,424.8	497.4	114.9	-	612.3	**1,812.5**	1,927.4
4	Airframe Rotables	4,645.7	409.7	(217.4)	5,272.8	1,554.9	304.5	(37.7)	1,897.1	**3,375.7**	3,090.8
5	Aero-Engine Rotables	1,626.2	-	217.4	1,408.8	488.4	79.6	37.7	530.3	**878.5**	1,137.8
6	Simulator Rotables	0.1	-	-	0.1	0.1	-	-	0.1	**-**	-
	SUB TOTAL “A”	319,541.1	62,495.9	67,743.9	314,293.1	65,414.5	16,875.9	9,012.1	73,278.3	**241,014.8**	254,126.6
B.	**LAND, BUILDINGS & VEHICLES**										
1.	Land-Freehold	7,034.2	-	(109.6)	7,143.8	-	-	-	-	**7,143.8**	7,034.2
2.	Land-Leasehold	64,099.2	19.7	680.7	63,438.2	775.6	107.7	-	883.3	**62,554.9**	63,323.6
3.	Buildings	18,455.7	37.2	48.9	18,444.0	4,848.8	782.0	-	5,630.8	**12,813.2**	13,606.9
4.	Vehicles	240.4	15.5	3.5	252.4	189.7	12.1	3.2	198.6	**53.8**	50.7
	SUB TOTAL “B”	89,829.5	72.4	623.5	89,278.4	5,814.1	901.8	3.2	6,712.7	**82,565.7**	84,015.4
C.	**OTHER- FIXED ASSETS**										
1	Workshop Equipment, Instruments,	3,551.5	126.1	4.6	3,673.0	1,448.1	229.0	1.4	1,675.7	**1,997.3**	2,103.4
	Machinery and Plants										
2	Ground Support & Ramp Equipment	4,552.7	209.8	9.4	4,753.1	2,025.7	325.6	(7.6)	2,358.9	**2,394.2**	2,527.0
3	Furniture & Fixtures	204.1	8.0	0.9	211.2	94.3	13.2	0.8	106.7	**104.5**	109.8
4	Electrical Fittings & Installations	259.2	1.6	-	260.8	146.0	18.3	-	164.3	**96.5**	113.2
5	Computer System	1,479.4	29.9	9.0	1,500.3	890.8	143.7	5.1	1,029.4	**470.9**	588.6
6	Office Appliances & Equipment	734.9	25.8	43.0	717.7	356.8	70.8	20.8	406.8	**310.9**	378.1
	SUB TOTAL “C”	10,781.8	401.2	66.9	11,116.1	4,961.7	800.6	20.5	5,741.8	**5,374.3**	5,820.1
TOTAL FOR TANGIBLE ASSETS		**420,152.4**	**62,969.5**	**68,434.3**	**414,687.6**	**76,190.3**	**18,578.3**	**9,035.8**	**85,732.8**	**328,954.8**	343,962.1
INTANGIBLE ASSETS :											
A.	**COMPUTER SOFTWARE**	2,712.6	238.1	169.9	2,780.8	776.4	439.5	51.6	1,164.3	**1,616.5**	1,936.2
TOTAL ASSETS		**422,865.0**	**63,207.6**	**68,604.2**	**417,468.4**	**76,966.7**	**19,017.8**	**9,087.4**	**86,897.1**	**330,571.3**	
	Previous Year	373,509.5	50,394.8	1,039.3	422,865.0	60,628.1	17,157.6	819.0	76,966.7		345,898.3
	Capital Work-in-Progress									**3,699.3**	3,770.3
	Intangible Assets under Development									**13.5**	18.7
GRAND TOTAL										**334,284.1**	349,687.3

8.1 Additions to “Aircraft Fleet and Rotables” includes Exchange Rate Fluctuations (Net of Debit & Credit) on underlying loans in foreign currency : Rs. 17,775.0 Million (Previous Year: Rs. 9,434.8 Million).

8.2 Aircraft Fleet and Rotables includes 39 Aircraft (Five B777-200LR,Twelve B777-300 ER, Ten A-319 & Twelve A-321) (Previous Year : 42 Aircraft - {Eight B777-200LR, Twelve B777-300ER, Ten A-319 & Twelve A-321}) & 5 GE Spare Engines (Previous Year 5 GE Spare Engines) and Registration of these 39 Aircraft & 5 Spare Engines continues to be in the name of SPV Company for which beneficial ownership is with Air India Ltd.

Gross Block Rs.202,697.6 Million (Previous Year : Rs.211,989.3 Million), Provision for Depreciation Rs. 46,379.2 Million (Previous Year : Rs. 41,717.2 Million), Net Block Rs. 156,318.4 Million (Previous Year : Rs. 170,272.1 Million).

Future Lease rental obligations aggregate to Rs. 120,257.4 Million (Previous Year : Rs.133,575.1 Million) for which liability of an equal amount is included in the year-end balance of “Future Lease Obligations”

8.3 Deductions under the block of Aircraft Fleet & Rotables includes Rs. NIL Million (Previous Year : 23 Engine (A320) & 10 APU (A-320)) held for disposal transferred to Surplus Assets during the year, Gross Block Rs. NIL Million (Previous Year : Rs.853.0 Million), Provision for Depreciation Rs. NIL Million (Previous Year : Rs.746.8 Million) and Loss on this account amounts to Rs. NIL Million (Previous Year : Rs.105.0 Million).

8.4 Deductions under the block of Aircraft Fleet & Rotables includes 3 B 777-200 LR sold during the year. Gross Block Rs.22,638.7 Million (Previous Year : Rs. NIL Million), Provision for Depreciation Rs.6,249.8 Million (Previous Year : Rs. NIL Million) and Loss on this account amounts to Rs.3,872.5 Million (Previous Year : Rs. NIL Million).

8.5 Deductions under the block of Aircraft Fleet & Rotables includes 7 B 787-8 aircraft which were transferred under a Sale & Lease back arrangement during the year. Gross Block Rs.44,692.7 Million (Previous Year : Rs. NIL Million), Provision for Depreciation Rs.2,380.9 Million (Previous Year : Rs. NIL Million) and Profit on this account amounts to Rs.7,797.6 Million (Previous Year : Rs. NIL Million).

8.6 An amount of Rs.382.3 Million deducted from the Block of Aircraft Fleet as VT-ESH A320 Aircraft (Reserve for Depreciation Rs.352.6 Million) met with an accident. Air India had lodged the Insurance Claim and the same has been accounted as per the accounting policy. As the aircraft was given as security on behalf of AICL, the same has been replaced with some other collateral.

8.7 Depreciation includes debit of Rs.6.5 Million (Previous Year : Debit of Rs. 98.3 Million) for Prior Period and debit of Rs.55.7 Million (Previous Year : Debit of Rs.55.7 Million) to Capital Reserve.

8.8 Aircraft Fleet and Rotables includes cost of refurbishment / conversion of Leased Aircraft, Gross Block Rs.485.0 Million (Previous Year : Rs.485.0 Million, Accumulated Depreciation Rs.327.3 Million (Previous Year : Rs.261.5 Million)

8.9 Intangible Asset includes : 1) Software for Passenger Service System depreciated over 10 years.2) Others over 5 years.

8.10 Reclassification amongst Assets is adjusted under ‘Deductions/Adjustments’ of respective assets.

8.11 Special tools included in Workshop Equipment, Instrument Machinery & Plants and Other Fixed Assets are being Depreciated at year wise total Block Amount.

8.12 The value of Land at Baba Kharag Singh Marg has been reduced by Rs.620.0 Million due to reduction in the Plot Area from 4 Acres to 3.54 Acres as per Revised Allotment Letter from L&DO (Refer Note 33a).

NOTE "9" : NON-CURRENT INVESTMENTS

(Rupees in Million)

	Particulars	As at March 31, 2014	As at March 31, 2013
A	<u>(Unquoted Equity Instruments) (at cost)</u>		
	<u>Investment in Subsidiaries</u>		
1)	4,060,000 Equity Shares of Rs. 100 each fully paid up in Hotel Corporation of India Limited	**406.0**	406.0
2)	3,000,000 Equity Shares of Rs. 100 each fully paid up in Air India Charters Limited.	**300.0**	300.0
3)	50,000 Equity Shares of Rs. 10 each fully paid up in Air-India Air Transport Services Limited.	**0.5**	0.5
4)	50,000 Equity Shares of Rs. 10 each fully paid up in Air-India Engineering Services Limited.	**0.5**	0.5
5)	NIL Equity Shares (Previous Year : 3,64,200 Equity Shares) of Rs 1,000/- each fully paid up in Vayudoot Ltd.	**-**	182.1
	Less: Provision for diminution	**-**	182.1
		-	-
6)	2,25,000 Equity Shares of Rs 100/- each fully paid up in Airlines Allied Services Ltd.	**22.5**	22.5
	<u>TRADE INVESTMENTS</u>		
1)	271,847 Equity Shares (Previous Year : 271,938 Equity Shares) of EUR 5.00 each fully paid up in SITA (Societe Internationale de Telecommunications Aeronautiques). (91 Shares redeemed during the year)	**13.9**	13.9
2)	1,896 class B Shares (Previous Year : 2,216 Shares) of BHT 100 each fully paid up in Aeronautical Radio of Thailand Ltd. (320 Shares redeemed during the year)	**0.3**	0.4
3)	2,617,098 Equity Shares of MAR 10 each fully paid up in Air Mauritius Ltd.	**9.5**	9.5
4)	2,301,244 Equity Shares of MAR 10 each fully paid up in Air Mauritius Holding Ltd.	**16.7**	16.7
5)	6% Debenture Bonds of Banco De Roma face value EUR 15.49 guaranteed by the Government of Italy (Deposited with Civil Aviation Department, Italy).* (Rs. 3,057.69).	*** 0.0**	* 0.0
6)	10,000,000 Equity Shares of Rs. 10 each fully paid up in Cochin International Airport Limited.	**100.0**	100.0
7)	618,460 Depository Certificates of SITA Information Network Computing N.V.	**28.8**	28.8
8)	50 Equity Shares of EUR 152.45 each fully paid up in Association Sportive Du Golf Isabella.	**0.4**	0.4
9)	40,424,975 Equity Shares of Rs.10 each fully paid up in Air India SATS Airport Services Private Ltd.	**436.1**	436.1
	TOTAL OF UNQUOTED INVESTMENTS	**1,335.2**	1,335.3
B	<u>QUOTED (AT COST-TRADE)</u>		
	375,407 Shares of EUR 0.48 each fully paid up in France Telecom (Market Value Rs.332.8 Million, Equivalent to EUR 4.0 Million). (Previous Year: Rs. 205.8 Million, Equivalent to EUR 3.0 Million)	**7.6**	7.6
	TOTAL	**1,342.8**	1,342.9

	2014	2013
Aggregate amount of unquoted investments	**1,335.2**	1,517.4
Aggregate provision for diminution in value of investments	**-**	182.1
Aggregate amount of quoted investments (Market value : Rs.332.8 Million (Previous Year : Rs.205.8 Million)) (Equivalent to EUR 4.0 Million (Previous Year : EUR 3.0 Million))	**7.6**	7.6

NOTE “10” : LOANS AND ADVANCES

(Rupees in Million)

Particulars		Long Term Loans & Advances		Short Term Loans & Advances	
		As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
Capital Advances					
Unsecured Considered Good		**2,399.2**	3,303.5	**-**	-
Doubtful		**208.4**	232.0	**-**	-
		2,607.6	3,535.5	**-**	-
Less :Provision for Doubtful Advances		**208.4**	232.0	**-**	-
	(A)	**2,399.2**	3,303.5	**-**	-
Security Deposits					
Secured Considered Good		**-**	1.8	**-**	-
Unsecured Considered Good		**4,407.2**	1,021.4	**57.4**	377.8
Doubtful		**43.5**	26.8	**-**	-
		4,450.7	1,050.0	**57.4**	377.8
Less : Provision for Doubtful Advances		**43.5**	26.8	**-**	-
	(B)	**4,407.2**	1,023.2	**57.4**	377.8
Advance to Subsidiary Companies*					
Unsecured Considered Good		**27,796.7**	19,420.1	**-**	-
Doubtful		**-**	768.6	**-**	-
		27,796.7	20,188.7	**-**	-
Less : Provision for Doubtful Advances		**-**	768.6	**-**	-
	(C)	**27,796.7**	19,420.1	**-**	-
Advances recoverable in Cash or in Kind					
Unsecured Considered Good		**12,462.6**	8,236.8	**2,604.7**	1,431.8
Doubtful		**658.1**	716.5	**-**	-
		13,120.7	8,953.3	**2,604.7**	1,431.8
Less : Provision for Doubtful Advances		**658.1**	716.5	**-**	-
	(D)	**12,462.6**	8,236.8	**2,604.7**	1,431.8
Loans and Advances to Employees					
Secured Considered Good		**0.4**	5.2	**1.4**	-
Unsecured Considered Good		**33.0**	37.1	**110.7**	95.7
Doubtful		**12.4**	12.3	**-**	-
		45.8	54.6	**112.1**	95.7
Less : Provision for Doubtful Advances		**12.4**	12.3	**-**	-
	(E)	**33.4**	42.3	**112.1**	95.7
Other Loans and Advances					
Advance Payment of Income Tax and TDS (net of provision for taxation)		**1,018.3**	826.8	**-**	-
Prepaid Expenses		**668.5**	509.4	**1,500.1**	810.8
Balances with Statutory / Government Authorities		**1,991.3**	1,699.8	**-**	201.1
	(F)	**3,678.1**	3,036.0	**1,500.1**	1,011.9
TOTAL (A + B + C + D + E + F)		**50,777.2**	35,061.9	**4,274.3**	2,917.2

10.1 ***Details of Advances given to Subsidiary Companies is as under :***

(Rupees in Million)

Name of the Subsidiary Company	**As at March 31, 2014**	As at March 31, 2013
1. Air India Charters Limited	**18,320.0**	13,491.5
2. Air India Engineering Services Limited	**1.0**	1.0
3. Hotel Corporation of India Limited	**943.7**	277.7
4. AASL	**8,532.0**	5,649.9
5. Vayudoot Limited	**-**	768.6
TOTAL	**27,796.7**	20,188.7

10.2 Advances recoverable in Cash or Kind includes unreconcilled Inter-corporate Debit balance (net) of Rs.11.5 Million (Previous Year : 10.5 Million), which is under reconciliation, for which provision has been made.

NOTE "11" : TRADE RECEIVABLES

(Rupees in Million)

Particulars	Non-current Receivables		Current Receivables	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
Outstanding for a period exceeding six months from the date they are due for payment				
Secured, Considered Good	**-**	-	**57.1**	14.5
Unsecured, Considered Good	**19.2**	54.8	**7,960.9**	7,214.8
Doubtful	**4,631.0**	4,135.6	**-**	-
	4,650.2	4,190.4	**8,018.0**	7,229.3
Less : Provision for Doubtful Receivables	**4,631.0**	4,135.6	**-**	-
(A)	**19.2**	54.8	**8,018.0**	7,229.3
Other Receivables				
Secured, Considered Good	**-**	-	**567.8**	377.3
Unsecured, Considered Good	**-**	-	**12,077.0**	12,604.8
Doubtful	**572.0**	258.9	**-**	-
	572.0	258.9	**12,644.8**	12,982.1
Less : Provision for Doubtful Receivables	**572.0**	258.9	**-**	-
(B)	**-**	-	**12,644.8**	12,982.1
Total (A + B)	**19.2**	54.8	**20,662.8**	20,211.4

11.1 Trade Receivables amounting to Rs. 624.9 Million (Previous Year Rs. 424.7 Million) are backed by Bank Guarantees.

NOTE "12" : OTHER ASSETS

(Rupees in Million)

Particulars	Other Non-current Assets		Other Current Assets	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
1. Deposits - Others (having maturity of more than 12 months)	**6.5**	6.5	**-**	-
Less :Provision for Doubtful Deposits	**0.1**	0.1	**-**	-
	6.4	6.4	**-**	-
2. <u>Interest Accrued on</u>				
i) Fixed Deposits	**-**	-	**29.1**	21.9
ii) Loan to Employees	**15.7**	-	**22.0**	57.2
iii) Others	**-**	-	**-**	-
	15.7	-	**51.1**	79.1
3. Surplus Assets	**171.0**	283.5	**227.9**	253.0
Less :Provision for Diminution in Value of Asset	**171.0**	283.5	**-**	-
	-	-	**227.9**	253.0
4 Other Non-Trade Receivables				
Unsecured, Considered Good	**-**	-	**8,475.0**	8,963.1
Doubtful	**2,448.6**	1,954.7	**-**	-
	2,448.6	1,954.7	**8,475.0**	8,963.1
Less : Provision for Doubtful Receivables	**2,448.6**	1,954.7	**-**	-
	-	-	**8,475.0**	8,963.1
TOTAL	**22.1**	6.4	**8,754.0**	9,295.2

12.1 Deposits - Others Non Current (having maturity of more than 12 months) includes Rs. 1.5 Million (Previous Year Rs. 1.5 Million pertains to Blocked amount lying in current Account.

12.2 Items of the Fixed Assets retired from the active use and held for disposal are transferred to 'Surplus Assets'. Realisable value of Surplus Assets has been considered to be minimum 5% of Gross Block or realisable wherever ascertainable.

NOTE "13" : INVENTORIES (As taken, valued & certified by the Management)

(Rupees in Million)

Particulars	As at March 31, 2014	As at March 31, 2013
Stores and Spare Parts	**33,164.3**	29,199.0
Loose Tools	**109.5**	98.6
	33,273.8	29,297.6
Less : Provision for Obsolescence / Inventory Reconciliation	**13,312.3**	12,601.7
	19,961.5	16,695.9
Goods-in-Transit	**954.7**	876.7
TOTAL	**20,916.2**	17,572.6

NOTE : "14" : CASH AND BANK BALANCES

(Rupees in Million)

Particulars	As at March 31, 2014	As at March 31, 2013
Cash and Cash Equivalents		
1. **Balances with Banks :**		
a) On Current Accounts	**3,048.7**	2,102.7
b) Deposit Accounts (Maturity less than 3 months)	**431.7**	414.8
2. Cheques, Drafts on Hand	**90.7**	37.0
3. Cash on Hand (as certified by the Management)	**43.3**	31.6
(A)	**3,614.4**	2,586.1
Other Bank Balances		
1. Security Deposit from Employees	**0.8**	1.1
2. Deposits - Others (More than 3 months but Less than 12 Months)	**986.3**	71.6
3. Margin money deposits	**1,964.1**	2,502.5
(B)	**2,951.2**	**2,575.2**
TOTAL (A + B)	**6,565.6**	5,161.3

NOTE "15" : TRAFFIC REVENUE

(Rupees in Million)

Particulars	2013-14	2012-13
Scheduled Services		
1 Passenger	**141,507.3**	124,944.4
2 Excess Baggage	**1,397.6**	794.2
3 Mail	**764.1**	686.8
4 Cargo	**10,659.1**	8,549.0
(A)	**154,328.1**	134,974.4
Non-Scheduled Services		
1 Charter	**11,198.5**	10,740.4
2 Block Seat Arrangement	**468.0**	653.8
3 Revenue Share from Air India Charters Ltd. (Wholly Owned Subsidiary Company) [Refer Note 60g]	**2,910.8**	2,227.0
(B)	**14,577.3**	13,621.2
TOTAL (A + B)	**168,905.4**	148,595.6

NOTE "16" : HANDLING, SERVICING AND INCIDENTAL REVENUE

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Handling and Servicing	**5,079.4**	5,139.7
2	Manufacturers Credit	**2,409.0**	842.5
3	Incidental	**7,315.8**	5,700.6
	TOTAL	**14,804.2**	11,682.8

NOTE "17" : OTHER REVENUE

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Interest Income on :		
	Bank Deposits	**230.3**	183.1
	Others	**74.2**	118.0
2	Dividend from Long Term Investments (Trade)	**92.5**	52.2
3	Receipts from Air-India Building	**306.8**	89.4
4	Profit on Sale of Fixed Assets (Net)	**4,036.6**	-
5	Interest Cost Reimbursement by Subsidiary Companies	**2,484.9**	-
	TOTAL	**7,225.3**	442.7

17.1 Profit on Sale of Fixed Assets (Net) includes :

a) Rs.7,797.6 Million Profit on Sale & Lease Back of seven B787-800 Dreamliner Aircraft VT-AND, VT-ANH, VT-ANI, VT-ANJ, VT-ANL & VT-ANM (Refer Note 72 B a)

b) Rs.3,872.5 Million Loss on sale of three B777LR aircraft VT-ALA, VT-ALB & VT-ALC (Refer Note 44)

c) Rs.725.6 Million net Gain on A320 aircraft VT-ESH as against insurance claim of Rs.755.3 Million, which was met with an accident at Jaipur.

NOTE "18" : OTHER OPERATING EXPENSES

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Insurance	**1,299.8**	1,174.8
2	Material Consumed - Aircraft	**3,194.7**	2,935.9
3	Outside Repairs - Aircraft	**11,645.7**	5,372.2
4	Navigation, Landing, Housing and Parking	**13,916.3**	11,063.8
5	Hire of Aircraft	**6,980.0**	5,322.4
6	Handling Charges	**8,863.5**	7,640.6
7	Passenger Amenities	**6,052.5**	4,855.0
8	Booking Agency Commission (Net)	**3,556.6**	3,847.1
9	Communication Charges		
	i) Reservation System	**6,547.5**	5,692.5
	ii) Others	**1,246.6**	969.1
	TOTAL	**63,303.2**	48,873.4

NOTE "19" : EMPLOYEE BENEFIT EXPENSES

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Salaries, Wages and Bonus	**20,487.8**	21,150.1
2	Crew Allowances	**6,429.8**	5,280.4
3	Contribution to Provident and Other Funds	**1,027.3**	1,087.9
4	Staff Welfare Expenses	**1,748.6**	1,559.8
5	Provision for Gratuity	**915.6**	2,256.6
6	Provision for Leave Encashment	**632.3**	988.3
7	Provision for Retirement Benefit	**280.5**	224.2
	TOTAL	**31,521.9**	32,547.3

NOTE "20" : FINANCE COST

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Interest on :		
	a) Debentures	**12,801.8**	6,075.3
	b) Aircraft Loans	**3,406.7**	3,014.9
	c) Other Loans	**19,107.4**	24,599.9
		35,315.9	33,690.1
2	Other Borrowing Costs	**2,509.8**	1,301.9
3	Delayed Payment Charges to Fuel Companies	**2,373.1**	3,038.3
4	Interest on Delayed Payment of TDS / Service Tax	**514.6**	659.3
	TOTAL	**40,713.4**	38,689.6

NOTE "21" : DEPRECIATION AND AMORTIZATION EXPENSE

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Depreciation of Tangible Assets	**18,572.0**	16,668.3
2	Amortization of Intangible Assets	**439.4**	391.1
	(A)	**19,011.4**	17,059.4
	Less : Recoupment from Capital Reserve (Refer Note 3.1)	**55.7**	55.7
	(B)	**55.7**	55.7
	TOTAL (A- B)	**18,955.7**	17,003.7

NOTE "22" : OTHER EXPENSES

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Travelling Expenses		
	i) Crew	**1,806.2**	1,751.0
	ii) Others	**765.5**	602.7
2	Rent	**1,160.2**	1,564.5
3	Rates and Taxes	**485.3**	460.6
4	Repairs to :		
	i) Buildings	**132.3**	114.5
	ii) Others	**1,477.0**	1,585.2
5	Hire of Transport	**698.4**	680.9
6	Electricity & Heating Charges	**900.9**	941.6
7	Water Charges	**36.1**	68.5
8	Directors' Fees	**0.5**	-
9	Publicity and Sales Promotion	**429.9**	593.1
10	Printing and Stationery	**102.8**	101.6
11	Legal Charges	**185.1**	118.8
12	Auditors' Remuneration and Expenses	**11.8**	7.9
13	Provision for Bad & Doubtful Receivables and Advances	**1,508.7**	382.9
14	Provision for Obsolescence (Net)	**393.2**	585.9
15	Provision for Inventory Repairs/Reconciliation	**1,423.3**	840.2
16	Expenses on Block Seat Arrangements	**384.7**	448.1
17	Exchange Variation (Net)	**2,030.3**	2,393.2
18	Loss on Sale / Discarded Fixed Assets (Net)	**-**	188.8
19	Miscellaneous Expenses	**2,401.5**	2,041.4
	TOTAL	**16,333.7**	15,471.4

NOTE "23" : PRIOR PERIOD ADJUSTMENTS (Net)

(Rupees in Million)

Particulars		2013-14	2012-13
Revenue Heads			
1)	Passenger Revenue	**156.9**	(148.1)
2)	Cargo Revenue	**2.3**	3.4
3)	Mail	**1.5**	3.6
4)	Handling, Servicing and Incidental Revenue	**151.4**	188.0
5)	Revenue Share from AICL	**(8.2)**	-
6)	Others	**87.7**	(5.8)
	(A)	**391.6**	41.1
Expenditure Heads			
1)	Handling Charges	**(11.8)**	137.6
2)	Depreciation	**6.5**	98.3
3)	Stores and Equipments	**38.6**	22.4
4)	Passenger Amenities	**(64.6)**	151.6
5)	Publicity	**2.9**	6.5
6)	Insurance	**(28.5)**	(3.9)
7)	Salaries/Staff Welfare Expenses	**3.9**	44.2
8)	Landing, Parking and Navigation	**55.3**	14.8
9)	Commission	**13.0**	13.6
10)	Communication Charges - Others	**0.1**	6.7
11)	Rent, Rates and Taxes	**80.3**	115.2
12)	Exchange variation	**(1,055.0)**	(14.3)
13)	Legal Charges	**-**	0.7
14)	Hire of Aircraft	**2.2**	2.8
15)	Interest	**335.8**	6.2
16)	Others (Net)	**(20.2)**	263.2
	(B)	**(641.5)**	865.6
	TOTAL (B - A)	**(1,033.1)**	824.5

NOTE "24" : EXCEPTIONAL ITEMS

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Inventory Migration Surplus / Written Back	**1,180.5**	14,667.2
	Less : Provision for Inventory Reconciliation	**-**	5,974.4
		1,180.5	8,692.8
2	Provision No Longer Required	**3,156.6**	2,506.2
	TOTAL	**4,337.1**	11,199.0

NOTE "25" : EXTRA ORDINARY ITEMS (NET)

(Rupees in Million)

	Particulars	2013-14	2012-13
1	Compensation / Liquidated Damages from Vendors	**1,398.0**	2,801.0
2	Duty Credit Entitlement under SFIS	**4,735.9**	7,416.8
	TOTAL	**6,133.9**	10,217.8

26. Contingent Liabilities not provided for:

A. Claims against the Company not acknowledged as debts (excluding interest and penalty wherever applicable) and being contested to the extent ascertainable and quantifiable:

(Rs in Millions)

Description	**2013-14**	2012-13
Claims on account of denied boarding, loss of passenger baggage, mishandled baggage, delayed flight, cancellation of flights, damaged consignments and late receipt of cargo etc.	**621.9**	690.4
Income Tax Demand Notices received by the Company which are under Appeal.	**885.8**	424.3
Customs Duty and Service Tax demanded by the Tax Authorities.	**4554.8**	4313.0
Property Taxes/House Tax demanded by the Municipal Authorities	**147.9**	160.3
Claims of Licence Fees, X-Ray, TNLC, Landing Charges, Parking Charges, Levies etc.	**4458.3**	2745.6
Claims on account of Staff/Civil, Arbitration/Labour Cases pending Court cases	**1061.7**	1102.4
Estimated Claims of employees towards rationalization of pay structure to be in line with Justice Dharamadhikari Committee Report.	**6738.6**	2361.4
Govt. Guarantee Fee	**-**	-
(i) Difference between 0.5 - 1.5% and 0.2%	**2524.9**	0.0
(ii) Additional Guarantee Fee	**3819.4**	2122.2
Total	**24813.3**	13919.6

B. Guarantees given by the Banks and counter guaranteed by the Company outstanding Rs. 21.3 million (Previous Year: Rs.22.1 million).

C. Letters of Credit issued by the Bank aggregating to Rs.4881.9 million (Previous Year: Rs. 5967.9 million).

D. Corporate Guarantees, Letters of Comfort given by the Company on behalf of its Wholly owned Subsidiary Companies:

(Rs in Millions)

	Particulars	**2013-14**	2012-13
i)	Airline Allied Services Ltd.	**13.9**	156.7
ii)	Air India Charters Ltd	**58.2**	826.2

27. Capital Commitments are in respect of estimated amount of contracts remaining to be executed on Capital Account (Net of Advances) – Rs 137935.3 million (Previous Year: Rs 164936.8 million) the details of the same are given below. As regards "Other Commitments" the amount is not ascertainable.

(Rs in Millions)

	Particulars	**2013-14**	2012-13
(A)	**Capital Commitments**		
i)	For Aircraft Project	**136158.8**	164368.1
ii)	Others	**1776.5**	568.7
	Total	**137935.3**	164936.8
(B)	**Other Commitments**	**Not Ascertainable**	Not Ascertainable

28. The company has implemented SAP-ERP w.e.f. 01st January, 2013. The SAP system is also being extended to the subsidiary companies and as per the decision taken by the management, the company has decided not to apportion the SAP project cost as well as the maintenance charges to other subsidiary companies pending complete implementation in all the subsidiaries. As such an amount of Rs 1367.01 million (Previous Year: Rs 1180.0 million) being cost of SAP project has been capitalized till the date of Balance Sheet and is being depreciated/amortized as per the accounting policy followed. The migration audit of the process has since been completed however the observations in certain cases are being dealt with and necessary accounting treatments if any required shall be carried out in due course.

29. Reconciliation/confirmation of subsidiary accounts including intermediary/transitory accounts, receivable/payable accounts, revenue/inventory/other accounting modules, bank balances, and other assets and liabilities/ income and expenditures etc. is in progress and are pending at various stages. The process of identification of unmatched items and accounts which have been migrated to SAP at block level instead of line items is also in progress. Impact, if any, of consequential adjustment arising out of reconciliation on Financial Statements will be dealt with in the year of completion of reconciliation.

30. Debenture Redemption Reserve as required under Section 117 C of the Companies Act, 1956 has not been created, since there are no profits.

31. The company had taken up the issue of waiver of Guarantee Fee on all Govt. Guaranteed Loans with the Ministry of Finance through the Ministry of Civil Aviation. The company has since requested that the same should be reduced from 0.5-1.5% to 0.2% on all Govt Guarantees for the year 2011-12 till 2016-17 when as per TAP projections, Air India will turn Cash Positive. Pending approval of reduction in Guarantee Fee from the competent authority, the company has decided to write back the provision made in the years 2011-12 to 2012-13 amounting to Rs1062.9 million retaining the liability @0.20%. During the year also, the Guarantee fee has been provided @ 0.20% at Rs. 536.49million as against Rs. 1800.7million based on the company's request for reduction in Guarantee fee. The differential amount of Guarantee Fee (i.e. the difference between 0.5-1.5% and 0.2%) amounting to Rs2524.9million and additional liability payable as per terms of Guarantee fee amounting to Rs. 3819.4 million has been shown as Contingent Liability.

Fixed Assets

32. In terms of the Scheme of Amalgamation the immovable assets comprising land and buildings were recorded at their fair value as determined by the external registered valuer as on 1st April 2007. In case of buildings which were fully depreciated as on 1st April 2007 and which were revalued by the valuer, the revalued amount has been amortized/depreciated over the useful life as advised by the valuer.

33. Land (Freehold/Leasehold) and buildings include Gross Block Rs.76856.8 million (Previous Year: Rs.77469.8 million) (to the extent identified) for which registration formalities are yet to be completed and where original title deeds (amount unascertained) are not in possession of the company. The company has appointed a Global Real Estate Consultant as its property consultants for the purpose of registration & reinstatement of property rights of the company in respect of such unregistered properties. These inter-alia include the following :

a) Lease hold land Rs.4770.7 million (Previous Year: Rs.5390.6 million), admeasuring 3.54 acres at Baba Kharag Singh Marg, New Delhi which was valued in 2007 by the external registered valuer, where registration formalities are pending. Ministry of Urban Development vide its Letter No L&DO/L-11A/429/2013/63 dated 7th June 2013 have issued the revised Allotment Letter for an area of 3.54 acres against 4 acres with the same terms and conditions of 1983 Allotment Letter which has since been accepted by the company and possession obtained on 26/06/2013. Accordingly, the land value of this plot of land has been reduced by Rs619.9 million and the same has been debited to the Profit & Loss Account in absence of Capital/ revaluation Reserve created at the time of revaluation. Excess amount already paid by the company would be adjusted against the future payments/dues.

b) Leasehold properties pending registration formalities also include one property namely Housing Colony, Vasant Vihar, New Delhi which was valued in 2007, by the external registered valuer at Rs 51295.1 million. Due to non fulfillment of certain conditions mentioned in allotment letter, the allotment was cancelled vide L & DO letter No.L.II-1(140)67 dated 10.11.1983 and lease deed could not be executed. The building at the said land is also being carried in books at Rs. 146.0 million and is being depreciated as per the accounting policy of the company. The valuation obtained as per legal opinion, is subject to regularization of the property rights. As required by the L&DO office, certified copies of all sanctioned Plans and Master Layout Plan for the housing colony have been submitted to them, Inspection by L&DO has been completed and the matter is under active consideration with them. This issue is being consistently followed up and the Company is hopeful of regularization of the property rights. Further, with regard to the issue of sharing of 50% unearned increase in the value of the captioned lease, in the absence of any such clause in the allotment letter dated 18.12.1967 issued by the L&DO, the company does not foresee any amount payable on account of unearned increase. As the company has been paying the municipal taxes for the property and staff housing colony is occupied by the company and there is no eviction notice received as of date, in the opinion of the management the company continues to have the lease rights in the property as aforesaid and its only the regularization of the same which is pending. The liability towards re-instatement of the lease rights, if any, is not quantifiable at this stage and hence the same shall be accounted for at time of regularization and as such no provision in this respect has been considered necessary.

c) Efforts are being made to obtain duplicate copies and other relevant records of properties in cases where original Title Deeds are not in possession of the company.

d) The company had been allotted land at Nerul, Navi Mumbai admeasuring 100,021.60 sq.mtrs for development of staff housing complex. 508 flats have been constructed on a portion admeasuring 28626 sqmtrs and it has been decided to sell these flats to the employees of the company. In terms of the orders of Hon'ble High Court at Bombay (the Court), the company issued allotment letters to 332 allottees out of 508 flats constructed. The entire amount of additional premium payable to CIDCO in terms of the orders of the Court towards the flats allotted, as collected from the employees was paid to CIDCO. The Company has handed over physical possession of 280 flats after receipt of NOC from CIDCO.As per the legal opinion obtained in this respect, the company through the allotment letter, possession letter followed by execution and registration of deed of conveyance has created rights , interest and has handed over actual possession of the flats in favor of respective members. However title to the underlying land can only be conveyed by a tripartite conveyance deed between societies, Air India and CIDCO which is not yet done. In the opinion of management pending conveyance of title of land infavor of the registered societies, Air India continues to hold the title to the underlying land. Pending demarcation of land and bifurcation of the cost/depreciation in respect of flats already sold, the cost of property Rs. 5673.9 million (Gross Block) at Nerul comprising cost of land and cost of construction is being carried in fixed assets and accumulated depreciation Rs. 564.7 million has been charged as per the laid down accounting policy. The sales proceeds Rs. 407.7 Million received from the concerned members in respect of flats sold have not been appropriated against the cost and are being carried as "other non-current liabilities". Liability if any on account of taxes on transfer of the flats sold, if any, is also not ascertainable at this stage. Necessary accounting entries will be made in the books of accounts on completion of these formalities. No provision for additional premium payable to CIDCO towards unsold flats has been made since the allottees for these flats are not yet finalized. Additional lease premium towards non-development of the surplus land Rs. 270.7 million (Previous Year: Rs. 251.0 million) payable to CIDCO has been capitalized under land cost.

34. MRO at Nagpur

AI has acquired 50 acres of land in MIHAN SEZ located near Nagpur airport from Maharashtra Airport Development Company (MADC).As per the terms of the aircraft/engine Purchase Agreement, the manufacturers are committed to construct the airframe/engine MRO at the site. The airframe MRO facility is expected to be completed by December 2014 and will be handed over to AI. The cost of this airframe MRO facility will be capitalized on completion.

35. Capital Advances include a sum of Rs.24.6 million being the advance paid by the company for the purchase of Land at Nerul. The possession of the plots allotted by CIDCO in this regard has not been handed over to the company and no agreement/lease deed has been executed so far. As per the information on records, there is an encroachment on the said plot and a brick kiln exists there and no suitable course of action has been demonstrated since 1985. Hence, no provision of Capital Advance of Rs 24.6 million has been considered necessary since the company is hopeful of getting the same regularized with no additional cost accordingly no provision for the amount has been made in the books.

36. As per the laid down policy on physical verification of fixed assets, every asset is to be verified once in two years. The exercise of physical verification is stated to be carried out by the Internal Audit department for the biennial period 2012-14. However in practice, it has not been possible to complete the coverage of 100% verification by the Internal Audit. Physical verification of fixed assets is conducted at regional headquarters and stations inspected during the biennial period. In other cases, the certificates given by various user departments are relied upon. Airframes and Aero engines are taken as per the certificates of physical verification issued by the Engineering Department and no physical verification is conducted by the internal audit department. The reports of biennial period 2010-12 have since been submitted but the accounting action in certain cases is pending. Since every asset is not being physically verified during the biennial period, the management is taking steps to streamline the process of physical verification of fixed asset in order to ensure the compliance of laid down policy. The necessary accounting adjustments in this regard will be carried out in due course.

37. With effect from 1st January 2013, item-wise details of various fixed assets have been migrated to SAP to the extent of details available in respect of quantities/location/date of purchase. In other cases year-wise block of items have been migrated into SAP as one item. There are also certain cases where uniformity of classification under each class of Fixed Assets is being worked out. The company is also in the process of matching Finance Asset Value register with Asset registers maintained in stores/materials management division (MMD), for line-wise asset details. Reconciliation of Asset records maintained at finance division with asset register in MMD and Property Movement Control Register (PMCR) is under process and the precise details of assets with location and description thereof are being worked out.

38. Rotables

The item wise value of rotables migrated to SAP is available on consolidated block basis at certain locations. Post migration to RAMCO/ SAP, the item-wise details of Rotables are being worked out as per data generated from RAMCO. The item-wise details of Rotables as generated from RAMCO software are being compared with financial records. Necessary reconciliation of data as per Fixed Asset register with RAMCO generated data shall be carried out in due course and necessary accounting adjustment in that respect will be carried out thereafter.

39. Depreciation

a) In accordance with the approval received from the Ministry of Corporate Affairs vide Letter No.45/4/2008-CL-111 dated 25.05.11 effective 1st April 2007 depreciation on the new fleet of Airbus 319, 320, 321 and B-777 & B-787 Aircrafts has been charged considering the economic life of these aircraft as 20 years as these aircrafts are new generation/ state of art new technology aircrafts, which is lower than the rate of depreciation prescribed in Schedule XIV to the Companies Act, 1956.

b) As per regular practice, in certain Business Areas, depreciation on Other Fixed Assets including Special Tools is being charged on the basis of year wise gross block for each class of assets. The effect of the above on the depreciation charged on each of such assets is to be ascertained after due reconciliation. In certain other business areas, special tools are included under inventory. The effect of the above is not ascertained.

40. Borrowing costs capitalized during the year are Rs.1650.0 million (Previous Year Rs.1340.0 million) out of which Rs1243.1million (Previous Year: Rs. 918.2 million) relates to 7 B787-8 aircraft received during the year, Rs406.9 million (Previous Year: Rs. 407.1 million) relates to Capital Work-in-Progress. Further, out of the total borrowing costs of Rs. 1650.0 million (Previous Year: Rs. 1340.0 million), an amount of Rs. 263.2 million (Previous Year: Rs. 487.0 million) relates to interest on working capital related loans and Rs. 1386.8 million (Previous Year: Rs. 853.0 million) relates to interest and other charges on PDP & Bridge Loans.

41. As per the consistent practice, surplus assets being assets retired from active use are being identified based on write off reports which are yet to be reconciled with the Scrap Board Reports completed during the year. The assets retired from active use and held for disposal are also being identified. Accounting adjustments required, if any, in this respect shall be carried out after necessary confirmations/reconciliations.

42. The Company has carried out 'In-House' assessment of impairment of Aircraft Fleet In the opinion of the management there is no physical impairment and therefore no adjustments to the book values of these assets are considered necessary. The impairment assessment as required under AS-28 in respect of the Fixed Assets including Aircraft fleet is yet to be done. The company has as per the accounting policy followed, continued to capitalize the exchange differences amounting to Rs. 43997.1 million (Previous Year: Rs. 39968.4 million) in accordance with AS-11 pending assessment of impairment of aircraft fleet. Adjustments, if any, required in the carrying value of these assets will be carried out in due course.

43. SFIS Scrips

i) In terms of Foreign Trade Policy 2009-2014 (FTP) the company was entitled to Duty Credit Scrips under Served from India Scheme (SFIS) equivalent to the extent of 10% of Foreign Exchange earned during the financial year. The SFIS scheme under the 2009-2014 FTP was valid from 1st April 2009 to 31st December 2010.

The Company was issued Duty Credit Scrips amounting to Rs. 7416.8 million in respect of Financial Year 2009-10 and 2010-11 as per the following details-

(a) 11 Scrips worth Rs. 4241.0 million on 10.12.2012 (Expired on 09.06.2014)

(b) 3 Scrips worth Rs. 3175.8 million on 28.03.2013 (Expired on 27.09.2014)

The company has in accordance with the scheme, utilized an amount of Rs. 482.6 million upto 31st March 2014. The unutilized amount as on 31st March 2014 is Rs. 6934.2 million and as on 27th September 2014 is Rs. 6736.4 million. These Scrips have since expired. The un-utilized balance is however under confirmation and subsequent reconciliation, if any.

The Company has requested the Director General of Foreign Trade (DGFT), to extend the validity of the Scrips that have expired in June 2014 and September 2014. The Ministry of Civil Aviation has prepared a draft Cabinet Note seeking extension of the validity of the SFIS Scrips and forwarded the same together with their recommendation to DGFT for placing in the Cabinet. The Company is confident that the Scrips would be revalidated and a minimum extension of two years would be granted. Pending such revalidation, the balance of the duty credit entitlement Rs. 6934.2 million is being carried under “Advances Recoverable in Cash or Kind” and no provision against the same has been considered necessary.

ii) The company had in earlier years, filed its claim for SFIS scrips for the financial year 2007-08 which was not granted due to change in the Foreign Trade Policy at that time. The company has since vide its letter dated 04/10/2012 sought the revival of the same with DGFT. The above claim for 2007-08 has been forwarded by DGFT Zonal Office Delhi to DGFT, Hqrs for further processing / approval on merit by DGFT Zonal office in Nov 2014. However the company is yet to receive any response from the office of DGFT and confirmation of acceptance of the company’s claim is pending and Scrips in this respect are yet to be issued. Pending approval of company’s claim, an amount of Rs. 4735.9 million (Rs. 5261.0 million less 10% for delay in filing claims) has been accounted during the year as “Extra Ordinary Item.”

44. Sale of B-777-200 LR

a) The Company has during the year, entered into a Sale Agreement with an airline for Sale of 5 B777-200LR aircraft in order to rationalize its fleet and reduce its operational losses. at a price of USD 336.5 million. Out of these 5 aircrafts, the transfer of title deeds and delivery of 3 aircraft were completed during the year and the net book loss of Rs 3872.5 million representing the difference in the book value and sale value in respect of these 3 aircraft has been accounted for. In respect of the remaining 2 aircraft, these were grounded in January 2014 for undergoing major checks on airframe / engines which were necessary to meet the delivery conditions as agreed in the sale agreement. These aircrafts though retired from active use and held for disposal as per the sale agreement are not classified as Surplus asset as per the accounting practice followed by the company (Refer Note No. 12.2) and are being carried under “Fixed Assets” (Gross Block Rs. 14960.7 million, Accumulated depreciation Rs. 3985.3 million, WDV Rs. 10975.4 million) and depreciation is being charged as per the applicable Accounting Policy since the title transfer and delivery for these 2 aircraft has taken place in April / May 2014.The loss on sale of these aircrafts amounting to Rs. 2779.5 million will be accounted in the year of title transfer and delivery.

b) The company has subsequent to Balance Sheet date decided to sale/lease three B-777-200 LR aircrafts carried in the accounts at Rs. 24734.2 million (Gross Block) and Rs. 5000.5 million (Accumulated Depreciation). One of the three aircraft has was used for flying Haj passengers as well as on the Gulf/Middle East routes and the other two aircraft are presently grounded for undergoing heavy maintenance checks. However since the decision to finally sell or lease these aircraft is yet to be taken, these aircrafts are being carried under Gross Block of assets and no further impairment assessment is considered necessary.

45. Boeing Compensation/Credits

a) **Delay Settlement Agreement**

AI has signed a Delay Settlement Agreement on 5th September 2012 with Boeing for full and final settlement on account of delay in delivery of 787 aircraft. As per the Delay Settlement, Boeing has agreed for enhanced compensation in addition to the liquidated damages as per the original Purchase Agreement entered with Boeing in December 2005which is to accrue to the airline only on delivery of aircraft and in case of cancellation of any of the deliveries by AI, Boeing would only provide AI with the Liquidated Damages provided in the original Purchase Agreement and not the enhanced compensation. AI has accepted delivery of 7(seven) B787 aircraft during the current year. An amount of Rs. 891.0 million (USD 15.0 million) (Previous Year Rs.2008.9 million (USD 36.526 million)) for 7 (seven) aircraft provided by Boeing by way of a credit note on delivery towards enhanced compensation has been taken as Extraordinary income.

b) **Compensation for the Grounding of B-787 aircraft**

6 B-787 were delivered to AI during September to December 2012. AI had temporarily grounded all the 6 B-787 aircraft on January 2013 following a directive of DGCA that was based on Federal Aviation Administration (FAA, USA). A modification plan as approved by FAA was carried out on these aircraft and after necessary approvals from DGCA/FAA all the 6 aircraft were positioned back for flying by May 2013. The matter of compensation for losses suffered by AI on account of grounding was taken up with Boeing. AI has signed a Settlement Agreement dated 29th May 2014 with Boeing for a compensation of USD 24.0 million for the grounding of B-787 aircraft. Accordingly, balance credit of Rs. 507.1 Million (USD 9.4 million) (Previous Year Rs.793.1 Million (USD 14.6 million)) reflecting grounding compensation has been taken as Extraordinary Income.

c) **Fuel Burn allowance from GE**

The B787 Purchase Agreement with Boeing provided certain fuel burn guarantees with regard to performance of the aircraft. Since there is a shortfall in the fuel burn guarantees AI are in discussion with the Boeing for this additional fuel burn compensation. It may be noted that the shortfall in fuel burn is contributed by the airframe as well as the engines installed on the aircraft.

GE the engine Manufacturer for B-787 aircraft has agreed to compensate AI with a fuel burn allowance of USD 23 million in respect of the Block4 engines and PIP1 engines fitted on 13 787 aircraft delivered to AI. Accordingly ,during FY 2013-14 the accrued fuel burn allowance of INR 459.7 million (USD 7.4 million) has been taken as Miscellaneous Income to offset the additional fuel cost incurred by AI on account of these Block4 / PIP1 engines. The company is in the process of signing necessary agreement in this regard.

46. As per the accounting policy followed by the company, manufacturer and supplier credit entitlements received at the time of delivery of the aircraft amounting to Rs. 416.1 million (Previous Year: Rs. 312.7 million) and Rs1129.3million (Previous Year: Rs. 842.0 million) respectively have been recognized as Incidental Revenue.

47. Effect of changes in Exchange rates (AS-11)

i) The Company in 2008-09 opted for accounting the exchange differences arising on reporting of long-term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 retrospectively. The Ministry of Corporate Affairs vide their Notification GSR 913(E) & 914(E) dated 29th December 2011 has extended the purview of the amendment which has been adopted by the company and the relevant details are as under:

a) In accordance with the accounting policy as stated in Para 8(ii) regarding recognition of exchange differences arising on settlement and reporting of long term monetary items, the company has during the year capitalized translation difference of Rs.17939.3 million (Previous Year: Rs. 9434.6 million)

During the year an amount of Rs. 3018.6 million (Previous Year: Rs. 305.0 million) has been transferred to the FCMITDA and the balance remaining to be amortized over remaining life of the respective long term monetary items as on 31/03/2014 is Rs 3401.9 million (Previous Year: Rs. 588.1 million). The same has been reflected in the financial statements under Reserve and Surplus as a separate item as Foreign currency monetary item translation difference account.

b) The company had FCNR working capital loans amounting to USD 147 million which were converted into long term loans under the Master Restructuring agreement in the Financial Restructuring Plan (FRP) implemented w.e.f. 01/10/2011. These working capital loans even though converted into Long term loans as above, were not treated as Long term foreign currency monetary items and exchange differences arising on reporting and settlement of these items at the rates different from those at which these were initially recorded or reported in the previous financial statements, were recognized in the Statement of Profit and Loss. Since these loans are converted into Long term loans and qualifies as a Long term foreign currency items, in accordance with the provisions of Para 46A of AS-11 and the accounting policy followed by the company, the company has during the year, accounted the exchange differences in respect of these loans, since Oct. 2011, into Foreign Currency Monetary Items Translation Difference Account (FCMITDA). Accordingly an amount of Rs. 933.5 million has been transferred to FCMITDA by credit to "Prior Period Items" and is being amortized as per the accounting policy followed by the company.

c) The company as per the consistent practice, has been treating the bridge loans (short term borrowings) availed for acquisition of Aircrafts, during the intermediary period before arrangement of long term finance/ sale thereof , as borrowings and as such these are treated as long term monetary items for the purpose of capitalization under the amended AS-11.

d) While the company has opted for the Companies (Accounting Standard) Amendment Rules, 2009, in respect of periods up-to March 31, 2011, the exchange differences to the extent regarded as adjustment to the interest cost as required by Paragraph 4(e) of Accounting Standard 16 on Borrowing Costs, has not been separately determined and has been added or deducted to the cost of respective depreciable capital assets. In the opinion of the management, the Company does not have comparative interest rates and the sources of these funds are not available locally. The precise effect of the above has not been ascertained.

ii) Exchange difference arising out of settlement and reporting of foreign currency borrowings other than long term monetary items as stated in Accounting Policy No. 8 (ii), in relation to amount of principal of these foreign currency borrowings to the extent of difference between the interest on local currency borrowing and the interest on foreign currency borrowings is being accounted as Foreign Exchange loss/gain instead of borrowing costs and charged to the Statement of Profit and Loss. However, it does not have any impact on the loss for the year.

iii) Closing balances of monetary items in foreign currency, include certain accounts (precise amounts unascertained), that are not translated at the FEDAI rates in accordance within the provisions of AS-11 due to complexity of transactions. The impact of translation of these balances is not ascertainable.

48. Merger of Vayudoot and Air India Ltd:

a) As per Ministry of Civil Aviation Order No.AV.18013/44/92-ACVL dated 25th May 1993 Vayudoot Ltd was to be merged with erstwhile Indian Airlines (now Air India Ltd.). Ministry of Corporate Affairs vide its Order dated 6/2/2014 accorded its accent for the amalgamation of Vayudoot Limited with Air India Ltd. w.e.f. 01/04/2013 i.e. appointed date/effective date of amalgamation. The pooling of interest method has been used for accounting of merger in terms of AS-14.Vayudoot Limited is a 100% fully owned subsidiary of Air India Ltd and both are in Airlines business. Hence allotment of shares to the share holders of Vayudoot does not arise.

b) In terms of Scheme of Amalgamation

(i) All the assets and liabilities appearing in the books of the Transferor Company on the appointed have been taken over and recorded at book value in the books of the Transferee Company. Debtors have been recorded net after deducting provision for Bad and Doubtful Debts. Fixed Assets taken over at net value Rs. 2.8 million (Gross Block less Depreciation Block) have been written off to the repairs and maintenance account. Take over includes Capital Reserve balance of Rs. 35.5 million, negative balance of Reserves and Surplus of Rs. 2581.8 million wherein Rs. 963.0 million (after adjusting Rs. 668.5 million being amount due by Vayudoot as per AI books) towards the amount payable by Vayudoot on various heads of account has been adjusted/netted off. Share Capital amounting to Rs. 182.1 million not matching with Air India Investment in Vayudoot has also been adjusted/netted off. After all these adjustments/netting off the net balance of Rs. 1436.7 million has been added to the Accumulated Losses of Air India Ltd. Further an amount of Rs. 467.2 million towards Creditors and Rs. 12.7 million towards Debtors balances have been considered no longer payable/recoverable and have been written back/off to Profit and Loss account having a net impact of Rs. 454.5 million.

(ii) Amount due from Vayudoot under various heads and the investment in the books of Air India Ltd amounting to Rs. 950.6 million which have been provided earlier in the books of Air India Ltd as doubtful has been written back in the Profit and Loss Account as provision no longer required.

49. The company is in the process of maintaining adequate records for scrap sale and consumption of non-aircraft material. These are accounted for on the basis of scrap sale/consumption reports as received.

50. The Internal Controls at the stations with regard to the transactions undertaken at stations including accounting of imprest are in the process of improvement. Internal controls at Stores with regard to issues of material/preparation of GRANs, loaning of materials etc, movement of goods within the company are also being reviewed for further strengthening wherever required.

51. Internal Audit Department is in the process of strengthening the internal audit process in the company so as to ensure the coverage of all the areas as envisaged in the Minimum Audit Programme and ensure effective internal controls at stations, regional offices, user departments and Central Accounts Office. The Company had during the course of the year engaged external consultants to examine internal controls and benchmark them to the best practices in areas like Inventory, Fuel, Revenue and Catering. These reviews except in case of inventory are being completed and necessary accounting actions if any required shall be carried out based on these reviews as and when these are completed.

52. Claims for reimbursements from employees availing medical, educational and other leave without pay, claims of interest from suppliers/other parties are accounted for on cash basis due to uncertainties involved. Other staff claims and lost baggage claims are recognized on cash basis consistently. Liability for amounts payable towards IATA dues, liabilities for expenses and manufacturers' credits are recognized to the extent of claims/ invoices received.

53. Loans & Advances (Long Term & Short Term), Other Assets (Current/Non Current)

a) As per the consistent practice followed, Aviation insurance premium is initially paid on provisional basis on the estimated passenger count/departure count/ spares consumed. Adjustments with reference to actual counts/actual consumption are carried out at the time when final count is known. Deposit premium receivable including applicable Service Tax from the insurance companies amounting to Rs. 377.13 million (Previous Year: Rs.439.0 million) is subject to confirmation and reconciliation.

b) In respect of Income Tax assessments/appeals wherein disputed demands aggregating to Rs.885.8 million (Previous Year: Rs. 424.3 million) are pending at various stages, the company is hopeful of matters being decided in its favour and therefore these are disclosed as contingent liability. The company has also taken necessary steps to obtain credit towards disallowance of TDS credit aggregating to Rs.308.9 million (Previous Year: Rs. 308.9 million) in various assessment years.

c) TDS deducted at source by outside parties for which reconciliation with Income Tax data base (Form No. 26AS) as well as follow up for TDS certificates is in progress. Till such time these have been considered as good for recovery.

d) The company has sought the confirmation of balances for some of the receivables and payables. However, except for PSU Oil Marketing Companies, in most of the cases the parties have not responded. Wherever the balances confirmed by the parties are not in agreement, the reconciliation is under process and effect of consequential adjustments is not ascertainable. The management is streamlining the process of sending balance confirmation letters to the parties concerned.

e) Balances of receivables/payables include certain items of unmatched credits/debits and these are stated as per the book balances pending proper matching and reconciliation. Consequent to the above, while compiling, the ageing of trade receivables, such unmatched credits are not netted against the debits outstanding and reconciliation of balances in the receivables accounts is in progress. The impact of the above on the disclosure of these items and provision for doubtful debts, as computed in accordance with the accounting policy of the company, could not be ascertained.

f) "Advances Recoverable in Cash or Kind" include an amount of Rs11.5million (Previous Year: Rs.10.5 million) being net balance in inter office account as on March 31, 2014 which has been provided for. The precise details of gross debit and gross credits contained in the said balance are being compiled. The accounting adjustments, if any, required in this respect shall be carried out in due course.

g) The company had paid an amount of Euro 9.975 million equivalent to Rs. 639.4 million towards entry fee directly to the member Airlines's account between 2007 and 2010 which is being carried as advance recoverable .The company has formally joined Star Alliance on July 11, 2014 after meeting the necessary formalities. In the opinion of management the benefits the amount paid to Star Alliance members are expected to accrue over a period of time. The necessary accounting treatment shall be carried in 2014-15, as the company has formally joined only in 2014-15.

54. Cash and Bank Balances

The process of year end physical verification of cash in hand and cheques in hand is being reviewed in order to cover the entire cash balance under physical verification through officials other than those holding the cash balances. Certain Bank balances are subject to confirmation and reconciliation. The internal audit division is also in the process of developing suitable mechanism in this regard.

55. Current Liabilities:

a) The Service Tax including Input credit to be availed and Tax Deducted at source (TDS), Refunds to be received in respect of Income Tax, VAT, Employee Provident Fund (EPF), Employee State Insurance Scheme (ESIS), Profession Tax and Airport Tax accounts are being reconciled to be in line with the Returns filed/ statutory records.

b) Reversal of CENVAT credit for non-taxable services is being accounted for on estimated basis and Input credit not eligible for availment is charged to revenue at the time of payment of relevant expense. The precise amount in this regard is being ascertained. Necessary adjustments will be done thereafter.

c) Balances with PSU Oil Marketing Companies (OMCs) in India have been confirmed as on 31st March, 2014 however there is a difference of Rs. 2014.6 million (Cr.) (Net) which is under reconciliation. Necessary accounting treatment shall be carried out in due course. Balance confirmation in respect of other Oil marketing companies are under confirmation and consequent reconciliation; if any required.

d) Delayed Payment charges paid/payable to Oil companies amounting to Rs.2373.1 million (Previous Year : Rs. 3038.3 million) and interest on delayed payment of TDS/Service Tax of Rs. 514.6 million (Previous Year : Rs.659.3 million) have been included under "Finance Cost". Liability towards TDS has not been recognized as per the practice followed in this regard.

e) The company has an outstanding amount of Service Tax liability as on 31/03/2014 as per books of accounts amounting to Rs.3491.0 million (Previous Year: Rs.2414.6 million) which is under reconciliation. However interest of Rs. 863.8 million (Previous Year: Rs586.2 million) has been provided for on the outstanding dues of Rs.1937.1 million (Previous Year: Rs.1853.9 million) as per service tax records. Penalty payable, if any, is not ascertainable. Service Tax liability outstanding for more than six months as on 31/03/2014 amounts to Rs.1548.4 million (Previous Year: Rs. 691.7 million) which has been paid subsequent to Balance Sheet date.

f) The company has an outstanding amount of TDS liability as on 31.03.2014 amounting to Rs. 2552.2 million (Previous Year: Rs.2165.9 million) including interest. Out of the above an amount of Rs. 139.2 million (Previous Year: Rs. 229.9 million) represents such liability outstanding for more than six months as on Balance Sheet date. Subsequent to the Balance sheet date an amount of Rs.2268.1 million (Previous Year: Rs. 2026.8 million) has been paid.In certain cases, TDS liability is recognized as and when bills are paid and as such TDS, if any, remaining to be paid for more than six months as on 31.03.2014, in respect of accrual of such liability, remained unascertained.

g) Liability towards frequent flier programmeRs. 103.6 million (previous year Rs.145.9 million) has been provided as per accrued miles provided by outsourced service provider, based on estimates/ad-hoc computations, pending member-wise details of accrued miles which is under compilation and necessary reconciliation. Necessary accounting adjustments in this regard shall be carried out in due course.

h) Provision towards Preferred Agents Programme and Corporate incentive amounting to Rs.686.7 million (previous year Rs.631.3 million) has been made on adhoc basis pending receipt of data and corporate/ agent-wise details from respective user department. The management is taking steps to compile the data relating to liability in this regard and necessary accounting adjustments if any required shall be carried out in due course. Accounts of transportation service contracts which envisage issue of passage tickets against services to be rendered by the vendor are also being reconciled.

i) The bills raised by various vendors/ service providers are accounted/paid after the deductions made by various operations department concerned with such billing. These deductions are not confirmed by AAI/ DIAL/MIAL/other vendors and as such the claims relating to these bills cannot be said to have extinguished. No Liability/Contingent Liability has been recognized in this respect in accounts since these are to be ascertained.

j) In respect of inventory records maintained in legacy software, the inventory related vendor accounts up-to the date of migration were maintained in legacy accounting system. The accumulated balances were subsequently transferred to SAP during the migration of accounts. These balances as per legacy software are not fully reconciled with the balances as migrated to SAP and also these inventory related accounts post migration to SAP and RAMCO are being reconciled. The precise impact of differences has not been ascertained. Various vendor accounts, and other related account heads related to inventory accounts are therefore subject to necessary accounting adjustments which will be carried out in due course.

56. During the year there were certain delays in payment of statutory dues such as Tax deducted at source, PF /ESI dues etc. Interest on such delays has been provided for/paid.

57. An incidence of misappropriation of Company's funds by a retired employee in collusion with a temporary staff appointed through an agency at Kolkata was detected subsequent to the Balance Sheet date. The matter is under investigation by an external agency. The amount of fraud as detected by Vigilance Department is Rs. 8.6 Million (to the extent identified). The fraudulent amount is included in the relevant expenditure head for the respective years commencing from 2011-12 onwards. Accounting treatment for the above will be given when the investigation is over.

58. The Company has in Sydney station found a shortage / difference of AUD 147,061.97 equivalent to Rs. 8.4 million, between the physical balance and the book balance as of 31st March'14.The difference has happened due to lack of maintenance of proper accounting records by the staff at the station, who has since left the company without giving any notice. The Company after initial verification has arrived at the above amount which is subject to verification of all the original supporting records with respect to receipts (including tickets sold) and expenditure at the station and reconciliation. Necessary accounting adjustments in this regard shall be carried out in due course. The difference amount of AUD 147,061.97 equivalent to Rs.8.4 million has already been provided for in the books of account.

59. Review of records of selected Foreign Stations and certain domestic locations was carried out by the statutory auditors as per the approval of the competent authority. However there are certain foreign locations where accounting entries are made in SAP based on summary returns received from these stations and these are not covered under Internal Audit during the year. Internal Controls at these stations are being strengthened reviewed by the management.

60. Revenue Related Matters:

a) The company has an outsourced service provider for processing of revenue accounting -data and the accounting entries relating to revenue accounts are interfaced in the SAP accounting system by the same service provider. During the year, discrepancies were noticed in the data entry/processing of ticket sales, refunds, commission, discounts/incentives payable to agents and other related accounts. The management has rectified majority of these discrepancies in consultation with the service provider. Necessary steps are being taken to rectify the remaining discrepancies, if any, in the revenue accounted for. Steps are also being taken to ensure that a process of validation is put in place for the entries being passed by the service provider. The accounting adjustments, if any, required in the balance of Passenger Revenue Rs.141507.3 million, shall be carried out in due course.

b) The company recognizes revenue based on passengers flown during the year and balance of un-flown tickets is carried as liability at the year end. As at the year end, there is a balance of Rs. 500.7 million (Dr.) under Pax Credit Sales (an intermediary account); which represents excess revenue recognized or may also contain excess liability recognized towards un-flown tickets. Since the account is being reconciled for precise accounting treatment, no provision is considered necessary towards such balance and necessary accounting adjustments shall be carried out in due course.

c) The company is in the process of strengthening the revenue accounting systems in view of various shortcomings observed during the year. Reconciliation of data relating to passengers actually flown during the year, various revenue related accounts including Govt. Taxes, liability towards un-flown tickets as at year end is in progress with regard to ticket-wise/passenger-wise data and hence revenue has been recognized to the extent of flown data as processed by the outsourced service provider. The precise effect of the same has remained unascertained.

d) There are dues from erstwhile GSA amounting to Rs. 145.7 million where these are outstanding beyond credit period and Rs. 46.3 million from the GSAs at foreign stations which are disputed and no confirmations are available for the stated recoverable amounts. No provision has been considered necessary since these are being followed up with the respective agents.

e) Other Current Assets of Rs. 8754.0 million include a sum of Rs. 370.2 million relating to dues from various tenants of Air India Building which are older than 3 years and were provided for in earlier years. Based on arbitration awards/court awards in favour of the company and favorable negotiations, the provision in these cases have been written back in the year 2012-13 and these are now being considered as recoverable.

f) The company has during the year created a provision for Rs4.7 million (Previous Year: Rs. 12.5 million), towards unreported sales in respect of passenger, and Rs100.0 million (Previous Year: Rs. 95.0) towards unreported sales in respect of cargo, for which revenue was recognized on the basis of carriage, while details from respective stations with regard to accounting of receivables are awaited. Pending such information, provision for these receivables, to the extent of data available has been made in accounts. The necessary accounting treatment in this regard shall be carried out in due course.

g) Operating Revenue includes an amount of Rs. 2910.8 million (Previous Year: Rs. 2227.0 million), being revenue sharing from Air India Charter Limited (AICL), accounted for based on provisional data received. Confirmation and reconciliation of audited balances is pending.

61. **Cargo /Mail Revenue**

a) The balance in Cargo Sales of Rs. 1074.4 million representing unreconciled difference between sales data accounted for at stations and that captured by the outsourced service provider is under reconciliation and necessary accounting treatments are under progress. Further the commission paid to agents on cargo sales and other cargo related accounts are also subject to reconciliation and effect of the same on the financial statements shall be accounted for after due reconciliation. Internal controls at stations with regard to issue of manual AWBs are also being strengthened.

b) The company has been recognizing Mail Revenue in relation to domestic operations based on the Award given by Ministry of Finance. The Mail Rates have been finalized by the Ministry only up-to the period 2009-10. Ministry of Finance has awarded Mail Rate of Rs. 30.57 per TKM for the year 2010-11. However, the company has not been able to bill Department of Posts at this rate, as they have requested the Ministry of Finance to review the same. Pending receipt of the outcome of the review, the billing and accounting of mail revenue is being made at the old rates Rs. 29.92 per TKM. The current outstanding from the Department of Posts, as on 31st March 2014 is Rs. 1105.70 million.

62. Inventories:

i) The aircraft inventory of the company had been migrated to the ERP package developed by RAMCO, during 2012-13 except the inventory valued at Rs. 3290.3 million which is still being maintained in legacy system out of which non-moving inventory of Rs. 2595.6 million has been provided for.

ii) During the migration process in 2012-13, no physical verification of the inventory was conducted and the migration was done based on sign off reports related to legacy systems/manual records or data compiled at different locations. The documented basis for quantities and values migrated to RAMCO system were not readily available mainly in case of inventory of unserviceable items. The physical verification of migrated inventory has since been completed and the discrepancies noticed are under verification and necessary accounting adjustments are to be done for after due process. The balances in SAP with Ramco data base is under reconciliation. The financial impact of the same is not ascertainable at this stage. The data migration audit of the process is also to be conducted and discrepancies if any would be adjusted in due course. A provision of Rs.353.9 million was carried in accounts towards un-reconciled differences during migration which has since been reversed.

iii) During the migration process in 2012-13, wherever applicable weighted average cost in respect of unserviceable inventory was not readily available, the valuation rates in these cases had been taken as per latest available weighted average rates/ catalogue price. There are cases wherein free of cost (FOC) items, cannibalized items and items of inventory received with aircraft have also been valued and taken into inventory at the values as stated above. However, the exact quantum of same is not identifiable at this stage. Items where rates/quantities are to be still to be corrected are also being identified and corrective action will be taken in due course. A provision of Rs. 577.6 million was made during the year 2012-13. During the year, corrective actions have been taken to the extent of Rs.61.5 million and adhoc provision of Rs. 200 million has been retained in accounts towards remaining discrepancies to be corrected. The precise impact of the same is not ascertainable.

iv) As per the accounting practice followed by the company in order to comply with the laid down accounting policy, the repairable items issued, are debited to consumption account at the time of closure of work order while the parts received back against the issue are taken back in the inventory. Consequent to the practice followed, there are unserviceable parts being carried as inventory and valued at latest weighted average cost. As the process is continuous, it is not possible to match the items/values charged to consumption and taken back. The difference on account of change in weighted average as well time-lag between the issue of material and its return in the inventory remains unascertained due to the volume of transactions. The same is adjusted at the time when respective accounting actions are taken As at the year end, the precise impact thereof has not been determined.

v) During the year inventories aggregating to Rs. 1181.1 million has further been migrated to Ramco based on physical availability and inputs received from various users. However supporting records to substantiate the physical availability is not maintained and therefore is not available. Provision if any required in respect of these items shall be carried out at the time of reconciliation.

vi) During the migration process in 2012-13, certain aircraft rotables were also uploaded in Ramco system and carried as inventory at weighted average cost/catalogue price. Subsequent to the year end, the correction exercise has been undertaken by the management and these items have been identified to the extent of Rs. 5395.5 million against which a provision towards inventory reconciliation has been created to the extent of Rs. 5375.8 million. Necessary provision/accounting toward rotables included in inventory shall be carried out in due course.

vii) Migrated Inventory also includes items aggregating to Rs.2112.2 million which were to be valued at Rs.10.2 million due to discrepancies in valuation and hence provision towards the differential amount of Rs. 2102.0 million has been made in accounts towards inventory reconciliation.

viii) Inventories at the yearend include balances under in-house repairing jobs being carried as “Work order Suspense Internal / External” which contains materials issued and repair charges valued at Rs.3532.4 million (to the extent identified) issued in respect of closed/completed/pre-closed/cancelled Work Orders having completion date till the year end, lying unadjusted. These items are to be accounted for as consumption of material/ Repairs, as per the accounting process followed in the Ramco system. Further to aforesaid, the work order suspense account, include expendable items of Rs. 879.5 Million which are to be charged off to consumption on issuance. As against the above, a provision of Rs. 498.5 million has been made and accounting for the remaining items shall be done as and when these work-orders are closed in the Ramco system.

ix) Pending reconciliation /rectification of inventory balances, no provision has been made towards the inventory balances aggregating to Rs.1485.1 million lying under various intermediary head for which consumption /

issue/ scrappage has not been updated in Ramco system till 31/03/2014. Necessary accounting adjustments required shall be carried out in due course.

x) At the yearend, on the basis of analysis of Ramco Reports, consumption of repairable to the extent of Rs. 970.1 million has been reversed which now is being carried as inventory in accounts. These inventory balances are not being reflected in the Ramco and location details are not available for the same.

xi) The company carries inventory related to phased out fleet relating to CF6 engines amounting to Rs. 801.3million. However the use of these spares on other aircrafts is yet to be ascertained for which necessary provision shall be made in due course.

xii) The data relating to the last movement of inventory is not available in RAMCO systems. Based on the movement data available in the legacy system items have been identified as non-moving and provision towards the same has been carried to the extent of Rs. 4875.6 million (Rs. 348.9 million during the year) has been made accordingly.

xiii) Post migration of accounts to SAP, Non aircraft inventory which was earlier maintained in legacy system/ manual records in Materials Management Division (MMD), has been migrated to SAP. The balances maintained in manual records were not reconciled with the financial records and the balances were migrated to the extent of data available in MMD. The balances in respect of Non-Aircraft inventory are subject to reconciliation and necessary accounting actions. The related vendor accounts are also subject to reconciliation and accounting adjustments in this regard. The data relating to movement of these items in order to identify the non-moving inventory as per the accounting policy is also being compiled.

xiv) The company continues to hold standby equipments/ machinery spares/ insurance spares as a part of inventory since these items can be used for both the purpose of modification in the aircrafts and also for maintenance jobs as well as for outside repair jobs.

xv) Liability for Goods/Expenses for all materials received have been provided as per the values in GRANs & Store-in-Transit statement as on 31.3.2014 as per RAMCO generated data. For items received at R&D section/Customs/high seas is provided based on data available, outside the RAMCO data base. The system of delay in preparation of GRANs and accounting of GRANs outside RAMCO database and consequential effect thereon on recognition of liability is under review at appropriate level. As the entries in SAP are being posted at summary level, vendor-wise reconciliation of balances of advances and payables outstanding at the year end is pending. Accounting of exchange difference relating to transactions settled during the year and translation of liabilities denominated in foreign currency at the year end has also been done to the extent of available data. There are various vendor related accounts which are being reconciled. The accounting of FDI (Freight Duty and Incidentals) is also being streamlined by capturing such cost in Ramco/SAP. The precise financial impact of the above is being ascertained and shall be accounted for in due course.

xvi) Physical verification of inventories for the biennial period 2012-14 is under progress and necessary accounting treatment of the discrepancies observed by the internal auditors are to carried out in due course.

xvii) During the year a sum of Rs. 1264.8 million being cost of obsolete inventories not migrated to RAMCO, which was fully provided for in earlier year has been written off on the basis of confirmation from MMD/Engg Division as the same were sold/disposed off in earlier year as per the laid down procedure on lot basis for which item wise reconciliation is not readily available. The details of accounting action taken at the time of disposal are presently not available.

xviii) The company has engaged outside consultants to advise on streamlining the entire system of inventory accounting to benchmark the industry best practices and system of ordering and controls. Ramco software is also being upgraded suitably. The management is taking required steps to ensure that the discrepancies noticed during migration/ post migration with regard to physical verification and valuation of inventory balances being carried in the books of accounts and necessary accounting treatment shall be carried out at the time of reconciliation. The precise financial impact of the same on the financial statements is not ascertainable at this stage.

63. Mumbai International Airport Ltd (MIAL)

An Agreement has been entered into between Airports Authority of India (AAI) and MIAL whereby MIAL has been entrusted with the responsibility to develop Mumbai Airport. Accordingly MIAL has indicated that the Company has to surrender certain leasehold land (which was on lease from AAI) to MIAL for the purpose of airport development. As per the Agreement, buildings to be demolished would be reconstructed at MIAL's cost at alternative locations acceptable to the Company or MIAL would pay compensation at an agreed formula. In addition, MIAL would also provide concession/rebate in license fee/rental on land/space occupied at the airport.

Due to ongoing expansion and reconstruction of Airport Area by MIAL, relocation of land leased to Air India is in process, with surrender of existing premises. A comprehensive review of total lease premises ultimately held including compensation, if any, can be taken only after expansion work is completed/certified and handing/taking over is in place. Land and space bills payments are kept in abeyance until final decision is conveyed accordingly.

AI is under a monthly payment plan with MIAL to clear the outstanding dues in respect to UDF/ADF/PSF through IATA/BSP Escrow account w.e.f. Feb'14 @ Rs. 100 million pm and thereafter from July'14 @ Rs. 120 million pm and the rest through periodical daily payment which would gradually extinguish all the outstanding. Accordingly as on 31-03-2014 the outstanding dues including Contingent Liability as per books amount to Rs.3184.8 million out of which the undisputed dues are Rs. 2100.8 million and Rs. 1148.9 million is provided as contingent liability. As on date the outstanding undisputed dues are current.

The above outstanding are as per the books of AI and are considered correct. As against these outstanding, MIAL as per its Statement of Accounts has shown an amount of Rs. 3949.2 million as outstanding including interest of Rs. 974.3 million. The accounts with MIAL are however subject to confirmation, reconciliation and accounting adjustments, the impact, if any, arising out of the same is not ascertainable.

64. **Cochin International Airports Ltd (CIAL)**

As per the confirmation received from CIAL, the dues as per their books as on 31.3.2014 is Rs. 328.7 million. However, as per AI books, the total dues payable to CIAL is Rs. 71.4million. The difference is mainly on account of payment of license fees on self handled flights on account of enhanced rates of CIAL Levy, loss of exclusivity of handling and since such practice is not followed at any other Indian Airport. A total contingent liability of Rs. 169.5 million (Previous Year: Rs. 122.5 million) has been disclosed in the Notes. Bill wise details of the dues outstanding are also being compiled The accounts with CIAL are however subject to reconciliation and accounting adjustments, the impact, if any, arising out of the same is not ascertainable.

65. Delhi International Airport Ltd (DIAL)

Consequent to shifting of flight operations to T-3, at IGI, New Delhi in July'2010, there were few disputes with DIAL in respect of space rentals at T-3.In a meeting on 12.12.2012 under the aegis of Secretary, Ministry of Civil Aviation, guidelines were issued for settlement of space rental including the new lounge at T-3. Accordingly, dispute in respect of rental were settled with DIAL. Also effective August 2013, an Escrow Account with IATA Clearing House has been opened to remit the monthly pass through payments like PSF, UDF and DF. Monthly transfer of Rs. 320.0 million (since enhanced to 340.0 million effective August'2014)is made to this account, adjustment for which is made on the basis of actual passenger data.

The outstanding liability as per the records of the company as on 31.3.2014 is Rs. 4,866.8 million (Previous Year: Rs. 2,922.8 million) out of which Rs. 103.5 million is receivable/adjustable from DIAL on account of discount on Royalty up to the period March 2010 and rejections by Client Airlines from the billing of Ground Handling Royalty Charges. Thus the net amount payable to DIAL is Rs. 4,763.3 million as against the outstanding dues plus interest of Rs. 4831.3 million shown by DIAL (Previous Year: Rs. 3044.8 million). Besides, there were certain disputes regarding space areas/parking charges and interest. However, a contingent liability of Rs. 1076.3 million has been made towards the claims of interest from MIAL.

A statement of account as on 31.3.2014 has been received from DIAL. There are few variations in the balances shown by DIAL with the accounts mainly on account of differences on dues like parking charges, space reconciliation etc. which needs to be reconciled and accounted. However, a separate balance confirmation from DIAL is not available. The accounts with CIAL are however subject to reconciliation and accounting adjustments, the impact, if any, arising out of the same is not ascertainable.

66. Airports Authority of India (AAI)

a) Under the aegis of Ministry of Civil Aviation a Memorandum of Understanding (MoU) was signed with Airport Authority of India on 26.08.2013 whereby the dues of AAI vis-a-vis AIL have been adjudicated by the Ministry.

Accordingly accounting entries have been passed in the books of the companies which are being reconciled with the MoU as on 31.3.2012. Subsequent billings in 2012-13 from AAI have been accounted based on the settlement which has been arrived under the MOU. AAI had also charged interest towards their dues on the outstanding sum which has been disputed since AAI have not suffered any losses as a result of delayed payments by AI. As per the MOU the interest is to charged at 9% but the same is subject to which as per the MOU is to be charged 9%. As per the letter received from MOCA, an amount of Rs. 760.0 million was provided as contingent liability towards interest for the year 2012-13. Interest for the period 2012-2013 and 2013-2014 as per MOU for the dues up-to 31/03/2012 is computed at Rs. 697.8 million and is carried as contingent liability. In addition to this, for the dues relating to 2012-13 and 2013-14, the company has further provided an additional contingent liability of Rs. 176.20 million in 2012-13 and Rs. 534.5 million towards interest during 2013-14 in the absence of any order from MOCA. Thus as on 31st March 2014 a total amount of Rs. 1408.3 million (Previous Year: Rs. 760.0 million) has been shown as Contingent Liability towards interest.

b) The outstanding as per Airports Authority of India is not ascertainable as the confirmation is not received. As per the books of the company, there is a firm liability to the tune of Rs. 9257.7 million (Previous Year: Rs. 10335.6 million) and Contingent Liability of Rs. 1421.6 million (Previous Year: Rs. 816.8 million). Based on the settlement of dues arrived at during the year an amount of Rs. 103.2 million has been written back as excess provision relating to traffic dues upto March 31,2012. The above outstanding includes an amount of Rs. 1331.4 million payable to AAI for the period upto 31st March 2012. The account with Airport Authority of India are however subject to confirmation, reconciliation and accounting adjustments, the impact, if any, arising out of the same is not ascertainable.

67. M/S GHIAL Hyderabad

As per the confirmation received from GHIAL, Hyderabad, the dues as per their books as on 31.03.2014 is Rs.1982.5 million. However as per AI books total dues payable is Rs.1384.4 million. Interest amounting to Rs. 551.0 million claimed by M/S GHIAL on account of delayed payments is not accounted, since the company is hopeful of waiver. However, same is disclosed as contingent liability. The account with M/S GHIAL is under reconciliation and necessary accounting adjustment will be done in due course.

68. During the year 2013-14, the Haj activities were carried on by the Company as per the MOU signed with Ministry of Civil Aviation. A total of 46401 pilgrims were carried to Jeddah and Medina by Air India. A sum of Rs. 4223.8 million was received from the Govt. for carrying the pilgrims which is included under Charter Revenue. The expenditure on carriage of Haj pilgrims on Charter flights has been booked under the respective account heads.

69. Segment Reporting:

a) The Company is engaged in airline related business, which is its primary business segment, and hence, segment results are not disclosed. The details of geographical area wise revenue earned (derived by allocating revenue to the area in which the sales were made) are given hereunder:

(Rs in Millions)

	Particulars	**2013-14**	2012-13
a)	USA/Canada	**17,346.6**	15,117.5
b)	UK/Europe	**14,606.1**	11,546.4
c)	Asia (excluding India), Africa & Australia	**26,335.0**	25,142.6
d)	India	**125,421.9**	108,471.9
	Total	**183,709.6**	160,278.4

b) Major revenue-earning asset of the Company is the aircraft fleet, which is flexibly deployed across its worldwide route network. There is no suitable basis for allocation of assets and liabilities to geographical segments. Consequently area-wise assets and liabilities are not disclosed.

c) In the TAP, the Ground Handling and Engineering Services business are proposed to be hived off to the Subsidiary Companies i.e. AIATSL and AIESL While the hiving off process is to be completed as at the year end, the revenue and expenditure related to these services has been continued to be included in the Statement of Profit and Loss. The precise data related to Ground handling services is to be compiled, the revenue and expenditure related to Engineering services included in the financial statements is given below. As indicated below, the net loss for Engineering service activities is Rs. 3436.7 million and that of the company after excluding the Engineering services is Rs. 59359.3 million. and are as under :

	Particulars	Air India Ltd Standalone	Engg.	Air India Ltd Total
(A)	**REVENUE**			
i)	Revenue	190468.4	466.5	190934.9
	Total Revenue	**190468.4**	**466.5**	**190934.9**
(B)	**EXPENDITURE**			
i)	Operating Expenses	148846.8		148846.8
ii)	Employee Benefit Expenses	23757.7	7764.2	31521.9
iii)	Handling Expenses (*)	12953.5	(4090.0)	8863.5
iv)	Finance Cost	40713.4	0.0	40713.4
v)	Depreciation & Amortization Expenses	18726.7	229.0	18955.7
vi)	Other Expenses	16333.7		16333.7
vii)	Prior Period Expenses	(1033.1)		(1033.1)
	Total Expenses	**260298.7**	**3903.2**	**264201.9**
	Exceptional/Extra-Ordinary Items	10471.0		10471.0
	Net Loss After Tax	**(59359.3)**	**(3436.7)**	**(62796.0)**
	EBITDA (excluding Loss on Sale of 3 B-777 LR)	**5769.8**	**(3207.7)**	**2562.1**

(*) The Handling Charges of Rs. 4090.0 million shown above are based on the Budgeted figures calculated based on the data given in the Cabinet Note for formulation of AIESL

(**) These details are as compiled by the Management and are not verified by the Auditors

70. Related Party Transactions: Interest charged on subsidiary companies

Disclosures as required by Accounting Standard (AS-18) issued by the Institute of Chartered Accountants of India on "Related Party Disclosures" are given below:

A. Key Management l Personnel & Relatives :
(as on 31 March 2014 and till 20 Oct 2014)

Sr. No.	Name	Position on Board	Designation
1	Mr. Rohit Nandan	CMD	Chairman & Managing Director
2	Mr. SyedNasir Ali	Functional Director	Joint Managing Director
3	Mr. S Venkat	Functional Director	Director-Finance
4	Mr. Nikhil Kumar Jain	Functional Director	Director-Personnel
5	Mr. Gurcharan Das	Independent Director	Management Consultant & Author (appointed wef 29 May 2013)
6	Dr. PremVrat	Independent Director	Pro Chancellor & Professor, ITM University, Gurgaon (appointed wef 29 May 2013)
7	K.K. Nohwar,	Independent Director	Air Marshal (Retd) PVSM VM (appointed wef 29 May 2013)
8	Dr. Ravindra H. Dholkia	Independent Director	Professor, IIM, Ahmedabad (appointed wef 29 May 2013)
9	Ms. Renuka Ramnath	Independent Director	Founder-Multiples Alternate Asset Management Private Limited, Mumbai (appointed wef 29 May 2013)
10	Mr. Pankaj Srivastava	Functional Director	Director-Commercial (appointed wef 1 October 2013)
11	Ms. M Sathiyavathy	Govt.Nominee	AS & FA, Ministry of Civil Aviation (appointed wef 26 February 2014)
12	Mr G Asok Kumar	Govt. Nominee	Joint Secretary, Ministry of Civil Aviation (ceased wef 23 April 2014)
13	Mr. Arun Kumar	Govt. Nominee	Joint Secretary, Ministry of Civil Aviation (appointed wef 23 April 2014)

Changes during the year 2013-14 till 20 October 2014

Sr. No.	Name	Position on Board	Designation
1	Mr. S Machendranathan	Govt. Nominee	AS & FA, Ministry of Civil Aviation (ceased wef 19 November 2013)
2	Dr. Prabhat Kumar	Govt. Nominee	Joint Secretary, Ministry of Civil Aviation (ceased wef 11 February 2014)
3	Mr. Vipin K. Sharma	Functional Director	SBU Head - MRO (Eng. & Comp) (ceased wef 30 September 2013)
4	Mr. K.M. Unni	Functional Director	SBU Head – MRO (Airframes) (ceased wef 30 November 2013)
5	Mr. Gyan Deepak Brara	Functional Director	Director-Commercial (ceased wef 30 September 2013)
6	Mr G Asok Kumar	Govt. Nominee	Joint Secretary, Ministry of Civil Aviation (appointed wef 11 February 2014 and ceased on 23 April 2014)

A. Transactions with Key Managerial Personnel:

i) There are no other transactions with key managerial personnel except Remuneration and Perquisites to Chairman & Managing Director and Functional Directors and Sitting Fees to Independent Directors (as approved in 54th AIL Board Meeting held on 19th July 2013)

ii) Transactions such as providing Airline related services in the normal course of Airline business are not included above.

B. Joint Working Group Arrangement:

a) Joint Working Group with M/s.Hindustan Aeronautics Ltd (HAL) Bangalore.

During the year, the Company's share of profit from Joint Working Group arrangement with HAL for Ground Handling arrangement at Bangalore Airport was Rs. 11.7 Million (Previous Year : AI : Rs. 15.5 million).

HAL has withheld an amount of Rs.99.6 million (Previous Year - Rs. 99.6 million) from the settlement of AI profit share in the HAL- AI JWG at Bengaluru due to pending litigation, which has been provided for.

b) Joint Venture with M/s.Singapore Airport Terminal Services (SATS), Singapore:

The company has entered into Joint Venture (JV) agreement with SATS, Singapore in the equity ratio of 50: 50 to provide ground handling services to airlines at certain airports this was in pursuance of GOI notification on the ground handling policy.

The company has accounted revenue/expenses from AI-SATS for the various locations based on invoices raised by the Company/AI-SATS as per mutually agreed rate since the agreements with AI-SATS is not finalized as on 31st March 2014.

During the year, total bills raised by AI-SATS towards handling charges and other services provided to Air India amounted to Rs. 2196.0 million (Previous Year: Rs. 2238.4 million) and total bills raised by Air India on AI-SATS amounted to Rs.1311.7 million (Previous Year: Rs. 1552.0 million).

As per the books of the company, the net balance payable to AI-SATS as on 31/03/2014 is Rs. 430.7 million and as per the balance confirmation received from AI-SATS, net balance payable is Rs. 442.7 million. The net difference of Rs.12 million is under reconciliation and necessary accounting adjustment will be dealt with in due course.

AI-SATS, the Joint venture has made a Profit after Tax of Rs. 421.5 million during the year ended 31st March, 2014. Dividend of 15% was declared by the Joint venture during the year.

C. No loans or credit transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year which is required to be disclosed in accounts under the Companies Act, 1956.

D. In the opinion of the Company, the agreements with various Airlines, private parties termed as "Joint Operations/Code-share Agreements" do not fall within the definition of Joint Venture as mentioned in Accounting Standard (AS-18) and (AS-27), hence are not included in above disclosures.

E. The subsidiaries of the company are State Controlled enterprise as defined under AS-18 and hence transactions undertaken by the company with its subsidiaries do not fall within the definition of related party transactions.

71. Managerial Remuneration:

(Rs in Millions)

	Particulars	2013-14	2012-13
(A)	**Chairman & Managing Director**		
	Salaries and Allowances	**2.1**	1.5
	(Includes value of perquisites : Rs. 0.02 million)		
(B)	**Functional Directors**		
(i)	Salaries and Allowances	**12.1**	13.0
	(Includes value of perquisites Rs. 0.2 million)		
(ii)	Contribution to Provident Fund	**0.5**	0.5

Note: As regards retirement benefits, other than Provident Fund, since they have been done on a global basis no allocation has been made.

72. Leases:

(A) Finance Leases

a) Aircraft Fleet and Equipment acquired subsequent to 1st April 2001, under finance leases are treated as if they had been purchased outright. The cost of these assets taken on lease is Rs. 192797.9 million (Previous Year: Rs. 205082.7 million). The future lease obligation is Rs.120257.3 millionas at March 31, 2014 (Previous Year: Rs. 133575.1 million)

b) Liability on account of future minimum lease rentals is as under:

(Rs. in Millions)

	Particulars	As at March 31, 2014	As at March 31, 2013
a)	Outstanding balance of minimum lease payments including interest thereon		
-	Not later than one year	**22989.7**	16909.3
-	Later than one year and not later than five year	**65524.3**	70410.6
-	Later than five years	**37230.4**	54280.6
	Total	**125744.4**	141600.5
b)	Present Value of (a) above		
-	Not later than one year	**21592.7**	15071
-	Later than one year and not later than five year	**61938.4**	65327.3
-	Later than five years	**36726.2**	53176.8
	Total (*)	**120257.3**	133575.1
c)	Finance Charges	**5487.1**	8025.4

Note: Interest has been calculated assuming LIBOR as 0.5%

(B) Operating Lease

a) The Company has taken 15 aircraft (AI : 7 B-787& 2 B-747and IAL: 6 aircraft) (Previous Year: 15 leased aircraft) on non-cancelable operating lease. The Company has entered into an arrangement for Sale and Lease Back of 7 B 787-8 aircraft during the FY 2013-14. This arrangement is for 12 year tenure and is structured as a non-cancelable operating lease. As the 787 aircraft are new generation aircraft which were introduced in the aviation market by Boeing during end of 2012, there has been no secondary market re-sale of these aircraft. Hence the sale price for this transaction which was determined based on public tender fairly represents the fair market value for these aircraft. The future minimum lease rental payment, as at March 31, 2014 is Rs. 60628.4 million (Previous Year: Rs. 5824.1 million).

Liability on account of future minimum lease rentals in respect of leases acquired after April 01, 2001:

(Rupees in Millions)

	Particulars	As at March 31, 2014	As at March 31, 2013
a)	Not later than one year	**7414.4**	3274.6
b)	Later than one year and Not later than five years	**21736.2**	2549.5
c)	Later than five years	**31477.8**	0.0
	Total	**60628.4**	5824.1

However, in case of premature termination, the Lessee is required to pay the Lessor as per the terms of the agreement. Lease rent expenses, in respect of aircraft taken on lease recognized in Profit & Loss Account for the year is Rs. 5341.1 million (Previous Year Rs. 5322.4 million).

b) The Company has taken various residential/commercial premises under cancellable operating lease. The details relating to expired leases out of the above are being compiled.

c) The Company has also taken Vehicles and Office Equipment on operating lease with option to purchase but title may or may not eventually be transferred. These assets are scattered at various stations and cumulatively not significant. Complete details of future obligation in this respect could not be compiled, amount whereof is not material, hence not disclosed.

73. Amortization of 7 A-320 SLB Aircraft Costs

Air India Ltd had entered into a Sale & Lease Back (SLB) Arrangement for 7 A-320 aircraft in March 2007. At the end of the SLB Term of these aircraft, Air India has entered into a fresh agreement with the Lessor M/s Investec in September 2013. As per the terms of this new agreement, AI was to pay a Release Amount @ USD 4.1 million per aircraft in consideration of the Lessor releasing the Lessee from all the obligations of re-delivery of aircraft in Re-delivery Conditions stipulated under the original Lease Agreement signed in March 2007.

This new Agreement is valid upto Sept' 2015 or the sale of the aircraft, whichever occurs earlier. As per this agreement, title of the aircraft as also the Insurances were to remain with the Lessor and the Lessee is authorized to operate and maintain the aircraft and its components. The agreement also provided for the option of prospective sale of the aircraft wherein the sale proceeds of these aircraft were to accrue to the Lessee and the Lessee to pay a notional lease rent @ USD 1 per month per aircraft till the termination of the agreement or upon the sale of these aircraft to the prospective buyer.

These aircraft have a useful revenue earning technical life and AIL as Lessee would be operating these aircraft for earning revenues over a period going beyond 2013-14. Accordingly, the lump-sum Release Amount of USD 4.1 million paid per aircraft during 2013-14 have been amortized over the remaining useful technical life of these aircraft on prorate basis.

Out of the 7 aircrafts, the release amount of Rs.510.5 million paid for 2 unserviceable aircraft has been expended during the current financial year 2013-14 as there is no matching revenue being generated by these Aircrafts. Accordingly in terms of the accounting policy followed, from the balance amount ofRs1269.4 million, Rs. 318.6 million pertaining to five aircrafts has been charged during 2013-14 and Rs. 950.8 million has been shown under "Other Loans & Advances – Prepaid Expenses" to be amortized during 2014-15 and 2015-16.

74. Airline Allied Services Limited (AASL) Wholly Owned Subsidiary :

As per the MOU signed between AIL and AASL, the company is providing extensive infrastructure and administrative support to AASL. In terms of the MOU handling charges for such administrative & operational support and in-house maintenance charges of ATR/CRJ aircraft have been charged to AASL during the year. However, an amount of Rs. 8532.0 million (Previous Year: Rs. 5649.9 million) is receivable by the company from AASL as on 31st March 2014 which is under reconciliation.

75. (a) The Subsidiary Companies of the company are having accumulated losses and net-worth of these companies has eroded as on 31/03/2014. However, in view of the ongoing Turnaround Plan as well as restructuring in place, in the opinion of the management, the diminution in the value of investment has not been considered as permanent and as such no provision in respect of such losses has been recognized. Information regarding the accumulated losses of the companies is given in the statement attached as required under Section 212 of the Companies Act, 1956. In view of continuity of the operations of these subsidiary companies, no provision has been considered necessary towards advances amounting to Rs. 27690.3 million (Net) outstanding as on 31/03/2014 (Previous Year: Rs. 20188.7 million).

(b) The company under FRP can borrow only to meet its working capital requirements. However, on account of debts due from Subsidiary Cos, the company has been forced to borrow higher amounts resulting in additional interest costs. Hence, it was decided that from FY 2013-14 the interest paid by the company on its working capital loans is apportioned to the Subsidiary Cos in proportion to the outstanding recoverable balances of the Subsidiary Cos as of 31.3.2014. Accordingly, during the year the company has debited an amount of Rs. 2484.9 million to the Subsidiary Companies towards the reimbursement/sharing of the interest cost on the outstanding dues receivable from them as on 31.3.2014.

76. A class action suit in a foreign country is pending against the company along with other foreign airlines, the financial impact of which is not ascertainable.

77. Payments to and Provisions for Employees:

a) Liability for wage arrears includes Rs.2386.4 million (Net) (Previous Year Rs. 3419.2 million) (Net) arrived at on ad-hoc basis towards wage settlement up to period 31st December 2006 pending finalization of actual liability.

b) In view of Department of Public Enterprises (DPE) guidelines applicable to PSUs no wage revision can be granted to the employees of loss-making PSUs. The Company has been making losses since 1st January 2007 hence no provision has been made towards wage revision/settlement.

c) A Committee headed by Justice Dharmadhikari was appointed by Ministry of Civil Aviation to rationalize the pay structures in the merged entity and to bring uniformity in the Pay-Scales in line with the DPE guidelines. The Committee submitted its report in January 2012 to the Ministry. Thereupon the rationalized Pay-Scales were determined by the Management for different categories of employees. Management is paying 75% of the allowances payable to various categories effective July 2012 in line with the recommendations made by the Dharmadhikari Committee.

Based on the Justice Dharmadhikari Committee Recommendations, the pay structure for General cadre officers (GCO) has since been implemented w.e.f. October 2014 onwards. The estimated impact on 3040 employees coming under the implemented category excluding the retirement benefits such as Gratuity and Leave encashment is around Rs. 20 million per month. The company has also estimated the impact on the total employees which is around Rs. 10 million per month. Since the detailed working of the impact has not been arrived on a systematic basis, the exact impact could not be ascertained both in the case of implemented and other employees. However, as per the proposal submitted by MOCA dated 24th January 2013 to the CCEA for rationalization of Pay and Allowances to licenced category of employees of Air India Ltd in line with industrial practice, the savings would work out to Rs. 3200.0 million per annum.

The provision for Gratuity and Leave encashment could not be separately ascertained only for the employees for whom the recommendations had been implemented. An estimate of the incremental actuarial liability towards Gratuity and leave encashment on implementation of the report in full is being done.

However, the liability in respect of the 25% of the allowances payable to various categories effective from July 2012 till March 2014 has been provided as contingent liability as it is not possible to correctly ascertain the impact of several adjustments which may result in recoveries/arrears from certain employees for e.g. in case of employees availing Company accommodation are not entitled to HRA benefit and will result into recovery from such employees. Besides, there are certain allowances like entertainment, newspaper & periodicals etc. which have been discontinued based on the JDC report in respect of which recoveries will have to be made.

Accordingly, in respect of the 25% of the allowances, the Company has provided for contingent liability to the extent of Rs. 6738.6 million (Previous Year: Rs 2361.4 million)

d) As part of the TAP/FRP, the Company has transferred/deputed 10569 employees to its two subsidiary Companies Air India Engineering Services Limited (AIESL) and Air India Air Transport Services Limited (AIATSL) effective 1st February 2013.The employees transferred to AIESL subsequently went to the Bombay High Court against the Management's decision. The Bombay High Court upheld the decision of the transfer subsequent to which the employees approached the Supreme Court under a Special Leave Petition (SLP), The Supreme Court dismissed the SLP on 9th May 2013 based on the assurance given by the Management that it would settle the admitted dues, if any, of the employees transferred within a period of 18 months from the date of the transfer. Similarly, the employees transferred to AIATSL approached the Chennai High Court for a stay on the transfer and the matter is sub-judice. Pending the finalization of the rates and operationalization of the subsidiary companies, the Company has not given effect to the above transfers in the books of 2013-14.

e) In terms of new wage agreement with Crew Union, an adhoc provision of Rs. 500.4 million is being carried in the books of accounts towards arrears of flying allowance.

78. Employee Benefits

(A) General description of Defined Benefit Plan

a) Gratuity: Gratuity is payable to all eligible employees of the Company on superannuation, death, or permanent disablement, in terms of the provisions of the Payment of Gratuity Act.

b) Privilege Leave Encashment: Privilege Leave Encashment is payable to all eligible employees at the time of retirement upto a maximum of 300 days. However, lapsable Privilege Leave will now be encashable only to operational categories effective 1st April 2013.

c) Sick Leave Encashment: Sick Leave encashment is payable to all eligible employees at the time of retirement upto a maximum of 120 days subject to the condition that the employee should have at least 60 days of Sick Leave to his credit. During the year, it was also decided that sick leave standing to the credit of all existing employees as on 01.07.2012 shall stand frozen and the employee would be allowed to encash the same only at the time or retirement provided that he/she has not exhausted that leave at the time of retirement. Further, it was decided that encashment of sick leave which has accrued beyond 01.07.12 will not be allowed and the employee has to avail the same or the same will lapse.

(B) Defined Contribution Plan

Employees Provident Fund: The Company has an Employees Provident Fund Trusts under the Provident Fund Act 1925, which governs the Provident Fund Plans for eligible employees. The Company as well as the employees contributes 10% of the PF Pay to the Fund out of which Provident Fund is paid to the employees.

(C) Defined Benefit Plans – Gratuity &Post Retirement Medical Benefits (Unfunded)

Disclosure as per AS-15:-

(Rs. in Millions)

	Particulars	Gratuity		Post Retirement Medical Benefits	
		As at 31.03.14	As at 31.03.13	**As at 31.03.14**	As at 31.03.13
(a)	**Table for Change in Benefit Obligation:**				
	Liability at the beginning of the year	**9631.3**	8545.1	**1795.0**	1611.1
	Interest Cost	**770.5**	714.3	**143.6**	132.9
	Current service cost	**335.4**	329.4	**552.6**	490.1
	Past Service Cost (Vested Benefit)	**-**	-	**-**	-
	Benefit paid	**(1084.8)**	(1089.6)	**(434.9)**	(356.4)
	Actuarial (gain)/loss on obligations	**(196.3)**	1132.1	**21.7**	(82.7)
	Liability at the end of the year	**9456.1**	9631.3	**2078.0**	1795.0
(b)	**Table for Fair Value of Plan Assets:**				
	Value of Plan Assets at beginning of the year	**-**	-	**-**	-
	Expected return on Plan Assets	**-**	-	**-**	-
	Contributions	**1084.8**	1089.6	**434.9**	356.4
	Benefit paid	**(1084.8)**	(1089.6)	**(434.9)**	(356.4)
	Actuarial (gain)/loss on Plan Assets	**-**	-	**-**	-
	Fair value of Plan Assets at the end of the year	**-**	-	**-**	-
	Total Actuarial Gain/(Loss) on Plan Assets	**-**	-	**-**	-
(c)	**Table of Recognition of Actuarial Gains/Losses:**				
	Actuarial (Gains)/Losses on obligation for the period	**(196.3)**	1132.1	**21.7**	(82.7)
	Actuarial (Gains)/Losses on asset for the period	**-**	-	**-**	-
	Actuarial (Gains)/Losses recognized in P & L A/c	**(196.3)**	1132.1	**21.7**	(82.7)
(d)	**Amount Recognized in the Balance Sheet:**				
	Liability at the end of the year	**9456.1**	9631.3	**2078.0**	1795.0
	Fair value of Plan Assets at the end of the year	**-**	-	**-**	-
	Amount Recognized in the Balance Sheet	**9456.1**	9631.3	**2078.0**	1795.0
(e)	**Expense recognized in the P & L Account:**				
	Current service cost	**335.4**	329.4	**552.6**	490.1
	Interest cost	**770.5**	714.3	**143.6**	132.9
	Expected return on Plan Assets	**-**	-	**-**	-
	Net actuarial (gain)/loss to be recognized	**(196.3)**	1132.1	**21.7**	(82.7)
	Past Service Cost (Vested Benefit)	**-**	-	**-**	-
	Expense recognized in the P & L Account	**909.6**	2175.8	**717.9**	540.3
(f)	**Balance Sheet Reconciliation:**				
	Opening Net Liability	**9631.3**	8545.1	**1795.0**	1611.1
	Expense as above	**909.6**	2175.8	**717.9**	540.3
	Benefit Paid	**(1084.8)**	(1089.6)	**(434.9)**	(356.4)
	Net Liability/(Asset) Recognized in P & L A/c	**9456.1**	9631.3	**2078.0**	1795.0
(g)	**Actuarial Assumptions for the year:**				
	Discount Rate	**9.29%**	8.00%	**9.26%**	8.00%
	Salary Escalation Rate	**5.50%**	5.50%	**-**	-
	Medical Cost Inflation Rate	**-**	-	**5.50%**	5.50%
	Attrition Rate	**2.00%**	2.00%	**2.00%**	2.00%

79. Deferred Tax Assets

The Company has taken several initiatives towards cost cutting and revenue enhancement which has resulted in an improved operational performance. These measures include rationalization of certain loss making routes; Induction of brand new aircraft on several domestic & international routes to increase passenger appeal; phasing out & grounding of old fleet; return of leased aircraft, freezing of employment in non-operational areas; relocation of EDs / IBOs from abroad to India; closure of overseas offline offices at certain locations; leveraging the assets of the Company to increase MRO revenue and revenue from Company's real estate properties; up-gradation of IT Infrastructure & implementation of Quick Win IT Solutions; introduction of PSS (Passenger Services System) to have a single code and SAP ERP based Solutions; establishment of Integrated Operations Control Centre and Hub Control Centre in Delhi; operationalization of Subsidiary Companies such as AIATSL & AIESL and transfer of manpower and equipment and treating them as Independent Profit Centers; induction of the B-787 aircraft on Medium Capacity Long Haul Routes, implementation of Comprehensive Financial Restructuring Plan (FRP) as proposed by SBI CAPS.

The Govt. of India has also approved the infusion of equity of Rs.302310 million upto 2021 including Upfront equity infusion of Rs. 67500 million; Equity infusion for funding cash deficit Rs. 45520 million (FY 2013 to FY 2021); Equity for guaranteed aircraft loans FY 2021 of Rs.189290 million.

The Govt. of India has so far infused Rs.132000 million uptill 31.03.14 under FRP/TAP and a further amount of Rs. 65000.0 million is proposed to be infused during FY 2014-15 out of which Rs. 46600 million has already been infused uptill 30th Sept'14. There has been a substantial improvement in the performance of the Company in the year 2013-14 vis-à-vis 2012-13 in terms of Operational Parameters which has resulted in the reduction of Operating Loss during the year when compared to previous year.

The Company joined Star Alliance with effect from 11th July 2014 which would provide global connectivity to the airline. The joining of the Star Alliance would provide AI access to 1269 destinations in more than 193 countries around the world with a network of over 18043 flights. AI would therefore, get access to a vast global network offering unmatched reach and connectivity. On account of joining Star Alliance, it is expected that the Pax Revenues will increase to 3-5% as a result of cross feeds to / from the Alliance Partners and Pax will experience seamless travel while transferring from one airline to another. The FFPP artnership with all Star Alliance Member would give the Pax the ability to earn and burn FFP on any member airlines, as well as access to various lounges across the network.

Apart from the above, the TAP which combine operational efficiencies with a financial turnaround has resulted in improved performance of AI both operationally & financially and with GOI support in the form of equity induction and lenders' support in the form of restructuring of the long term loans and regulator support in the form of approving the Restructuring Plan of the lenders has lead AI in a "transition to profitability". As a result of the aforesaid measures, AI achieved EBITDA positive status in 2012-13 and 2013-14 and is expected to be Cash Positive in 2018-19 & PAT Positive in 2021-22.

The Deferred Tax Asset is therefore recognized only to the extent of Deferred Tax Liability as shown below:

(Rs in Millions)

Particulars	Balance as on 31.03.2013	DTA/DTL Recognized in 2013-14	Total DTA as on 31.03.2014
(A) Deferred Tax Liability			
(i) Related to Fixed Assets	61266.9	1838.5	63105.4
(ii) Related to FCMI Account	-	1051.2	1051.2
Sub-Total (A)	**61266.9**	**2889.7**	**64156.6**
(B) Deferred Tax Asset			
(i) Unabsorbed Depreciation	53017.2	2889.7	55906.9
(ii) Business Loss	32127.9	-	32127.9
(iii) Other Disallowances Under IT Act	4547.0	-	4547.0
Sub-Total (B)	**89692.1**	**2889.7**	**92581.8**
Deferred Tax/(Liability) (Net)	**28425.2**	**0.0**	**28425.2**

80. Earnings Per Share

(Rupees in Millions)

Particulars	**As at March 31, 2014**	As at March 31, 2013
Profit/(Loss) After Tax & Before Extra-Ordinary Items	**(68929.9)**	(65119.4)
Less: Extra-Ordinary Items	**(6133.9)**	(10217.8)
Profit/(Loss) after Tax & Extra- Ordinary Items	**(62796.0)**	(54901.6)
Weighted Average No. of Equity Shares	**13181164384**	5940687671
EPS Basic & Diluted		
a) Before Extra-Ordinary Items (Rs. per Share)	**(5.20)**	(11.00)
b) After Extra-Ordinary Item (Rs. per Share)	**(4.80)**	(9.20)

81. The Micro, Small and Medium Enterprises Development Act

The data related to Micro Small and Medium Enterprises is being compiled and the process of up-dating masters in SAP regarding identification of MSME is under progress and the precise data is therefore not readily available. However payments to such undertakings covered under the Micro, Small and Medium Enterprises Development Act to the extent identified have been made within the prescribed time limit/date agreed upon with the supplier and hence no interest is payable for delayed payments. In other cases, necessary compliance/disclosure will be ensured in due course.

82. A letter has been written to the Ministry of Corporate Affairs (MCA) for granting exemption from complying with the disclosure requirements in the Notes to Accounts forming part of the Balance Sheet and Profit & Loss Account in respect of Paragraph 4-D (a) to (e) except (d) [which is also not applicable to the company] of Part II of Schedule VI of the Companies Act 1956.

83. In absence of relevant Notification by the Government of India specifying the period and applicable rate at which cess on turnover is payable under Section 441A of the Companies Act, 1956, the same is not determinable and hence, not provided for.

84. Remuneration to Auditors

The details of the audit fees and expenses of the Auditors:-

(Rupees in millions)

Particulars	**2013-14**	**2012-13**
Audit Fees - For the Year	7.5	6.0
Out of Pocket Expenses*	1.3	1.9
Total	**8.8**	**7.9**

*Accounted on Payment Basis

85. Financial Restructuring Plan

Financial Restructuring Plan (FRP) was implemented by the Company on 1st October 2011 to realign Working Capital borrowings of the Company as on 30th September 2011 in order to provide relief to the Company. FRP provided relief to the Company in the form of reduction in interest rate, rates in case of INR loans ranging from 12 % to 13% to the uniform floating rate to 11% on Short term loan (STL), and Long Term loan (LTL), Funded Interest Term Loan (FITL) and Assessed Working Capital.

In Nov-Dec'12, the Company issued Non-Convertible Debentures (NCDs) to the tune of Rs 74000.0 million at the interest rate of 9.08%. Proceeds of NCDs have been utilized for repayment of STL from FRP Lenders. The issuance of NCDs has brought relief in the form of interest payment by the Company as interest rate of uniform floating rate of 11% on STLs reduced to 9.08% on NCDs. The Government of India (GOI) has also agreed to bring in Equity Capital for funding of interest on the above NCDs.

All Banks participating in the FRP have confirmed balances as on 31st March 2014. However, there are few differences between balances as confirmed by the Banks vis-a-vis balances as per Air India which are under reconciliation. A part of these differences have since been reconciled and rectified by the Banks. Correspondence with Banks is in progress for reconciling the remaining differences as on 31st March 2014.

Equitable mortgages of immovable properties have been created for 5 properties at Chennai, Hyderabad and Delhi out of the total 12 properties as stipulated in the FRP. As per TAP/FRP the GOI has agreed to bring in equity of Rs.302310 million up to FY 2021 which would comprise up front equity of Rs. 67500 million, equity infusion for cash deficit Rs.45520 million and equity infusion for repayment of guaranteed aircraft loans of Rs.189290 million. Government has also agreed to infuse Equity for interest on NCDs of Rs. 74000.0 million issued in Nov-Dec'12. Pursuant to the FRP, during FY 2013-14, GOI has infused Equity to the tune of Rs. 60,000 Million. Thus, total Equity Infusion under FRP as on 31st March 2014 aggregated to Rs 132000 million.

As a result of fiscal constraints, the Government, which was requested to infuse an amount of Rs. 85740 million during FY 2013-14 has infused only Rs. 60000 million resulting in a deficit of Rs. 25740 million. The GOI has committed Equity infusion of Rs. 65000 million for FY 2014-15. The Company has also made an application for inclusion of impact of exchange rate variation (vis-à-vis the rate of exchange projected in TAP) on repayments of the principal amount on the aircraft guaranteed loans in the Budget of 2014-15. The impact of this works out to Rs. 9260.0 million. The GOI has issued a guarantee of Rs 30000 million in order to raise short term working capital loans to meet the operational requirements of the Company, out of which Rs. 10000 million is already repaid from Equity infusion by GoI during FY 2014-15. Further, due to the delay in the receipt of Equity Infusion from the Govt in line with TAP/FRP recommendations, the Company has requested the Ministry of Finance to infuse Rs. 6000 million in Supplementary Grants Budget for 2014-15 towards the implementation of Capital Projects.

86. Going Concern

In order to improve its operational & financial performance, the Company has formulated a TAP which entails both operational & financial turnaround of the company. Based on the company's assumption on TAP which has been independently vetted by Deloitte, a FRP has been prepared and implemented effective 1st October 2011 which envisages aligning of the debt repayments of the Company in line with the projected Cash Flows. GOI has also approved the infusion of equity in the form of Upfront Equity Infusion Rs. 67500 million, Equity for funding Cash Deficit Rs. 45520 million (up to 2018) & Equity for guaranteed aircraft loans of Rs.189290 million (up to FY 2020), thereby totaling to Rs.302310 million from FY 2012-2021. GOI has also issued an unconditional & irrevocable guarantee for Rs. 74000 millions for issue of Non-Convertible Debentures (NCDs) the proceeds of which has been used for repaying the Short Term Loans (STLs) of the banks thereby reducing the interest burden. The NCDs have been subscribed by Life Insurance Corporation of India and Employee Provident Fund Organization (EPFO). These NCDs have been issued with a 19 year maturity and have been placed at an interest rate of 9.08%. GOI has also set up specific milestones for achievement in terms of PLF of 73% by 2015 and 75% by 2020, yield and utilization parameters as indicated in the TAP. The induction of the aircraft in future would be based only on Route Planning & Economics and would be reviewed after 2014-15. The MRO & the GH activities have been hived-off as proposed in the TAP. The assets would be monetized and Cargo & Mail revenues will be enhanced as per the TAP. The HR Policy has also been reviewed across the company and a new organization structure has been approved by the Board in order to right-size the position at various levels in the organization hierarchy. An Integrated IT System has already been put in place for improving operational performance. This involved setting up of an Integrated Operational Control Centre (IOCC) and Hub Control Centre (HCC) at T3 in Delhi in order to integrate the domestic and international operations of the company. The IOCC and HCC would provide an online and real time tracking system of all the flights on the route network and would enable better utilization of the aircraft. An Oversight Committee has also been formed at the GOI level to ensure implementation of the TAP and closely monitor the actual performance against the milestones. The Oversight Committee has so far held 6 meetings in order to review the operational and financial performance of AI.

As on 31st March 2014, GOI has infused Rs.132000 million by way of equity into the company from the time the FRP was implemented. An amount of Rs.65000 million is provided in Union Budget for the FY 2014-15 as equity to Air India as against Air India's request of Rs 71060 million (including Rs. 9260 million for Exchange rate adjustment and Rs. 1650 million towards Interest on Delayed Equity). The GOI has also been approached for the above short fall of Rs. 6060 million.

Due to the support of GOI as well as the various measures taken by the Company towards improving its operating and financial position, it is expected that the financial condition of the company would continue to improve in the future. The Accounts are therefore being prepared on the 'Going Concern' basis.

87. Previous Year figures have been re-grouped/re-arranged wherever considered necessary to be compatible with the Revised Schedule VI of the Companies Act 1956, to the extent of information being available and practicable of compilation.

Signatures to the Schedules forming part of the Balance Sheet and Statement of Profit and Loss and to the above notes.

For and on behalf of the Board

Sd/-
(Rohit Nandan)
Chairman & Managing Director

Sd/-
(S. Venkat)
Director Finance

Sd/-
(Kalpana Rao)
Company Secretary

For and on behalf of
R. Devendra Kumar & Associates
Chartered Accountants

Sd/-
(D.K. Gupta)
Partner
M.No.09032

For and on behalf of
Kapoor Tandon & Co
Chartered Accountants

Sd/-
(Rajesh Parasramka)
Partner
M.No.074192

For and on behalf of
PKKG Balasubramaniam & Associates
Chartered Accountants

Sd/-
(C. Suresh)
Partner
M.No.204602

Place : New Delhi
Date : 11 December 2014