



# **AIRLINE ALLIED SERVICES LIMITED**

**(A wholly owned subsidiary of Air India Limited)**





**CONTENTS**

	<b>Page No.</b>
1. Board of Directors	1
2. Directors' Report	2
3. Comments of the Comptroller & Auditor General of India	10
4. Statutory Auditor's Report	11
5. Balance Sheet as at 31 March 2014	28
6. Statement of Profit & Loss for the year ended 31 March 2014	29
7. Cash Flow Statement	30
8. Notes forming part of the Financial Statements for the year ended 31 March 2014	31



**BOARD OF DIRECTORS (AS ON 27.04.2015)**

Shri Rohit Nandan                      **Chairman**

Shri S. Venkat

Shri Pankaj Srivastava

Ms. Meenakshi Dua

Capt. A.K. Govil

Dr. (Smt.) Shefali Juneja

Ms. Puja Jindal

**Auditor**

M/s. Chandra Gupta & Associates  
Chartered Accountant  
E-103, Palm Court Apartments  
Plot No-3, Sector -19-B, Dwarka  
New Delhi-110 075.

**Registered Office**

Old Lufthansa Hanger Building,  
(Adjacent to ED-NR office)  
I.G.I. Airport, T-1,  
New Delhi-110037

**DIRECTORS' REPORT 2013-14**

The Directors of your company have pleasure in presenting the Thirty First Annual Report together with audited Statement of Accounts of Airline Allied Services Ltd. for the year ended 31 March 2014.

During the year, the company incurred a net loss of Rs. 249.40 crores (previous year Rs. 133.39 crores). The main reasons for losses are as follows:

- Passenger revenue decreased by Rs. 24.80 crores (Rs.194.55 crores against Rs.219.35 crores), due to lower passengers carriage by 0.028 million (0.364 million against 0.392 millions) and lower passenger yields by Rs. 247 (Rs. 5345 against Rs.5592).
- Increase in provision for obsolescence of aircraft rotables, non-rotables & special tools by Rs. 8.16 crores on additional inventory procured during the year.
- Increase in rate of exchange from Rs. 54.80 to Rs. 60.49 of 1 US \$ (i.e. by 10.38%), as about 50% of operating cost towards aircraft lease, aircraft maintenance, pilot SIM training etc., was incurred in foreign currency;
- Increase in handling charges by Rs. 1.29 crores due to revision in handling charges by holding company
- Holding company debited a sum of Rs. 71.96 crores towards interest on the amount outstanding as on 31 March 2014.

**Financial and Physical Performance**

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

**Financial Performance**

	(Rupees in Crores)	
	2013-14	2012-13
Operating Revenue	<b>196.74</b>	222.13
Passenger Revenue (ATR & CRJ)	194.55	219.35
Other Operating Revenue	2.19	2.78
Other Income	<b>45.65</b>	47.29
<b>Total Revenue</b>	<b>242.39</b>	269.26
Total Expenses	<b>491.79</b>	402.65
Net Profit/(Loss) for the year Before Tax	<b>(249.40)</b>	(133.39)
Net Profit/(Loss) for the year After Tax	<b>(249.40)</b>	(133.39)
Share Capital	<b>2.25</b>	2.25

**Physical Performance**

	2013-14	2012-13
ASKMs (in millions)	<b>340.892</b>	401.440
RPKMs (in millions)	<b>249.576</b>	284.466
Passengers Carried (in millions)	<b>0.364</b>	0.392
Seat Factor (%)	<b>73.2</b>	70.9
Load Factor (%)	<b>61.6</b>	60.7

**Share Capital:****Authorised Capital**

The Authorised Share Capital of the company as on 31-03-2014 was Rs. 5 crores divided into 500,000 equity shares of Rs.100/- each.

**Issued, Subscribed and Paid-up Capital**

As on 31 March 2014, the Issued, Subscribed & Paid-up Share Capital of the Company was Rs.2.25 crores divided into 225,000 fully paid up equity shares of Rs.100/- each. The entire Share Capital of the Company is held by Air India Limited, the holding company.



### Fleet Position

The fleet position of the company as at the year end consisted of 08 leased aircraft was as under:-

Aircraft Type	No. of Aircraft	
ATR-42-320	04	Leased from M/s Abric Leasing Ltd, Ireland
Bombardier CRJ-700	04	Leased from different overseas lessors

### Network/ New Links

As at the year end, the network of the company consisted of **24** domestic stations and has been operating around (ATR **112** +CRJ **68** flights/ week) **180** flights per week.

### Technical Reliability

Aircraft-wise Technical Reliability during the year 2013-14 was as under:

- |               |       |
|---------------|-------|
| a) ATR 42-320 | 98.96 |
| b) CRJ-700    | 99.07 |

### Aircraft Utilization

Aircraft utilization during the year 2013-14 was as under:

- |            |              |
|------------|--------------|
| ATR 42-320 | 8072 : 57 FH |
| CRJ-700    | 6176 : 38 FH |

The company introduced services on the following new routes/additional flights during the year 2013-14:-

#### a) With ATR Aircraft :

- Delhi/Kanpur/Delhi – 2 times/week
- Delhi/Kullu/Delhi – 6 times/week
- Delhi/Dehradun/Delhi -Frequency increased to 11 times/week (4 times/week with ATR) in addition to 7 times/week with CRJ
- Delhi/Dharamshala/Delhi – 7 times/week
- Bangalore/Kochi/Bangalore Frequency added to 9 times/week instead of 6 times/week
- Kolkata/Shillong/Kolkata (Reinstated) 5 times/week w.e.f. 10 July 2013

#### b) With CRJ Aircraft :

- Dehradun/Lucknow/Dehradun – 3 times/week
- Delhi/Allahabad/Mumbai & Rtn. – 4 times/week
- Route restructured – Mumbai/Allahabad/Mumbai instead of Delhi/Allahabad/Mumbai & Rtn. - 4 times/week
- Mumbai/Gwalior/Mumbai – 2 times/week
- Mumbai/Agra/Mumbai – 2 times/week
- Delhi/Jabalpur/Delhi upgraded to CRJ instead of ATR – 3 times/week

### Operations in the North East

Alliance Air operated air services in the North East Region under an MOU with the North Eastern Council (NEC) from January 2003 to December 2012. As the Viability Gap Funding (VGF) had been withdrawn by NEC, the ATR operations in the NE region were re-structured and operated further for the period from July 2013 to May 2014 and ultimately withdrawn in June 2014.

The matter was subsequently reviewed by the North Eastern Council and effective 1 August 2014, Alliance Air has restored the following flights in the North East Region with ATR Aircraft in consultation with the North Eastern Council :

- |                                |                 |
|--------------------------------|-----------------|
| Kolkata/Shillong/Kolkata       | Six days/week   |
| Kolkata/Guwahati/Lilabari & vv | Four days/week  |
| Kolkata/Silchar/Tezpur & vv    | Three days/week |



### **Operations in the Lakshwadeep (Agatti)**

Alliance Air is operating flights with ATR aircraft between Agatti and the mainland, under an understanding of grant of VGF by the Lakshadweep Administration.

In the present schedule, Alliance Air operates six times a week service on Bangalore/ Kochi/Agatti/Kochi/Bangalore route with ATR aircraft.

### **Food Services/Economy Measures**

The Buy on Board concept was introduced on Alliance Air flights from 1 August 2013 which has resulted in a saving of approx. Rs. 1.51 crores up to 31 March 2014.

The RFP regarding Buy on Board on Alliance Air flights on Revenue sharing basis was floated and competitive bids were invited to formalize a long term arrangement for provision of BOB catering. Accordingly, Ambassador Sky Chef was shortlisted, based on the lowest bid and remunerative Loyalty sharing arrangement.

### **Human Resources**

The staff strength of the company at the close of the year was 938 (1005) including 23 (25) employees on deputation from the parent Company, Air India. Out of above, services of 532 (497) employees were seconded to Air India. Therefore, effectively, the Company had 406 (483) employees at the close of the year for in its own operations. All the employees of the Company are on fixed term contract basis. Out of the 915 contractual employees, 386 (42.18%) were female employees. Cadre wise as on 31 March, 2014, there were 68 Pilots, 458 cabin crew, 98 Engineers, 71 Technicians and remaining 220 were other categories of employees. The Company has been supplementing cabin crew and other manpower as required by Air India.

AASL had deployed 532 staff (407 cabin crew, 39 VHF Operator, 55 Ground & Other Commercial & 31 Security Attendants) till 31 March 2014 on deputation to Air India.

Since the Company could not develop expertise in the field in-house, it had recruited 4 employees on contract who were superannuated from AIL, by virtue of their knowledge and long experience to handle some key positions, to satisfy the regulatory requirements.

As on 31 March 2014, there were total 8 expatriate, out of which (7) ex-patriate were commanders on ATR and 1 ex-patriate was commander on CRJ. Out of these 7, 4 are Training Captain. The company endeavors to keep the number of expatriate pilots to bare minimum to maintain minimum mandatory strength of commanders vis-à-vis aircraft fleet. There is no expatriate pilot in P2 category.

### **Engineering and Maintenance Activities**

#### **ATR-42-320 Aircraft**

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

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

#### **Bombardier CRJ 700 Aircraft**

Delhi is the main engineering base for maintenance activities on CRJ 700 aircraft. The Main base has infrastructure and capability to carry out checks till '6A' Check. Heavy maintenance ('C' check) of CRJ-700 aircraft is outsourced to a FAA/ EASA approved MRO as per the requirements of lease arrangements.



### **Infrastructure at Outstations**

Necessary Line Maintenance infrastructure particularly with reference to transit maintenance has been developed. Necessary assistance is sought from Air India Limited, whenever needed.

### **Disposal and Return of Aircraft and Spares and other surplus/obsolete assets, if any.**

Three ATR 42-320 aircraft on lease from M/s Abric Leasing have been returned to them on completion of their lease term.

### **Technical Training**

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

### **Details of Engineers' Training Programme**

#### **Training program for existing and for induction of new aircraft is as following:**

For ATR 72-600 one batch of AMEs have been trained at ATC Toulouse, France. The subsequent batches of engineering personnel and instructors from Engineering Training Schools, AIL would be trained in due course.

Alliance Air is inducting ATR 72-600 aircraft in its fleet effective December 2014. 4 sets of cockpit crew per aircraft are being trained at ATR training centre at Toulouse starting November 2014. We are also sending 3 Instructors and 2 Dispatchers to Toulouse for training so that they can further train Pilots, Cabin Crew and Flight Dispatchers in house.

### **Flight Safety**

The company has an independent Flight Safety Department which functions as per the DGCA requirements in proactive manner. Flight Safety Department carries out preventive and investigative functions for the Airline. The preventive functions include, the cockpit voice recorder monitoring, flight data recorder monitoring and Internal Safety Audits of the stations, being operated by Airline which includes airfield Inspection, Spot Checks, Ramp Inspection and Cockpit surveillance checks at regular interval.

All reported incidents are investigated by the Permanent Investigation Board (PIB) of the company and the recommendations of PIB are included in the operation procedures and policy to prevent recurrences. The investigations are carried out along with DGCA representatives and no PIB cases are pending of the financial year 2013-2014.

Alliance Air during the financial Year 2013-14 under review had no occurrence classified as serious incident on CRJ-700 aircraft and on ATR-42-320 aircraft. To ensure safety of aircraft following are the activities being carried out on regular basis :

- The Flight Operation Quality Assurance (FOQA) programme with prime function of flight surveillance if found any anomalies in operations of Flight, the concerned operating crew is counseled.
- The flight occurrences which are classified as incidents by the regulatory norms are investigated by the Investigation Board of the Airline in coordination with the Air Safety Directorate of the DGCA.
- The recommendations of Investigation Board are circulated to the respective departments for their compliance to the applicable recommendations.
- The Airline has facility for downloading the data from the flight data recorder and same is monitored by Flight Safety Department.
- Regular Internal Safety Audit is conducted for safety evaluations of the Airline and the findings are reported to the concerned departments and the DGCA.
- Load and Trim Sheet of CRJ 700 & ATR 42-320 fleet are being monitored on monthly basis.
- Ramp Inspection/Spot Check of Base Stations/ Line Stations are carried out randomly.
- Safety inspection of Line stations are being carried out as per direction of DGCA.
- Safety Action Group (SAG) meeting are being conducted on regular basis to take-up safety measures with respected to volunteers reporting system and Pilot Voyage reports.
- Recommendation of DGCA Annual Air Safety review meet are being emphasized during counseling of Pilots.



**Training**

During the year, Alliance Air has converted 3 ATR co-pilots into Commanders and 2 CRJ co-pilots into Commander. 2 ATR co-pilot are under different stage of up-gradation to commander. With our planned training measures and conversion of some co-pilots into commander, we were able to keep the number of foreigners (Expatriates) pilots to bare minimum level, confined to commander category including trainer/examiner.

**Inventory Control**

Aircraft inventory consisting of aircraft spare parts and consumable items has been monitored and controlled through an ERP package developed by RAMCO which now maintains integrated aircraft inventory for AIL which is used for both Air India Limited and Airline Allied Services Limited inventories. AIL exercises its procurement and control procedures for AASL inventories also.

**Future Perspective**

Plan for 2014-15 with special reference to aircraft utilisation, availability of Engineers, new routes/ services, utilisation of facilities etc. and also plan for fleet expansion.

As per AASL Board direction, process for induction of 8 new ATR 72-600 aircraft for lease period of 10-12 years, has been initiated. out of which lease agreements for 5 ATR 72-600 a/c have been signed and for remaining 03 ATR 72-600 a/c tender technical evaluation is in progress. Further, as per Turn Around Plan (TAP) of AIL, Alliance Air shall have a fleet of 15 Turbo prop aircraft by the year 2015.

At the beginning of the year, company had a fleet strength of 11 aircraft comprising 7 ATR 42-320 and 4 CRJ-700. Out of 7 ATR aircraft, 3 ATR aircraft have been returned during the year till date. At the year end, fleet strength of the Company is 8 aircraft on lease comprising 4 ATR-42-320 and 4 CRJ-700.

**Plan for 2014-2015 -New routes proposed:**

In accordance with the proposal to induct eight new ATR 72-600 aircraft into the Alliance Air fleet, new routes have been proposed. The list of routes to be introduced in phases is attached. The routes have been worked out based on economic viability, need to air link more tier II and tier III cities as well as to upgrade existing routes and to serve them with newer and better aircraft type. Some routes presently operated with ATR 42 type of aircraft will be upgraded to ATR 72-600 which has a higher seating capacity.

**Use of Hindi**

To fulfill the objectives of the Official Language policy of the Government, the Company played its role in promoting the usage of Hindi at all levels. Staff were encouraged to work in Hindi. To promote Hindi, a Hindi Pakhwara is conducted every year, wherein employees participate in various competition categories like essay writing, poem reciting etc. Prizes and awards are distributed during the function.

**Contribution to Exchequer**

The Company has contributed Rs. 4.55 cores (Rs. 4.88 crores) to Government exchequer by way of Sales Tax and other levies on Aviation Turbine Fuel.

**Industrial Relations**

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

**Particulars of Employees**

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

**DIRECTORS RESPONSIBILITY STATEMENT:**

Your Directors confirm:

- i. In the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.



- ii. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at the 31 March 2014 and of the profit or loss of the Company for that period.
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of the knowledge and ability of the Directors.
- iv. The Directors had prepared the Annual Accounts on a going concern basis.

#### **Audit Committee**

The constitution of Audit Committee as required under the Companies Act, 2013 was recently approved by the Board of Directors in its 133<sup>rd</sup> Meeting held on 24 December 2014 and following are its members :

Smt. (Dr.) Shefali Juneja	-	Chairperson
Ms. Puja Jindal	-	Member
Sh. S. Venkat	-	Member
Sh. Rohit Nandan	-	Permanent Invitee

#### **Statutory Auditors**

The Comptroller & Auditor General of India (CAG), has appointed **M/s. Chandra Gupta & Associates**, Chartered Accountants as Statutory Auditors of the Company for the year 2014-15.

#### **Auditors Report**

The Statutory Auditors have made certain observations in their Audit Report on the accounts for the year ending 31 March 2014.

#### **Board of Directors**

During the year 2013-14, five Board Meetings were held. As on 31 March 2014 the Board consisted of the following members:

i)	Shri Rohit Nandan CMD, Air India Ltd.	Chairman
ii)	Smt. (Dr.) Shefali Juneja Director (Finance), Ministry of Civil Aviation.	Director
iii)	Smt. Puja Jindal Director, Ministry of Civil Aviation.	Director
iv)	Shri S. Venkat Director Finance, Air India Ltd.	Director
v)	Shri Pankaj Srivastava Director Commercial, Air India Ltd.	Director
vi)	Capt. S.P.S. Suri Executive Director-Operations, Air India Ltd.	Director
vii)	Shri Pankaj Kumar Executive Director-Northern Region, Air India Ltd.	Director

The existing Board of Directors of the Company as on 31 January 2015 comprise of the following Members:

i)	Shri Rohit Nandan CMD, Air India Ltd.	Chairman
ii)	Smt (Dr.) Shefali Juneja Director (Finance), Ministry of Civil Aviation.	Director



- |      |   |          |
|------|---|----------|
| iii) | Ms. Puja Jindal<br>Director, Ministry of Civil Aviation.                | Director |
| iv)  | Shri S. Venkat<br>Director Finance, Air India Ltd.                      | Director |
| v)   | Shri Pankaj Srivastava<br>Director Commercial, Air India Ltd.           | Director |
| vi)  | Ms. Meenakshi Dua<br>Executive Director-Northern Region, Air India Ltd. | Director |
| vii) | Capt. A.K. Govil<br>Executive Director-Operations, Air India Ltd.       | Director |

Shri Pankaj Kumar ceased to be Director effective 1 August 2014 and Smt. Meenakshi Dua, Executive Director-Northern Region was appointed on the Board effective 21-10-2014 ie. w.e.f. date DIN is allotted to her.

Capt. S.P.S. Suri ceased to be Director effective 30 November 2014 and Capt A.K. Govil, Executive Director (Ops) was appointed on the Board w.e.f. date DIN is allotted to him i.e. 31 December 2014.

The Board places on record its appreciation of the valuable services rendered by Shri Pankaj Kumar and Capt. S.P.S. Suri during their tenure as the Directors of the Company.

#### **Acknowledgment**

The Board of Directors wish to express gratitude for the cooperation, guidance and support received from Ministry of Civil Aviation, Air India Ltd. and other Government agencies. The Directors are pleased to place on record their appreciation of the sustained and dedicated efforts put in by all the employees.

For and on behalf of the Board of Directors

Sd/-  
**(Rohit Nandan)**  
Chairman

Place : New Delhi  
Date : 26 February 2015.



**Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with  
The Companies (Particulars of Employees) Rules 1975 and forming part of the Director's report for the  
year ended 31 March 2014**

**“Employed throughout the year”**

S. No.	CODE	NAME	QUALIFICATION	DESIGNATION	AGE	DATE OF JOINING	LAST EMPLOYER	NATURE OF DUTY	GROSS SALARY (Rs)	DATE OF BIRTH
1	11386	CAPT. RAJ KUMAR RANA	MSC	SR CAPT. - CRJ	48	29/11/2006	N.A.	FLYING	6706929	23/03/1966
2	11449	CAPT. PRASHANT SHARMA	B.SC.	SR CAPT. - CRJ	40	29/10/2005	N.A.	FLYING	7640776	27/09/1973
3	60423	CAPT. NAVEEN SAROHA	B.A.	SR CAPT. - CRJ	37	29/08/2006	N.A.	FLYING	6395185	13/02/1977
4	60459	CAPT. SANDEEP SINGH GILL	BSC	SR. CAPT. - ATR	49	01/06/2007	N.A.	FLYING	5365398	01/01/1965
5	60465	CAPT. RAKESH KUMAR	B.A.	SR. CAPT. - ATR	50	29/05/2007	N.A.	FLYING	5087197	02/02/1964
6	60492	CAPT. SATYAVIR	B.A.	SR. CAPT. - ATR	41	20/07/2007	N.A.	FLYING	4836752	05/05/1972
7	60561	CAPT. PRADEEP SHARMA	M.SC.BE (AERO)	SR. CAPT. - ATR	60	10/11/2008	N.A.	FLYING	7891387	24/05/1953
8	60714	CAPT. VINAY KUMAR SINGH	B.A.	SR. CAPT. - ATR	48	07/05/2010	N.A.	FLYING	5774755	17/03/1966
9	60846	CAPT. URMILA YADAV	M A	SR. CAPT. - ATR	52	06/02/2011	N.A.	FLYING	4534234	12.02/1962
10	60729	CAPT. AMAR KUMAR KHOSINAM SINGH	BSC	SR. CAPT. - ATR	50	05/07/2010	N.A.	FLYING	5126690	6/1/1964
11	60603	CAPT. SAMEER MEHTA	BSC	SR. CAPT. - ATR	29	30/03/2009	N.A.	FLYING	4160016	12/12/1984
12	85013	CAPT. BRAHM PRAKASH	MSC	SR CAPT. - CRJ	57	12/01/2008	N.A.	FLYING	4779827	01/07/1957
13	98002	CAPT. BIRAJ BIKRAM SHAH	EX-PAT	COMMANDER	48	16/07/2007	N.A.	FLYING	6929215	22/07/1967
14	98007	CAPT. SUNIL OLI	EX-PAT	COMMANDER	52	18/03/2010	N.A.	FLYING	6327320	04/04/1962
15	98008	CAPT EDUARDO ENRIQUE ALVARADO PINEDA	EX-PAT	COMMANDER	48	10/12/2011	N.A.	FLYING	5997673	26/04/1966
16	98014	CAPT JORGE ISAAC CANO GOMEZ	EX-PAT	COMMANDER	55	23/01/2012	N.A.	FLYING	6307920	22/09/1959
17	98020	CAPT. RANDY STEVEN SCARBROUGH	EX-PAT	COMMANDER	48	23/11/2012	N.A.	FLYING	6320720	08/09/1964
18	98100	CAPT. PRAMOD KHATRI	EX-PAT	COMMANDER	42	08/08/2012	N.A.	FLYING	6281120	28/10/1972

**Statement of Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with  
The Companies (Particulars of Employees) Rules 1975 and forming part of the Director's report for the  
year ended 31 March 2014**

**“Employed for the part of the year”**

S. NO.	CODE	NAME	QUALIFICATION	DESIGNATION	AGE	DATE OF JOINING	DATE OF LEAVING	LAST EMPLOYER	NATURE OF DUTY	GROSS SALARY (Rs)	DATE OF BIRTH
1	98009	CAPT. WILLIAM N KEENE	EX-PAT	COMMANDER	54	07/12/2007	07/12/2013	N.A.	FLYING	4883797	12/02/1960
2	98021	CAPT. STEPHEN MEYER	EX-PAT	COMMANDER	50	05/12/2012	21/01/2014	N.A.	FLYING	2888760	04/05/1964
3	98101	CAPT. RAJU RAJBANSHI	EX-PAT	COMMANDER	52	20/07/2012		N.A.	FLYING	3304756	02/05/1962
4	98022	CAPT. PETER DAVID HANKS	EX-PAT	COMMANDER	57	6/6/2014		N.A.	FLYING	5467650	25/06/1957



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF AIRLINE ALLIED SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2014**

The preparation of financial statements of **Airline Allied Services Limited** for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India, under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 16 March 2015.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditor's on the accounts of **Airline Allied Services Limited** for the year ended 31 March 2014 and as such have no comments to make under Section 619(4) of the Companies Act 1956.

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

Sd/-

**Vimalendra Patwardhan**  
Principal Director of Commercial Audit  
& Ex-officio Member, Audit Board-I, New Delhi

Place : New Delhi  
Date : 8 April 2015



## REPORT OF THE AUDITORS TO THE MEMBERS OF AIRLINE ALLIED SERVICES LTD.

### Report on the Financial Statements

We have audited the accompanying financial statements of AIRLINE ALLIED SERVICES LIMITED ('AASL' or the Company'), which comprise the Balance Sheet as at 31 March 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion and except to the extent these standards could not be applied in their entirety for want of adequacy of appropriate internal control system and accounting procedures followed by the Company.

### Basis for Qualified Opinion

- (i) The financial statements of the Company under report are drawn up on a going concern basis. In view of loss for the year of Rs. 249,39.71 lacs and accumulated losses of Rs. 831,01.84 lacs resulting in erosion of total share capital and negative Net worth to the tune of Rs. 107816.55 lacs and liability of outstanding dues of the company to its holding company, Air India Limited of Rs. 85109.05 lacs as on 31 March 2014, we have been given to understand that the assumption of going concern depends upon the continued adequate financial support from the holding company viz. Air India Limited and as informed, Air India Limited & AASL's Turn Around Plan (TAP) approved by the GoM and the Government.
- (ii) Statement of Profit and Loss includes Traffic Revenue of Rs. 19,674.28 lacs (other than grant from NEC Shilong and Agati) accounted for on the basis of ledger account of Air India Limited and expenditure on Service charges of Rs. 148.26 Lacs and Other Operating and Administration expenses of Rs. 51873.13 lacs [which includes Rs. 393.17 lacs on account of delayed payments to oil companies] accounted for only on the basis of credit and debit notes raised by Air India Limited. In absence of basic records / vouchers / supporting documents and relevant details, the revenue and expenditure stated above remained unverified to that extent.
- (iii) System of Inventory Accounting followed by the company is not proper / complete. In this respect our observations are as below -



- a) In respect of ATR / CRJ aircraft inventories, procurement is made by Air India Limited and later on transferred to the company without any invoice and charging of applicable sales tax (VAT) - amount and its impact on accounts is unascertainable. Moreover, sufficient control does not exist to ensure that all inventory transactions are authorized, processed and accounted completely.
- b) Custom Duty and Freight on aircraft spare parts which form part of aircraft inventories, comprise of freight, duties, incidentals etc. on aircraft inventories owned by the company as well as those taken on lease from the manufacturers and also include freight, incidentals etc. on aircraft components and spares exported for repairs. In the absence of its item wise segregation and loading, the balance of custom duty and freight on aircraft spares amounting to Rs. 575.12 lacs lying at the end of the year under Current Assets and Rs. 74.24 lacs charged to material consumed during the year remained unverified and hence correctness of these amounts and their impact on financials could not be commented upon.
- c) The company is not maintaining any record of Inventories at its stores in Delhi, Hyderabad and Kolkata and the financial figures are incorporated in its books at the year end on the basis of abstract received from Air India Limited showing the values of different categories of inventories. In absence of details, correctness of Inventory could not be verified and its impact on accounts could not be commented upon.
- d) The consumption of inventory is booked at the year end on the basis of balance arrived at from opening stock plus purchases made during the year less closing stock (advised by Air India Limited) at the end of the year instead of accounting on the basis of actual consumption and disclosing the shortages or excesses, if any, separately. Thus it is not in accordance with the accepted inventory accounting practices and AS-2 (revised) on valuation norms issued by the ICAI. Hence, the consumption of inventory amounting to Rs. 527.22 lacs could not be verified and impact on accounts for variance, if any, cannot be commented.
- e) Non-compliance of Accounting Standard AS-2 (Revised) on "Valuation of Inventories"-
- i. Inventories have been valued without complete identification and allocation of freight, duties, incidentals etc. with respect to individual items (also refer sub-para (b) above).
  - ii. Further, inventories have been valued at cost as against lower of cost and net realizable value.
- Impact of the above on the accounts remained unascertained.
- (iv) The accounts with the Airport Authority of India Ltd. HPCL, IOCL and BPCL, Reliance Industries Limited, Shell MRPL aviation Limited, and DIAL are un-confirmed and un-reconciled which may include elements of expenditure/ income as well. In absence of confirmation and reconciliation as on 31 March 2014, we are unable to comment on their impact on the accounts.
- (v) Accounting of certain transactions on settlement basis (Refer Accounting Policy disclosed in Note No. 1.4 and 1.10 (b) & (c) are not in accordance with accrual method of accounting prescribed under the Act, Accounting Standard AS-1 on "Disclosure of Accounting Policies" and AS-6 (Revised) on "Net Profit or Loss for the period, prior period items and changes in Accounting Policies" issued by ICAI. Amount and impact on accounts unascertained by the Company.
- (vi) Accounting policy of the company with respect to accounting of prior period items and prepaid / accrued expenses upto Rs.10,000/- for Individual items (refer Accounting Policy disclosed in Note No. 1.8 and 1.10 (a) in the year of receipt / payment is not in accordance with accrual method of accounting prescribed under the Act and Accounting Standards AS-1 and AS-5 (Revised) Issued by the ICAI. Amount and impact on accounts is unascertained by the Company.
- (vii) The internal control system and accounting procedures are in-adequate and not implemented / enforced resulting in lack of regular, complete and correct flow of information, specially in the following areas:
- Transactions relating to Traffic Revenue (except charter revenue);
  - Expenditure on Service Charges;
  - Expenditure relating to interrupted trips;
  - Expenditure on SOD Tickets;
  - Retrieval of catering dry stores; ATR / CRJ Aircraft Inventories;





- Delay in receipt and accounting of credits due from M/s ATR in terms of agreements and consequential delay in adjustments of withholding tax; Employee leave record and encashment of leave;
  - Aircraft lease, Handling & Maintenance Charges
- (viii) The company has not provided liability for leave encashment to the employees for year-end leave balance as required by AS-15 (revised) issued by the ICAI (Refer Accounting Policy disclosed in Note No 1.6). Amount and impact on accounts unascertained by the Company.
- (ix) Non-accounting of advance passenger receipts, revenue from no show pax and income from cancellation fee, Income from refund administration fees and commission earned on PSF. Amount and impact on accounts unascertained by the Company.
- (x) Mail revenue has been charged at a single rate per ton kilometer instead of billing at various rates in addition to the basic rate, viz. documentation-charges, valuation charges, cartage charges, demurrage charges etc. (amount and impact on accounts not ascertained by the Company).
- (xi) Non-confirmation of balances in respect of Other Long Term Liabilities, Trade Payables, Other Current Liabilities, Long Term. Loans & Advances, Other Noncurrent Assets, Trade Receivables, Short Term Loans & Advances and Other Current Assets. We are unable to comment on the impact of adjustments arising out of non-confirmation of such balances on the financial statements.
- (xii) The company has shown contingent liability amounting to Rs. 16,039.05 lacs in respect of income tax demands for which no provision has been made as these demands are said to be disputed by the company in appeals (refer Note No. 25 (I)), In view of pending appeals and legal opinion obtained by the company, we are unable to comment upon the liability of the company and its impact on accounts currently is not ascertainable. On the basis of Information available there is liability of tax, interest & penalty on account of TDS amounting to Rs. 341.46 lacs.
- (xiii) Debtors include Rs. 2940.35 lacs recoverable from M/s Gati Limited outstanding since Feb'2009 for aircrafts operated by the Company. Air India Limited had invoked their bank guarantee and recovered Rs. 3000 Lacs which was transferred to the Company and the same has been kept by the Company in a separate account of "Security Deposit - Gati" under 'Other Long Term Liabilities'. The matter is stated to be in dispute between Air India Limited and M/s Gati Ltd. wherein the Arbitral Tribunal has given award of Rs. 2672.95 lacs (including interest etc.) against Air India Limited. An appeal has been filed by Air India Limited before the Honble Delhi High Court against the arbitral award which is pending. Accordingly, we are unable to express our opinion on the impact on the company's accounts for non-recoverability of outstanding dues or amount to be refunded for guarantee invoked or payment of awarded amount.
- (xiv) Transfer Pricing Documentation and Accountant's Report for 'Specified Domestic Transactions' entered into by the Company with persons referred to in Section 40A(2)(b) of the Income Tax Act' 1961 for the year ended 31.03.2014 as required under Section 92 to 92E of the income Tax Act, 1961 has not been - obtained -by the company. Hence, we are unable to comment whether the specified domestic transactions were undertaken at Arm's Length Price and also on impact of transfer pricing adjustments, if any, on the financial statements for the year.
- (xv) Company is not accounting for TDS on expenses accounted for on provisional basis. The same is accounted for at the time of providing of actual expenses. The tax and interest liability on the same have not been accounted for in the books
- (xvi) The company has accounted for interest amounting to Rs. 71.96 Crores on account of delayed payment of amount payable to Air India Limited. The company has failed to provide any agreement, and justification for providing the said interest. The said accounting of interest is without proper Board approval thus the loss is inflated to that extent.

We are unable to comment on the impact on the financial statements referred to in this report for paras stated in 'Basis for Qualified Opinion' herein above for the reasons given in each paragraph.





### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements read together with the significant accounting policies and notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. Except for the effects of matters described in the Basis for Qualified Opinion paragraphs (i), (ii), (iii), (iv), (vii), (ix), (xi) (xiv), (xv) and (xvi) hereinabove, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. Except for the effects of matters described in the Basis for Qualified Opinion paragraphs (ii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xii), (xiv) and (xv) hereinabove, in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. Except for the effects of matters described in the Basis for Qualified Opinion paragraphs (iii)(d) & (e), (v), (vi) and (viii) hereinabove, in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
  - e. In view of Government Notification No. GSR829. (E) dated 21 October 2003, Government Companies are exempt from the applicability of provisions of section 274(1)(g) of the Act.

For and on behalf of  
**Chandra Gupta & Associates**  
Chartered Accountants  
(FR No.: 000259N)

Sd/-  
**(SC Gupta)**  
Partner  
M.No.: 013465

Place : New Delhi  
Dated : 16 March 2015

**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT**

(ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT OTHER LEGAL AND REGULATORY REQUIREMENTS' OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF AIRLINE ALLIED SERVICES LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014)

- (i) (a) The records maintained by the company in respect of its fixed assets are not considered to be proper in so far as these do not give full particulars of quantitative details, asset identification nos. and situation of fixed assets.
- (b) According to the information and explanations given to us, physical verification of Fixed assets has not been conducted on biennial basis as required by Accounting policy no. 1.2. However, we are informed that the Company had last conducted physical verification of Fixed Assets as on 31.03.2012 and discrepancies noticed on that verification have been accounted for. Further, no physical verification of fixed assets has been carried out during 2013-14
- (c) No substantial part of fixed assets have been disposed off by the company during the year.
- (ii) (a). According to information and explanations given to us, physical verification of inventory has not been conducted by the Company during the year. Accordingly, we are of the opinion that the frequency of verification is not reasonable.
- (b). In view of sub para (a) above, we are unable to comment on the reasonableness and adequacy of procedures of verification followed by the Management in relation to the size of the company and the nature of its business.
- (c). As explained to us, inventories for ATR / CRJ Aircraft are procured by Air India Limited and records relating to receipts, issues and closing stock are maintained by Air India Limited. Further, accounting entries by the Company are made for receipts on the basis of advice from Air India Limited which is delayed in almost all cases and accounting of entries for Issues is done at the year end only. Accordingly, we are unable to comment whether the company has maintained proper records of inventory.
- (iii) (a). According to the information and explanations given to us, the company has neither granted nor taken any loans secured or unsecured to / from companies, firms or Other parties covered in the register maintained under section 301 of the Act, during the year except interest bearing unsecured loan by Air India Ltd. for which no Board Resolution has been shown to us. It may however be mentioned that the company has granted an Interest free unsecured loan of Rs. 2.61 lacs to an ex-deputationist from Government of India, which has not been recovered since long.
- (b). Based on the information and explanations provided, since the company has not granted / taken any loans except as stated above, the sub-clauses (b) to (g) of this clause are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, internal control procedures are not commensurate with the size of the company and nature of its business with regard to purchase of fixed assets and inventory, recording of revenue, inventory control and certain expenditure and services (also refer paras (ii), (iii) and (vii) of 'Basis of Qualified Opinion' of our Audit Report). The weaknesses in internal control procedures have been observed and reported repeatedly due to continued failure and non improvement over the years,
- (v) (a) Based on the audit procedures applied by us and according to the information and explanation provided by the management, we are of the opinion that arrangements with Air India for particulars of contracts and arrangements referred to in Section 301 of the Act that need to be entered into the register required to be maintained under that section have not been maintained.
- (b) Accordingly, report as per Clause (a) above has not been disclosed.
- (vi) According to the information and explanations given to us, the company has not accepted any deposits from the public during the year, therefore, provision of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the company.
- (vii) The internal audit function was carried out during the year by a firm of chartered accountants appointed by the management which has submitted its report in No., 2014 only. In our opinion, the internal audit system needs



to be strengthened and improved to make it commensurate with its size and nature of the company's business in order to have adequate coverage of the transactions, specially, in the areas like lease and other connected agreements for ATR / CRJ aircraft operations, revenue receipts, fuel upliftment / payments and inventory control and frequency of audit and compliance to the internal audit findings. The Internal Audit Reports should be submitted periodically within the year and compliance thereof needs to be submitted to Audit Committee of the Board at regular intervals.

- (viii) We have been informed that the Central Government has not prescribed for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues, as applicable, have generally been deposited with the appropriate authorities, however cases of non- deduction and non deposit of Tax Deducted at Source have been observed further significant delay in deposit of tax deducted at source and service tax were observed. Custom duty payments are handled by Air India Limited but confirmation from Air India Limited was not made available to us as to whether there are any undisputed dues pending at the year-end or not. Effect of non-deduction, non deposit and delay in deposit has not been ascertained and accounted for in books of accounts.
- (b) According to the information and explanations given to us, as at 31 March 2014, there are no disputed dues for Wealth Tax, Service Tax, Cess, Sales Tax and other statutory dues etc. outstanding and unpaid at the year end except the following disputed dues for Income Tax as disclosed in Note No 25(I) to the financial statements are as below:

Statute & Nature of dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Demand	140.44	1997-98	Application for restoration of Appeal with ITAT is under process
Income Tax Demand	174.31	2000-01	Appeal pending with ITAT
Income Tax Penalty u/s 271(1)(c)	31.99	2004-05	Appeal pending with CIT (A)
Income Tax Demand	4,425.04	2008-09	Appeal pending with ITAT
Income Tax Demand	10,146.27	2010-11	Appeal pending with ITAT
Income Tax Demand	1,121.00	2011-12	Appeal pending with CIT (A)
TDS	341.46	2011-12	Income Tax & TDS Department

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

- (x) The company has accumulated losses at the year end and its net worth is in negative. The company has incurred cash losses during the year under report and also in the immediately preceding financial year. According to the records of the company and on the basis of information and explanations given to us, there is no amount due to financial institutions or banks or debenture holders.
- (xi) According to the records of the company and on the basis of the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In our opinion, considering the nature of activities carried out by the company during the year, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it. Accordingly, the provisions of this clause are not applicable to the company.
- (xiii) According to the records of the company and on the basis of information and explanations given to us, the company has no dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of this clause are not applicable to the company.



- (xiv) According to the records of the company and on the basis of information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xv) According to the records of the company and on the basis of information and explanations given to us, the Company has not obtained any term loans during the year. Accordingly, the provisions of this clause are not applicable to the company.
- (xvi) According to the records of the company and on the basis of information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds amounting to Rs. 28,696.97 lacs raised on short term basis in the form of excess of current liabilities over current assets have been used for funding the operating losses of the Company.
- (xvii) According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year. Accordingly, the provisions of this clause are not applicable to the Company.
- (xviii) According to the information and explanations given to us, the company has not issued any debentures during the year. Accordingly, the provisions of this clause are not applicable to the Company.
- (xix) According to the information and explanations given to us, the company has not raised any money by public issue during the year. Accordingly, the provisions of this clause are not applicable to the Company.
- (xx) No details have been provided to us by Vigilance Department of the company as to whether any fraud on or by the company has been noticed or reported during the year. Further to above, during the course of our examination of the books of account carried out .in accordance with the generally accepted auditing practices in India, and as per explanations furnished to us by the management, we have neither come across any instances of fraud on or by the company or noticed or reported during the year, nor have we been informed of such cases by the management.

For and on behalf of  
**Chandra Gupta & Associates**  
Chartered Accountants  
(FR No.: 000259N)

Sd/-  
**(SC Gupta)**  
Partner  
M.No.: 013465

Place : New Delhi  
Dated : 16 March 2015



**MANAGEMENT'S REPLIES TO THE AUDITOR'S REPORT OF THE STATUTORY AUDITORS FOR  
THE FINANCIAL YEAR 2013-14**

Sl. No.	Audit Observation	Management Comments
(i)	<p>The financial statements of the Company under report are drawn up on a going concern basis. In view of loss for the year of Rs. 24939.71 lacs and accumulated losses of Rs. 83101.84 lacs resulting in erosion of total share capital and negative Net worth to the tune of Rs. 107816.55 lacs and liability of outstanding dues of the company to its holding company, Air India Limited of Rs. 85109.05 lacs as on 31 March 2014, we have been given to understand that the assumption of going concern depends upon the continued adequate financial support from the holding company viz. Air India Limited and as informed, Air India Limited &amp; AASL's Turn Around Plan (TAP) approved by the GoM and the Government.</p>	<p>The Company is a wholly owned subsidiary of Air India Ltd. (AIL). The parent Company, AIL has been supporting the operations of Alliance Air to full extent in terms of infrastructure, manpower and funds since its operationalisation.</p> <p>The Turn Round Plan (TAP) approved by the Govt. of India which entails both operational &amp; financial turnaround, covers AIL &amp; its subsidiaries including AASL covering 10 years period from 2011 to 2020.</p> <p>According to the TAP, the Govt. of India has already approved infusion of additional equity over the years and financial restructuring of AIL in improving its net worth/liquidity, which would also have impact on continued financial support to the subsidiaries including AASL.</p> <p>In view of the foregoing &amp; the continued support of the GOI to AIL and assurance for operational / financial support from the parent company, accounts are being prepared on going concern basis.</p>
(ii)	<p>Statement of Profit and Loss includes Traffic Revenue of Rs. 19674.28 lacs (other than grant from NEC Shilong and Agati) accounted for on the basis of ledger account of Air India Limited and expenditure on Service charges of Rs.148.26 lacs and Other Operating and Administration expenses of Rs. 51873.13 lacs [which includes Rs. 393.17 lacs on account of delayed payments to oil companies] accounted for only on the basis of credit and debit notes raised by Air India Limited. In absence of basic records / vouchers / supporting documents and relevant details, the revenue and expenditure stated above remained unverified to that extent.</p>	<p>In terms of the MOU between Air India and AASL, Air India provides sales, marketing, booking facilities and other support services for the AASL operations.</p> <p>Further, as explained in detail during audit, the computerized revenue accounting system introduced by AIL for its and AASL flights, the revenue for passengers flown, excess baggage and cargo carried on AASL flights are segregated flight-wise for AASL flights based on flight coupons, EBTs &amp; AWBs. The revenue earnings for passenger revenue, excess baggage &amp; freight are therefore segregated and credited by AIL to AASL on the basis of flight wise monthly revenue reports generated on said elaborate computerized revenue accounting system. Therefore, revenue earnings of AASL flights accounted as per Para 1.4 of Note 1 (Accounting Policy), are supported by monthly revenue reports. As per terms of MoU between AIL &amp; AASL, AASL flights are captured on the said elaborate common revenue accounting system with segregated detailed reports for AASL flights, thus avoiding parallel system.</p> <p>The records for the debits/credits have been maintained by the holding company, as well as by AASL.</p>
(iii)	<p>System of Inventory Accounting followed by the company is not proper / complete. In this respect our observations are as below:</p> <p>(a) In respect of ATR / CRJ aircraft inventories, procurement is made by Air India Limited and later on transferred to the company without any invoice and charging of applicable sales tax (VAT) - amount and its impact on accounts is unascertainable. Moreover, sufficient control does not exist to ensure that all inventory transactions are authorized, processed and accounted completely.</p>	<p>Air India provides administrative support in procurement &amp; stocking of the aircraft inventory in terms of MoU. However, the payments to the vendors are mostly made by AASL itself, hence, no sale is involved. Suitable disclosure made in Notes No. 27 (i)</p> <p>Monthly computerized statements of inventory showing opening stock, closing stock and consumptions i.r.o. AASL fleet are received from AIL, as reflected in RAMCO system, which are used for accounting of inventory and consumption.</p>





Sl. No.	Audit Observation	Management Comments
	<p>(b) Custom Duty and Freight on aircraft spare parts which form part of aircraft inventories, comprise of freight, duties, incidentals etc. on aircraft inventories owned by the company as well as those taken on lease from the manufacturers and also include freight, incidentals etc. on aircraft components and spares exported for repairs. In the absence of its item wise segregation and loading, the balance of custom duty and freight on aircraft spares amounting to Rs. 575.12 lacs lying at the end of the year under Current Assets and Rs. 74.24 lacs charged to material consumed during the year remained unverified and hence correctness of these amounts and their impact on financials could not be commented upon.</p> <p>(c) The company is not maintaining any record of Inventories at its stores in Delhi, Hyderabad and Kolkata and the financial figures are incorporated in its books at the year end on the basis of abstract received from Air India Limited showing the values of different categories of inventories. In absence of details, correctness of Inventory could not be verified and its impact on accounts could not be commented upon.</p> <p>(d) The consumption of inventory is booked at the year end on the basis of balance arrived at from opening stock plus purchases made during the year less closing stock (advised by Air India Limited) at the end of the year instead of accounting on the basis of actual consumption and disclosing the shortages/ excesses, if any, separately. Thus it is not in accordance with the accepted inventory accounting practices and AS-2 (revised) on valuation norms issued by the ICAI. Hence, the consumption of inventory amounting to Rs. 527.22 lacs could not be verified and impact on accounts for variance, if any, cannot be commented.</p>	<p>AIL systems have elaborate and adequate control and internal check procedures for procurement, issue, stocking, segregation etc. for all inventory which is subject to physical checks by internal audit and stock verification &amp; such controls are applied on AASL inventory also.</p> <p>Custom Duty, Freight and incidentals have been allocated on pro-rata basis on year end values of closing stock of aircraft spares, rotables and on their consumption. FDI cannot be segregated item wise as Freight and incidental expenses are incurred on a group of items and not item wise. Therefore, these have to be allocated on pro-rata basis. The same policy is also being followed in the Holding company, AIL.</p> <p>Suitable disclosures have been made in Notes No. 27 (iii) and reference may also be made to reply to para (a) above.</p> <p>Since, AASL inventory is procured and managed by AIL, suitable records are maintained for AASL inventory at all the inventory locations.</p> <p>However, the details of closing inventory as on 31 March 2014, which have been received from AIL are available in AASL.</p> <p>Suitable disclosure made in Notes No. 27 (i) and reference may also be made to reply to para (a) above.</p> <p>From FY 2013-14 onwards, the process has been changed and now the consumption of inventory is booked on monthly basis, based on RAMCO generated monthly inventory reports. Suitable disclosure has been made in Notes No. 27 (i).</p>



Sl. No.	Audit Observation	Management Comments
	<p>(e) Non-compliance of Accounting Standard AS-2 (Revised) on “Valuation of Inventories”-</p> <p>i. Inventories have been valued without complete identification and allocation of freight, duties, incidentals etc. with respect to individual items (also refer sub-para (b) above).</p> <p>ii. Further, inventories have been valued at cost as against lower of cost and net realizable value.</p> <p>Impact of the above on the accounts remained unascertained.</p>	<p>As per the policy of the company which is also being followed in AIL, inventories are valued at weighted average cost, as disclosed in the Notes No. 1.9.</p> <p>Suitable disclosure has also been made in Notes No. 27 (iii)</p>
(iv)	<p>The accounts with the Airport Authority of India Ltd., HPCL, IOCL, and BPCL, Reliance Industries Ltd., Shell MRPL Aviation Ltd., and DIAL are un-confirmed and un-reconciled which may include elements of expenditure / income as well. In absence of confirmation and reconciliation as on 31 March 2014, we are unable to comment on their impact on the accounts.</p>	<p>Reconciliation is an ongoing process with regular parties like Oil Companies and AAI. The payments to Oil companies and AAI are being made by our Holding company i.e. AIL, with whom the reconciliation is completed upto 31<sup>st</sup> March 2014. Reconciliation with Oil companies has been completed upto 31 March 2013 and for 2013-14, is nearing completion. The reconciliation with DIAL has also been completed upto 31 March 2013 and with AAI upto 31 March 2012. Concerted efforts are being made to reconcile these accounts as early as possible.</p> <p>Suitable disclosures have been made in Notes No. 32.</p>
(v)	<p>Accounting of certain transactions on settlement basis (Refer Accounting Policy disclosed in Note No. 1.4 and 1.10 (b) &amp; (c) are not in accordance with accrual method of accounting prescribed under the Act, Accounting Standard AS-1 on “Disclosure of Accounting Policies” and AS-6 (Revised) on “Net Profit or Loss for the period, prior period items and changes in Accounting Policies” issued by ICAI. Amount and impact on accounts unascertained by the Company.</p>	<p>This policy is being consistently followed over the years in AASL. It may be mentioned here that same policy is also being followed in our Holding company.</p>
(vi)	<p>Accounting policy of the company with respect to accounting of prior period items and prepaid / accrued expenses upto Rs. 10,000/- for individual items (refer Accounting Policy disclosed in Note No. 1.8 and 1.10 (a) in the year of receipt / payment is not in accordance with accrual method of accounting prescribed under the Act and Accounting Standards AS-1 and AS-5 (Revised) issued by the ICAI. Amount and impact on accounts unascertained by the Company.</p>	<p>The Prior period and pre-paid expenses have been accounted for as per Note No 1.8 &amp; 1.10 of its Accounting policy which has consistently been followed in the company over the years.</p>



Sl. No.	Audit Observation	Management Comments
(vii)	<p>The internal control system and accounting procedures are generally in-adequate and not implemented/enforced resulting in lack of regular, complete and correct flow of information, specially in the following areas :</p> <ul style="list-style-type: none"> <li>➤ Transactions relating to Traffic Revenue (except charter revenue);</li> <li>➤ Expenditure on Service Charges;</li> <li>➤ Expenditure relating to interrupted trips;</li> <li>➤ Expenditure on SOD Tickets;</li> <li>➤ Retrieval of catering dry stores;</li> <li>➤ ATR / CRJ Aircraft Inventories;</li> <li>➤ Delay in receipt and accounting of credits due from M/s ATR in terms of agreements and consequential delay in adjustments of withholding tax;</li> <li>➤ Employee leave record and encashment of leave;</li> <li>➤ Aircraft Lease, Handling and Maintenance Charges.</li> </ul>	<p>The holding company, Air India provides flight handling, sales, marketing, booking and other services to the Company in terms of MoU signed between the two. The holding company applies its own control system &amp; accounting procedures to AASL transactions also. The comments below, which are mainly arising out of transactions related to Air India, may be taken with this point in view.</p> <p>Revenue is accounted in terms of declared para 1.4 of Notes No. 1, which states that passenger revenue is accounted for on the basis of flown coupons for passengers travelled, reflecting realized revenue. Revenue for Excess baggage, Mail and Cargo is accounted for on the basis of revenue credited by AIL.</p> <p>Service Charges are reimbursed to Air India, as per the terms of MoU, for which relevant records are maintained.</p> <p>The relevant records for interrupted trip expenses for the FY 2013-14 are available.</p> <p>The SOD travel is as per SOD order authorised by competent authority. The expenditure is booked as per the debits received from Air India.</p> <p>The accounting for retrieval of dry stores is done as per the advice from the respective regions and appropriate records are being maintained in this regard.</p> <p>The inventory is specific to aircraft type. The procurement on behalf of AASL is made by Air India for which the accounting is made by AASL as already disclosed in Notes No 27(i). Also refer reply to para iii (a) above.</p> <p>Follow up with ATR is made on regular basis for issuance of credit notes.</p> <p>The records for employee leave and its encashment are maintained.</p> <p>Systems of internal control are in place and all Lease, Handling and Maintenance charges records are being maintained properly.</p>
(viii)	<p>The company has not provided liability for leave encashment to the employees for year-end leave balance as required by AS-15 (revised) issued by the ICAI (Refer Accounting Policy disclosed in Note No. 1.6). Amount and impact on accounts unascertained by the Company.</p>	<p>AASL employees are entitled to PL encashment up to a maximum of 15 days in a financial year subject to the rules laid down in this regard. It is further subject to prior approval of the Competent Authority and cannot be claimed as a right. The employees are under FTEA and any unused balance at the time of cessation of service (including resignation) in this regard lapses automatically.</p>
(ix)	<p>Non-accounting of advance passenger receipts, revenue from no show pax and income from cancellation fee, Income from refund administration fees and commission earned on PSF. Amount and impact on accounts unascertained by the Company.</p>	<p>Passenger revenue is accounted on the basis of flown passengers in terms of declared Accounting Policy in para 1.4 of Notes No 1. Accordingly, AASL is getting the revenue for flown passengers only from AIL.</p>





Sl. No.	Audit Observation	Management Comments
(x)	Mail revenue has been charged at a single rate per ton kilometer instead of billing at various rates in addition to the basic rate, viz. documentation charges, valuation charges, cartage charges, demurrage charges etc. (amount and impact on accounts not ascertained by the Company).	Mail revenue is credited by AIL for mail carried based on applicable rates which are approved by Dept. of Post to AIL. Also refer to para 1.4 of Note No 1.
(xi)	Non-confirmation of balances in respect of Other Long Term Liabilities, Trade Payables, Other Current Liabilities, Long Term Loans & Advances, Other Non-current Assets, Trade Receivables, Short Term Loans & Advances and Other Current Assets. We are unable to comment on the impact of adjustments arising out of non-confirmation of such balances on the financial statements.	The reconciliation is a continuous process and the reconciliation with our Holding company, AIL is completed upto 31 March 2014. Reconciliation with Oil companies has been completed upto 31 March 2013 and for 2013-14 is nearing completion.
(xii)	The company has shown contingent liability amounting to Rs. 16039.05 lacs in respect of income tax demands for which no provision has been made as these demands are said to be disputed by the company in appeals (refer Note No. 25(I)). In view of pending appeals and legal opinion obtained by the company, we are unable to comment upon the liability of the company and its impact on accounts currently is not ascertainable. On the basis of information available there is liability of tax, interest & penalty on account of TDS amounting to Rs. 341.46 Lacs.	Disclosed as Contingent liability in Notes No 25 (C ) & 26.
(xiii)	Debtors include Rs. 2940.35 lacs recoverable from M/s Gati Limited outstanding since Feb' 2009 for aircrafts operated by the Company. Air India Limited had invoked their bank guarantee and recovered Rs. 3000 lacs which was transferred to the Company and the same has been kept by the Company in a separate account of "Security Deposit - Gati" under 'Other Long Term Liabilities'. The matter is stated to be in dispute between Air India Limited and M/s Gati Ltd. wherein the Arbitration Tribunal has given award of Rs. 2672.95 Lacs (including interest etc.) against Air India Limited. An appeal has been filed by Air India Limited before the Honb'le Delhi High Court against the arbitral award which is pending. Accordingly, we are unable to express our opinion on the impact on the company's accounts for non-recoverability of outstanding dues or amount to be refunded for guarantee invoked or payment of awarded amount.	Appropriately disclosed in Note No. 36. This agreement was between Air India & GATI and the matter is subjudice.



Sl. No.	Audit Observation	Management Comments
(xiv)	<p>Transfer Pricing Documentation and Accountant's Report for 'Specified Domestic Transactions' entered into by the Company with persons referred to in Section 40A(2) (b) of the Income Tax Act'1961 for the year ended 31.03.2014 as required under Section 92 to 92E of the Income Tax Act, 1961 has not been obtained by the Company. Hence, we are unable to comment whether the specified domestic transactions were undertaken at Arm's Length Price and also on impact of transfer pricing adjustments, if any, on the financial statements for the year.</p>	<p>The Transfer Pricing Documentation and accountant's report for specified domestic transactions entered into by the company with persons referred to in section 40A (2) (b) of the Income Tax Act 1961 for the FY 2012-13 has been obtained and a copy of the same has also been provided to Auditors during the course of audit. This certificate for the FY 2013-14 will be obtained after the completion of the Statutory audit.</p> <p>It may also be mentioned that the Company is a wholly owned subsidiary of Air India Ltd. In terms of the MoU between two companies, AIL provides support towards collection &amp; management of revenues for AASL flights through a common reservation system, providing funds to meet operational expenses, handling on behalf of the Company and claiming these amounts through debits / credits. The expenses incurred exclusively for one company is re-imbursed / advised through debit / credit advices exchanged between the two companies from time to time. The charges are as per the MoU agreed upon as followed in the previous years. The year-end amount shows a net result and represents a running account. As such, the transactions being largely based on re-imburements &amp; transferred through debit / credit advices, it is, therefore, felt representing fair &amp; reasonable charges / amount in respect of such transactions as being consistently followed. The management is thus of the opinion that the specified regulation shall not have any significant impact particularly on the amount of tax provision.</p>
(xv)	<p>Company is not accounting for TDS on expenses accounted for on provisional basis. The same is accounted for at the time of providing of actual expenses. The tax and interest liability on the same have not been accounted for in the books.</p>	<p>TDS has been booked when confirmed liability is established i.e when the amount is credited to party account, and hence the interest liability on the TDS is established in the same way.</p>
(xvi)	<p>The company has accounted for interest amounting to Rs 71.96 Crores on account of delayed payment of amount payable to Air India Limited. The company has failed to provide any agreement, and justification for providing the said interest. The said accounting of interest is without proper Board approval thus the loss is inflated to that extant.</p>	<p>As per Para No. 75 of the Notes on the Accounts of Air India Ltd. for the Financial Year 2013-14, duly approved by its Board, it was mentioned that Air India Ltd. had been forced to borrow higher amounts on account of dues from Subsidiary companies resulting in additional interest costs, hence, it was decided that from Financial Year 2013-14, the interest paid by Air India Ltd. on its Working Capital Loans will be apportioned to the Subsidiary Companies for appropriation to the outstanding recoverable balances of the Subsidiary companies as on 31.03.2014. Accordingly Alliance Air has been debited with an amount of Rs.71.96 crores towards reimbursements / sharing of interest cost on its outstanding dues. Copy of the relevant extract is enclosed for ready reference.</p>



**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT**

**(ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF AIRLINE ALLIED SERVICES LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2014)**

Sr. No.	Audit Observations	Management Comments
(i)	<p>(a) The records maintained by the company in respect of its fixed assets are not considered to be proper in so far as these do not give full particulars of quantitative details, asset identification nos. and situation of fixed assets.</p> <p>(b) According to the information and explanations given to us, physical verification of Fixed assets has not been conducted on biennial basis as required by Accounting policy no. 1.2. However, we understand that the Company had conducted physical verification of Fixed Assets as on 31.03.2012 and discrepancies noticed on verification have been accounted for during the year only. Further, no physical verification of fixed assets has been carried out during 2013-14.</p> <p>(c) No substantial part of fixed assets have been disposed off by the Company during the year.</p>	<p>Noted.</p> <p>The physical verification of assets as on 31.03.2014 will be conducted during 2014-15.</p> <p>Statement of facts. Self explanatory</p>
(ii)	<p>(a) According to information and explanations given to us, physical verification of inventory has not been conducted by the Company during the year. Accordingly, we are of the opinion that the frequency of verification is not reasonable.</p> <p>(b) In view of sub para (a) above, we are unable to comment on the reasonableness and adequacy of procedures of verification followed by the Management in relation to the size of the company and the nature of its business.</p> <p>(c) As explained to us, inventories for ATR / CRJ Aircraft are procured by Air India Limited and records relating to receipts, issues and closing stock are maintained by Air India Limited. Further, accounting entries by the Company are made for receipts on the basis of advice from Air India Limited which is delayed in almost all cases and accounting of entries for issues is done at the year end only. Accordingly, we are unable to comment whether the company has maintained proper records of inventory.</p>	<p>The aircraft inventory is procured, managed &amp; controlled / warehoused by the parent company, AIL and is subject to physical verification by stock room personnel and internal audit of AIL.</p> <p>Please refer reply to (a) above</p> <p>The inventories mainly include Aircraft spares, rotables, consumables and tools of ATR and CRJ aircraft. The procurement is made by AIL on behalf of the company. Inventory of the company are maintained/ controlled by AIL in RAMCO system. The consumption and closing stock therefore is on the basis of records and details derived from the store records maintained/ controlled by Air India Ltd in RAMCO system. Since, inventory is maintained and controlled by AIL, action for discrepancies, if any, is taken after verification of records/monthly statements.</p>
(iii)	<p>(a) According to the information and explanations given to us, the company has neither granted nor taken any loans secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Act during the year.</p> <p>It may however be mentioned that the company has granted an interest free unsecured loan of Rs. 2.61 lacs to an ex-deputationist from Government of India, which has not been recovered since long.</p>	<p>Statement of Fact.</p> <p>The matter is being followed up for recovery / settlement.</p>



Sr. No.	Audit Observations	Management Comments
(iv)	<p>(b) Based on the information and explanations provided, since the company has not granted / taken any loans except as stated above, the sub-clauses (b) to (g) of this clause are not applicable.</p> <p>In our opinion and according to the information and explanations given to us, internal control procedures are not commensurate with the size of the company and nature of its business with regard to purchase of fixed assets and inventory, recording of revenue, inventory control and certain expenditure and services (also refer paras (ii), (iii) and (vii) of 'Basis of Qualified Opinion' of our Audit Report). The weaknesses in internal control procedures have been observed and reported repeatedly due to continued failure and non improvement over the years.</p>	<p>Statement of fact.</p> <p>The company has its own internal control procedures with regard to the expenditure / purchases. As explained, in para ii above, all major purchases are made through AIL. As explained, revenue for AASL flights is controlled and captured through an elaborate revenue accounting system. The sale and marketing of AASL flights is also administered through AIL common infrastructure. Thus, Revenue Accounting infrastructure maintained by Air India (the parent / holding company) is being utilized and relied upon by the company. The holding company handles primary transactions and maintains basic records. Same holds true for expenses / payments made by AIL and debited to AASL. AIL has elaborate and adequate internal control and internal checks and subject to various audits. All these transactions of AASL are subject to said control procedures.</p>
(v)	<p>(a) Based on the audit procedures applied by us and according to the information and explanation provided by the management, we are of the opinion that there are no particulars of contracts and arrangements referred to in Section 301 of the Act that need to be entered into the register required to be maintained under that section.</p>	<p>Statement of fact.</p>
(vi)	<p>(b) Accordingly, reporting under this clause is not required.</p> <p>According to the information and explanations given to us, the company has not accepted any deposits from the public during the year, therefore, provision of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the company.</p>	<p>Self-explanatory.</p> <p>Statement of fact.</p>
(vii)	<p>The internal audit function was carried out during the year by a firm of chartered accountants appointed by the management. In our opinion, the internal audit system needs to be strengthened and improved to make it commensurate with its size and nature of the company's business in order to have adequate coverage of the transactions, especially in the areas like lease and other connected agreements for ATR / CRJ aircraft operations, revenue receipts, fuel upliftment / payments and inventory control and frequency of audit and compliance to the internal audit findings.</p>	<p>The Internal Audit for the year 2013-14 was conducted as per Audit Programme and timely rectifications were undertaken as per advice of Internal Auditor.</p> <p>The process of Internal Audit is an ongoing activity, wherein there is scope of constant improvement. Keeping in mind the above, the Internal Audit programme for the year 2014-15 has been enlarged suitably.</p>



Sr. No.	Audit Observations	Management Comments																																
(viii)	We have been informed that the Central Government has not prescribed for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act.	Statement of fact.																																
(ix)	<p>(a) According to the information and explanations given to us and the records of the company examined by us, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, however cases of delay in deposit were noticed in respect to tax deducted at source and significant delays in deposit in cases of service tax were observed.</p> <p>Custom duty payments are handled by Air India Limited but confirmation from Air India Limited was not made available to us as to whether there are any undisputed dues pending at the year end or not. Effect of non-deduction, non deposit and delay in deposit has not been ascertained and accounted for in books of accounts.</p> <p>(b) According to the information and explanations given to us, as at 31 March 2014, there are no disputed dues for Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax and other statutory dues etc. outstanding and unpaid at the year end except the following disputed dues for Income Tax as disclosed in Note No. 25 (I) to the financial statements are as below:</p> <table border="1" data-bbox="249 1114 1020 1521"> <thead> <tr> <th>Statute &amp; nature of dues</th> <th>Amount (Rs. in lac)</th> <th>Period to which the amount relates</th> <th>Forum where the dispute is pending</th> </tr> </thead> <tbody> <tr> <td>Income Tax demand</td> <td>Rs. 140.44</td> <td>A.Y. 1997-1998</td> <td>Application for restoration of Appeal with ITAT is under process</td> </tr> <tr> <td>Income Tax demand</td> <td>Rs. 174.31</td> <td>A.Y. 2000-2001</td> <td>Appeal pending with ITAT</td> </tr> <tr> <td>Income Tax penalty u/s 271(1)(c)</td> <td>Rs. 31.99</td> <td>A.Y. 2004-2005</td> <td>Appeal pending with CIT(A)</td> </tr> <tr> <td>Income Tax demand</td> <td>Rs. 4425.04</td> <td>A.Y. 2008-2009</td> <td>Appeal pending with ITAT</td> </tr> <tr> <td>Income tax demand</td> <td>Rs. 10146.27</td> <td>A.Y. 2010-2011</td> <td>Appeal pending with CIT</td> </tr> <tr> <td>Income tax demand</td> <td>Rs. 1121.00</td> <td>A.Y. 2011-2012</td> <td>Appeal pending with CIT (A)</td> </tr> <tr> <td>TDS</td> <td>341.46</td> <td>2011-12</td> <td>Income Tax &amp; TDS Department</td> </tr> </tbody> </table>	Statute & nature of dues	Amount (Rs. in lac)	Period to which the amount relates	Forum where the dispute is pending	Income Tax demand	Rs. 140.44	A.Y. 1997-1998	Application for restoration of Appeal with ITAT is under process	Income Tax demand	Rs. 174.31	A.Y. 2000-2001	Appeal pending with ITAT	Income Tax penalty u/s 271(1)(c)	Rs. 31.99	A.Y. 2004-2005	Appeal pending with CIT(A)	Income Tax demand	Rs. 4425.04	A.Y. 2008-2009	Appeal pending with ITAT	Income tax demand	Rs. 10146.27	A.Y. 2010-2011	Appeal pending with CIT	Income tax demand	Rs. 1121.00	A.Y. 2011-2012	Appeal pending with CIT (A)	TDS	341.46	2011-12	Income Tax & TDS Department	<p>Self-explanatory.</p> <p>The delays in some cases of tax payments were due to fund shortages but amounts subsequently duly deposited with applicable interest. There are no undisputed applicable statutory dues other than stipulated under contingent liabilities note no 25.</p> <p>Aircraft spares imports are mainly not subject to custom duty. No undisputed dues in this regard have been advised by Air India.</p> <p>Please refer to our replies as above.</p>
Statute & nature of dues	Amount (Rs. in lac)	Period to which the amount relates	Forum where the dispute is pending																															
Income Tax demand	Rs. 140.44	A.Y. 1997-1998	Application for restoration of Appeal with ITAT is under process																															
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(x)	<p>Further, since the Custom duty payments are handled by Air India Limited, confirmation from Air India Limited was not made available to us as to whether there are any disputed dues pending at the year end or not.</p>	Refer reply at (ix) (a) above																																
(x)	<p>The company has accumulated losses at the year end and its net worth is in negative. The company has incurred cash losses during the year under report and also in the immediately preceding financial year.</p> <p>According to the records of the company and on the basis of information and explanations given to us, there is no amount due to financial institutions or banks or debenture holders.</p>	<p>Statement of fact. Also refer reply at (i) above of audit report .</p> <p>Statement of fact.</p>																																
(xi)	<p>According to the records of the company and on the basis of the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p>	Statement of fact.																																





Sr. No.	Audit Observations	Management Comments
(xii)	In our opinion, considering the nature of activities carried out by the company during the year, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to it. Accordingly, the provisions of this clause are not applicable to the company.	Statement of fact.
(xiii)	According to the records of the company and on the basis of information and explanations given to us, the company has no dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of this clause are not applicable to the company.	Statement of fact.
(xiv)	According to the records of the company and on the basis of information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.	Statement of fact.
(xv)	According to the records of the company and on the basis of information and explanations given to us, the Company has not obtained any term loans during the year. Accordingly, the provisions of this clause are not applicable to the company.	Statement of fact.
(xvi)	According to the records of the company and on the basis of information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds amounting to Rs. 28,696.97 lacs raised on short term basis in the form of excess of current liabilities over current assets have been used for funding the operating losses of the Company.	The Company is a wholly owned subsidiary of Air India Ltd (AIL). The parent Company, AIL has been supporting the operations of the company.  The company has incurred losses as per the statement of Profit & Loss. The increase in excess of current liabilities over current assets includes increase of Rs. 29040.47 lacs on account of transactions with AIL. Therefore, it largely represents the support from the parent company. The balance represents the increase in difference of other items of current liabilities over current assets.
(xvii)	According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year. Accordingly, the provisions of this clause are not applicable to the Company.	Statement of fact.
(xviii)	According to the information and explanations given to us, the company has not issued any debentures during the year. Accordingly, the provisions of this clause are not applicable to the Company.	Statement of fact.
(xix)	According to the information and explanations given to us, the company has not raised any money by public issue during the year. Accordingly, the provisions of this clause are not applicable to the Company.	Statement of fact.
(xx)	No details have been provided to us by Vigilance Department of the company as to whether any fraud on or by the company has been noticed or reported during the year. Further to above, during the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and as per explanations furnished to us by the management, we have neither come across any instances of fraud on or by the company or noticed or reported during the year, nor have we been informed of such cases by the management.	Self Explanatory.

**BALANCE SHEET AS AT 31 MARCH 2014****(Amount in Rupees)**

Particulars	Note No.	As at March 31, 2014	As at March 31, 2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	2	22,500,000	22,500,000
(b) Reserves and Surplus	3	(10,804,154,927)	(8,310,184,143)
(c) Money received against share warrants		-	-
<b>(2) Share application money pending allotment</b>			
		-	-
<b>(3) Non-Current Liabilities</b>			
(a) Long-term borrowings		-	-
(b) Other Long term liabilities	4	322,548,326	322,898,326
(c) Long term provisions	5	35,633,110	31,674,801
<b>(4) Current Liabilities</b>			
(a) Short-term borrowings		-	-
(b) Trade payables	6	2,603,375,930	2,758,961,556
(c) Other current liabilities	7	9,072,090,700	6,292,092,362
(d) Short-term provisions		-	-
<b>TOTAL</b>		<b>1,251,993,139</b>	<b>1,117,942,902</b>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
<i>(a) Fixed assets</i>			
(i) Tangible assets	8	3,887,520	4,721,336
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		-	-
(iv) Intangible assets under development		-	-
(b) Non-current investments		-	-
(c) Long term loans and advances	9	85,583,204	84,855,770
(d) Other non-current assets	10	11,369,830	11,372,981
<b>(2) Current assets</b>			
(a) Current investments		-	-
(b) Inventories	11	1,861,646	27,990,200
(c) Trade receivables	12	950,842,525	801,107,935
(d) Cash and cash equivalents	13	54,528,795	833,837
(e) Short-term loans and advances	14	89,641,141	119,518,792
(f) Other current assets	15	54,278,478	67,542,051
<b>TOTAL</b>		<b>1,251,993,139</b>	<b>1,117,942,902</b>

Significant accounting policies in note no. 1 and  
Notes Referred to above form an integral part of these Financial Statements.

As per our report of even date attached

For and on behalf of  
**Chandra Gupta & Associates**

Chartered Accountants  
FR No. : 00295N

Sd/-  
**S.C. Gupta**  
Partner  
M No.: 013465

Place : New Delhi  
Date : 16 March 2015

For and on behalf of the Board

Sd/-  
**Rohit Nandan**  
Chairman  
DIN : 2195896

Sd/-  
**A.K. Singhal**  
E.D. (Finance & Personnel)

Place : New Delhi  
Date : 26 February 2015

Sd/-  
**Shefali Juneja**  
Director  
DIN : 6474542

Sd/-  
**Gagan Batra**  
Company Secretary

Sd/-  
**Arvind Kathpalia**  
COO, AASL



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

(Amount in Rupees)

Particulars	Note No.	2013-14	2012-13
I. Revenue from operations	16	2,416,895,538	2,694,174,678
II. Other Income	17	7,008,331	(1,550,393)
<b>III. Total Revenue (I +II)</b>		<b>2,423,903,869</b>	<b>2,692,624,285</b>
<b>IV. Expenses:</b>			
Cost of materials consumed/Operational Expense	18	3,292,160,996	3,408,208,586
Employee benefit expense	19	471,238,244	508,712,546
Financial costs	20	765,136,606	9,141,994
Depreciation and amortization expense		1,019,907	3,143,447
Other expenses	21	368,435,755	200,243,991
Prior Period Expenses	22	55,554,284	12,627,787
<b>Total Expenses</b>		<b>4,953,545,792</b>	<b>4,142,078,351</b>
V. Profit before exceptional and extraordinary items and tax (III - IV)		<b>(2,529,641,923)</b>	(1,449,454,066)
VI. Exceptional Items	23	35,671,138	115,597,599
VII. Profit before extraordinary items and tax (V + VI)		<b>(2,493,970,785)</b>	(1,333,856,467)
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII - VIII)		<b>(2,493,970,785)</b>	(1,333,856,467)
X. Tax expense:			
(a) Current tax expense for current year		-	-
(b) Current tax expense relating to prior years		-	-
(c) Deferred tax Asset/ (Liability)		-	-
XI. Profit (Loss) from the period from continuing operations		<b>(2,493,970,785)</b>	(1,333,856,467)
XII. Profit/(Loss) for the period		<b>(2,493,970,785)</b>	(1,333,856,467)
XIII. Earning per equity share:	24		
(1) Basic		<b>(11,084)</b>	(5,928)
(2) Diluted		<b>(11,084)</b>	(5,928)

Significant accounting policies in note no. 1 and Notes Referred to above form an integral part of these Financial Statements.

As per our report of even date attached

For and on behalf of  
**Chandra Gupta & Associates**

Chartered Accountants  
FR No. : 00295N

Sd/-  
**S.C. Gupta**  
Partner  
M No.: 013465

Place : New Delhi  
Date : 16 March 2015

For and on behalf of the Board

Sd/-  
**Rohit Nandan**  
Chairman  
DIN : 2195896

Sd/-  
**A.K. Singhal**  
E.D. (Finance & Personnel)

Place : New Delhi  
Date : 26 February 2015

Sd/-  
**Shefali Juneja**  
Director  
DIN : 6474542

Sd/-  
**Gagan Batra**  
Company Secretary

Sd/-  
**Arvind Kathpalia**  
COO, AASL





**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014**

(Amount in Rupees)

	2013-2014		2012-2013		
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>					
a) Profit/(Loss) before tax for the year as per Statement of Profit & Loss		(2,493,970,785)		(1,333,856,466)	
b) Add:- Adjustment for :					
1 Depreciation and amortisation expenses	1,019,907		3,143,447		
2 Provisions / Un-claimed Liabilities Written Back	(23,960,083)		(115,597,599)		
3 Fixed Assets Written Off	-		3,194,402		
4 Interest Paid	765,136,606		9,141,994		
5 Interest Earned	7,008,331		(1,644,009)		
6 Prior Period Adjustments (Net)	55,554,284		12,627,787		
7 Provision for obsolescence of spares	91,824,503		10,193,221		
8 Provision for Doubtful debts & advances (Net)	-	896,583,548		(78,940,757)	
c) Operating Profit/(Loss) before Changes in working capital:		(1,597,387,237)		(1,412,797,224)	
ADD: Adjustments for (increase) / decrease in operating assets:					
Inventories	(65,695,950)		7,876,705		
Trade receivables	(149,734,590)		(168,371,000)		
Short-term loans and advances	29,877,651		8,843,299		
Long-term loans and advances	(727,434)		(2,262,473)		
Other current assets	13,263,573		(96,000)		
Other non-current assets	3,151		458,444		
ADD: Adjustments for increase / (decrease) in operating liabilities:					
Trade payables	(131,625,544)		502,986,733		
Other current liabilities	2,779,648,338		1,145,711,751		
Other long-term liabilities	-		432,500		
Short-term provisions	-		1,687,704		
Long-term provisions	3,958,309	2,478,967,505	(64,762,491)	1,432,505,173	
d) Cash generated from operations					
Prior Period Adjustments (Net)		(55,554,284)		(12,627,787)	
<b>e) Net Cash from Operating Activities</b>			<b>826,025,983</b>		<b>7,080,162</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>					
a) Purchase of Fixed Assets	(186,090)		(343,371)		
b) Transfer of Fixed Assets to Air India Limited	-		347,988		
c) Interest Income	(7,008,331)	(7,194,421)	(7,194,421)	1,644,009	1,648,626
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>					
a) Interest Paid	(765,136,606)	(765,136,606)	(765,136,606)	(9,141,994)	(9,141,994)
<b>D. NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>			<b>53,694,958</b>		<b>(413,206)</b>
<b>E. CASH &amp; CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			<b>833,837</b>		<b>1,247,043</b>
<b>F. CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR (E+D)</b>			<b>-</b>		<b>833,837</b>

Note : The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the AS-3 (Revised 1997) on "Cash Flow Statements" issued by ICAI. Previous year figures have been regrouped /rearranged wherever necessary

This is the cash flow statement referred to in our audit report of even date.

For and on behalf of  
**Chandra Gupta & Associates**  
Chartered Accountants  
FR No. : 00295N

Sd/-  
**S.C. Gupta**  
Partner  
M No.: 013465

Place : New Delhi  
Date : 16 March 2015

For and on behalf of the Board

Sd/-  
**Rohit Nandan**  
Chairman

Sd/-  
**A.K. Singhal**  
E.D. (Finance & Personnel)

Place : New Delhi  
Date : 26 February 2015

Sd/-  
**Shefali Juneja**  
Director

Sd/-  
**Gagan Batra**  
Company Secretary

Sd/-  
**Arvind Kathpalia**  
COO, AASL

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 MARCH 2014****NOTE “1” : SIGNIFICANT ACCOUNTING POLICIES****1.1 Accounting Convention and Basis of accounting**

These Financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention as a going concern concept on accrual basis. These financial statements have been prepared to comply in all material aspects with the accounting standards notified under the Section 211 (3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act' 1956. Based on the nature of services, the Company has ascertained its normal operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

**1.2 Fixed Assets**

The company is having aircrafts on operating lease.

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

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

**1.3 Depreciation**

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

**1.4 Revenue Recognition**

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

**1.5 Provision for Doubtful Debts**

Provision in respect to Trade Receivables pertaining to the Government, Government Departments and Public Sector Undertakings is provided for only when specifically known to be doubtful. All other Trade Receivables are provided for, if they are outstanding for either more than three years or specifically known to be doubtful.

**1.6 Gratuity and Leave Encashment**

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

**1.7 Training charges**

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

**1.8 Prior Period Transaction**

Transactions above Rs. 10,000/- for individual items related to the earlier period are accounted for in the year of transaction as per Accounting Standard 5 of ICAI.



## 1.9 Inventory

- (a) Stock in hand as at the close of the year for Aircraft Spare Parts (Non Rotable) is stated at weighted average cost and Aircraft Spare Parts (Rotable), Tools, Goods-in-transit, consumables Stores items (Catering Dry stores, Printing and Stationery, Uniform, etc.) and Aviation Turbine Fuel are stated at cost.
- (b) Provision for obsolescence of Aircraft Rotables and Special Tools is made annually on closing stock based on completed aircraft lease months over the total aircraft lease months from the date of stock held, and, on expiry of lease, charged as consumption net of realisation, if any. Besides, obsolescence is also provided on closing stock of Aircraft non rotables including FDI thereon and on rotables, based on completed lease months over the total aircraft lease months.

## 1.10 Accounting on Settlement Basis

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

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

## 1.11 Foreign Currency Transactions

- (a) Foreign currency liabilities and assets have been accounted on the basis of average of Banker's Selling Rate at the beginning and at the end of each month for subsequent month.
- (b) Any difference due to variation in Exchange rate on the date of payment of revenue nature are transferred to Statement of Profit & Loss as per AS-11(Revised).
- (c) Liabilities of foreign currency are revalued at the year end 'Bankers Selling Rate' Exchange difference arising on revaluation are transferred to Statement of Profit & Loss.

## 1.12 Accounting for Grants / Validity Gap Funding (VGF)

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

## 1.13 Provisions, Contingent Liabilities and Contingent Assets

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

## 1.14 Lease / Supplier credits

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

## 1.15 Other Liabilities

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

## 1.16 Operating Lease

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

**NOTE “2” : SHARE CAPITAL**

Particulars	(Amount in Rupees)	
	As at March 31, 2014	As at March 31, 2013
Authorised Share Capital 5,00,000 Equity Shares of Rs.100/- each	50,000,000	50,000,000
	50,000,000	50,000,000
Issued, Subscribed & Paid up Share Capital 2,25,000 Equity Shares of Rs.100/- each, fully paid-up	22,500,000	22,500,000
<b>TOTAL</b>	<b>22,500,000</b>	<b>22,500,000</b>

**2 (a) Reconciliation of no. of shares**

Particulars	As at March 31, 2014	As at March 31, 2013
<b>No. of equity shares at the beginning of year</b>	<b>225,000</b>	225,000
Add No. of equity shares issued	-	-
Less No. of equity shares redeemed	-	-
<b>No. of equity shares at the closing of the year</b>	<b>225,000</b>	225,000

**2 (b) Equity Shares**

The company has only one class of equity shares having a par value of Rs. 100 per share. Each shareholder is eligible for one vote per share held. There is no restriction of payment of dividend. In the liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts proportionate of their shareholding.

**2 (c) Equity Shares held by its Holding Company**

2,25,000 Equity Shares (Previous Year 2,25,000 equity shares) are held by Air India Limited, the holding company and its nominees (on behalf of holding company)

Following are the Shareholders who hold more than 5% shares in share capital of company

Company has only one class of equity shares having a par value of Rs. 100/-. Each holder of equity shares is entitled to one vote per share.

**2 (d) Details of shareholder holding more than 5% of Equity Shares**

Name of Shareholder	As at March 31, 2014	As at March 31, 2013
Air India Limited, Holding Company and its nominees (on behalf of holding company)	225,000	225,000
No. of Share	225,000	225,000
Percentage of Holding	100%	100%

**NOTE “3” : RESERVE & SURPLUS**

Particulars	(Amount in Rupees)	
	As at March 31, 2014	As at March 31, 2013
Surplus /(Deficit) in statement of profit & loss		
Opening balance	(8,310,184,142)	(6,976,327,677)
Add: Profit / (Loss) for the year	(2,493,970,785)	(1,333,856,466)
Closing balance	(10,804,154,927)	(8,310,184,143)
<b>TOTAL</b>	<b>(10,804,154,927)</b>	<b>(8,310,184,143)</b>

**NOTE “4” : OTHER LOAN TERM LIABILITIES****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Security Deposits	<b>322,548,326</b>	322,898,326
<b>TOTAL</b>	<b>322,548,326</b>	322,898,326

**NOTE “5” : LONG TERM PROVISION****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Provision for Gratuity Liability	<b>35,633,110</b>	31,674,801
<b>TOTAL</b>	<b>35,633,110</b>	31,674,801

**NOTE “6” : TRADE PAYABLES****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Provision for Expenses - Fuel & Oil	<b>172,788,945</b>	176,484,453
Provision for Expenses - Landing & Parking	<b>220,168,152</b>	208,218,318
Provision for Expenses - Handling	-	11,459,997
Provision for Expenses - Stores & Spares	<b>38,349,914</b>	-
Provision for Expenses - Others (Trade)	<b>61,475,893</b>	81,755,245
Vendor - India - Reconciliation Account	<b>1,913,244,116</b>	1,807,483,356
Vendor - Outside India- Reconciliation Acct	<b>197,348,910</b>	473,560,186
<b>TOTAL</b>	<b>2,603,375,930</b>	2,758,961,555

**NOTE “7” : OTHER CURRENT LIABILITIES****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Advance from Customers	<b>77,585,885</b>	34,329,854
Others (Net)	<b>483,600,214</b>	650,904,787
Air India Ltd. (Holding Company) Net	<b>8,510,904,601</b>	5,606,857,721
<b>TOTAL</b>	<b>9,072,090,700</b>	6,292,092,362



**NOTE “8” : FIXED ASSETS & DEPRECIATION SCHEDULE**

(Amount in Rupees)

Particulars of Assets	Rate of Dep. as Per Sched. XIV	Gross Block as on 1.4.2013	Additions During 2013-14	Sold/ Discarded During 2013-14	Gross Block as on 31.03.2014	Depreciation up to 01.04.2013	Depreciation for the Year 2013-14	Accum. Dep on Assets Discarded	Cumulatives as on 31.03.2014	Net Block as on 31.03.2014	Net Block as on 31.03.2013
	1	2	3	4	6	7	8	9	11	12	13
PLANT & EQUIPMENT	4.75%	5891383	36740	0	5928123	3296548	283802	0	3580350	2347773	2594835
FURNITURE & FIXTURES	6.33%	5831216	0	0	5831216	5234295	134093	0	5368388	462828	596921
VEHICLE	9.50%	4533680	0	0	4533680	4432202	86159	0	4518361	15319	101478
DATA PROCESSING EQUIPMENT	16.21%	8714460	149350	0	8863810	8121333	214792	0	8336125	527685	593127
GROUND SUPPORT EQUIPMENT (ATR)	(as per policy)	15261819	0	0	15261819	14479305	292947	0	14772252	489567	782514
MEDICAL EQUIPMENT	7.07%	271500	0	0	271500	219039	8113	0	227152	44348	52461
F.A Pending Disposal	-				0						
<b>TOTAL</b>		<b>40504058</b>	<b>186090</b>	<b>0</b>	<b>40690148</b>	<b>35782722</b>	<b>1019906</b>	<b>0</b>	<b>36802628</b>	<b>3887520</b>	<b>4721336</b>
<b>Previous Year</b>		60,669,375	343,371	20,508,688	40,504,058	49,605,573	3,143,447	16,966,298	35,782,722	4,721,336	11,063,802

- The Motor vehicles include one car, original cost Rs.1,72,127/- and W.D.V Rs. NIL for which Registration is in the name of Indian Airlines.
- Gross Block as on 31.3.2014 includes Rs. 41,24,202/- (Rs.41,03,412/ as on 31.3.2013) for the assets below Rs. 5000/- each on which depreciation @ 100% has been charged.
- Fixed Assets includes items procured by IA , accounted on the basis of debits.

**NOTE “9” : LONG TERM LOANS & ADVANCES**

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
Advance Payment of Income Tax and TDS (net of Provision for taxation)	<b>46,759,369</b>	46,759,369
Balances with Statutory / Govt Authorities		
Income Tax Deducted at Source-India	<b>38,823,835</b>	38,096,401
<b>TOTAL</b>	<b>85,583,204</b>	84,855,770

**NOTE “10” : OTHER NON-CURRENT ASSETS**

(Amount in Rupees)

Particulars	As at March 31, 2014	As at March 31, 2013
State Bank of India - AASL Curr A/C 11094829072	<b>57,473</b>	60,510
State Bank of India - AASL Curr A/C 10549873830-M	<b>264,668</b>	264,668
State Bank of India - AASL Curr A/C 10775159792-M	<b>2,852,437</b>	2,852,437
Syndicate Bank - AASL Current A/C 90791010000217-M	<b>7,686,480</b>	7,686,594
Syndicate Bank - AASL Current A/C 90083050000024-M	<b>202,169</b>	202,169
Indian Overseas Bank-AASL CurA/C076202000002129 -M	<b>306,603</b>	306,603
<b>TOTAL</b>	<b>11,369,830</b>	11,372,981

**NOTE “11” : INVENTORIES****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Stores and Spare Parts	<b>396,027,638</b>	183,854,094
Loose Tools	<b>239,564</b>	2,113,783
Provision for Obsolescence	<b>(396,729,003)</b>	(161,281,768)
Goods in Transit	<b>2,323,447</b>	3,304,091
<b>TOTAL</b>	<b>1,861,646</b>	27,990,200

**NOTE “12” : TRADE RECEIVABLES****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good	-	-
Unsecured, considered good	<b>848,424,599</b>	803,839,131
Doubtful	-	-
Less: Provision for doubtful trade receivables	<b>(2,731,196)</b>	(2,731,196)
	<b>845,693,403</b>	801,107,935
<b>Other Trade receivables</b>	-	-
Secured, considered good	-	-
Unsecured, considered good	<b>105,149,122</b>	-
Doubtful	-	-
Less: Provision for doubtful trade receivables	-	-
	<b>105,149,122</b>	-
<b>TOTAL</b>	<b>950,842,525</b>	801,107,935

**NOTE “13” : CASH AND CASH EQUIVALENTS****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
(i) Balance with Banks		
In Current Accounts	<b>457,804</b>	792,348
(ii) Cash in hand	<b>27,989</b>	41,489
Imprest Cash Floats With Staff		
(iii) Fixed Deposits with Bank (under lien against SBLC)	<b>54,043,002</b>	-
<b>TOTAL</b>	<b>54,528,795</b>	833,837



**NOTE “14” : SHORT TERM LOAN & ADVANCES****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Security Deposits	2,707,584	1,864,341
Advances Recoverable in Cash or Kind	66,170,998	97,659,582
Advances to Employee	28,015	276,978
Prepaid Expenses - Others	20,734,544	19,717,891
<b>TOTAL</b>	<b>89,641,141</b>	<b>119,518,792</b>

**NOTE “15” : OTHER CURRENT ASSETS****(Amount in Rupees)**

<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>
Other Non Trade Receivables		
Secured Considered Good		
Outstanding Recoveries - Financial Accts/Foreign Parties	54,278,478	67,542,051
<b>TOTAL</b>	<b>54,278,478</b>	<b>67,542,051</b>

**NOTE “16” : REVENUE FROM OPERATIONS****(Amount in Rupees)**

<b>Particulars</b>	<b>2013-14</b>	<b>2012-13</b>
<b>1. Operational Revenue</b>		
i) Scheduled Traffic Services		
a) Passenger	1,945,507,331	2,193,500,568
b) Excess Baggage	15,308,023	11,789,007
c) Mail	638,783	2,644,521
d) Cargo	5,973,480	13,385,087
	<b>1,967,427,617</b>	<b>2,221,319,183</b>
ii) Non-Schedule Traffic Services		
a) Charter	-	656,892
b) Subsidy for Operation from Government	184,641,650	383,621,000
	<b>184,641,650</b>	<b>384,277,892</b>
<b>2. Handling, Servicing and Incidental Revenue</b>		
a) Incidental	264,826,271	88,577,603
	<b>264,826,271</b>	<b>88,577,603</b>
<b>TOTAL</b>	<b>2,416,895,538</b>	<b>2,694,174,678</b>

**NOTE “17” : OTHER INCOME****(Amount in Rupees)**

<b>Particulars</b>	<b>2013-14</b>	<b>2012-13</b>
1. Interest Income from		
i) Bank Interest		
Interest on Call & Fixed Deposit-India	1,228,770	-
ii) Others		
Interest on Other Sundry Accounts	5,779,561	1,644,009
2. Profit on Sale of Fixed Asset (Net)		
Loss or Gain on Assets held for disposal	-	(3,194,402)
<b>TOTAL</b>	<b>7,008,331</b>	<b>(1,550,393)</b>





**NOTE “18” : COST OF MATERIAL CONSUMED/OPERATIONAL EXPENSES**

**(Amount in Rupees)**

<b>Particulars</b>	<b>2013-14</b>	<b>2012-13</b>
Aircraft Fuel & Oil :		
Fuel (Ops) - Aircraft - Duty Paid	<b>998,741,586</b>	1,184,606,057
Insurance		
Insurance - Aircraft	<b>19,520,149</b>	23,970,056
Insurance General	<b>32,281</b>	45,047
	<b>19,552,430</b>	24,015,103
Material Consumed-Aircraft	<b>52,722,177</b>	61,898,684
Aircraft Lease, Handling & Maintenance charges		
Lease	<b>876,636,668</b>	761,633,284
Handling	<b>39,482,748</b>	26,630,246
Maintenance	<b>1,152,356,351</b>	1,168,769,934
	<b>2,068,475,767</b>	1,957,033,464
Navigation, Landing, Housing & Parking		
Landing Fees - Scheduled & Other Ops	<b>42,920,552</b>	41,695,658
Housing & Parking Fees	<b>9,384,572</b>	5,994,832
Flight Comm & Navigation Charges	<b>61,546,433</b>	65,815,984
	<b>113,851,557</b>	113,506,474
Passenger Amenities		
Inflight & Hotel Consumables Consumption	<b>175,963</b>	-
Pax Amenities - Catering On Ground	<b>8,891,376</b>	8,551,293
Pax Amenities - Catering On Board	<b>12,213,691</b>	27,312,339
Pax Amenities - Hotel Expenses	<b>109,827</b>	543,869
Pax Amenities - News Paper & Magazines	<b>690,113</b>	2,039,648
	<b>22,080,970</b>	38,447,149
Other Communication Charges		
Telephone Equipment Rental	<b>151,466</b>	198,492
Postage Telegram & Courier Charges	<b>55,112</b>	57,545
Telephone & Trunk Call Charges	<b>1,704,402</b>	1,446,944
	<b>1,910,980</b>	1,702,982
Service charge		
Misc. Taxes paid on Revenue Items - PO Based Inv	<b>14,825,529</b>	26,998,674
	<b>14,825,529</b>	26,998,674
<b>TOTAL</b>	<b>3,292,160,996</b>	3,408,208,586

**NOTE “19” : EMPLOYEE BENEFIT EXPENSES**

<b>Particulars</b>	<b>(Amount in Rupees)</b>	
	<b>2013-14</b>	<b>2012-13</b>
1. Salary, Wages and Bonus		
Salaries - Staff In India	<b>348,002,347</b>	335,882,129
Bonus Expense	<b>2,192,174</b>	2,239,693
	<b>350,194,521</b>	338,121,822
2. Crew Allowances		
Hourly Payments	<b>13,189,795</b>	57,742,804
Foreign Contract Pilots Fees & Claims	<b>71,176,843</b>	74,313,682
	<b>84,366,638</b>	132,056,486
3. Contribution to Provident and Other Funds		
CC Provident Fund-Staff in India	<b>5,599,466</b>	6,218,084
	<b>5,599,466</b>	6,218,084
4. Staff Welfare Expenses (Net)		
Other Staff Welfare Expenses	<b>601,207</b>	945,582
Staff Uniforms - Consumption	<b>43,030</b>	415,670
Staff Training Expenses	<b>25,688,223</b>	26,510,894
	<b>26,332,460</b>	27,872,146
5. Provision for Gratuity	<b>4,745,159</b>	4,444,008
<b>TOTAL</b>	<b>471,238,244</b>	<b>508,712,546</b>

**NOTE “20” : EMPLOYEE BENEFIT EXPENSES**

<b>Particulars</b>	<b>(Amount in Rupees)</b>	
	<b>2013-14</b>	<b>2012-13</b>
<b>Financial Costs</b>		
(i) Loans on Loan:		
Interest on AI Loan (Holding Company)	<b>719,617,883</b>	-
Bank Charges	<b>4,017,595</b>	3,481,272
Interest Charges - Others	<b>653,951</b>	3,327
	<b>724,289,429</b>	3,484,599
(ii) Delayed Payment Charges to Fuel Companies	<b>39,316,883</b>	-
(iii) Interest on Delayed Payment of TDS/Service Tax		
Interest on delayed payment of TDS	<b>230,117</b>	68,811
Interest on delayed payment of Service Tax	<b>1,300,177</b>	5,588,584
	<b>1,530,294</b>	5,657,395
<b>TOTAL</b>	<b>765,136,606</b>	<b>9,141,994</b>



**NOTE “21” : OTHER EXPENSES**

Particulars	(Amount in Rupees)	
	2013-14	2012-13
Travelling Expenses	25,619,465	32,670,673
Rent	16,412,820	18,082,078
Repair Charges	-	1,575,226
Hire of Transport	15,276,068	14,930,378
Electricity / Heating & Fuel Charges	1,810,245	2,625,642
Water Charges	100,000	104,150
Printing and Stationary	494,926	519,846
Legal Charges	21,086	3,279
Auditors' Remuneration and Expenses	654,720	650,000
Provision for Redelivery & other charges	71,373,369	38,989,339
Provision for Obsolescence (Net)	91,824,503	10,193,221
Exchange Variation (Net)	101,663,605	38,766,135
Professional / Consultation Fees & Expenses	1,179,316	2,620,114
Fees to DGCA	91,500	144,000
Office Cleaning Expenses	28,532,449	29,236,256
Entertainment Expenses - General	294,058	201,743
Books & Periodicals - Jeppesen / Technical	8,015,072	4,964,049
Other Misc. Expenses	5,072,553	3,967,862
<b>TOTAL</b>	<b>368,435,755</b>	<b>200,243,991</b>

**NOTE “22” : PRIOR PERIOD EXPENSES**

Particulars	(Amount in Rupees)	
	2013-14	2012-13
Prior Period Expenses	55,554,284	12,528,517
Prior Period Revenue	-	99,270
<b>TOTAL</b>	<b>55,554,284</b>	<b>12,627,787</b>

**NOTE “23” : EXCEPTIONAL ITEM**

Particulars	(Amount in Rupees)	
	2013-14	2012-13
Inventory Migration Account - MRO	(158,000,000)	-
Provision for Inventory Reconciliation (Expenses)	146,288,945	-
Provisions No Longer Required	(23,960,083)	(115,597,599)
<b>TOTAL</b>	<b>(35,671,138)</b>	<b>(115,597,599)</b>

**NOTE “24” : DISCLOSURE OF EARNING PER SHARE**

	(Amount in Rupees)	
	As at March 31, 2014	As at March 31, 2013
a) Weighted average number of shares at the beginning of year	225,000	225,000
b) Weighted average number of shares at the end of year	225,000	225,000
c) Net profit after tax available for equity shareholders (Rupees)	(2,493,970,785)	(1,333,856,467)
d) Basic and Diluted Earning Per Share (Rupees)	(11,084)	(5,928)
e) Par Value of Share (Rupees)	100	100

**25. I. CONTINGENT LIABILITY : (to the extent not provided for):-**

	<b>(Rupees in Lacs)</b>
A. Standby Letter of Credits under Aircraft Lease and Maintenance Support Agreement for ATR and CRJ operations (Based on guarantee given by Air India Ltd. the parent company)	<b>Rs. 2082.12</b> (Rs. 1582.39)
B. Claims against the company not acknowledged as debts : Miscellaneous claims (including for unsettled legal claims Rs.48.47 lacs (Rs.18.55 lacs) and interest on delays in foreign remittances)	<b>Rs. 862.11</b> (Rs. 421.28)
C. Income Tax demand for A.Y. 1997-98 Appeal dismissed by ITAT in absence of COD approval (Total amount deposited under protest, application filed for restoration of Appeal).	<b>Rs.140.44</b> (Rs. 140.44)
Income Tax demand for A.Y. 2000-01 Under appeal with ITAT. Miscellaneous Application filed for reopen.	<b>Rs.174.31</b> (Rs.174.31)
Income Tax demand for A.Y. 2004-05 Under appeal before CIT (A)	<b>Rs. 31.99</b> (Rs. 31.99)
Income Tax demand for A.Y. 2008-09 Under appeal with ITAT	<b>Rs.4425.04</b> (Rs.4732.25)
Income Tax demand for A.Y. 2010-11 Under appeal with ITAT.	<b>Rs.10146.27</b> (Rs. 10146.27)
Income Tax demand for A.Y. 2011-12 Under appeal before CIT (A)	<b>Rs. 1121.00</b> (Rs. Nil)
D. Income Tax Demand on account of TDS defaults amounting	Rs. 341.46 lacs.

**II. CAPITAL COMMITMENT****Rs. NIL (Rs. Nil)**

Estimated amount of contracts remaining to be executed on capital account and not provided for.

**26.** No provision has been considered necessary in respect of disputed demand of Income tax amounting **Rs. 16039.05 lacs (Rs 15225.26 Lacs)** in view of company's appeals pending with appellate authorities. However, the same is shown above under contingent Liabilities. Besides, bank balance amounting to Rs.113.70 (113.73) Lacs held in 6 bank accounts have been attached by Income Tax Department against the demand for A.Y. 2008-09.

**27. Aircraft Inventories:**

- i) The inventories mainly include Aircraft spares, rotables, consumables and tools of ATR and CRJ aircrafts. The procurement is made by AIL on behalf of the company. Inventory of the company are maintained/ controlled by AIL. The consumption and closing stock therefore is on the basis of records and details derived from the store records maintained/ controlled by Air India Ltd. at Kolkata, Delhi and Hyderabad.
- ii) Goods in transit amounting to **Rs. 23.23 lacs** (Rs. 33.04 lacs) include items at High Seas, items lying with Customs and items under inspection based on certification by Air India Ltd.
- iii) Custom Duties, Freight & Incidentals have been allocated on pro-rata basis on year end value of closing Aircraft spares, rotables and consumption. Unallocated custom duty paid on aircraft spares and rotables is shown under advance recoverable in cash or kind instead of forming value of inventory.
- iv) Provision for Obsolescence of aircraft spares, rotables and special tools in respect of ATR and CRJ aircraft as on 31.03.2014 amounted to **Rs. 3967.29 lacs** (Rs. 1612.82 lacs) have been made considering total of 796 aircraft months for seven ATR aircraft and 336 aircraft months for four CRJ aircraft.

**28. Other Current Liabilities:**

- i) Other Current Liabilities include Rs. **85109.05 lacs** (Rs. 56068.58 lacs) due to Air India representing net of transfers/disbursements of funds to/for the company after adjusting revenue earnings from flight operations.



The Holding Company, Air India Limited debited a sum of Rs. 71.96 crores towards interest on account of delayed payment on the average of opening balance as on 01.04.2013 and closing balance as on 31.03.2014. The above interest has been calculated @ 10.6% per annum.

- ii) Based on the information available with the Company, the balances outstanding as at the Balance Sheet date Rs. Nil (Rs. Nil) with / to Micro, Small and Medium Enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.
- 29.** The proportionate expenditure for redelivery cost for leased ATR and CRJ aircraft has been worked out for **Rs. 1885.60 lacs** up to 31.03.2014 (Rs.2343.09 lacs) on the basis of aircraft months in terms of the agreements executed with the parties and provision made for the same in the accounts.
- 30.** The salaries of deputationists from Air India Ltd. are as per the terms of deputation and are accounted on the basis of the debits received from Air India Ltd. Retirement benefits including PF to the deputationists are accounted by Air India Ltd. The debit from Air India Ltd. for its employees on deputation include charge for Provident Fund & Gratuity.
- 31.** For the employees on contract, the company has its own Employees Provident Fund Trust to which contributions are regular.
- 32.** a) The Expenses/Liability towards Landing and Parking charges, Navigation charges, License Fee, Electricity and other miscellaneous charges payable to Airport Authority of India (AAI) are provided on best possible estimates based on available information. The outstanding balance as per books is **Rs. 2172.12 lacs** and a provision of **Rs. 1878.89 lacs** (total Liability booked as on 31.03.2014 is **Rs.4051.01 Lacs**). The accounts with Airport Authority of India is under reconciliation.
- b) The outstanding balances with Oil companies viz. Indian Oil Corporation Ltd. is Rs.10288.97 lacs, Bharat Petroleum Corporation Ltd. Rs. 2421.09 lacs, Hindustan Petroleum Corporation Ltd. Rs. 3162.46 lacs, Reliance Industries Ltd. Rs. 71.40 lacs. and Shell MRPL Aviation Ltd. Rs. 1.69 lacs. The accounts with the said Oil companies are under reconciliation.
- 33.** a) The grant / VGF received/receivable from NEC for ATR North East operations is accounted for as income taking into account the operations of ATR for the year. NEC contested VGF support for the year 2012, however, the committee set up under Planning Commission to resolve the issue, has recommended that MoCA may provide budgetary support to meet the VGF for the year 2012.
- b) The Union Territory of Lakshdeep (UTL) has sanctioned VGF for Agati operations effective March'13 and for 2013-14.
- 34.** Segment Reporting (As required by the AS -17 of ICAI):
- i) The company is engaged in airline business, which is considered as a single whole business segment. All incomes are incidental to the above business. Details of the revenue earned from various activities related to airline business are given in Note-1 to the Accounts.
  - ii) The Company operates flights on domestic routes including charters on demand.
  - iii) The revenue earning is from the aircraft, which are on operating lease. These are deployed in various sectors. There is no appropriate basis for allocating the assets and related liabilities in geographical segments.
  - iv) Presentation of the Annual Accounts read with Directors' Report enables better understanding of the performance of the business, better assessment of risk and returns and makes more informed judgment about the activities of the Company as a whole.
- 35.** The company operated leased aircraft directly leased from Lessors. Air India Ltd. provides handling, marketing, sales and reservations and other support services for Alliance Air flights. For these services , the charges have been laid down in the MOU signed on 12.02.2014 with Air India Ltd., applicable for the year 2013-14.
- 36.** The Company had undertaken freighter charter operations with freighter B737 aircraft on lease from Air India Ltd. under the agreements for the freighter charters exclusively between AIR INDIA LTD. and concerned parties. The agreement between AIR INDIA LTD. and M/s GATI was terminated by GATI in March 2009. Consequently, the Bank Guarantee of Rs.30 crores deposited by GATI with AIR INDIA LTD. under the agreement had been invoked by AIR INDIA LTD. for freighter dues. Accordingly, the amount realized from Bank Guarantee has been kept in a separate



account in the books of the company (AASL) without adjusting against freighter due. The matter has been in dispute between GATI and AIR INDIA LTD. The Arbitral Tribunal has given award and an appeal has been filed by Air India Limited before the Hon'ble Delhi High Court against the Arbitral Award which is pending. The claims/counter claims are exclusively for/against Air India Ltd. and M/s GATI being the parties to the agreement.

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

a. Holding Company	AIR INDIA LTD.
b. Subsidiaries/Fellow Subsidiaries/Associates	Not applicable
c. Key Management Personnel (as on 31.03.2014)	Chairman, (Shri. Rohit Nandan) CMD, Air India Ltd COO AASL (Shri. Anil Mehta ) Director (Shri S. Venkat) Director (Capt. S.P.S Suri) Director (Shri Pankaj Srivastava) Director (Shri Pankaj Kumar) Director (Dr. Shefali Juneja) Director (Ms. Puja Jindal)
d. Relatives of Key Management	NIL

e. Transactions with related parties during the year

(i) **AIR INDIA LTD.**

<b>Nature of Transactions</b>		<b>2013-14 (Rs./lacs)</b>	2012-13 (Rs./lacs)
Balance payable as at year end *Excludes provision made for Rs. 318.70 lacs (Rs. 58.72 lacs). ** Includes 71.96 Crores towards interest charged		<b>85109.05*</b>	56068.58*
Items pending acceptance by Air India	(Debits)	<b>209.41</b>	97.05
Items pending acceptance by Air India	(Credits)	<b>Nil</b>	8.37
Purchase of Fixed Assets		<b>Nil</b>	0.03
Transfer of Fixed Assets		<b>Nil</b>	4.26
Credits for Services Rendered		<b>3477.08</b>	2309.99
Debits for Services and funding received		<b>50829.07</b>	35363.12
Agency arrangements:			
Traffic Revenue (Gross)		<b>19674.28</b>	22213.19
Less:- Service charges		<b>(148.26)</b>	( 269.99)
Net Traffic Revenue		<b>19526.02</b>	21943.21
Leasing arrangements :			
Aircraft Lease, Handling & Maintenance Charges		<b>536.06</b>	230.35
Management contracts including for deputation of employees (pay & allowances)		<b>359.74</b>	296.89
Guarantees Standby Letter of Credits for ATR and CRJ operations However, Air India Ltd. has also provided corporate guarantees for the aircraft lease.		<b>2082.12</b>	1582.39

(ii) CMD, Air India Ltd. - There was no transaction with the party.

(iii) No Loans or credit transactions were outstanding with Directors or officers of the Company or their relatives at the end of the year which are required to be disclosed.

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

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





Aircraft Type	Lessor	Valid upto
➤ ATR 42-320	ABRIC Leasing Limited	Nov, 2015
➤ CRJ 700	Amentum Aircraft Leasing No. Two Limited, Ireland Gladiator Leasing Limited, Malta EIC Ireland Leasing Limited, Ireland CILAN MSN 10048 Ltd., Ireland	Oct, 2014 Jan, 2015 Jul, 2015 May, 2016

(b) The minimum lease payment under non-cancelable lease in terms of the agreements with lessors for future are as follows:

	Aircraft Lease rent* (Rs./lacs)	Rotable/Engine Lease Charges* (Rs./lacs)	Maintenance & Other charges* (Rs./lacs)
Not Later than one year	<b>5654.53</b> (6486.40)	<b>907.01</b> (1018.78)	<b>1300.89</b> (2272.81)
Later than one year but not later than 5 years	<b>2059.68</b> (3210.66)	<b>400.80</b> (827.38)	<b>386.47</b> (298.76)
Later than 5 years.	<b>0.00</b> (0.00)	<b>0.00</b> (0.00)	<b>0.00</b> (0.00)

\* These amounts are taken as per the prevailing rates and are subject to annual reconciliation. The conversion rate used for the above purpose is the closing USD rate as at 31.03.2014.

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

	Aircraft Lease & Maintenance charges Rs./lacs	Other Charges Rs./lacs
<b>ATR and CRJ</b>	<b>17126.43</b> (19211.96)	<b>394.60</b> (266.30)

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

### 39. Earning per share :

(calculation of EPS - Basic and Diluted)

	2013-14	2012-13
i) Net Profit/ (Loss) after tax for the year (Rs.)	<b>(2,493,316,072)</b>	(1,333,856,467)
ii) Number of Equity Shares o/s at the end of the year	<b>225000</b>	225000
iii) Nominal value per Eq. Share (Rs.)	<b>100</b>	100
iv) EPS Basic and diluted (Rs.)	<b>(11081.40)</b>	(5,928.25)

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

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

In view of the history of recent losses of the Company, there is no virtual certainty that sufficient future taxable income will be available against which the deferred tax assets can be realised. Hence the same have not been accounted for in the books.



41. Impairment of Assets (AS-28) : The company does not own any cash generating asset. The major revenue earning asset of the company is the aircraft fleet, which is taken on operating lease. As per the assessment of the company, there has been no impairment loss during the year. In respect of other Fixed Assets, the biennial verification of other Fixed assets are conducted and accordingly adjustments are made in the books.
42. In opinion of the Management, any of the assets other than fixed assets have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, unless specified otherwise.
43. The accounts with parties are subject to reconciliation and confirmation.
44. The figures have been rounded off to the nearest rupee.
45. The company during the year has migrated to SAP system of accounting whereby previous year figures have been regrouped/reclassified wherever considered necessary to make them comparable.
46. Previous year figures are indicated in the Notes within brackets.
47. **ADDITIONAL INFORMATION**

Information given below include amounts debited by Air India Ltd. and also include deemed expenditure and earnings in foreign currency

		<b>Current Year (Rs. in lacs)</b>	Previous Year (Rs. in lacs)
A.	Expenditure on Imports (CIF) during the year ended 31 March 2014		
	- Aircraft Spares Parts & Tools	<b>1059.00</b>	488.76
	- Capital Items-Ground Support Equipment	<b>Nil</b>	Nil
B.	Expenditure on Consumption during the year ended 31 March 2014		
	- Imported Spares & Components	<b>537.82</b>	599.51
	- Indigenous Spares	<b>Nil</b>	Nil
C.	Earnings in Foreign Currency		
	- Interline Revenue	Not Available	174.80
D.	Expenditure in Foreign Currency		
	- Aircraft Lease & Maintenance Charges	<b>16682.78</b>	14641.60
	- Purchase of Stores & Equipment	<b>1059.00</b>	488.76
	- Technical Literature	<b>73.11</b>	29.92
	- Training & Travelling (including Ferry)	<b>398.15</b>	344.18
	- Technical Services	<b>711.77</b>	757.04

[The above information (A to D) is as certified by the Management and relied upon by the Auditors.]



48. Foreign currency exposures recognized by the company that have not been hedged by a derivative instrument or otherwise as under :

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<b>Particulars</b>	<b>Currency Type Foreign Currency US DOLLAR</b>	<b>as at 31 March 2014 AMOUNT IN INR</b>
Trade Payables	3845047.15	232586902.00

Audit Report :  
As per our separate report of even date attached

For and on behalf of  
**Chandra Gupta & Associates**  
Chartered Accountants  
FR No. : 00295N

For and on behalf of the Board

Sd/-  
**Rohit Nandan**  
Chairman

Sd/-  
**Shefali Juneja**  
Director

Sd/-  
**Arvind Kathpalia**  
COO, AASL

Sd/-  
**S.C. Gupta**  
Partner  
M No.: 013465

Sd/-  
**A.K. Singhal**  
E.D. (Finance & Personnel)

Sd/-  
**Gagan Batra**  
Company Secretary

Place : New Delhi  
Date : 16 March 2015

Place : New Delhi  
Date : 26 February 2015