AIRLINE ALLIED SERVICES LIMITED

BOARD OF DIRECTORS (AS ON 26.09.2019)

Shri Ashwani Lohani **Chairman**
Shri V. Hejmadi
Shri Angshumali Rastogi
Shri Pranjol Chandra

Chief Executive Officer

Shri C S Subbiah

Chief Financial Officer

Shri Ambar Kumar Mondal

Company Secretary

Smt. Manjiree M. Vaze

Statutory Auditors

M/s. M Verma & Associates
Chartered Accountant
1209, Hemkunt Chambers
89, Nehru Place
New Delhi - 110 019

Registered Office

Alliance Bhawan
Domestic Terminal-1
I.G.I. Airport
New Delhi - 110 037

CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me great pleasure to present to you the Thirty Sixth Annual Report of the Company for the year 2018-19.

Airline Allied Services Ltd. is one of the leading regional airlines in the country providing connectivity to Tier II & Tier III cities in India as well a feeder to its parent company, Air India Limited and its subsidiary, Air India Express Limited. It is in the process of expanding its operations on Pan India basis by inducting more aircraft in its fleet. These aircraft will serve shorter routes within the country and also fly overseas in the near future.

OVERVIEW- CIVIL AVIATION INDUSTRY

India's civil aviation industry seems to have become a more mature market than any time in the past. The number of players in the industry still remain fairly large. The big change in the current year is the emergence of numerous regional airports that will increase connectivity tremendously across the country. In addition, policy changes like allowing foreign direct investment in domestic airlines have changed the market landscape. Passenger traffic is also rising consistently as consumers are shifting from rail to air, more so in Tier II and Tier III cities.

AIR TRAVEL GROWTH

The latest data released by aviation regulator Directorate General of Civil Aviation (DGCA) reveals that domestic passenger air traffic grew by 18.60% to reach 139 Million passengers in the Year 2018 as against 117 Million passengers in the Year 2017.

The other clear trend that has emerged in recent years is the firm preference for low budget airlines by air travelers. The situation now is that Low cost carriers dominate the skies with nearly 70 per cent market share.

INDIA TO BE THIRD LARGEST AVIATION MARKET

The country is poised to become the third largest aviation market by 2025, overtaking the UK, according to the International Air Transport Association (IATA).

The inflow of foreign investment has led to an acceleration in the industry's growth over the last seven years. According to data released by the Department of Industrial Policy and Promotion (DIPP), FDI inflows in air transport (including air freight) between April 2000 and September 2017 stood at USD 1.59 Billion. According to Morgan Stanley, the country will witness an investment of USD 25 Billion in the next decade in the airports sector and traffic growth of 13%. It has projected that the share of air travel in air and rail travel combined in the country will grow to 15.2% by 2027 from 7.9% now.

Given the huge investments being planned for the civil aviation sector, it is clear that the country is poised for a big leap in the arena of air travel. It has enormous potential for expansion since air transport remains beyond the reach of most of the country's travelling public. Rail travel has increasingly become more expensive. In contrast, air travel provides comfort with speed. There is thus no doubt that civil aviation needs to keep a focus on quality, cost and passenger interest, which will enable it to become the third-largest aviation market by 2025.

FUEL PRICES

Fuel prices account for about 30% to 40% of airlines operational costs. In 2018, fuel prices had been on the rise for most part of the year. In case these continue to rise it will impact pricing and also flight occupancy. Indian consumers tend to be extremely price conscious and airlines find that a hike in prices leads to an immediate dip in demand. For this, however, the industry needs to ensure better efficiency in operations to cut costs and improve passenger service to lure customers.

To sum it up the Indian aviation industry is on the verge of a major leap forward. It can only be hoped that the policy environment continues to be conducive to its growth so that the industry can realize its full potential in the coming years.

NEW CIVIL AVIATION POLICY – REGIONAL CONNECTIVITY SCHEME

The new Regional Connectivity Scheme “Ude Desh ka Aam Nagrik" (UDAN) introduced by the Government, which will run for 10 years, will work to revive existing airstrips and airports. Under this scheme in 1st round of bidding, Government had awarded approximately 128 regional routes.

In the 2nd, 3rd and 3.1 round of Regional Connectivity Scheme (RCS), 325 routes, 235 routes and 44 routes respectively, have been awarded to airlines and helicopter operators with the aim of enhancing flight services to hilly and remote areas. Under the scheme airline operators have to offer half of their seats at discounted rates with the Government providing Viability Gap Funding (VGF) or subsidy to airlines.

With the introduction of RCS, a number of new routes to unserved and undeserved airports have opened up for Alliance Air and it has been awarded 17 routes, 26 routes, 40 routes and 12 routes in the 1st, 2nd, 3rd and 3.1 round respectively of the bidding process. The Hon’ble Prime Minister flagged off the first UDAN flight on the Shimla-Delhi sector on 27 April 2017 and Alliance Air had the privilege of being the launch carrier. Alliance Air had launched 29 routes as on 31 March 2019 and also holds the credit for the first airline to complete commencement of operations on all the awarded routes in the first round of bidding. Under Wings India 2018, organized by FICCI in association with Govt of India, Alliance Air has been declared as the winner of ‘Best Airlines and Helicopter under RCS’.

As operation to unserved and undeserved airports has been incentivized by the Government it will stimulate traffic on regional routes connecting Tier-II/III cities. Alliance Air, with its young fleet of ATR aircraft can take a position of dominance in the regional market. It, therefore, plans to participate aggressively in the subsequent rounds of RCS bidding as well.

PERFORMANCE OF THE COMPANY DURING THE YEAR

During the year, the Company incurred a Net Loss of Rs. 2,965.67 Million for Financial Year 2018-19 (Rs. 2,709.25 Million). Although the total revenue has increased by Rs. 2,227.84 Million, but expenditure increased by Rs. 2,484.25 Million thereby leading to the increase in loss by Rs. 256.41 Million. The increase in losses can be attributed to the following reasons:

- Pay and allowances increased by approx..24% mainly due to increase in number of Expatriate Pilots, additional manpower recruitment in all departments to cater to the expansion plans.
- ATF cost increased by Rs. 810.33 Million due to increase in operation - resulting increase in

quantity uplifted and average ATF rate increased by 25%.

- Lease charges increased by Rs. 318.35 Million due to full year impact of 6 Aircraft inducted in the year 2017-18 and induction of 4 new Aircraft in the year 2018-19 (Rs.2,122.50 Million from Rs. 1,804.15 Million).
- The maintenance charges increased by Rs. 451.36 Million (Rs.2,121.33 Million from Rs. 1,669.97 Million) due to increase in the expenditure on AOG, HSI, GMSA and Cost of material consumed.
- Handling charges increased by Rs.171.03 Million due to 37% increase in departures & 65% in rates.
- Other - increase in costs are mainly due to buyout of 02 ATR-42 aircraft, induction of 04 ATR-72 aircraft in fleet, increase in Financial cost towards interest on outstanding amount to Air India and various costs by way of MSA entered with and payable to the parent company.

Salient features of increase in revenue are enumerated below:

- Passenger revenue increased by Rs.1,733.29 Million due to net impact of increase in passenger carriage by 0.316 Million and increase in passenger yield by Rs.321 per passenger.
- Code Share revenue of Rs. 239.90 Million in 2018-19 as per MSA signed between AIL & AASL, which was made effective 1 April 2018.
- RCS, VGF & Charter revenue increased by Rs. 354.80 Million (Rs. 891.21 Million to Rs. 1,246.01 Million) due to increase in RCS routes in current year.

FUTURE PLANS

The passenger aviation market in India has been growing steadily due to induction of capacity by all airlines and also fares becoming more affordable. The growth in Tier II and III cities is still largely untapped, although larger airlines have started deploying capacities in smaller airports.

Alliance Air has the advantage of operating ATR type of aircraft since January 2003. It intends to build on this experience of over a decade of serving to Tier II and III cities. The Company has a fleet of 2 ATR 42-320 and 18 ATR 72-600 aircraft. The existing fleet is deployed to operate about 87 flights every day over a network of 55 stations. The Company plans to expand its network and reach to neighboring countries. It further plans to increase the fleet to 40 aircraft by FY 2021. It plans to reverse the trend of adverse financial parameters and improve the financial position of the Company as well. We hope to do much better in the year 2019-2020 and confident of increasing our revenues, cutting down on expenses and loss making routes.

ACKNOWLEDGEMENT

I take this opportunity to thank Air India Limited and Ministry of Civil Aviation for their unstinted support. I also acknowledge the support extended by all other authorities including banks and regulatory agencies and assure that we will continue our growth trajectory, taking Airline Allied Services Limited to greater heights. I would like to thank my colleagues on the Board for their valuable guidance.

I would like to thank all employees of Airline Allied Services Limited for their contribution and support to transform Alliance Air as the First choice of the travelling Public.

On behalf of the Board, I seek your continued support, as always.

Sd/-
(Ashwani Lohani)
Chairman

VISION:

To be a Leading Regional airline providing connectivity to Tier II and III cities and a feeder airline to the network & in complete synergy with Air India.

MISSION & OBJECTIVES :

Prominent domestic airline

Customer

- Provide safe, reliable and on-time services
- Take effective steps to provide high level of customer satisfaction
- Explore new passenger base for airline market
- Provide one-stop connectivity to metros and beyond for seamless travel to main domestic and international destinations.

Processes

- Continuously improve standards of safety and efficiency
- Operate and maintain a young and modern fleet
- Provide the best and most efficient network in conjunction with main network of Air India
- Create economic value
- Enhance its competitive market standing and image as a Regional short haul airline.

Route – Network

- Compete with high density train traffic
- Meet regional aspirations of swift connection to metros and beyond
- Provide connectivity to cities so far not air connected.

People

- Build a highly motivated and professional team
- Maintain highest degree of transparency and ethics
- Be a responsible corporate citizen

DIRECTORS' REPORT

To,
The Members,
Airline Allied Services Ltd.

The Directors of your Company have pleasure in presenting the Thirty Sixth Annual Report together with audited Statement of Accounts of Airline Allied Services Ltd. for the year ended 31 March 2019.

FINANCIAL AND PHYSICAL PERFORMANCE

The Financial and Physical performance for the year under review vis-a-vis the previous year was as under:

FINANCIAL PERFORMANCE

(Rs. in Million)

	2018-19	2017-18
Operating Revenue		
Schedule Revenue	6919.34	4947.71
Non schedule revenue	1246.01	891.21
Other Operating Revenue	50.77	206.38
Other Income	146.66	86.28
Total Revenue	8362.78	6131.57
Total Expenses	11329.17	8844.92
Other Comprehensive Income	0.72	4.09
Net Profit/(Loss) for the year Before Tax	(2965.67)	(2709.25)
Net Profit/(Loss) for the year After Tax	(2965.67)	(2709.25)
Share Capital	4022.5	4022.5

SHARE CAPITAL

Authorized Share Capital

As on 31 March 2019 the Authorized Share Capital of the Company was Rs.2,000 Crore divided into Twenty Crore Equity Shares of Rs.100 each.

Issued, Subscribed and Paid up Share Capital

As on 31 March 2019, the Issued, Subscribed and Paid up Share Capital of the Company was Rs.402.25 Crore divided into Four Crore Two Lakhs Twenty Five Thousand Equity Shares of Rs.100 each.

CHANGES IN THE SHARE CAPITAL, IF ANY

During the year there was no change in the paid up share capital of the Company.

CHANGE IN NATURE OF BUSINESS

During the year there was no change in the nature of business of the Company.

DIVIDEND

In terms of Section 123 of the Companies Act, 2013 the dividend could not be considered due to accumulated losses.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCTION AND PROTECTION FUND

Since there was no unpaid/unclaimed Dividend for the past years, the provisions of Section 125 of the Companies Act, 2013 did not apply.

AMOUNTS TRANSFERRED TO RESERVES

In view of the accumulated losses, the Board of Directors have decided not to transfer any amount to reserves during the year.

HUMAN RESOURCES

The staff strength of the Company at the close of the year was 668 (602) contractual employees excluding 8(12) employees on deputation from the parent Company, Air India, 21(26) employees on deputation from AIESL and 02(03) employees deployed from AIATSL. All the employees of the Company are on fixed term employment agreement basis. Out of the 668 contractual employees, 215 (32.19%) were female employees. Cadre-wise, as on 31 March 2019, there were 184 Pilots, 158 cabin crew and remaining 326 were other categories of employees. The Company has been supplementing cabin crew and other manpower as required by Air India.

As on 31 March 2019, there were total 64 expatriate pilots for ATR-42 & ATR-72 fleet. The Company's endeavor is to keep the number of expatriate pilots to bare minimum to maintain minimum mandatory strength of commander vis-à-vis aircraft fleet.

IMPLEMENTATION OF RESERVATION POLICY :

The Reservation Policy has been implemented as per the Presidential Directives issued in the year 1975, along with the revised Directives effective 1991 and 1996.

SC/ST/OBC – Number of employees as on 31 March 2019

Total No. of employees	Total No. of SC employees	% of SC employees	Total No. of ST employees	% of ST employees	Total No. of OBC employees	% of OBC employees
668	69	10.33	20	2.99	120	17.96

IMPLEMENTATION OF OFFICIAL LANGUAGE - USE OF HINDI

To fulfill the objectives of the Official Language Policy of the Government, the Company played meaningful role in promoting the usage of Hindi at all levels. Officers/ Staff were encouraged to work more and more in Hindi. Hindi Pakhwara was conducted, wherein Officers/ Staff participated with enthusiasm. Prizes and awards were distributed to winners and participants during the function.

CONTRIBUTION TO EXCHEQUER

The Company has contributed Rs.209.48 Million (Rs. 142.88 Million) to Government exchequer by way of Sales Tax and other levies on Aviation Turbine Fuel.

COMPLIANCE WITH RTI ACT, 2005

The Company being a public sector enterprise has successfully ensured compliance with the provisions of Right to Information Act for providing information to the citizens.

The Company has a CPIO (Central Public Information Officer) and Appellate Authority for timely disposal of applications and appeals.

During 2018-19, 65 Requests / Appeals were received and 58 have been disposed off. Remaining 7 RTI applications are pending for reply, information for which is under collation.

INFORMATION ABOUT SUBSIDIARY/JV/ASSOCIATE COMPANY

The Company does not have any Subsidiary, Joint Venture or Associate Company.

MATERIAL CHANGES AND COMMITMENTS

In terms of the provisions of Section 134(3)(l), no major changes have occurred which have affected the financial position of the Company between 31 March 2019 and the date of Board's Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A detailed Management Discussion and Analysis Report is given separately.

MEETINGS OF THE BOARD OF DIRECTORS

During the Financial Year 2018-19, the Company held six meetings (including adjourned & re-adjourned meetings) of the Board of Directors as per Section 173 of Companies Act, 2013 which is summarized below:

Sr. No.	Date of Meeting	Board Strength	No. of Directors Present
1	15.05.2018	5	3
2	18.05.2018	5	4
3	12.09.2018	5	4
4	06.11.2018	5	4
5	30.01.2019	5	4
6	28.02.2019	5	3

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm:-

(a) That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;

(b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;

(c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) The Directors have prepared the Annual Accounts on a going concern basis;

(e) Company being unlisted sub clause (e) of section 134(3) is not applicable.

(f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDIT COMMITTEE

The Audit Committee comprised of 3 Directors. In the absence of Independent Directors on the Board of the Company, the Audit Committee is chaired by the Government Director. During the year 2018-19 following were the members of the Audit Committee:

Name of the Director	Position held in the Committee	Category of the Director
Shri Angshumali Rastogi	Chairman	Government Director
Dr. Shefali Juneja (Ceased w.e.f. 31.8.2018)	Member	Government Director
Shri Pranjol Chandra (appointed w.e.f. 31.8.2018)	Member	Government Director
Shri Vinod Hejmadi	Member	Nominee Director – AI
Shri Pradeep Singh Kharola (Ceased w.e.f. 14.2.2019)	Permanent Invitee	Chairman (Nominee of AI)
Shri Ashwani Lohani (appointed w.e.f.14.2.2019)	Permanent Invitee	Chairman (Nominee of AI)

AUDITORS

The Comptroller & Auditor General of India (CAG), has appointed M/s M Verma & Associates, Chartered Accountants, Delhi as Statutory Auditors of the Company for FY 2018-19.

Qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation along with reply of management thereto are attached herewith in the Report.

The Notes on financial statements are self-explanatory and needs no further explanation.

COMMENTS OF COMPTROLLER AND AUDITOR GENERAL

The Comments of the Comptroller & Auditor General of India under Section 143(6) of the Companies Act, 2013 on the accounts of the Company for the year ended 31 March 2019 are annexed to this report.

SECRETARIAL AUDIT REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Board has appointed Mr Upendra Shukla, Practising Company Secretary, Mumbai, to conduct Secretarial Audit for the financial year 2018-19.

The Secretarial Audit Report and Managements' Comments thereon for the financial year ended 31 March 2019 are Annexed to this Report.

Management's Replies on the observations contained in the Secretarial Audit Report are as under:

(A) INDEPENDENT DIRECTORS

i) *Under the Companies Act, 2013 (the Act) and the rules made thereunder subject to the following observations:*

(a) Since the Company is not required to appoint Independent Directors, being a wholly owned subsidiary of a Public Limited Company (Air India Limited), the Audit Committee is constituted without Independent Directors. Thereby non-compliance of the provision of Section 177 (2) of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014, which inter alia requires an Independent Director as a member of the Audit Committee.

(b) The Company has not constituted Nomination & Remuneration Committee as required under Section 178 of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014.

(c) The Company does not have one Woman Director as required under Section 149 of the Act since 1st September, 2018.

ii) Under the Guidelines on corporate governance following are the observations :

(a) The Board of Directors of the Company is not constituted as per Clause 3.1 of the DPE Guidelines, namely there is no optimum combination of functional, nominee and independent directors; and number of nominee directors exceeds the prescribed limit of two.

(b) The Company had no Independent Director as required under the Clause 3.1.1.4 of the DPE Guidelines during the period 1st April,2018 to 31st March,2019.

(c) Since the Company had no Independent Director, composition of the Audit Committee was not as per the Clause 4.1.1 and 4.1.2 of the DPE Guidelines during the audit period.

(d) The Company has not constituted Remuneration Committee as required under Clause 5.1 of the DPE Guidelines.

MANAGEMENT'S COMMENTS

This is a statement of fact.

Airline Allied Services Limited is wholly owned subsidiary of Air India Limited and an unlisted Public Limited Company. As per the notification no. 1/22/2013-CL-V dated 5 September 2017 issued by the Ministry of Civil Aviation, an unlisted public company which is a joint venture, a wholly owned subsidiary or a dormant company will not be required to appoint Independent Director.

Further, as per the provisions of Article 22 of its Articles of Association of the Company, Air India Limited in consultation with the Government of India shall control the composition of the Board of Directors of the Company within the meaning of that expression as used in the Companies Act. However, there were no Independent Directors appointed on the Board of AASL. Upon cessation of Dr Shefali Juneja on the Board of AASL effective 31 August 2018, there is no woman director appointed on the Board and the matter was taken up with the Ministry of Civil Aviation through Air India Limited.

Since no Independent/Woman Directors were appointed by the Government of India during 2018-19, provisions of Section 177(2), Section 178 and Section 149 of the Companies Act, 2013 and Clause 3.1, 3.1.14, 4.1.1, 4.1.2 and 5.1 of the DPE Guidelines could not be complied with.

(B) BOARD/COMMITTEE MEETINGS

(i) As per the Clause 3.3 of the DPE Guidelines, the Board is required to meet at least once in every three months and at least four such meetings are required to be held in a year. Further, time gap between any two meetings should not be more than three months. It is observed that the Company has not held the Board Meeting in three months and gap exceeded a period of three months between two Board Meetings held on 18/05/2018 and 12/09/2018.

(ii) Further, as per Clause 4.4. of the DPE Guidelines, the Audit Committee is required to meet four times in a year and not more than four months should elapse between the two meetings. Further, presence of minimum two independent directors is must for quorum of the meeting. It is observed that no meeting of the Audit Committee was held during the months of March, 2018 to October, 2018. Meetings of the Audit Committee are held without the presence of Independent Directors.

MANAGEMENT'S COMMENTS

This is a statement of Fact.

During FY 2018-19, 6 Board Meetings and 4 Audit Committee Meetings were held. As per Companies Act, 2013, a company is required to hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board and a company is required to hold at least 4 Audit Committee Meetings during the year. We are complying with the Companies Act, however, care is being taken to comply with the above provisions of DPE Guidelines in future.

(C) QUARTERLY FINANCIAL RESULTS

(i) Minimum information as prescribed in Annexure IV to the DPE Guidelines are generally placed before the Board as required under clause 3.3 of the guidelines except quarterly financial results and foreign exchange exposure and steps taken to limit the risk.

MANAGEMENT'S COMMENTS

The Board is kept informed of the financial performance in its meetings which is held quarterly, however no separate Agenda item is placed. Management will take necessary action to comply the same in future. With regard to foreign exchange exposure, the information pertaining to the same is covered under Directors' Report of the Company which is placed before the Board.

LOANS, GUARANTEES AND INVESTMENTS

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the provisions of Section 186 are not applicable to the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

(A) The particulars as required under the provisions of Section 134(3) (m) of the Companies Act, 2013 in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review.

B) Foreign exchange earnings and Outgo

		CURRENT YEAR 18-19 (Rs. in Million)	**PREVIOUS YEAR 17-18 (Rs. in Million)**
A.	Expenditure on Imports (CIF) during the year ended 31 March 2019		
	- Aircraft Spares Parts & Tools	**128.73**	117.94
	- Capital Items-Ground Support Equipment Airframe Rotables and Aero Engg. Rotables	**25.41**	32.99
B.	Expenditure on Consumption during the year ended 31 March 2019.		
	- Imported Spares & Components	**33.00**	120.92
	- Indigenous Spares	**Nil**	Nil
C.	Earnings in Foreign Currency		
	- Interline Revenue	**Nil**	Nil
D.	Expenditure in Foreign Currency		
	- Aircraft Lease & Maintenance Charges	**3591.51**	2593.59
	- Purchase of Stores & Equipment	**154.14**	150.93
	- Technical Literature	**13.73**	13.05
	- Training & Travelling	**12.89**	63.01
	- Legal charges	**Nil**	0.057

DEPOSITS

The Company has not accepted any deposits during the year.

SIGNIFICANT & MATERIAL ORDERS

During the year no significant and material orders were passed by the regulators or courts or Tribunals impacting the going concern status and Company's operations in future.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Provisions of Section 135 of Companies Act, 2013 relating to Corporate Social Responsibility is not applicable to the Company as the Company has not earned any profits during the year.

COMPLIANCE WITH THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The details of sexual harassment cases reported in the Company during the financial year 2018-2019, are as under:-

i. Complaints of sexual harassment received during the relevant year - 03 (All are closed).

ii. Number of cases pending for more than ninety days - Nil.

iii. Number of workshops or awareness programmes carried out in connection with sexual harassment:

General awareness programmes are normally conducted periodically. Besides this, Do's and Don't's prohibit of Sexual Harassment Posters were also displayed at all work places.

iv. Remedial measures taken by the Company :

In line with the requirements of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, an Internal Complaints Committee (ICC) has been set up to deal with the complaints and also spread awareness in the organization.

CORPORATE GOVERNANCE

The Company has complied with the requirements of Corporate Governance with the exception of appointment of Independent Directors on the Board. This matter is being pursued with Air India / the Administrative Ministry.

A report on Corporate Governance is annexed at **Annexure A.**

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

RISK MANAGEMENT

Since the revenue of AASL is tied up through its parent company Air India and the parent company is having adequate risk management policy in case of sales through Agents, credit cards, etc. by establishing a Capping monitoring policy, Bank Guarantee policy, Risk monitoring through Risk engine attached to web portal, AASL being 100 percent subsidiary is not prone to high business risk.

Therefore the Company does not have any Risk Management Policy yet as the element of risk threatening the Company's existence is very minimal.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of Annual Return in form MGT 9 is annexed to this report.

DECLARATION OF INDEPENDENCE

AASL is a wholly owned Subsidiary of Air India Limited. As per the provisions of Article 22 of the Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than twelve all of whom shall be appointed by Air India Limited, who in turn can do so subject to the directions of the Government of India.

Air India has requested the Ministry of Civil Aviation to nominate at least two Independent Directors on the Board of AASL and appointments are awaited.

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

The following changes have occurred in the constitution of Directors and KMP of the Company during the FY 2018-19.

Sr. No	Name	Designation	Date of appointment	Date of cessation	Mode of Cessation
1	Shri Pankaj Srivastava	Director, Commercial, AIL	11 November 2013	30 April 2018	Ceased to be Director
2	Shri Sarabjot Singh Uberoi	Regional Director-Northern Region, AIL	29 September 2017	1 May 2018	Ceased to be Director
3	Shri Pankaj Kumar	Regional Director-Northern Region, AIL	30 August 2018		
4	Capt A K Govil	ED-Operations, AIL	3 March 2017	31 May 2018	Ceased to be Director
5	Dr Shefali Juneja	Jt. Secretary, MOCA	18 December 2017	31 August 2018	Ceased to be Director

6	Shri Pranjol Chandra	Director, MOCA	31 August 2018		
7	Shri Pradeep Singh Kharola	CMD, AIL	12 December 2017	14 February 2019	Ceased to be Director
8	Shri Ashwani Lohani	CMD, AIL	14 February 2019		

In view of the exemptions granted vide Notification dated 5 June 2015 of the Ministry of Corporate Affairs information on the following points has not been given:

i. Performance Evaluation of Board, its Committees and individuals.

ii. Policy for selection and appointment of Directors and their remuneration.

iii. Remuneration Policy - Remuneration to Executive Directors and Non Executive Directors.

ACKNOWLEDGEMENTS

The Board sincerely appreciates the Company's valued customers in India and abroad for using the services of Company and looks forward to their continued support and confidence.

The Board also gratefully acknowledges the support and guidance received from Air India Ltd., Ministry of Civil Aviation and various Ministries of the Government of India, to the Company's operations and development plans. The Board expresses their grateful thanks also to the DGCA, Comptroller and Auditor General of India, the Ministry of Corporate Affairs, the Statutory Auditors, Secretarial Auditor, Internal Auditors, Airports Authority of India, other Govt. Departments, airlines, agents.

For and on behalf of the Board

Sd/-
(Ashwani Lohani)
Chairman

Place: New Delhi

Date: 24 July 2019

MANAGEMENT DISCUSSION & ANALYSIS REPORT

ANALYSIS OF FINANCIAL PERFORMANCE

Revenue

- Total revenue earned during the year was Rs. 8,362.78 Million as against Rs. 6,131.57 Million during 2018-19.

Expenditure

- The total expenditure incurred during the year was Rs.11,329.17 Million as compared to the previous year's figure of Rs. 8,844.92 Million.

HUMAN RESOURCES

Staff Strength

As on 31 March 2019, AASL had 668 employees on Fixed Term Employment Agreement basis. In addition, there were 8 employees on deputation from Air India Limited and 21 employees on deputation from AIESL and 02 employees deployed from AIATSL.

FLEET POSITION

As on 31st March 2019, aircraft available in AASL fleet were as under:

Aircraft	MSN	TYPE
VT-ABA	390	ATR42-320
VT-ABB	392	ATR42-320
VT-AII	1197	ATR72-212A
VT-AIT	1226	ATR72-212A
VT-AIU	1246	ATR72-212A
VT-AIV	1252	ATR72-212A
VT-AIW	1272	ATR72-212A
VT-AIX	1268	ATR72-212A
VT-AIY	1273	ATR72-212A
VT-AIZ	1279	ATR72-212A
VT-RKC	1381	ATR72-212A
VT-RKD	1383	ATR72-212A
VT-RKE	1421	ATR72-212A
VT-RKF	1423	ATR72-212A
VT-RKG	1427	ATR72-212A
VT-RKH	1434	ATR72-212A
VT-RKJ	1439	ATR72-212A
VT-RKK	1445	ATR72-212A
VT-RKL	1456	ATR72-212A
VT-RKM	1463	ATR72-212A

TECHNICAL RELIABILITY

Aircraft-wise Technical Reliability during the year 2018-19 was as under:

a) ATR 72-212A (600)	99.18%
b) ATR 42-320	98.83%

AIRCRAFT UTILIZATION

Aircraft utilization during the year 2018-19 was as under:

a)	ATR 72-600	47757:13 BH
b)	ATR 42-320	4000:28 BH

MARKETING INITIATIVES

Total no of flights operated as on 31 March 2019	- 607 flights/week
Total no of ATR-72-600 flights operated as on 31 March 2019	- 571 flights/week.
Total no of ATR-42-320 flights operated as on 31 March 2019	- 36 flights/week
Total number of Stations operated as on 31 March 2019	- 55

New Flights / Links

ATR-72 Aircraft

1. Delhi/Bathinda/Delhi- 4^{th} flight w.e.f. 09^{th} July 2018
2. Bangalore/Belagavi/Bangalore - 3 flights/week w.e.f. 11^{th} July 2018
3. Hyderabad/Tirupati/Hyderabad – 2 flights/week w.e.f. 12^{th} July 2018
4. Delhi/Ludhiana/Delhi- 5^{th} flight w.e.f. 29^{th} July 2018
5. Jaipur/Udaipur/Jaipur- 3 flights/week w.e.f. 01^{st} August 2018
6. Chennai/Trichy/Chennai - Daily w.e.f. 01^{st} August 2018 (2^{nd} flight)
7. Hyderabad/Shirdi/Hyderabad – Daily Morning flight w.e.f. 14^{th} August 2018 (2^{nd} flight)
8. Hyderabad/Tirupati/Hyderabad – Daily Morning flight w.e.f. 14^{th} August 2018
9. Chennai/Trichy/Chennai - 6 flights/week w.e.f. 23^{rd} September 2018 (3^{rd} flight)
10. Chennai/Madurai/Chennai - Daily w.e.f. 27^{th} September 2018 (2^{nd} flight)
11. Hyderabad/Kolhapur/Hyderabad - Daily w.e.f. 09^{th} December 2018 (RCS route)
12. Bengaluru/Kolhapur/Bengaluru - Daily w.e.f. 09^{th} December 2018 (RCS route)
13. Kolkata/Ranchi/Kolkata – Daily w.e.f. 07^{th} December 2018
14. Kolkata/Bhubaneshwar/Kolkata – Daily w.e.f. 07^{th} December 2018

15. Kolkata/Raipur/Kolkata - Daily 08th December 2018

16. Ranchi/Bhubaneshwar/Ranchi – Daily 08th December 2018

17. Ranchi/Raipur/Ranchi – Daily – 08th December 2018

18. Hyderabad/Nasik/Hyderabad – Daily w.e.f. 01st February 2019 (RCS route)

19. Nasik/Ahmedabad/Nasik – Daily w.e.f. 01st February 2019 (RCS route)

ATR-42 Aircraft

1. Delhi/Pathankot/Delhi - 3 flights/week w.e.f. 05th April 2018 (RCS route)

2. Kolkata/Guwahati/Passighat & v.v. - 3 flights/week w.e.f. 21st May 2018

3. Kolkata/Guwahati/Lilabari/Tezpur/Guwahati/Kolkata - 4 flights/week w.e.f. 21st May 2018

4. Pantnagar/Dehradun/Pantnagar - 4 flights/week w.e.f. 04th January 2019 (RCS route)

North East Operations

Alliance Air operates flights in the North Eastern Region with ATR42 type of aircraft under a MoU with North Eastern Council. The route schedule has been decided in consultation with North Eastern Council and the aircraft is fully deployed. The following flights are operated:

1. Kolkata/Guwahati/Lilabari/Guwahati/Kolkata – Four flights per week

2. Kolkata/ Guwahati/Tezpur/Guwahati/Kolkata - Three flights per week

3. Kolkata/Shillong/Kolkata – Seven flights per week

Effective 23 May 2018 Alliance Air is the first commercial airline in the country to commence flight operations to Passighat in Arunachal Pradesh. The schedule of operations w.e.f. 21 May 2018 was revised and the details are given below:

1. Kolkata / Shillong / Kolkata – Daily

2. Kolkata / Guwahati / Tezpur / Lilabari / Guwahati / Kolkata - Four days/week

3. Kolkata / Guwahati / Passighat & vv - Three days/week

Effective 28 October 2018 the route schedule has been amended as per details given below:

1. Kolkata / Shillong / Kolkata – Daily

2. Kolkata / Guwahati / Tezpur / Guwahati / Kolkata – Three flights per week

3. Kolkata / Guwahati / Passighat / Lilabari / Guwahati / Kolkata – Four flights per week

Effective 08 February 2019 all the above mentioned North East flights which are operating from 28 October 2018 are being operated with ATR72 aircraft.

Operation of flights with VGF support:

1. Kochi/Agatti/Kochi Daily with ATR72 aircraft with VGF support from Lakshadweep Administration.

2. Mumbai/Diu/Mumbai – 4 times per week with ATR72 aircraft w.e.f. 25 October 2015. Flights are being operated under VGF support from Diu Administration.

Regional Connectivity Scheme(RCS)

In the first round of Regional Connectivity Scheme – UDAN of the Government of India, Alliance Air was awarded 17 routes. Effective 27 April 2017 Alliance Air was the first airline to commence flights on Shimla/Delhi sector under this scheme which was flagged off by Hon'ble Prime Minister of India. The flights/sectors which have commenced under this scheme are given as under:

Routes operational in RCS round 1

Sr. No.	Routes	Date of Commencement
1	Delhi/Shimla/Delhi	27 April 2017
2	Delhi/Bathinda/Delhi	27 April 2017
3	Gwalior/Delhi	31 May 2017
4	Gwalior/Indore/Gwalior	31 May 2017
5	Delhi/Ludhiana/Delhi	02 September 2017
6	Delhi/Bikaner/Delhi	26 September 2017
7	Jaipur/Agra/Jaipur	08 December 2017
8	Delhi/Pathankot/Delhi	05 April 2018
9	Pantnagar/Dehradun/Pantnagar	04 January 2019

Alliance Air has commenced all flights awarded to them in RCS round 1.

Routes operational in RCS round 2

In the Regional Connectivity Scheme (RCS) UDAN round 2, Alliance Air was awarded 26 routes out of which 12 routes are operational:

Sr.No.	Routes	Date of Commencement
1	Jammu/Bathinda/Jammu	27 February 2018
2	Bikaner/Jaipur/Bikaner	27 March 2018
3	Hyderabad/Kolhapur/Bengaluru/Kolhapur/Hyderabad	09 December 2018
4	Hyderabad/Nasik/Ahmedabad/Nasik/Hyderabad	01 February 2019

The following routes under RCS will commence shortly in RCS round 2:

Sr. No.	Routes
1	Hyderabad/ Hubli/Hyderabad/Sholapur/Hyderabad
2	Ahmedabad/Kandla/Ahmedabad
3	Kolkata/Dumka/Ranchi/Dumka/Kolkata/Bokaro/Patna/Bokaro/ Kolkata

In the Regional Connectivity Scheme (RCS) UDAN round 3, Alliance Air has been awarded 40 routes. The list of routes is given below:

Sr. No.	Routes
1	Delhi/Kota/Delhi
2	Mumbai/Keshod/Mumbai/ Amravati/Mumbai
3	Belagavi/Pune/Belagavi
4	Guwahati/Dimapur/Imphal/Dimpur/Guwahati
5	Bangaluru/ Kalaburgi (Gulbarga)/ Bangaluru / Mysore/ Goa/ Mysore/ Cochin/ Mysore/ Bangaluru
6	Bhubaneshwar/ Kalaikunda/ Vishakhapatnam/ Kalaikunda/ Bhubaneshwar/ Varanasi/ Bhubaneshwar
7	Hyderabad/Jagdalpur/Raipur/ Jagdalpur/Hyderabad/Mysore/ Hyderabad
8	Kolkata/ Jharsuguda/ Bhubaneshwar/ Rourkela/ Bhubaneshwar/ Jharsuguda/ Raipur/ Jharsuguda/ Kolkata

In the Regional Connectivity Scheme (RCS) UDAN round 3.1, Alliance Air has been awarded 12 routes. The list of routes is given below:

Sr. No.	Routes
1	Kolkata/Hazaribagh/Kolkata
2	Chandigarh/Dharamshala/Chandigarh
3	Lucknow/Gorakhpur/Lucknow
4	Nashik/Pune/Nashik
5	Mumbai/Sindhudurg/Mumbai
6	Mumbai/Ratnagiri/Mumbai

Alliance Air will commence flights on the RCS 3.0 and 3.1 routes awarded to it shortly.

Fares during 2018/2019

Post revaluation of our available resources, cost of operations, USP's and monopoly routes, Alliance Air has successfully increased its yields by 6% year on year despite aggressive competition.

Economy measures adopted

In view of the proposed cutover to RADIXX PSS, saving of GDS cost of approximately Rs. 24 Crore annually is expected.

New ventures in pipeline for year 2019/2020

- Propose to cutover from Air India GDS system and move to our own RADIXX PSS system.
- Started levying CUTE & BRS charges effective 01 February 2019. The expected earnings from these charges will be Rs. 11 Crore approximately per annum, that would offset the existing expense on these charges.
- Propose to offer Productivity Liked Bonus to online and key offline travel agents for better engagement once RADIXX PSS system is implemented.

- Propose to augment ancillary revenue generation through advance seat reservation, excess baggage sale.
- Renewed focus on charter business based on aircraft/resources availability.

ENGINEERING INITIATIVES

Major achievements during the year 2018-19 are as below:

Various economy measures adopted and achievements made :

- Exchange of two old PW121 engines with one new PW 127M engine with an additional cost of USD 1.95 Million thereby realising highest value of USD 1,162,831 for two old engines.
- AASL has completed negotiation of GMSA price and terms. On execution of this amendment, an estimated saving to the tune of USD 1,769,693 is anticipated for the year.
- Efforts are being made to establish centralised MMD Division at Delhi, thereby having effective control on procurement, provisioning and ensuring availability of components to enhance reliability further.

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

- All ATR42-320 aircraft have been re-delivered to lessor. However, to meet the operational requirement, upon AASL's request, lessor agreed to extend the lease of one ATR42-320 aircraft at a nominal rate of USD 1 lease rent up to 31 March 2019.
- The hull of ATR42-320 aircraft VT-ABO, asset owned by AASL, has been auctioned through MMD Kolkata for Rs. 3,75,101.
- 2 Engines of ATR42-320 aircraft VT-ABO (Serial No.: ESN 121261 and ESN 121163) are being exchanged with one PW 127M engine to keep as float.

The hull of ATR42-320 aircraft VT-ABB, asset owned by AASL, after 31 March 2020 will be auctioned through Kolkata MMD as had done in the case of VT-ABO aircraft.

4 engines of ATR42-320 aircraft VT-ABA and VT-ABB (Serial Numbers: AC0111, AC0106, 121355, AC0096) will be returned to lessor by September 2020 and lessor has agreed to absorb the transportation cost up to USD 20,000.

Plan for 2019-20 with special reference to aircraft utilisation, availability of Engineers, new routes/services, utilisation of facilities etc. and also plan for fleet expansion.

Tender for two new ATR42-600 was hosted and financial evaluation is under process. These aircraft are expected to be inducted by the end of 2019.

Details of engineering services provided to other Airlines/Organization during 2018-19 and Engineer's Training Programme during 2018-2019:

As per MOU dated 29 July 2013 signed between AIESL and AASL, all AME's have been hived off from AASL and transferred to AIESL. Subsequently, all engineering/maintenance/aircraft related activities of AASL are being carried out by AIESL w.e.f 1 January 2015. Hence, no Engineering services are being provided by AASL to other Airlines/Organisation. Further all aircraft related Engineering training are being managed by AIESL.

CIF value of Imports (New Purchases & not repaired items) during the year 2017-18 in respect of (a) components & spares (b) inventory control (c) capital items

AASL is handling only exchange of Spares/Components and new purchases, if any, are currently being handled by MMD, AIL through RAMCO.

FLIGHT SAFETY

The Company has an independent Flight Safety Department, which functions as per the DGCA requirements in proactive manner. Flight Safety department perform proactive functions for the Airline. Under proactive function the Flight Safety department does FOQA (Flight Operational Quality Assurance) which requires continuous monitoring of flight data i.e. of SSFDR & CVR and the internal safety audit of the base station as well as safety inspections of the line stations being operated by an airline which includes Airfield Inspection, Spot Checks, Ramp Inspection and Cockpit/cabin surveillance checks at regular interval.

Total 46 incidents were reported for the FY 2018-19, 42 were investigated by the Permanent Investigation Board (PIB) of the Company with DGCA representatives and 4 cases are pending with PIB.

Alliance Air during the financial Year 2018-19 under review had 2 (two) occurrence classified as serious incident at Shirdi & Diu on ATR 72-600 aircraft. These cases were investigated by AAIB.

There were 19 bird hit incidents reported in the Financial Year 2018-19 and 3 resulted in damage to aircraft at Delhi and Dharamshala. The respective Aerodromes have been informed about these occurrences for corrective measures.

To ensure safety of aircraft following measures are taken up by Flight Safety Department:

- The tender process for procurement of new FOQA & 3D Software for ATR 72-600 aircraft fleet has been initiated and is under process.
- The occurrences which are classified as incidents by the regulatory norms are investigated by the Investigation Board of the Airline in association with the Directorate of Air Safety, DGCA.
- The recommendations of Investigation Board are circulated to the respective departments for their compliance.
- Internal Safety Audit is conducted annually to check the compliance & evaluation of safety performance within the airline and the findings are reported to the concerned departments to act upon.
- As per CAR Load and Trim Sheet of ATR 72-600 & ATR 42-320 fleet are being monitored on monthly basis.

- Ramp Inspection/Spot Check of Base Stations/Line Stations is carried out randomly.
- Safety inspection of Line stations are being carried out as per approved plan.
- As per FOQA program the involved crew are being cautioned / advised.
- SMS / Risk analysis training has been imparted to personnel from each department.

TRAINING

Alliance Air has upgraded 2 ATR Pilots as Commander and 4 ATR Pilots under PIC upgraded training during the year 2018-19.

GOING CONCERN

Air India Limited had formulated a Turn Around Plan (TAP) applicable to its group companies in order to improve their operational and financial performance. The Government of India had approved the Turn Around Plan (TAP) in February 2012 with the intention to turn around Air India Limited and its subsidiaries.

In adherence to TAP, induction continued with the addition of 04 new ATR 72-600 aircraft in 2018-19. The fleet at year end comprised of 20 aircraft (02 ATR 42-320 and 18 ATR 72-600). AASL is contemplating a further induction of 15 aircraft, out of which 02 are for replacement of ATR 42-320. The replacement of two Aircraft are of ATR 72-600 and has been approved by AASL Board. As a corollary, necessary approvals and processes are being undertaken for induction of atleast 06 Aircraft in the first phase in FY 2020-21. The induction is required to meet the increasing RCS route commitments allotted to AASL.

AASL carried 1.60 Million passengers during 2018-19 as against 1.28 million passengers during 2017-18. The year 2018-19 witnessed a growth of 25% in passenger carriage. Similarly, network also expanded from 48 destinations to 55 destinations, 100 departures to 109 departures per day and 542 flights per week to 607 flights per week. The aircraft utilization has increased to 51758 block hours from 38252 block hours at a growth of 35% in FY 2018-19 as compared to FY 2017-18.

Alliance Air has projected a revenue of around Rs. 1200 Crore in FY 2019-20 as compared to the actual revenue of Rs. 836 Crore in FY 2018-19. This is principally due to increase in effective utilization of ATR72-600 aircraft from the average 8.78 hours to 9.53 hours per day apart from increase in ASKM. The Revenue per Kilometer (RPK) has shown an upward trend with a growth of 19% from 570.335 Million in FY 2017-18 compared to 679.873 Million for FY 2018-19 and is on par or higher than industry standard.

The Company has continued to operate to the North Eastern region like Guwahati, Lilabari, Tezpur in Assam, Shillong in Meghalaya and Agatti and Diu on request from NEC, MHA and Diu Administration under Viability Gap Funding (VGF) arrangements. These routes are operationally profitable.

The Company has emerged as a major player in the Government of India's premier scheme UDAN, which connects to various Tier II and Tier III cities with the development of unserved / underserved airports. The growth in Tier II and Tier III cities is still largely untapped and Alliance Air is likely to emerge as one of the largest players with its young ATR 72-600 fleet suitable for serving these smaller airports.

The Company has strategized itself to invest major resources in Government of India's UDAN scheme. The performance of the airline under UDAN has been excellent wherein the Company has been operationally positive. The Company was operating 29 UDAN routes as on 31 March 2019, which at present has risen to 39 routes. The airline is further poised to launch more routes under UDAN scheme in the next 2-3 months. In FY 2018-19, AASL operated 19% UDAN routes as against 17% during the previous year, i.e. 2017-18. Currently, AASL is operating around 32% UDAN routes at a growth of 68% from the year 2018-19. Alliance Air by deploying more resources on UDAN sectors is moving towards profitability.

The Company is also continuously evaluating routes, which are loss making and have consciously shifted the operations from these routes to potentially higher revenue earning routes. It is pertinent to mention that Company has participated in UDAN round 3 and 3.1 and resultantly been allotted 52 more routes. The total entitlement of the Company on such routes now stands at 95.

The airline is consciously increasing the yield and as at year end the average yield stood at Rs. 4179 per passenger, which is about 8% higher than the previous year (2017-18).

With the support of Air India Limited in providing corporate guarantee for aircraft leases, reservation systems, inventory management, SAP etc. and other various measures taken towards improving Company's operational and financial activities, it is expected that the financial position of the Company would improve in future.

Alliance Air is on the threshold of turnaround and poised to lead the regional connectivity in India in the next decade and be a leading regional carrier of Asia. Alliance Air plans to reverse the trend of adverse financial parameters in this financial year 2019-20 and thereafter further consolidate the gains.

RISK MITIGATION STRATEGIES

The Company continuously monitors the risk perceptions and takes preventive action for mitigation of risks on various fronts.

INTERNAL CONTROL SYSTEMS

The Company had appointed M/s K K Soni & Co. as Internal Auditors for the year 2018-19 to carry out various internal audit assignments such as Tax Compliance, Risk Assessment & Mitigation, Strengthening Internal Control Process, etc.

Annexure A

REPORT ON CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS

As per the Articles of Association of the Company, the number of Directors shall not be less than three and not more than twelve.

BOARD OF DIRECTORS AS ON 31 MARCH 2019

Shri Ashwani Lohani	CMD, Air India Ltd.- Chairman
Shri Angshumali Rastogi	Director (Finance), Ministry of Civil Aviation
Shri Pranjol Chandra	Director, Ministry of Civil Aviation
Shri Vinod Hejmadi	Director (Finance), Air India Ltd.
Shri Pankaj Kumar	Regional Director, Northern Region, Air India Ltd.

During the year, all meetings of the Board were chaired by the Chairman. The Board met six times during the year to periodically review the performance of the Company and to discuss important issues which *inter-alia* included Long Term Leasing of one PW127M engine for 36 months, Disposal of Hull & Engines of VT-ABO, Exchange of Engine ESN: AC0097 (VT-ABA) with M/s Abric Leasing Limited (Lessor), Grounding of VT-AIT (MSN 1226), Dematerialisation of Shares, Writing off of non-existent/scrapped/unserviceable items, Redelivery Buyout settlement Agreement of VT-RJE (MSN 10029) with Regional One, Short Term rental PW127M engine from M/s P & WC to tide over exigencies, Exchange of Two (02) PW121 Engines of aircraft VT-ABO with One (01) PW127M Engine, Revision of Gratuity Ceiling, 10 ATR-72 Lease – Acceptance of remaining aircraft, Master Service Agreement (MSA) between Air India Limited and Airline Allied Services Limited, Induction of 2 new ATR 42-600 aircraft as a replacement to AASL's current 2 ATR 42-320 aircraft, Productivity Linked Bonus for FY 2019-20 to online & offline Travel Agencies post migration to new CRS-RADIXX, Re-Delivery of ATR42-320 Aircraft (VT-ABA & VT-ABB), Extension of Global Maintenance Support Agreement (GMSA) with M/s ATR, etc.

2. BOARD PROCEDURE

The meetings of the Board of Directors are generally held at Air India's Headquarters in New Delhi. The meetings are scheduled well in advance. In case of exigencies or urgency, resolutions are passed by circulation. The Board meets at least once a quarter to review the operating performance of the Company. The agenda for the meetings is prepared by the officials of the concerned departments and approved by the CEO & the Chairman. The Board papers are circulated to the Directors in advance. The members of the Board have access to all information and are free to recommend inclusion of any matter in the agenda for discussion. Senior executives are invited to attend the Board meetings and provide clarification as and when required. Action Taken Reports are put up to the Board periodically. To enable better and more focused attention on the affairs of the Company, the Board delegates certain matters to Committees of the Board set up for the purpose.

Details regarding the Board Meetings, Annual General Meeting, Directors' attendance thereat, Directorships and Committee positions held by the Directors are as under:

Board Meetings :

Board Meetings were held during the financial year 2018-19 on the following dates:

15 May 2018 (151st Meeting)
18 May 2018 (152nd Meeting)
12 September 2018 (153rd Meeting)
6 November 2018 (154th Meeting)
30 January 2019 (155th Meeting)
28 February 2019 (156th Meeting)

Particulars of Directors including their attendance at the Board/Shareholders' Meetings during the financial year 2018-19:

Name of the Director	Academic Qualifications	Attendance out of 6 Board Meetings	Details of Directorships held in other Companies	Memberships held in Committees
Shri Pradeep Singh Kharola CMD – Air India Ltd. Chairman (ceaesd w.e.f. 14.2.2019)	Phd. Masters in Development Management	5	Chairman & Managing Director Air India Limited Part-Time Chairman Air India Air Transport Services Ltd Air India Engineering Services Ltd Air India Express Ltd Hotel Corporation of India Ltd. Air India SATS Airport Services Pvt. Ltd. Air India Assets Holding Limited Director Air Mauritius Limited Air Mauritius Holdings Limited	AIL Member Nomination & Remuneration Committee AIATSL Chairman Corporate Social Responsibility Committee Member Audit Committee HCI Member Audit Committee

Shri Ashwani Lohani CMD – Air India Ltd. Chairman (appointed w.e.f. 14.2.2019)	Mechanical Engineer and Fellow of Chartered Institute of Logistic and Transport	1	Chairman & Managing Director Air India Limited Part-Time Chairman Air India Air Transport Services Ltd Air India Engineering Services Ltd Air India Express Ltd Hotel Corporation of India Ltd Air India SATS Airport Services Pvt. Ltd. Air India Assets Holding Limited Director Air Mauritius Limited Air Mauritius Holdings Limited	AIL Member Nomination & Remuneration Committee AIATSL Chairman Corporate Social Responsibility Committee Member Audit Committee HCI Member Audit Committee
Shri Vinod Hejmadi Director – Finance Air India Ltd.	B.Com, ACA	6	Director Air India Ltd Air India Air Transport Services Ltd Air India Engineering Services Ltd Air India Express Ltd Hotel Corporation of India Ltd Air India SATS Airport Services Pvt Ltd Air India Assets Holding Limited	AASL Member Audit Committee AIXL Chairman CSR Committee Member Audit Committee AIL Member HR Committee Corporate Social Responsibility & Sustainability Development Committee Share Allotment Committee Selection Committee Flight Safety Committee

				AIATSL Member Corporate Social Responsibility Committee Audit Committee HCI Member Audit Committee AIESL Member Audit Committee AISATS Chairman CSR Committee
Shri Angshumali Rastogi Director(Finance), Ministry of Civil Aviation	Fellow, Institution of Mechanical Engineers, London Chartered Engineer (Mechanical Engineering), registered with Engineering Council, London	1	Director Air India Express Ltd. AAI Cargo Logistics & Allied Services Company Ltd	AASL Chairman Audit Committee AIXL Chairman Audit Committee Member CSR Committee
Dr Shefali Juneja Jt Secretary, Ministry of Civil Aviation (Ceased as Director w.e.f. 31.8.2018)	M.A, M.Phil Phd.	2	Director Air India Express Ltd.	AASL Member Audit Committee AIXL Member Audit Committee CSR Committee

Shri Pranjol Chandra Director, Ministry of Civil Aviation (appointed as Director w.e.f. 31.8.2018)	B.E. Mechanical	2	Director Air India Express Ltd.	AASL Member Audit Committee_ AIXL Member Audit Committee CSR Committee
Shri S S Uberoi Regional Director-Northern Region, Air India Limited (appointed as Director w.e.f. 29.9.2017 and ceased w.e.f. 1.5.2018)	BA (Economics), Masters in Business Administration (Marketing)	-	-	-
Shri Pankaj Srivastava, Director, Commercial, Air India Limited (ceased as Director) w.e.f 30.4.2018)	MBA	-	Director Air India Limited	-
Capt A K Govil ED-Operations, Air India Limited (ceased as Director w.e.f 31.5.2018)		2	-	-
Shri Pankaj Kumar Regional Director-Northern Region, Air India Limited (appointed as Director w.e.f 30.8.2018)	MBA in Marketing	3	-	-

3. AUDIT COMMITTEE

As part of the Corporate Governance process and in compliance with the provisions of the Companies Act, 2013 and DPE Guidelines, the Audit Committee of the Board has been constituted.

As on 31 March 2019 the following were the members of the Audit Committee :

Shri Angshumali Rastogi	Chairman
Shri Pranjol Chandra	Member
Shri Vinod Hejmadi	Member
Shri Ashwani Lohani	Permanent Invitee

The Terms of Reference of the Audit Committee are:

- To recommend for appointment, remuneration and terms of appointment of auditors of the company;
- To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- To review the Internal Audit program & ensure co-ordination between the Internal & External Auditors as well as determine whether the Internal Audit function is commensurate with the size and nature of the Company's Business;
- To discuss with the Auditor before the audit commences the nature & scope of the audit;
- To examine the financial statements and the auditors' report thereon;
- To review the Statutory Auditor's Report, Management's response thereto and to take steps to ensure implementation of the recommendations of the Statutory Auditors ;
- Approval or any subsequent modification of transactions of the company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters.
- To consider any other matter as desired by the Board;

The Audit Committee met four times during the year to review various issues including *inter- alia* annual accounts of the Company for the year before submission to the Board, on the following dates:

6 November 2018 (12th Meeting)
30 January 2019 (13th Meeting)
28 February 2019 (14th Meeting)
28 March 2019 (15th Meeting)

Attendance at the Audit Committee Meetings:

Name of the Member	No. of Meetings Attended
Shri Angshumali Rastogi	2
Shri Pranjol Chandra	2
Shri Vinod Hejmadi	4

4. ANNUAL GENERAL MEETINGS DURING THE LAST THREE YEARS

The details of these meetings are given below :

	Date and time of the Meeting	Venue
33rd Annual General Meeting	30 December 2016 At 1715 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110 001
34th Annual General Meeting	27 September 2017 At 1100 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110 001
35th Annual General Meeting	26 December 2018 At 1100 hrs	Board Room, Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110 001

CODE OF CONDUCT

DECLARATION

I hereby declare that all the Board Members & Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors for the year ended 31 March 2019.

Sd/-
(Ashwani Lohani)
Chairman
Airline Allied Services Limited

Place : Delhi
Date : 24 July 2019

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March, 2019
[Pursuant to section 204(1) of the Companies Act, 2013 and rule no.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Airline Allied Services Limited

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Airline Allied Services Limited [CIN: U51101DL1983GOI016518] (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended on 31st March, 2019 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board process and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records made available to me and maintained by the Airline Allied Services Limited for the financial year ended on 31st March, 2019 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder subject to the following observations:

  (a) Since the Company is not required to appoint Independent Directors, being a wholly owned subsidiary of a Public Limited Company (Air India Limited), the Audit Committee is constituted without Independent Directors. Thereby non-compliance of the provision of Section 177 (2) of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014, which inter alia requires an Independent Director as a member of the Audit Committee.

  (b) The Company has not constituted Nomination & Remuneration Committee as required under Section 178 of the Act read with Rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014.

  (c) The Company does not have one Woman Director as required under Section 149 of the Act since 1st September, 2018.

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial borrowing **(Not Applicable** as confirmed by the Management, the Company does not have Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowing);

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 **(Not applicable to the Company);**

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2011 **(Not applicable to the Company);**

c) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with the client **(Not applicable to the Company);**

d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **(Not applicable to the Company);**

e) The Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not applicable to the Company);**

f) The Securities and Exchange Board of India (Issue and Listing of Debts Securities) Regulations, 2008 **(Not applicable to the Company);**

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company);** and

h) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 **(Not applicable to the Company)**.

(vi) Following are the Acts / Guidelines specifically applicable to the Company:

- Aircraft Act, 1934
- Carriage by Air Act,1972
- Tokyo Convention Act,1975
- Anti-Hijacking Act, 1982
- Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982
- Civil Aviation Requirements issued by Director General of Civil Aviation (DGCA)

Based on the explanation given and representation made by the management, I report that Director General of Civil Aviation (DGCA) has issued Civil Aviation Requirements under Section 4 of the Aircraft Act, 1934 read with Rule 133A of Aircraft Rules, 1937 and the Company is required to comply with such requirements under DGCA check systems. While the broad principles of law are contained in the Aircraft Rules, 1937, Civil Aviation Requirements are issued to specify the detailed requirements and compliance procedure.

As per explanation and representation made by the management, DGCA has issued a circular dated 21.12.2011 in connection with regulatory audit policy and programme, under which regulatory audits are being carried out with an aim to ascertain the internal control of the organisation in its activities and to ensure compliance of regulatory requirements. It is explained by the Company that the regulatory audit of the Company is done by the audit team of DGCA as per the audit programme and audit procedure as prescribed under regulatory audit policy of DGCA. The Joint Director General of Civil Aviation nominated by the DGCA is responsible for all regulatory audits and inspections and is normally the Convening Authority.

Regulatory Audits are conducted for the grant of approvals for Initial Certification, Additional Approval, Routine Conformance and Special Purpose Audit pursuant to the Aircraft Act,1934. The DGCA or any other officer specially empowered in his behalf by the Central Government performs the safety oversight functions in respect of matters specified in this Act or the Rules made thereunder.

I further report that based on the information, explanation and representation made by the management, the Company is generally regular in compliance of the aforesaid laws and the compliance by the Company of such aviation laws being the subject of review by DGCA and other designated professionals/authorities, I have not reviewed the same in this audit.

I have also examined compliance with the applicable clauses of the following:

a) Secretarial Standards with regard to Meeting of the Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of the Company Secretaries of India.

b) Guideline on Corporate Governance for Central Public Sector Enterprises, 2010 as issued by the Ministry of Heavy Industries and Public Enterprises, Government of India.

   I report the following observations based on the aforesaid Guidelines on Corporate Governance:

(i) The Board of Directors of the Company is not constituted as per Clause 3.1 of the DPE Guidelines, namely there is no optimum combination of functional, nominee and independent directors; and number of nominee directors exceeds the prescribed limit of two.

(ii) The Company had no Independent Director as required under the Clause 3.1.1.4 of the DPE Guidelines during the period 1st April,2018 to 31st March,2019.

(iii) As per the Clause 3.3 of the DPE Guidelines, the Board is required to meet atleast once in every three months and atleast four such meetings are required to be held in a year. Further, time gap between any two meetings should not be more than three months. It is observed that the Company has not held the Board Meeting in three months and gap exceeded a period of three months between two Board Meetings held on 18/05/2018 and 12/09/2018.

(iv) Minimum information as prescribed in Annexure IV to the DPE Guidelines are generally placed before the Board as required under clause 3.3 of the guidelines except quarterly financial results and foreign exchange exposure and steps taken to limit the risk.

(v) Since the Company had no Independent Director, composition of the Audit Committee was not as per the Clause 4.1.1 and 4.1.2 of the DPE Guidelines during the audit period.

(vi) Further, as per Clause 4.4. of the DPE Guidelines, the Audit Committee is required to meet four times in a year and not more than four months should elapse between the two meetings. Further, presence of minimum two independent directors is must for quorum of the meeting. It is observed that no meeting of the Audit Committee was held during the months of March, 2018 to October, 2018. Meetings of the Audit Committee are held without the presence of Independent Directors.

(vii) The Company has not constituted Remuneration Committee as required under Clause 5.1 of the DPE Guidelines.

I report that during the year under review, as per the explanation and clarifications given to me and representation made by the management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards mentioned above subject to the observations made thereunder.

I further report that –

- The Board of Directors of the Company is not duly constituted as stated hereinabove. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed proposal on agenda were sent in advance duly complying with the time limits specified and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- As per the minutes of the meeting duly recorded and signed by the chairman and representation by the management, the decisions of the Board were unanimous.

I further report that based on the information provided by the Company, explanation given and representation made by the management, in my opinion adequate systems and processes and control mechanism exists in the Company commensurate with the size and operation of the Company to monitor and ensure compliance with applicable general laws, rules, regulations and guidelines. However, compliance management system needs further strengthening by taking the following actions:

a) To designate a senior employee as Compliance Officer;

b) To establish and maintain effective co-ordination of functional units with compliance officer;

c) Present quarterly compliance report to the Board.

d) Maintain a compliance check list and establish mechanism to detect the non-compliance.

e) Maintain a register of complaints/show cause notices received from various authorities.

f) Place before the Board details of legal cases filed by and against the Company and its status.

I further report that the compliance by the Company of applicable financial laws like direct and indirect tax laws has not been reviewed in this audit since the same has been subject to review by statutory financial audit and other designated professionals.

I further report that during the audit period, there was no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, guidelines, etc. referred to above,

Sd/-
(U.C. SHUKLA)
COMPANY SECRETARY
FCS: 2727/CP: 1654

Place: Mumbai
Date: 24.07.2019

Note: This report is to be read with my letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

ANNEXURE A

To,
The Members
Airline Allied Services Limited
Alliance Bhawan, Domestic Terminal-1
IGI Airport,
New Delhi 110 037

My report of even date is to be read with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Corporation. My responsibility is to express an opinion on these secretarial records based on my audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed, provide reasonable basis for my opinion.

3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Corporation.

4. Wherever required, I have obtained the management representation about the compliance of the laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. My examination was limited to the verification of procedure on test basis.

6. The secretarial audit report is neither an assurance as to future viability of the Corporation nor of the efficacy or effectiveness with which the management has conducted the affairs of the Corporation.

Sd/-
(U.C. SHUKLA)
COMPANY SECRETARY
FCS: 2727/CP: 1654

Place: Mumbai
Date: 24.07.2019

NOTE OF COMPLAINCE OF THE FOLLOWING LAWS BY AIRLINE ALLIED SERVICES LTD.

Following are the Acts / Guidelines specifically applicable to the Company:

- Aircraft Act, 1934
- Carriage by Air Act,1972
- Tokyo Convention Act,1975
- Anti-Hijacking Act, 1982
- Suppression of Unlawful Acts against Safety of Civil Aviation Act, 1982
- Civil Aviation Requirements issued by Director General of Civil Aviation (DGCA)

1) Director General of Civil Aviation (DGCA) has issued Civil Aviation Requirements under Section 4 of the Aircraft Act, 1934 read with Rule 133A of Aircraft Rules, 1937 and the Company is required to comply with such requirements under DGCA check systems. While the broad principles of law are contained in the Aircraft Rules, 1937, Civil Aviation Requirements are issued to specify the detailed requirements and compliance procedure.

2) DGCA has issued a circular dated 21.12.2011 in connection with regulatory audit policy and programme, under which regulatory audits are being carried out with an aim to ascertain the internal control of the organisation in its activities and to ensure compliance of regulatory requirements. The regulatory audit of the Company is done by the audit team of DGCA as per the audit programme and audit procedure as prescribed under regulatory audit policy of DGCA.

3) The Regulatory Audit Program has been developed to promote compliances with the aviation regulations and standards that collectively prescribe an acceptable level of aviation safety. It also ensures that Civil Aviation audit policies and procedures are applied uniformly.

4) Regulatory Audits are conducted for the grant of approvals for Initial Certification, Additional Approval, Routine Conformance and Special Purpose Audit pursuant to the Aircraft Act,1934. The DGCA or any other officer specially empowered in his behalf by the Central Government shall perform the safety oversight functions in respect of matters specified in this Act or the Rules made thereunder.

5) The Joint Director General of Civil Aviation nominated by the DGCA is responsible for all regulatory audits and inspections and is normally the Convening Authority.

6) The type of audits are Initial Certification Audit, Additional Approval Audit, Routine Conformance Audit and Special Purpose Audit and is determined by the circumstances under which the audit is convened.

7) Regulatory audit includes Check Lists for Airworthiness Audit policy and procedure and operations audit policy and procedures.

Annexure to Directors' Report for the year 2018-19

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN
As on financial year ended on 31.03.2019
Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U51101DL1983GOI016518
2.	Registration Date	13/09/1983
3.	Name of the Company	Airline Allied Services Limited
4.	Category/Sub-category of the Company	Government Company
5.	Address of the Registered office & contact details	'Alliance Bhavan', Domestic Terminal, IGI Airport, New Delhi -110037
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	C-101, 247 Park, L.B.S. Marg Vikhroli (West), Mumbai - 400083

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated) -

Sr No	Name and Description of main products / services	NIC Code of the Product/ Service	% to total turnover of the company
1.	To establish, maintain and operate international and domestic air transport services, scheduled and non scheduled, in all the countries of the world for the carriage of passengers, freight, mail and for any other purposes.	511	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

Sr. No.	Name and Address of the Company	CIN/GIN	Holding / Subsidiary / Associate	% of Shares	Applicable Section
1.	Air India Limited 113, Airlines House, Gurudwara Rakabganj Road, New Delhi, 110 001.	U62200DL2007GOI161431	Holding	100%	2 (46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) :

Category-wise Share Holding

Category of Shareholders	**No. of Shares held at the beginning of the year [As on 01-04-2018]**				**No. of Shares held at the end of the year [As on 31-03-2019]**				**% Change during the year**
	Demat	**Physical**	**during the year**	**% of Total Shares**	**Demat**	**Physical**	**Total**	**% of Total Shares**	
A. Promoters									
(1) Indian									
a) Individual/ HUF									
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	-	40,225,000	-	100	-	40,225,000	40,225,000	100	0.00
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)	**-**	40,225,000		100	-	40,225,000	40,225,000	100	0.00
B. Public Shareholding	**Not Applicable**								
1. Institutions									
a) Mutual Funds/UTI									
b) Banks / FI									
c) Central Govt.									
d) State Govt.(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify) Foreign Banks									
Sub-total (B)(1):-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Category of Shareholders	No. of Shares held at the beginning of the year [As on 01-04-2018]				No. of Shares held at the end of the year [As on 31-03-2019]				% Change during the year
	De-mat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions	Not Applicable								
a) Bodies Corp. (Market Maker + LLP)									
i) I Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh									
c) Others (specify)									
i) Non Resident Indians									
ii) Non Resident Indians - Non Repatriable									
iii)Office Bearers									
iv)Directors									
v)HUF									
vi)Overseas Corporate Bodies									
vi)Foreign Nationals									
vii)Clearing Members									
viii)Trusts									
ix)Foreign Bodies - D R									
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+ (B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**-**	**40,225,000**	**40,225,000**	**100**	**-**	**40,225,000**	**40,225,000**	**100**	**0.00**

B) Shareholding of Promoter-

Sr No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	Air India Limited along with its nominees	40,225,000	100	NIL	40,225,000	100	NIL	0.00

C) Change in Promoters' Shareholding (please specify, if there is no change) - No change

Sr No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Air India Limited	40,225,000	100	40,225,000	100
	At the end of the year				
	Air India Limited	40,225,000	100	40,225,000	100

D) Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding at end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	NOT APPLICABLE				
2					
3					
4					

5					
6					
7					
8					
9					
10					

E) Shareholding of Directors and Key Managerial Personnel:

S. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding at the end of year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Shri Ashwani Lohani	1	0	1	0
2	Shri Vinod Hejmadi	1	0	1	0
3	Shri Pankaj Kumar	1	0	1	0

V. INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans		Deposits	Total Indebtedness
	Amount in INR	Amount in INR		Amount in INR	Amount in INR
Indebtedness at the beginning for the financial year					
i) Principal Amount	-	15,43,29,41,765	*	-	15,43,29,41,765
ii) Interest due but not paid	-	-		-	-
iii) Interest accrued but not due	-	-		-	-
Total (i+ii+iii)	**-**	**15,43,29,41,765**		**-**	**15,43,29,41,765**
Change in Indebtedness during the financial year	-			-	-
* Addition	-	1,24,90,25,296		-	1,24,90,25,296
* Reduction	-	-		-	-
Net Change	**-**	**1,24,90,25,296**		**-**	**1,24,90,25,296**
Indebtedness at the end of the financial year	-	-		-	-
i) Principal Amount	-	15,29,93,20,185		-	15,29,93,20,185
ii) Interest due but not paid	-	1,38,26,46,876		-	1,38,26,46,876
iii) Interest accrued but not duie	-	-		-	-
Total (i+ii+iii)	**-**	**16,68,19,67,061**		**-**	**16,68,19,67,061**

* Previous figure has been restated as per IND AS. Prior Period items has been given effect in the relevant previous years.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(In figures)

Sr No	**Particulars of Remuneration**	**Name of MD/WTD/ Manager**					**Total Amount**
1	Gross salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961						
	(b)Value of perquisites u/s 17(2) Income-tax Act, 1961						
	(c)Profits in lieu of salary under section 17(3) Income- tax Act, 1961						
2	Stock Option						
3	Sweat Equity						
4	Commission as % of profit others, specify.						
5	Others : (PF, DCS, House Perks tax etc)						
	Total (A)						
	Ceiling as per the Act						

***There are no Managing, Whole Time Directors in the Company.**

B. Remuneration to other directors

Sr No.	**Particulars of Remuneration**	**Name of Directors**					**Total Amount**
1	Independent Directors	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify (Fees for attending Board Sub Committee Meetings)	-	-	-	-	-	-
	Total(1)	-	-	-	-	-	-

2	Other Non-Executive Directors	-	-	-	-	-	-
	Fee for attending board committee meetings	-	-	-	-	-	-
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (2)	-	-	-		-	-
	Total (B)=(1+2)	-	-	-	-	-	-
	Total Managerial Remuneration	-	-	-	-	-	-
	Overall Ceiling as per the Act	-	-	-	-	-	-
		-	-	-	-	-	-

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(figures in Rs)

Sr. No.	**Particulars of Remuneration**	**Key Managerial Personnel**			
		CEO	**CS**	**CFO**	**Total**
1	Gross salary	*Not Applicable	**	2.09 Million	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	Others, specify.	-	-	-	-
5	Others: (PF, DCS, House Perks tax etc)	-	-	-	-
	Total	**-**	**-**	**-**	**-**

* Not applicable to Government Companies. Only CFO and CS are KMPs.

** The Company Secretary is holding the position in addition to her responsibilities as Sr. Manager, Corporate Affairs Dept., Air India.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY -NIL					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS -NIL					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DE-FAULT -NIL					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF AIRLINE ALLIED SERVICES LIMITED FOR THE YEAR ENDED 31 MARCH 2019

The preparation of financial statements of **AIRLINE ALLIED SERVICES LIMITED** for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 24 July 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **AIRLINE ALLIED SERVICES LIMITED** for the year ended 31 March 2019 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.

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

Sd/-
(Prachi Pandey)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board-I, New Delhi

Place : New Delhi
Dated : 23 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRLINE ALLIED SERVICES LIMITED

To,
The Members of
Airline Allied Services Limited

Report on the Audit of the standalone financial statements

Qualified Opinion

We have audited the standalone financial statements of Airline Allied Services Limited ("the Company"), which comprise the balance sheet as at March 31, 2019, and the statement of Profit and Loss, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2019 and loss, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

i) **Reconciliation of account with Airport Authority of India is pending since previous years, further liability for interest for non/ delayed payment to Airport Authority of India has not been ascertained and provided, therefore impact of the above on the results of the Company is not ascertainable at this stage.**

ii) **Interest amounting to Rs.23.98 Million for delay/ non payment of lease rent and maintenance reserve (supplemental rental) has not been provided and has been treated as contingent liability.**

iii) **Purchases, consumption and closing stock of Aircrafts inventory has been accounted for on the basis data/ advices received from AIL and are not verified by us. Further as stated in Note No. 36.2, due to implementation of interface with RAMCO during the year, there are some unresolved discrepancies in the inventory and other accounts, impact of such discrepancies are not ascertainable at this stage. Hence we are unable to comment upon the impact of the same on the results of the Company.**

iv) **Company has accumulated losses of Rs. 24027.71 Millions and its net worth has been fully eroded. The Company has incurred net loss during the year and in previous years and the Company's liabilities exceed its assets since previous years. Due to liquidity problem, periodic delay/ non payment for fuel, lease rental, Statutory dues, other payments etc. have been observed. Those conditions along with other matter set out in notes on accounts indicate the existence of material uncertainty that may cast significant doubt**

about the Company's ability to continue as a going concern. However the Financial statement of the Company have been prepared on going concern basis. As stated in Note No. 46 Air India Limited (Parent Company) had formulated a Turnaround Plan (approved by Government of India) for AIL and its Group Companies to improve its operational and financial performance. Company's management is of the view that with the support of AIL and with other measures taken and considering the future business plan financial position of the Company would improve in future. We are unable to comment on the success of Turnaround Plan at this stage.

v) Other Current Assets includes Indirect Taxes recoverable amounting to Rs. 323.80 Million on account of GST Input Credit, whereas as per GST portal amount of Input credit available as on 31-03-2019 was Rs. 143.81 Million. As explained, Company is in the process to reconcile the difference and impact of the above on results of the Company is not ascertainable at this stage.

vi) Interest amounting to RS. 1382.64 Million, Rs 44.578 Million Rs. 26.91 million relating to M/s AIL (Parent Company), AIESL & AIATSL (both Associate Companies) respectively has been accounted for on the basis of advices received from above Companies, same has not been verified by us, therefore we are unable to comment on the authenticity of the same. Further TDS on the interest provision relating to AIESL and AIATSL has not been accounted for and paid. Impact on the results of the Company on account of interest and penalty due to non-deduction/payment of TDS has not been ascertained and provided.

vii) Contrary to the provision of the Income Tax Act TDS on provisional expenses has been accounted for at the time of payment instead of at the time of making the provisions. Impact on account of interest and penalty has not been ascertained and provided.

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibility of Management for Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

Report on Other Legal and Regulatory Requirements

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2) We are enclosing our report in terms of section 143(5) of the Companies Act,2013, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, in the Annexure B on the directions/ sub directions issued by the Comptroller and Auditor General of India.

3) As required by Section 143(3) of the Act, we report that:

We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

a) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

b) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

c) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

d) As informed by the Company, section 164(2) of the Companies Act 2013 is not applicable to a Government Company, vide Notification F No 1/2/2014-CL.V. dated 5 June 2015

e) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".

f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule

11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 49 to the financial statements;

ii. The Company do not have any long-term contracts including derivative contracts for which there any material foreseeable losses

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For M Verma & Associates
Charterd Accountant
(FRN 501433 C)

Sd/-
(Madan Verma)
Partner
Membership No - 080939

Place : New Delhi
Date : 24-07-2019

ANNEXURE A" TO THE AUDITORS' REPORT

Referred to paragraph 1 under "Report on Other Legal and Regulatory Requirements" section of our report of even date to the members of **M/s Airline Allied Services Limited** on the accounts of the company for the year ended 31stMarch 2019.

i) In respect of its fixed assets:

a) The record maintained by the Company in respect of its fixed assets are not considered to be proper to the extent that it do not give full particulars relating to quantity of assets, Rate of depreciation, useful life , residual value and identification numbers of the assets.

b) As explained to us, Company is conducting physical verification of the Fixed Assets on biennial basis. Physical verification of Fixed Assets situated at Delhi, Chennai was conducted during the year 2017-18, and in respect of assets situated at Mumbai and Kolkata, as per practice followed by Company, was due for physical verification during the year 2018-19, but not conducted during the year. As per explanation provided to us the process for allocation of physical verification of fixed assets situated at Mumbai & Kolkata has been initiated.

c) According to the information, explanation and record available to us no immovable property is owned by the Company.

ii) In respect of inventories:

a) A firm of Chartered Accountants was appointed by the Company for the Physical verification of Aircraft inventories, discrepancies reported by them are insignificant, however as per information provided the Company is in the process to reconcile the same.

b) As per explanation available to us, inventories for aircrafts are procured by Air India Ltd (parent Company) globally for their and associates requirement, and maintaining records through RAMCO system on the basis of codes allotted to the respective Companies. Records relating to receipts, issues and closing stock are maintained at their end therefore not verified by us. Further accounting entries by the Company are made on the basis of advices received from Air India Ltd which are ascertained on the basis of global reconciliation. Delay in the receipt of above advices has been observed. It has been further observed issue/ consumption has been accounted for at the year end only.

iii) As explained to us, the company had not granted any loans, secured or unsecured, to any companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(b) & 3(c) of the said order are not applicable to the Company.

iv) In our opinion & according to information & explanations given to us, the company has not given any loans, investments guarantee, and securities granted in respect of provision of section 185 and 186 of the Companies Act 2013.

v) According to the information and explanations given to us, the company has not accepted any deposits from the public. Hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Companies Act, 2013 and the rules framed there under are not applicable.

vi) As per information and explanation provided to us , maintenance of cost records are not specified for the Company by the Central Government under clause (d) of sub section (1) of section 148 of the Companies Act, 2013.

vii) Statutory dues:

a) As per information and explanations given to us and record available to us , the company is generally regular in depositing undisputed statutory dues including provident fund, income tax, custom duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities except delay in remittance of TDS & GST amount has been observed on some occasions.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they become payable, except Service Tax amounting to RS. 31.13 million payable since previous years (matter is under litigation with the party M/s GATI Limited).

c) According to the information and record available to us , disputed statutory dues against the company in income tax, service tax, custom duty , excise duty , value added tax, Cess as on 31-03-2019 are as follows :

Sr. No.	Name of Statue	Amount Outstanding (in Millions)	Nature of Dues	Year	Forum where dispute is pending
1	Finance Act, 1994	17.43	Income Tax	AY 2000-01	ITAT
2	Finance Act, 1994	14.04	Income Tax	AY 1997-98	CIT(A)

viii) As per record, information and explanations available to us, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank, Government or dues to debenture holders.

ix) The company has not raised moneys by way of initial public offer or further public offer (including debt instrument) or term loans and hence reporting under clause (ix) of paragraph 3 of the order is not applicable.

x) According to information and explanations given to us, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year.

xi) As informed, the provisions of section 197 relating to managerial remuneration are not applicable to the Company, being a Government Company, in terms of MCA Notification no. G.S.R. 463(E) dated 5th June 2015.

xii) The company is not a Nidhi Company. Therefore, the provision of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

xiii) Based upon the audit procedures performed and according to the information and explanations given to us, all transactions with related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Ind As Financial statements etc. as required by the applicable accounting standards.

xiv) According to the information and explanations and record available to us, the Company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirement under clause 3(xiv) are not applicable.

xv) The company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.

xvi) According to the information and explanation given to us, the provision of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For M Verma & Associates
Charterd Accountant
(FRN 501433 C)

Sd/-
(Madan Verma)
Partner
Membership No - 080939

Place : New Delhi
Date : 24-07-2019

ANNEXURE “B” TO THE INDEPENDENT AUDITORS’ REPORT

Referred to paragraph 2 under “Report on Other Legal and Regulatory Requirements” section our report of even date to the members of **M/s Airline Allied Services Limited** on the accounts of the company for the year ended 31st March 2019.

Based on the verification of records of the Company and according to information and explanation given to us, we give below a report on the directions issued by the Comptroller and Auditor-General of India in terms of Section 143(5) of the act in respect of M/s Airline Allied Services Limited:

Sr. No.	Areas to be examined	Observation/findings
1	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications. If any, may be stated.	Company has system in place to process all accounting transactions through IT system i.e. through SAP (Systems Applications and Products in Data Processing). However Company is availing the services of an outside agency for the processing of data relating to passenger, cargo, baggage and other revenue through AIL as the AIL’s system has been used for the booking etc, which is outside from the Company’s IT system. As per record and information available as per Industry practice, parent Company is complying all necessary norms to ascertain the integrity authenticity and accuracy of data processed by outsourced agency.
2	Whether there is any restructuring of an existing loan cases of waiver/ write off of debts/ loans/ interest etc. are made by a lender to the Company due to the Company’s inability to repay the loan? If yes, the financial impact may be stated.	Not Applicable Company is not availing any loan from any Bank, Financial Institution or any other lender except the financial support provided by the Parent Company.
3	Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	No fund received/ receivable for specific schemes from Central/ State agencies during the year except amount received/receivable under Regional Connectivity Schemes and Viability Gap Funding which has been properly accounted for in the books of accounts.

For M Verma & Associates
Charterd Accountant
(FRN 501433 C)

Sd/-
(Madan Verma)
Partner
Membership No - 080939

Place : New Delhi
Date : 24-07-2019

ANNEXURE “C” TO THE INDEPENDENT AUDITORS’ REPORT

(Referred to in paragraph 3(e) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of AIRLINE ALLIED SERVICES LIMITED (“the Company”) as of March 31, 2019 in conjunction with our audit of the Ind As financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Ind As financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind As financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

1 Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2 Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind As financial statements in accordance with generallyaccepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3 Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind As financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for Qualified Opinion

In our opinion, according to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2019:

(i) Fixed assets of the Company are not tagged/ numbered
(ii) MSME vendors are not identified, therefore balance outstanding towards MSME are not identified.
(iii) Interface between various functional software relating to Sales/Revenue and Inventory Management with the accounting software is yet to be implemented, resulting in accounting entries made manually. System of verification of data processed by outsourced agency needs to be strengthen as there is significant reliance on the data provided by them.
(iv) Periodicity of reconciliation of accounts with Parent and Associate Companies needs to be improved, as at present it is on annual basis. Reconciliation of account with AAI is pending since previous years.
(v) The Company does not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales/Revenue, above is due to periodic delay in transfer of revenue credit by parent company.
(vi) Internal control system for deduction, deposits and reconciliation of statutory dues needs to be strengthen.

(vii) Procedure to obtain confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables needs to be strengthen.

(viii) The Company do not have an Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.

(ix) The Company does not have an appropriate internal control towards modification in accounting entries.

(x) The Company do not have maker checker concept/ not adhering maker checker concept in sap accounting however same is followed through vouchers authentication according to the power delegated.

(xi) Reconciliation of GST paid, input claimed and output, with the statutory returns, reconciliation of GST under Cross Charge is pending.

(xii) Reconciliation of advance tax/ refund of income tax of previous years needs to be strengthen.

A ‘material weakness’ is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual Ind As financial statements will not be prevented or detected on a timely basis.

Qualified opinion

In our opinion, except for the effects of material weaknesses described in “basis of qualified opinion” paragraph above, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 Ind As financial statements of the Company, and these material weaknesses have affected our opinion on the Ind As financial statements of the Company we have issued a qualified opinion on the Ind As financial statements.

For M Verma & Associates
Charterd Accountant
(FRN 501433 C)

Sd/-
(Madan Verma)
Partner
Membership No - 080939

Place : New Delhi
Date : 24-07-2019

MANAGEMENTS REPLIES TO THE INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE AIRLINE ALLIED SERVICES LIMITED FOR THE FINANCIAL YEAR 2018-19

Sr. No. Audit Observation	Management Comments
Report on the Audit of the Standalone Financial Statements **Qualified Opinion** We have audited the standalone financial statements of Airline Allied Services Limited ("the Company"), which comprise the balance sheet as at March 31, 2019, and the statement of Profit and Loss, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2019 and loss, changes in equity and its cash flows for the year ended on that date.	
Basis for Qualified Opinion i) Reconciliation of account with Airport Authority of India is pending since previous years, further liability for interest for non/ delayed payment to Airport Authority of India has not been ascertained and provided, therefore impact of the above on the results of the Company is not ascertainable at this stage.	Suitable disclosure has been made in Notes to Accounts No. 37 (2) & (3). Under the aegis of ministry of Civil Aviation, a Memorandum of Understanding (MoU) with Airports Authority of India (AAI) was signed by Headquarters on 26.08.2013 whereby the dues of AAI vis-a-vis Air India as on 31.03.2012 were adjudicated by the ministry. As per above stated MOU dated 26.08.2013 an interest @ 9% p.a. is payable on delayed payments to AAI, however, no such provision for interest on delayed payment has been made in books of accounts as final decision from MoCA is awaited.

Sr. No. Audit Observation	Management Comments
ii) Interest amounting to Rs.23.98 Million for delay/ non payment of lease rent and maintenance reserve (supplemental rental) has not been provided and has been treated as contingent liability.	The interest liability for delay / non-payment of lease rent and maintenance reserve (Supplementary rental) has been treated as Contingent Liability as AASL has managed to convince its lessors in the past and successful in getting the interest invoices withdrawn by the lessors in most cases.
iii) Purchases, consumption and closing stock of Aircrafts inventory has been accounted for on the basis data/ advices received from AIL, not verified by us. Further as stated in Note No. 36, due to implementation of interface with RAMCO during the year, there are some unresolved discrepancies in the inventory and other accounts, impact of such discrepancies are not ascertainable at this stage. Hence we are unable to comment upon the impact of the same on the results of the Company.	Suitable disclosure has been made in Notes to Account No. 36.
iv) Company has accumulated losses of Rs. 24027.71 Millions and its net worth has been fully eroded. The Company has incurred net loss during the year and in previous years and the Company's liabilities exceed its assets since previous years. Due to liquidity problem, periodic delay/ non payment for fuel, lease rental, Statutory dues, other payments etc. have been observed. Those conditions along with other matter set out in notes on accounts indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. However the Financial statement of the Company have been prepared on going concern basis. As stated in Note No. 46 Air India Limited (Parent Company) had formulated a Turnaround Plan (approved by Government of India) for AIL and its Group Companies to improve its operational and financial performance. Company's management is of the view that with the support of AIL and with other measures taken and considering the future business plan financial position of the Company would improve in future. We are unable to comment on the success of Turnaround Plan.	This is a statement of fact. Suitable disclosure has been made in Notes to Account No. 46.

Sr. No. Audit Observation	Management Comments
v) Other Current Assets includes Indirect Taxes recoverable amounting to Rs. 323.80 Million on account of GST Input Credit, whereas as per GST portal amount of Input credit available as on 31-03-2019 was Rs. 143.81 Million. As explained, Company is in the process to reconcile the difference and impact of the above on results of the Company is not ascertainable at this stage.	Out of the INR 323.80 Million, sum amounting to INR 14.38 Cr is unutilised as per the 'Electronic Credit Ledger' available on GSTN portal as on 31.03.2019 AASL uses cross charge mechanism for distributing the credit from Delhi to other states and the same has been paid in GSTR-3B for AASL on monthly basis. But such invoices as pertaining to FY 18-19 were not considered in monthly GSTR-1 in the FY 2018-19 and were considered in GSTR-1 of AASL in the GSTR-1 for the period May'19 Since, cross charge invoices of FY 18-19 were not reported in GSTR-1 of FY 18-19, appropriate debit was not made in the GST Intermediary Output A/c and hence unadjusted amount got created in the Trial Balance. If the entry in a similar fashion will be booked for the period May'19 , then, GST Intermediary Output A/c will be debited with the amount of GSTR-1 for the said period including cross charge invoices of FY 18-19 (reported in May'19 GSTR-1) but since the payment from bank will not include the value of cross charge invoices (since they have been already paid on monthly basis throughout FY 18-19 via GSTR-3B), the unadjusted balance to that extent created will be knocked off
vi) Interest amounting to RS. 1382.64 Million, Rs 44.578 Million Rs. 26.91 million relating to M/s AIL (Parent Company), AIESL & AIATSL (both Associate Companies) respectively has been accounted for on the basis of advices received from above Companies, same has not been verified by us, therefore we are unable to comment on the authenticity of the same. Further TDS on the interest provision relating to AIESL and AIATSL has not been accounted for and paid. Impact on the results of the Company on account of interest and penalty due to non-deduction/payment of TDS has not been ascertained and provided.	The interest @ 9% charged by AIL and other associated companies is based on the basis of Master Service Agreement (MSA) between AIL & AASL and other subsidiaries. The interest cost has been worked out on the average method decided and approved by AIL management as a policy, which is being followed by all subsidiaries in AIL group. Further, the accounting entries are being done between the related parties for the services rendered for each other, which are duly reconciled, signed and audited by the other party. The company has not deducted TDS as per past practice, wherein TDS is not deducted for expenses booked through provision.

Sr. No.	Audit Observation	Management Comments
vii)	Contrary to the provision of the Income Tax Act TDS on provisional expenses has been accounted for at the time of payment instead of at the time of making the provisions. Impact on account of interest and penalty has not been ascertained and provided.	Airline Allied Services Ltd. (AASL) is having centralized accounting at Delhi having operations all over India. There is time gap between receipts of actual bills at Delhi. At the time of closing of the books of accounts, the bills for various expenditure like Landing, Parking, RNFC, TNLC, Catering, Hotel Accommodation and certain aircraft repairs are normally not received. To adhere with Matching Concept wherein "Expenses are recognized in the same accounting period as the related revenue are recognized", it is required to account for these expenses. For this, ad-hoc provisions for these expenses are made on estimations through following journal entry : Dr. Expense Head Cr. Provision Account As actual bills are not available and provision is based on estimation, the correlation between party name and expense head is not ascertainable, thus, deduction of TDS on these provisions is not feasible as individual PAN for these expense cannot be ascertained. It is further stated that at the time of computation of income for filing of Income Tax Return, these provisions are added back. It means that expenditure booked through provisions has not been claimed as expense in Income Tax Return.
viii)	We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and we have fulfilled our other ethical	

Sr. No. Audit Observation	Management Comments
responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.	
ix) The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.	
x) In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the company's financial reporting process.	

Sr. No. Audit Observation	Management Comments
Auditor's Responsibilities for the Audit of the Financial Statements Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.	

Sr. No. Audit Observation	Management Comments
• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls. • Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. • Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.	

Sr. No. Audit Observation	Management Comments
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards	
Report on Other Legal and Regulatory Requirements 1)As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.	
2) We are enclosing our report in terms of section 143(5) of the Companies Act,2013, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, in the Annexure B on the directions/sub directions issued by the Comptroller and Auditor General of India.	
3) As required by Section 143(3) of the Act, we report that: We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.	

Sr. No. Audit Observation	Management Comments
In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. As informed by the Company, section 164(2) of the Companies Act 2013 is not applicable to a Government Company, vide Notification F No 1/2/2014-CL.V. dated 5 June 2015 With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".	
With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us: The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 48 to the financial statements; The Company do not have any long-term contracts including derivative contracts for which there any material foreseeable losses There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.	

MANAGEMENT REPLIES TO "ANNEXURE A" TO THE AUDITORS' REPORT

Audit Observation	Management Comments
Referred to paragraph 1 under "Report on Other Legal and Regulatory Requirements" section of our report of even date to the members of **M/s Airline Allied Services Limited** on the accounts of the company for the year ended 31st March 2019). i) In respect of its fixed assets: a) The record maintained by the Company in respect of its fixed assets are not considered to be proper to the extent that it do not give full particulars relating to quantity of assets, Rate of depreciation, useful life , residual value and identification numbers of the assets.	Noted. The complete details of assets with location and proper coding are available in Fixed Assets module in SAP. On the basis of SAP reports with all the required details the manual Fixed Asset Register will be maintained.
b) As explained to us, Company is conducting physical verification of the Fixed Assets on biennial basis. Physical verification of Fixed Assets situated at Delhi, Chennai was conducted during the year 2017-18, and in respect of assets situated at Mumbai and Kolkata, as per practice followed by Company, was due for physical verification during the year 2018-19, but not conducted during the year. As per explanation provided to us the process for allocation of physical verification of fixed assets situated at Mumbai & Kolkata has been initiated.	Suitable disclosure is made in Notes to Accounts No. 32 (a). The biennial Physical Verification of Fixed Assets as per Accounting Policy is due in the year 2019-20.
c) According to the information, explanation and record available to us no immovable property is owned by the Company.	This is a statement of fact.
ii) In respect of inventories: a) A firm of Chartered Accountants was appointed by the Company for the Physical verification of Aircraft inventories, discrepancies reported by them are insignificant, however as per information provided the Company is in the process to reconcile the same.	This is a statement of fact.

Audit Observation	Management Comments
b) As per explanation available to us, inventories for aircrafts are procured by Air India Ltd (parent Company) globally for their and associates requirement, and maintaining records through RAMCO system on the basis of codes allotted to the respective Companies . Records relating to receipts, issues and closing stock are maintained at their end therefore not verified by us. Further accounting entries by the Company are made on the basis of advices received from Air India Ltd which are ascertained on the basis of global reconciliation . Delay in the receipt of above advices has been observed. It has been further observed issue/ consumption has been accounted for at the year end only.	The suitable disclosure is made in Notes to Accounts No. 36.
iii) As explained to us, the company had not granted any loans, secured or unsecured, to any companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(b) & 3(c) of the said order are not applicable to the Company.	This is a statement of fact.
iv) In our opinion & according to information & explanations given to us, the company has not given any loans, investments guarantee, and securities granted in respect of provision of section 185 and 186 of the Companies Act 2013.	This is a statement of fact.
v) According to the information and explanations given to us, the company has not accepted any deposits from the public. Hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other provisions of the Companies Act, 2013 and the rules framed there under are not applicable.	This is a statement of fact.
vi) As per information and explanation provided to us, maintenance of cost records are not specified for the Company by the Central Government under clause (d) of sub section (1) of section 148 of the Companies Act, 2013.	This is a statement of fact.

<table>
<tr><th>Audit Observation</th><th>Management Comments</th></tr>
<tr><td>vii) Statutory dues:

a) As per information and explanations given to us and record available to us , the company is generally regular in depositing undisputed statutory dues including provident fund, income tax, custom duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities except delay in remittance of TDS & GST amount has been observed on some occasions.</td><td>

There are few instances, whereby there is delay in deposit of TDS amount due to shortage of funds.</td></tr>
<tr><td>b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they become payable, except Service Tax amounting to RS. 31.13 million payable since previous years (matter is under litigation with the party M/s GATI Limited).</td><td>This is statement of fact. The service tax amount has not been deposited as the matter is under litigation with party, M/s GATI Ltd.

The corrective action if any will be taken, based upon final verdict.</td></tr>
<tr><td>c) According to the information and record available to us , disputed statutory dues against the company in income tax, service tax, custom duty , excise duty , value added tax, Cess as on 31-03-2019 are as follows

<table>
<tr><th>S No</th><th>Name of Statue</th><th>Amount Outstanding (`in Millions)</th><th>Nature of Dues</th><th>Year</th><th>Forum where dispute is pending</th></tr>
<tr><td>1</td><td>Finance Act, 1994</td><td>17.43</td><td>Income Tax</td><td>AY 2000-01</td><td>ITAT</td></tr>
<tr><td>2</td><td>Finance Act, 1994</td><td>14.04</td><td>Income Tax</td><td>AY 1997-98</td><td>CIT(A)</td></tr>
</table>
</td><td>This is a statement of fact.</td></tr>
<tr><td>viii) As per record, information and explanations available to us, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank, Government or dues to debenture holders.</td><td>This is a statement of fact.</td></tr>
</table>

Audit Observation	Management Comments
ix) The company has not raised moneys by way of initial public offer or further public offer (including debt instrument) or term loans and hence reporting under clause (ix) of paragraph 3 of the order is not applicable.	This is a statement of fact.
x) According to information and explanations given to us, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year.	This is a statement of fact.
xi) As informed, the provisions of section 197 relating to managerial remuneration are not applicable to the Company, being a Government Company, in terms of MCA Notification no. G.S.R. 463(E) dated 5thJune 2015.	This is a statement of fact.
xii) The company is not a Nidhi Company. Therefore, the provision of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.	This is a statement of fact.
xiii) Based upon the audit procedures performed and according to the information and explanations given to us, all transactions with related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Ind As Financial statements etc. as required by the applicable accounting standards.	This is a statement of fact.
xiv) According to the information and explanations and record available to us, the Company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirement under clause 3(xiv) are not applicable.	This is a statement of fact.
xv) The company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.	This is a statement of fact.
xvi) According to the information and explanation given to us, the provision of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.	This is a statement of fact.

MANAGEMENT REPLIES TO "ANNEXURE B" TO THE AUDITORS' REPORT

Referred to paragraph 2 under "Report on Other Legal and Regulatory Requirements" section our report of even date to the members of M/s Airline Allied Services Limited on the accounts of the company for the year ended 31st March 2019.

Based on the verification of records of the Company and according to information and explanation given to us, we give below a report on the directions issued by the Comptroller and Auditor-General of India in terms of Section 143(5) of the act in respect of M/s Airline Allied Services Limited:

S. No.	Areas to be examined	Observation/findings	Management Reply
1	Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications. If any, may be stated.	Company has system in place to process all accounting transactions through IT system i.e. through SAP (Systems Applications and Products in Data Processing). However Company is availing the services of an outside agency for the processing of data relating to passenger, cargo, baggage and other revenue through AIL as the AIL's system has been used for the booking etc, which is outside from the Company's IT system. As per record and information available as per Industry practice, parent Company is complying all necessary norms to ascertain the integrity authenticity and accuracy of data processed by outsourced agency.	This is a statement of fact. All the accounting entries are done through the financial Accounting module SAP. The inventory & revenue accounting has an interface with SAP financial module.
2	Whether there is any restructuring of an existing loan cases of waiver/ write off of debts/ loans/ interest etc. are made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated.	Not Applicable Company is not availing any loan from any Bank, Financial Institution or any other lender except the financial support provided by the Parent Company.	This is a Statement of fact.

S. No.	Areas to be examined	Observation/findings	Management Reply
3	Whether funds received/receivable for specific schemes from Central/State agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation.	No fund received/ receivable for specific schemes from Central/ State agencies during the year except amount received/ receivable under Regional Connectivity Schemes and Viability Gap Funding which has been properly accounted for in the books of accounts.	This is a statement of fact.

MANAGEMENT REPLIES TO "ANNEXURE C" TO THE AUDITORS' REPORT

(Referred to in paragraph 3(e) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Audit Observation	Management Comments
Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") We have audited the internal financial controls over financial reporting of AIRLINE ALLIED SERVICES LIMITED ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind As financial statements of the Company for the year ended on that date.	
Management's Responsibility for Internal Financial Controls The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.	This is a statement of fact.

Audit Observation	Management Comments
Auditors' Responsibility Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind As financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.	

Audit Observation	Management Comments
Meaning of Internal Financial Controls Over Financial Reporting	
A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind As financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that	This is a statement of fact.
1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;	
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind As financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and	
3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind As financial statements.	

Inherent Limitations of Internal Financial Controls Over Financial Reporting Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.	
Audit Observation	**Management Comments**
Basis for Qualified Opinion In our opinion, according to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2019: i) Fixed assets of the Company are not tagged/ numbered	This is a statement of fact. The tagging of assets will be done for all its departments and locations in the F.Y. 2019-20.
ii) MSME vendors are not identified, therefore balance outstanding towards MSME are not identified.	The SAP system has a field, minority indicator in Vendor Master, which is updated to identify the vendor as SSI. The system is being enhanced to capture more details of SSI Vendors, such as certificate no., issuing agency, validity, etc. However, identification of MSME is in the testing stage and not fully functional. Payments to most of the undertakings covered under the Micro, Small and Medium Enterprises Development Act (to the extent identified) have been made within the prescribed time limit/date agreed upon with the supplier. The interest liability for delayed payments is very nominal and hence not provided.

iii) Interface between various functional software relating to Sales/Revenue and Inventory Management with the accounting software is yet to be implemented, resulting in accounting entries made manually. System of verification of data processed by outsourced agency needs to be strengthen as there is significant reliance on the data provided by them.	We are in discussion with MMD to identify the MSME vendors through a certification of all the existing active vendors to ensure compliance. AASL currently does not have any exclusive Ticketing and Reservation System of its own and is in the process of implementing its portal based Ticket Reservation system in the mid of F.Y. 2019-20. Currently, the ticketing of the AASL sectors is processed through a dynamic software provided by M/S SITA under Air India inventory. Similarly, all the stores related inventory are procured, managed and accounted through an inventory management system (RAMCO), which caters to Air India and its subsidiaries.
Audit Observation	**Management Comments**
	All the reservation and ticket data are pushed by SITA to the Revenue Accounting software system of outsourced agency of AIL, M/s Acceleya Kale for necessary segregation of the respective sale and uplift data through a AI code separator (9I) for AASL. Both the software i.e. Revenue Accounting of M/s Acceleya Kale and RAMCO system are being now being interfaced with SAP Finance module for accounting ensuring minimum manual intervention.
iv) Periodicity of reconciliation of accounts with Parent and Associate Companies needs to be improved, as at present it is on annual basis. Reconciliation of account with AAI is pending since previous years.	Regarding reconciliation with AIL and subsidiaries, suitable disclosure has been made in Notes to Accounts No. 39. Regarding AAI reconciliation, suitable disclosure is made in Note no 37. As suggested, AASL will ensure half yearly reconciliation with AIL & associated companies as well as for AAI.

v) The Company do not have an appropriate internal control system for reconciliation of Control Accounts in relation to the Sales/Revenue, above is due to periodic delay in transfer of revenue credit by parent company.	Since, the interface for Revenue Accounting is likely to be established shortly, the reconciliation of control accounts for sales and revenue carried out on monthly basis.
vi) Internal control system for deduction, deposits and reconciliation of statutory dues needs to be strengthen.	The monthly closure of SAP will strengthen the deduction, deposit and reconciliation of statutory dues.
vii) Procedure to obtain confirmation of balances on a periodic basis and reconciliation of unmatched Receivables and Payables needs to be strengthen.	For the year 2018-19, the confirmation of Receivables and Payables has been outsourced to independent Chartered Accountant firm to ensure reconciliation of balances. During the year 2018-19, half yearly reconciliation was carried with vendors like vendor for ATF, Private Airport Operators etc.
viii) The Company do not have an Information system audit to evaluate and test the IT general controls, which may affect the completeness, accuracy and reliability of the reports generated from IT System.	AASL has a functional IT department, which in coordination with IBM (SAP module agency) ensures controls and accuracy and reliability of reports regenerated from IT systems.
Audit Observation	**Management Comments**
ix) The Company do not have an appropriate internal control towards modification in accounting entries.	In the SAP system the accounting voucher once posted cannot be altered or modified with respect to amount, date of entry, accounting year etc. The only modification permitted is additional information with regard to narration and other references, which will not dilute the internal control of the accounting entries.
x) The Company do not have maker checker concept/ not adhering maker checker concept however same is followed through vouchers authentication according to the power delegated.	The delegation of Financial Powers based on the revised mapping of designations in the organization for all departments has been recently approved by the Board. The company is in the process of implementation of maker-checker concept in SAP. Supplementary control has been exercised to ensure control in processing and accounting of entries.

xi) Reconciliation of GST paid, input claimed and output, with the statutory returns, reconciliation of GST under Cross Charge is pending.	The reconciliation of GST account has been outsourced to independent Chartered Accountant firm (as consultant). They are in process of reconciling the balances as per Books of Accounts and returns filed.
xii) Reconciliation of advance tax/ refund of income tax of previous years needs to be strengthen.	The company is in process of reconciliation of these accounts
xiii) A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual Ind As financial statements will not be prevented or detected on a timely basis.	
Qualified opinion In our opinion, except for the effects of material weaknesses described in "basis of qualified opinion" paragraph above, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 Ind As financial statements of the Company, and these material weaknesses have affected our opinion on the Ind As financial statements of the Company we have issued a qualified opinion on the Ind As financial statements.	

BALANCE SHEET AS AT 31 MARCH 2019

(Amount in Rs.)

		Particulars	Note No.	As at March 31, 2019		As at March 31, 2018	
		ASSETS :					
1		**Non-current Assets**					
	(i)	Property, Plant & Equipment	2	**974,38,512**		774,35,673	
	(ii)	Financial Assets:					
		a) Trade Receivables		**-**		-	
		b) Loans		**-**		-	
		c) Others	3	**10937,74,522**		12802,94,155	
	(iii)	Income Tax Assets (net)	4	**1890,51,455**		1706,92,013	
	(iv)	Deferred Tax Assets (net)					
	(v)	Other Non-Current Assets			**13802,64,489**		**15284,21,841**
2		**Current Assets**					
	(i)	Inventories	5	**2151,81,210**		3496,65,367	
	(ii)	Financial Assets:					
		a) Trade Receivables	6	**9868,53,534**		9149,92,077	
		b) Cash and Cash equivalents	7	**384,84,203**		2697,37,944	
		c) Bank balances other than (b) above	8	**2198,24,920**		126,56,696	
		d) Loans	9	**1753,79,282**		1036,09,809	
		e) Others	10	**1382,57,454**		6900,11,180	
	(iii)	Current Tax Assets					
	(iv)	Other Current Assets	11	**3964,56,414**	**21704,37,017**	213,22,793	23619,95,866
		Total Assets			**35507,01,506**		38904,17,707
		EQUITY AND LIABILITIES :					
1		**Equity**					
		a) Equity Share Capital	12	**40225,00,000**		40225,00,000	
		b) Other Equity	13	**(240277,18,189)**	**(200052,18,189)**	(210612,26,878)	**(170387,26,878)**
2		Liabilities :					
	(i)	Non-current Liabilities					
		a) Finacial Liabilities					
		i) Other		**-**		-	
		b) Provisions	14	**2280,75,580**		3233,02,659	
		c) Other non Current Liabilities		**-**	**2280,75,580**	-	**3233,02,659**
	(ii)	Current Liabilities					
		a) Finacial Liabilities					
		i) Borrowings	15	**163732,61,144**		154329,41,765	
		ii) Trade Payables:-	16				
		a.) Total outstanding dues of Micro Enterprises and Small Enterprises		**-**		-	
		b.)Total outstanding dues of Creditor other than Micro Enterprises and Small Enterprises		**57479,13,463**		31991,78,705	
		iii) Other	17	**8112,53,112**		15934,88,778	
		b) Provisions	18	**21,81,115**		1142,86,130	
		c) Other Current Liabilities	19	**3932,35,281**	**233278,44,115**	2659,46,548	206058,41,926
		Total Equity & Liabilities			**305507,01,506**		**38904,17,707**

This is the Balance Sheet referred to in our report of even date. Significant Accounting Policies in Note no. 1 and notes refered to above form an integral part of these Financial Statements.

As per our report of even date attached

For M Verma & Associates

Chartered Accountants
Firm Regn No
FRN NO.501433C

Sd/-
Madan Verma
Partner:
Membership No. : 080939
Place: New Delhi
Date : 24 July 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN No. 01023747

Sd/-
Vinod Hejmadi
Director
DIN No. 07346490

Sd/-
C. S. Subbiah
CEO, AASL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. : ACS-16028

Sd/-
Kamal Roul
Chief Financial Officer

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2019

(Amount in Rs.)

	Particulars	Note No	2018-19	2017-18
I	**Revenue**			
1	From Operations	20		
	i) Scheduled Traffic Services		**69193,41,032**	49477,05,031
	ii) Non Schedule Traffic Services		**12460,11,317**	8912,09,223
	iii) Other Operating Revenue		**507,66,565**	2063,75,469
2	Other Income	21	**1466,63,927**	862,82,305
II	**Total Revenue (1+2)**		**83627,82,841**	**61315,72,028**
III	**Expenses**			
	Aircraft Fuel & Oil		**20651,19,161**	12547,89,490
	Other Operating Expense	22	**56672,40,469**	44178,07,159
	Purchase of Stock-in-Trade		**-**	-
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade			-
	Employee benefit expense	23	**14411,18,904**	11614,01,956
	Finance Costs	24	**14872,65,180**	14417,12,713
	Depreciation and amortization expense		**157,03,845**	107,44,105
	Other expenses	25	**6527,21,308**	5584,61,858
IV	**Total Expenses**		**113291,68,867**	**88449,17,281**
V	**(Loss) before exceptional items and tax (II - IV)**		**(29663,86,026)**	(27133,45,253)
VI	Exceptional Items	26	**-**	-
VII	Profit before tax (VII - VIII)		**(29663,86,026)**	(27133,45,253)
VIII	Tax expense:			
IX	(Loss) for the year after tax (VII-VIII)		**(29663,86,026)**	(27133,45,253)
X	Other Comperhensive Income			
	Actuarial Gain / (Loss) on Post Retirement Benefit Plans		**7,20,115**	40,91,151
XI	Total Comprehensive Income		**(29656,65,911)**	(27092,54,102)
XII	Earning per equity share:	27		
	(1) Basic		**(73.73)**	(67.35)
	(2) Diluted		**(73.73)**	(67.35)

Significant Accounting Policies in Note no. 1 and notes refered to above form an integral part of these Financial Statements.

As per our report of even date attached

For M Verma & Associates

Chartered Accountants
Firm Regn No
FRN NO.501433C

Sd/-
Madan Verma
Partner:
Membership No. : 080939
Place: New Delhi
Date : 24 July 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN No. 01023747

Sd/-
Vinod Hejmadi
Director
DIN No. 07346490

Sd/-
C. S. Subbiah
CEO, AASL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. : ACS-16028

Sd/-
Kamal Roul
Chief Financial Officer

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

(Amount in Rs.)

A. Equity Share Capital	As at 31.03.2019		As at 31.03.2018	
	No. of Share	Amount	No. of Share	Amount
Balance at the beginning of the reporting period	**402,25,000**	**4022500000**	402,25,000	4022500000
Changes in equity share capital during the year				
Add:	**0**	**0**	0	0
Less:	**0**	**0**	0	0
Balance at the end of reporting period	**402,25,000**	**4022500000**	402,25,000	4022500000
B. Other Equity	**Capital Reserve**	**Retained Earnings**	**Other Comprehensive Income**	**Total**
Balance as at 31.03.2018	**Nil**	**(209827,84,501)**		(209827,84,501)
Prior Period Adjustments		**(784,42,377)**		(784,42,377)
Restated Balances as on 31.03.2018	**Nil**	**(210612,26,878)**	-	(210612,26,878)
To/From Profit for the year		**(29663,86,026)**	7,20,115	(29656,65,911)
Transfer from Reserves			(8,25,400)	
Balance as at 31.03.2019	**Nil**	**(240276,12,904)**	(1,05,285)	(240277,18,189)
Balance as at 01.04.2017	**Nil**	**(183451,44,417)**		(183451,44,417)
Prior Period Adjustments		**-**		-
Restated Balances as on 01.04.2017	**Nil**	**(183451,44,417)**		(183451,44,417)
To/From Profit for the year		**(26376,40,084)**	40,91,151	(26335,48,933)
Balance as at 31.03.2018	**Nil**	**(209827,84,501)**	**40,91,151**	**(209786,93,350)**

As per our report of even date attached

For M Verma & Associates

Chartered Accountants
Firm Regn No
FRN NO.501433C

Sd/-
Madan Verma
Partner:
Membership No. : 080939
Place: New Delhi
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C. S. Subbiah
CEO, AASL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. : ACS-16028

Sd/-
Kamal Roul
Chief Financial Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

(Amount in Rs.)

	Amount in Rs. 2018-2019			Amount in Rs. 2017-2018		
A. **CASH FLOW FROM OPERATING ACTIVITIES**						
a) Profit/(Loss) before tax for the year as per Profit & Loss A/C		(29656,65,911)			(27092,54,102)	
b) Add:- Adjustment for :						
1 Depreciation and amortisation expenses	157,03,845			107,44,105		
2 Provisions / Un-claimed Liabilities Written Back	(529,63,148)			(235,10,833)		
3 Bad Debt Prov.	803,66,628					
4 Interest Paid	16098,12,519			14961,38,640		
5 Transfer from Reserve	(8,25,400)					
6 Interest Earned	(937,00,779)			(627,71,472)		
7 Provision for obsolescence of spares	(199,43,630)			(1249,89,141)		
8 Loss or Gain on Assets held for disposal				11,67,619		
		15384,50,036			12967,78,917	
c) Operating Profit/(Loss) before Changes in working capital:		(14272,15,875)			(14124,75,185)	
ADD: Adjustments for (increase) / decrease in operating assets:						
Other non-current assets						
Inventories	1544,27,787			(605,19,164)		
Trade receivables	(1522,28,084)			1313,21,133		
Loans	(717,69,474)			(572,23,441)		
Others	5517,53,725			685,58,705		
Other current assets	(3751,33,622)			331,65,630		
Income Tax Assets (net)	(183,59,442)			(378,22,085)		
ADD: Adjustments for increase / (decrease) in operating liabilities:						
Trade payables	26016,97,907			10521,47,747		
Other current liabilities	(7822,35,666)			10228,58,488		
Short-term borrowing	9403,19,380			16096,14,366		
Short-term provisions	(1121,05,015)			634,71,152		
Other current liabilities	1272,88,733			530,72,263		
Long-term provisions	(952,27,079)			319,50,422		
d) Cash generated from operations		27684,29,150			39105,95,215	
A. e) Net Cash from Operating Activities			13412,13,274			24305,26,937
B. **CASH FLOW FROM INVESTING ACTIVITES**						
a) Purchase of Fixed Assets	(357,06,682)			(470,53,430)		
b) Addition in SBLC	1865,19,633			(7428,60,121)		
c) Interest Income	937,00,779			627,71,472		
D) Sale of fixed Asset						
			2445,13,730			(7271,42,079)
C. **CASH FLOW FROM FINANCING ACTIVITES**						
a)Conversion of Current Liability into Equity						
b) Interest Paid	(16098,12,519)		(16098,12,519)	(14353,73,905)		(14353,73,905)
D. **NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)**			(240,85,515)			2680,10,953
E. **CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR**			2823,94,640			143,83,688
F. **CASH & CASH EQUIVALENTS AT THE END OF THE YEAR (E + D)**			2583,09,123			2823,94,640

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 Amount have been regrouped /rearranged whereever necessary

AUDIT REPORT : This is the Cash Flow Statement referred to in our audit report of even date

As per our report of even date attached

For M Verma & Associates

Chartered Accountants
Firm Regn No
FRN NO.501433C

Sd/-
Madan Verma
Partner:
Membership No. : 080939
Place: New Delhi
Date : 24 July 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN No. 01023747

Sd/-
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Director
DIN No. 07346490

Sd/-
C. S. Subbiah
CEO, AASL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. : ACS-16028

Sd/-
Kamal Roul
Chief Financial Officer

Note-1:

Accounting Policies forming part of the IND AS Financial Statements of Airline Allied Services Ltd for the year ended 31 March 2019

(Rupees in millions except otherwise stated)

Company Information / Overview:

Background :

Airline Allied Services Limited, (a Government of India Company) is a wholly owned subsidiary of Air India Limited incorporated in India, registered under the Companies Act, 1956. The company provides domestic air transport services. The company is in the business of air transportation which includes mainly passenger and cargo services and other related services. The Company mainly operates between Tier-2 and Tier-3 cities in India. As at year end, the Company has a fleet of Eighteen ATR 72-600 aircrafts and two ATR 42-320 aircrafts. The registered office of the company is situated at Alliance Bhawan, Domestic Terminal-1, I.G.I. Airport, New Delhi – 110 037.

2. Basis of preparation of Financial Statements:

(i) Statement of Compliance:

The Financial Statements of the company for the year ended 31st March 2019 have been prepared in accordance with Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued thereunder pursuant to the notification issued by Ministry of Corporate Affairs dated 16 February 2015, in conjunction with notifying the Companies (Indian Accounting Standards) Rules, 2015 relevant provisions of the Act and other accounting principles generally accepted in India.

These financial statements are prepared in accordance with Ind AS, as notified under the Companies Act 2013. Details of exemptions and exceptions availed by the company in preparing the first financial statement is given in Note No. 28.

(ii) Basis of measurement:

The financial statements have been prepared under the historical cost convention on accrual basis except for certain financial assets and liabilities which are measured at fair value or amortized cost at the end of each financial year.

(iii) Critical accounting estimates / judgments:

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, the actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates where necessary are recognized prospectively.

Significant areas of estimation and judgments (as stated in the respective Accounting Policies) that have the most significant effect on the Financial Statements are as follows:

a) Impairment of Assets

b) Measurement of useful life and residual values of property, plant and equipment and the assessment as to which components of the cost may be capitalized

c) Basis of classification of a Property as Investment Property

d) Basis of classification of Non-Current Assets held for sale

e) Estimation of Costs of Re-delivery

f) Recognition of Deferred Tax Assets

g) Recognition and measurement of defined benefit obligations

h) Judgment required to ascertain lease classification

i) Measurement of Fair Values and Expected Credit Loss (ECL)

j) Judgment is required to ascertain whether it is probable or not that an outflow of resources embodying economic benefits will be required to settle the taxation disputes and legal claim.

(iv) Functional Currency :

The stand-alone financial statements are presented in Indian Rupees (INR) which is Company's presentation and functional currency and all values are rounded to the nearest Million (up to two decimals) except when otherwise indicated.

(v) Operating cycle & Classification of Current & Non Current :

Presentation of assets and liabilities in the financial statement has been made based on current / non-current classification provided under the Company Act 2013.The Company being in service sector, there is no specific operating cycle; however, 12 months period has been adopted as "the Operating Cycle" in-terms of the provisions of Schedule III to the Companies Act 2013. Accordingly, current liabilities and current assets include the current portion of non-current financial liabilities and assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening Ind AS Balance Sheet as at 1 April 2018 for the purposes of the transition to Ind AS.

i.) Property, Plant and Equipment

a. Property, plant and equipment are carrying at deemed cost from the date of transition and thereafter added to all cost of acquisitions / constructions including incidental costs incurred pertaining to the acquisition and bringing them to the location for use and interest on loans borrowed where ever applicable, up to the date of putting the concerned asset to its working condition for its intended use.

b. Assets under leases, in respect of which substantially all the risks and rewards of ownership are transferred to the Company, are considered as 'Finance Leases' and are capitalized. However, Company is operating Aircrafts, taken on operating lease under

Dry Lease arrangement.

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

II. Depreciation / Amortization

a.) Depreciation is provided on straight-line method over the useful life of the Property, Plant and Equipment as prescribed in the Schedule II of the Companies Act 2013 (except as otherwise stated), keeping a residual value of 5% of the original cost. . Depreciation method, useful lives and residual value are reviewed by the management at each year end.

b.) In the case where life of the Plant, Property and Equipment has not been prescribed under Schedule II of the Companies Act, 2013 the same have been determined by technically qualified persons and approved by the Board of Directors, keeping a residual value of 5% of the original cost as stated hereunder:

1. Rotables:

Aircraft Rotables are depreciated over the residual average useful life of the related 'aircraft fleet' from the relevant year of purchase.

2. Ground Support Equipment (GSE):

Depreciation on Ground Support Equipment 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.

c) In respect of operating leases of aircraft/engines in which the company acquires, a residual right in the aircraft by paying a termination/release sum, such amount is treated as PPE and amortized over the remaining useful life of the aircraft/engines determined by flying hours.

d) Major overhaul costs relating to engine and airframe are identified as separate components for owned aircrafts and aircrafts under finance lease and are depreciated over the expected lives between major overhauls.

e) Cost incurred on major modifications/refurbishment, modernization/conversion carried to owned and leased assets are depreciated over the useful life/period of lease of the asset.

f) Leasehold property, plant and equipment :

Leasehold Property, plant and equipment (including land other than perpetual lease) is amortized over the period of lease.

III Non- Current Assets held for Sale

Assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale in its present condition rather than through continuing use. The net book value of such assets, are transferred from the block of fixed assets to “Assets held for Sale” at lower of the carrying value or Fair Value less cost to sell. No depreciation is provided, once the asset is transferred to Assets Held for Sale.

IV. Intangible Assets

Intangible assets are recorded at cost of acquisition including incidental costs related to acquisition and installation and are carried at cost less accumulated amortization and impairment losses, if any.

Intangible assets which have finite useful lives are amortized on straight line method over the estimated useful life, which is reviewed by the management every year i.e.

a) Software of Passenger Services System, over 10 years, and
b) Other software/website, over 5 years.

V. Leases

i.) Finance Lease:

- A lease is classified as finance lease or operating lease at the inception date. Leases of property, plant and equipment, that transfer to the Company, substantially all of the risks and rewards of ownership, are classified as finance lease.
- Assets held under finance lease are initially capitalized at the fair value at the inception of lease or at the present value of the minimum lease payments whichever is lower.
- Minimum lease payments made under finance lease are apportioned between the finance costs and the reduction of the outstanding liability treated as loan. The finance cost is allocated to each period during the lease term. However, if they are directly attributable to qualifying assets, then they are capitalized in accordance with the company’s general policy on borrowing cost.

ii.) Operating Lease:

- Leases where the Lessor effectively retains substantially all the risks and rewards of ownership of the leased assets are classified as Operating Lease.
- Lease payments in respect of assets taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the period of the lease unless the payment are structured to increase in line with the expected general inflation to compensate the lessor expected in inflationary cost increases. Any change in the lease term is accounted prospectively over the remaining term of lease.
- Contributions made to lessors on account of Maintenance Reserve for which maintenance is expected to arise during the lease period is treated as Expense.

- The Company has in its fleet of aircrafts on operating lease. As contractually agreed under the lease contracts, the aircraft have to be redelivered to the lessors at the end of the lease term under stipulated contractual return conditions. The redelivery costs are estimated by management based on historical trends and data, and are charged to Statement of Profit & Loss in proportion to the expired lease period. These are recorded at the discounted value, where effect of the time value of money is material.

VI. Inventories:

1.) Inventories primarily (include) consists of stores and spares and loose tools (other than those which meet the criteria of property, plant and equipment) & ATF. Cost of inventories comprise all costs of purchase after deducting non refundable rebates and discounts and all other costs incurred in bringing the inventories to their present location and condition and is determined on weighted average basis.

2.) Inventories are valued at lower of cost and Net Realizable Value (‘NRV’). NRV for stores and spares, loose tools and fuel used in rendering of services are not written down below cost except in cases where the price of such materials have declined and it is estimated that the cost of rendering of services will exceed their selling price.

3.) Expendable / consumables are charged off in case of initial issue, except issued for capital works which are expensed off when the work order is closed on the completion of repair work.

4.) Obsolescence provision for aircraft stores and spare parts:

i. Provision is made for the non-moving inventory exceeding a period of five years (net realizable value of 5%) except for (ii) & (iii) below and netted off from the value of inventory.

ii. Inventory of Aircraft Fleet which has been phased out, is shown at estimated realizable value unless the same can be used in other Aircraft.

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

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

6.) Spares retrieved from the cannibalization of the scrapped aircraft are accounted for at Rupee One.

VII. Impairment of Non Financial Assets:

The Company assesses at each Balance Sheet date whether there is any indication that carrying amount of its non- financial asset has been impaired. If any such indication exists, the provision for impairment is made in accordance with Ind AS-36.

VIII. Government Grants:

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that become receivable as compensation for expenses or losses incurred in a previous period are recognized in profit or loss of the period in which it becomes receivable.

Government grants related to assets are presented in the balance sheet as deferred income and are recognized in profit or loss on a systematic basis over the expected useful life of the related assets.

IX. Revenue Recognition

Effective April 01, 2018, the company has adopted Ind AS 115 Revenue from Contracts with customers under the cumulative effect method and therefore the comparatives have not been retrospectively adjusted. The Standard is applied to contracts that remain in force as at April 01, 2018. The application of the standard does not have any significant Impact on the retained earnings as at April 01, 2018 or on these financial statements.

Revenues are recognized when the company transfers control over a product or service to a customer

Revenue is measured at the transaction price of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of rebate, Trade allowances, GST and VAT etc. Any retrospective revision in prices is accounted for in the year of such revision.

In the comparative period, Revenue was measured at the fair value of the consideration received or receivable

Revenue from Operation:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recorded when the recovery of consideration is probable and determinable.

a) Passenger, Cargo and Mail Revenue are recognized at initial stage when transportation service is provided.

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

c) Income from Interest is recognized using the effective interest method on a time proportion basis. Income from Rentals is recognized on a time proportion basis.

d) The claims receivable from Insurance Company are accounted for on the acceptance by the Insurance Company of such claims.

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

f) Other Operating Revenue is recognized when goods are delivered or services are rendered.

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

h) Viability Gap Funding (VGF) and Regional Connectivity Scheme (RCS) are accounted for on the basis of difference between revenue and cost of operations on accrual basis and the same is treated as Operating Income.

i) Other Items :

   i) Scrap sales, reimbursement from employees availing medical, educational and other leave without pay, claims of interest from suppliers, other staff claims and lost baggage claims, are recognized on cash basis.

   ii) Liability for amounts payable towards IATA dues, liabilities for expenses are recognized to the extent of claims/ invoices received.

X. Manufacturer's Credit (Cash & Non Cash Incentives):

Manufacturer's/Lessors' credit entitlements are accounted for on accrual basis and credited to 'Incidental Revenue' by contra debit to 'Advances'; when the credit entitlement are used, the 'advances' are adjusted against the liability created for either acquiring an asset or incurring an expenditure.

XI. Borrowing Cost:

- Borrowing cost that are directly attributable to acquisition, construction of qualifying assets including capital work–in-progress are capitalized, as part of the cost of assets, up to the date of commencement of commercial use of the assets.
- Interest incurred on borrowed funds or other temporary borrowings in anticipation of the receipt of long term borrowings that are used for acquisition of qualifying assets exceeding the value of Rs.10.0 million is capitalized at the weighted average borrowing rate on loans outstanding at the time of acquisition.

XII. Foreign Currency Transactions:

The management has determined the currency of the primary economic environment in which the company operates i.e. functional currency, to be Indian Rupees (Rs). The financial statements are presented in Indian Rupees, which is company's functional and presentation currency.

a) Foreign Currency Monetary Items

i) Foreign currency Revenue and Expenditure transactions relating to Foreign Stations are recorded at established monthly rates (based on published IATA rates). Interline settlement with Airlines for transportation is carried out at the exchange rate published by IATA for respective month.

ii) Foreign currency monetary items are translated using the exchange rate circulated by Foreign Exchange Dealers Association of India (FEDAI). Gains/ (losses) arising on account of realisation/settlement of foreign exchange transactions and on translation of monetary foreign currency assets and liabilities are recognised in the Statement of Profit and Loss.

iii) In respect of long term foreign currency monetary items originating before 1st April, 2016, the effect of exchange differences arising on settlement or reporting of long term monetary items at the rates different from those at which they were initially recorded during the period, or reported in previous financial statements, is accounted as addition or deduction to the cost of the assets so far as it relates to acquisition of depreciable capital assets and is depreciated over the balance useful life of the concerned asset and in other cases such difference is accumulated by transfer to "Foreign Currency Monetary Items Translation Difference Account" to be amortized over the balance period of such long term Assets or Liability.

b) Exchange variation is not considered at the year-end in respect of Debts and Loans & Advances for which doubtful provision exists since they are not expected to be realized.

XIII. Employee Benefits:

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

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

b) **Defined Benefit Plans**, which are not funded, consist of Gratuity & Leave Encashment. The liability for these benefits except for (c) below is actuarially determined under the Projected Unit Credit Method at the yearend as per Indian Laws.

The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Re-measurements gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in Other Comprehensive Income. They are included in "Other Equity" in the Statement of Changes in Equity and in the Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from settlement or curtailments are recognized immediately in Statement of Profit and Loss as past service cost.

c) **Other Long-Term Employee Benefits** : Benefits in the form of Leave Encashment are accounted as other long-term employee benefits. The Company's net obligation in respect of Leave Encashment is the amount of benefit to be settled in future, that employees have earned in return for their service in the current and previous years. The benefit is discounted to determine its present value. The obligation is measured on the basis of an actuarial valuation using the projected unit credit method. Re-measurement are recognised in Statement of Profit and Loss in the period in which they arise

XIV. Taxes on Income:

(i) Current Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductable temporary differences to the extent that is probable that future taxable profits will be available against which they can be used. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply to the period when the assets are realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

XV. Provisions, Contingent Liabilities / Capital Commitments & Contingent Assets:

a) Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation (legal or constructive)as a result of past events and it is probable that there will be an outflow of resources. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. The expense relating to a provision is presented in the statement of profit and loss.

b) Contingent liabilities are disclosed by way of a note in respect of possible obligations that may arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

c) Contingent Assets are neither recognized nor disclosed in the financial statements.

XVI. Cash and Cash Equivalents:

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

XVII. Earnings per Share:

The Company presents basic and diluted earnings/ (loss) per share (EPS) data for its equity shares. Basic earnings per equity share are computed by dividing the net profit after tax attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing adjusted net profit after tax by the aggregate of weighted average number of equity shares and dilutive potential equity shares during the year.

XVIII. Fair Value Measurement :

The Company measures financial instruments and specific investments (other than subsidiary, joint venture and associates), at fair value at each balance sheet date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as below, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the balance sheet on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

XIX. Financial Instruments :

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

(i) Classification

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through Statement of Profit and Loss on the basis of its business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

(ii) Initial recognition and measurement

All financial assets are recognized initially at fair value plus, in the case of financial assets not re-corded at fair value through Statement of Profit and Loss, transaction costs that are an attributable to the acquisition of the financial asset.

(iii) Subsequent measurement

For purposes of subsequent measurement financial assets are classified in below categories:

a. **Financial assets carried at amortized cost**
A financial asset other than derivatives and specific investments, is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. **Financial assets at fair value through other comprehensive income**
A financial asset comprising specific investment is subsequently measured at fair val-ue through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model.

c. **Financial assets at fair value through Statement of Profit and Loss**

A financial asset comprising derivatives which is not classified in any of the above categories are subsequently fair valued through profit or loss.

(iv) De-recognition

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset

(v) Impairment of other financial assets

The Company assesses impairment based on expected credit losses (ECL) model for measurement and recognition of impairment loss on the financial assets that are trade receivables or contract revenue receivables and all lease receivables etc.

(vi) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counter party does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off, could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

b. Financial Liabilities

(i) **Initial recognition and measurement**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

(ii) **Classification**

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through Statement of Profit and Loss. Such liabilities, including derivatives shall be subsequently measured at fair value.

(iii) **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below.

a.) **Financial liabilities at amortized cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in Statement of Profit and Loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in The Statement of Profit and Loss.

b.) Financial liabilities at fair value through Statement of Profit and Loss

Financial liabilities at fair value through Statement of Profit and Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Statement of Profit and Loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category comprises derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the Statement of Profit and Loss.

(iv) **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

(v) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to sale on a net basis, to realize the assets and sale the liabilities simultaneously

(XX) MATERIALITY THRESHHOLD LIMITS:

The Company has adopted following materiality thresh hold limits in the classification of expenses/ incomes and disclosure:

Thresh hold Items	Unit	Thresh hold Value
Prior Period Expenditure/Revenue	Million	
Prepaid Expense		
Foreign Stations	Million	00.05
Domestic Stations	Million	00.01
Contingent Liability & Capital	Million	00.10
Fair Valuation of Financial Instruments	Million	50.00

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2019

Note No. 2

PLANT, PROPERTY & EQUIPMENT FY 2018-19

Amount in Rs.

PARTICULARS OF ASSETS	Useful Life as per Schedule II	GROSS BLOCK AS ON 31.03.2018	ADDI-TIONS DURING 2018-19	GROSS BLOCK AS ON 31.03.2019	Accumu-lated Dep. UP TO 01.04.2018	DEPRE-CIATION FOR THE YEAR 2018-19	CUMULA-TIVE DEPRE-CIATION AS ON 31.03.2019	NET BLOCK AS ON 31.03.2019	NET BLOCK AS ON 31.03.2018
		1	2	3	4	5	6	**7**	8
PLANT & EQUIP-MENT	15 Years	3844498	5393238	9237737	1582593	888679	2471272	**6766464**	2261906
FURNITURE & FIXTURES	10 years	6120530	394838	6515368	1752680	446234	2198914	**4316454**	4367848
VEHICLE	8 Years	3665252	0	3665252	2110193	214247	2324439	**1340813**	1555059
DATA PROCESS-ING EQUIPMENT	3 Years	10569494	4510397	15079891	3260534	3431937	6692471	**8387420**	7308959
GROUND SUPPORT EQUIPMENT(ATR)	(as per policy)	8174949	0	8174949	8174949	0	8174949	**0**	0
MEDICAL EQUIP-MENT	15 Years	19237	0	19237	0	0	0	**19237**	19237
AIRFRAME RO-TABLES	Based on Lease Period	132826076	25408209	158234285	72228372	10576356	82804728	**75429556**	60597704
AERO ENGINE ROTABLES	Based on Lease Period	1464133	0	1464133	139173	146392	285565	**1178568**	1324960
TOTAL		166684169	35706682	202390852	89248494	15703845	104952338	**97438512**	77435673

Note No.-3 Non-Current Financial Assets

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Advance to Vendor -Stores	**306,24,585**	-
Provision for Dobtfull Debts	**(306,24,585)**	-
Deposits (Maturity more than 12 months) (includes FDR under lien)	**10937,74,522**	12802,94,155
Total	**10937,74,522**	**12802,94,155**

NOTE NO.- 4 INCOME TAX ASSETS

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Advance Payment of Income Tax and TDS	**1863,06,948**	1142,82,528
Provision for taxation	**(164,40,335)**	(211,14,935)
<u>Balances with Statutory / Govt Authorities</u>		
Income Tax Deducted At Source	**191,84,842**	775,24,420
Total	**1890,51,455**	1706,92,013

NOTE NO.- 5 INVENTORIES

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Stores and Spare Parts	**3220,17,389**	5018,05,794
Loose Tools	**19,28,528**	2,39,564
Goods in Transit	**20,66,856**	18,47,061
Less: Allowance for Obsolescence & Shortages	**(1108,31,563)**	(1542,27,052)
Total	**2151,81,210**	**3496,65,367**

NOTE NO.- 6 TRADE RECEIVABLES

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Secured, considered good	**-**	-
Unsecured, considered good	**9868,53,534**	9149,92,077
Trade Receivable which have significant increase in Credit Risk	**-**	-
Trade Receivable- Credit Impaired	**502,00,151**	27,31,196
Less: Impairment Allowance for doubtful receivables	**(502,00,151)**	(27,31,196)
Total	**9868,53,534**	**9149,92,077**

NOTE NO.- 7 Cash and Cash Equivalents

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Balance with Banks		
In Current Accounts	**384,84,012**	2668,48,382
Cash on hand	**191**	28,89,562
Total	**384,84,203**	**2697,37,944**

NOTE NO.- 8 Bank Balances other than Cash Equivalents

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Balance with Banks		
In Margin Money Deposits (3 < Maturity < 12)	**2198,24,920**	126,56,696
Total	**2198,24,920**	**126,56,696**

NOTE NO.- 9 Current Loans

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Unsecured, Considered Goods		
Security Deposits	**1753,79,282**	1036,09,809
Advances/Imprest to Employee	**-**	-
Total	**1753,79,282**	**1036,09,809**

NOTE NO.- 10 Other Financial Assets

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Advances to Parties & Staff	**1382,57,454**	6900,11,180
Recoverable from Staff	**54,52,414**	54,52,414
Allowance for Doubtful Staff Advances	**(54,52,414)**	(54,52,414)
Total	**1382,57,454**	**6900,11,180**

NOTE NO.- 11 Other Current Assets

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Prepaid Expenses	**103,77,098**	190,49,705
Receivable from Related Parties	**622,74,547**	-
Indirect taxes recoverable	**3238,04,769**	-
Security Deposits	**-**	22,73,088
	3964,56,414	**213,22,793**

NOTE NO.- 12 EQUITY

Particulars	As at March 31, 2019	As at March 31, 2018
Authorised Share Capital		
500,00,000 Equity Shares of Rs.100/- each (Previous Year 500,00,000 Equity Shares of Rs. 100/- each)	**2000,00,00,000**	2000,00,00,000
	2000,00,00,000	**2000,00,00,000**
Issued, Subscribed & fully Paid up Share Capital 402,25,000 Equity Shares of Rs.100/- each, fully paid-up (Previous Year 402,25,000 Equity Shares of Rs. 100/- each)	**40225,00,000**	40225,00,000
	40225,00,000	**40225,00,000**

2 (a) Reconciliation of no. of shares	As at March 31st, 2019	As at March 31st, 2018
No. of equity shares at the beginning of year	**402,25,000**	402,25,000
Add No. of equity shares issued		-
Less No. of equity shares redeemed		-
No. of equity shares at the closing of the year	**402,25,000**	402,25,000

12 (b) Equity Shares: 2,25,000 Equity Shares (Previous Year 2,25,000 Equity Shares) are held by Air India Limited, the holding company and it's nominees (on behalf of holding company)

12 (c) Equity Shares held by its Holding Company

402,25,000 Equity Shares (Previous Year 4,02,25,000 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. Each equity share holder is entitiled to one vote per share.

12 (d) Details of shareholder holding more than 5% of Equity Shares:

Name of Shareholder	As at March 31, 2019	As at March 31, 2018
Air India Limited, Holding Company and its nominees (on behalf of holding company)	**402,25,000**	402,25,000
No. of Share	**402,25,000**	402,25,000
Percentage of Holding	**100%**	100%

NOTE NO.-13 OTHER EQUITY

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Surplus /(Deficit) in statement of profit & loss		
Opening balance	**(210612,26,878)**	(183451,44,417)
Add:Profit / (Loss) for the year	**(29663,86,026)**	(2,6376,40,084)
Less: Depreciation adjustment		
Add: Prior Period Adjustments		(2169,07,070)
Less: Prior period Adjustments		1384,64,693
Transfer from Reserve	**8,25,400**	
Closing balance	**(240284,38,304)**	(210612,26,878)

2. Other Comprehensive Income

Opening balance		
Add: For the Year	**7,20,115**	
Closing balance	**7,20,115**	-
Total	**(240277,18,189)**	**(210612,26,878)**

NOTE NO.- 14 NON CURRENT PROVISION

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Provision for Gratuity	**411,88,291**	324,29,798
Provision for Leave Enchashment	**219,68,685**	156,24,250
Provision for Re-delivery of Aircraft	**1649,18,604**	2752,48,611
Total	**2280,75,580**	**3233,02,659**

NOTE NO.-15 CURRENT BORROWINGS

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Air India Ltd. (Holding Company)	**163732,61,144**	154329,41,765
	163732,61,144	**154329,41,765**

NOTE NO.-16 TRADE PAYABLES

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Provision for Expenses	**12705,68,151**	10897,91,460
Vendor India	**25599,09,958**	12372,13,619
Vendor Outside India	**8553,80,085**	4226,44,054
Related Party- Payable	**9112,25,576**	4040,32,510
Supplier-MRO-RAMCO	**1508,29,693**	454,97,061
Total	**57479,13,463**	**31991,78,705**

NOTE NO.- 17 OTHER CURRENT FINANCIAL LIABILITIES

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Earnest Money Deposit	**12,00,000**	97,90,001
Security Deposits	**3101,44,724**	3072,84,723
Others	**4999,08,388**	12764,14,054
Total	**8112,53,112**	**15934,88,778**

NOTE NO.- 18 CURRENT PROVISIONS

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Provision for Gratuity Liability	**13,90,076**	55,60,433
Provision for Leave Enchashment	**7,91,039**	4,88,544
Provision for Re-delivery	**-**	1082,37,153
Total	**21,81,115**	**1142,86,130**

NOTE NO.- 19 OTHER CURRENT LIABILITIES

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Advance from Suppliers	**2644,98,055**	2313,46,985
Indirect taxes payable and other statutory liabilities	**1287,37,226**	345,99,563
Total	**3932,35,281**	**2659,46,548**

NOTE NO.- 20 Revenue From Operations

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Operational Revenue		
i) Scheduled Traffic Services		
a) Passenger	**69159,88,203**	49427,93,462
b) Excess Baggage	**4,88,432**	15,13,906
c) Mail	**42,552**	15,238
d) Cargo	**28,21,845**	33,82,425
	69193,41,032	49477,05,031
Less- Related to Previous Year	**-**	-
	69193,41,032	49477,05,031
ii) Non-Schedule Traffic Services		
a) Charter	**205,83,626**	25,01,250
b) Subsidy for Operation from Government	**12254,27,691**	8887,07,973
	12460,11,317	8912,09,223
iii) Other Operating Revenue		
Handling Servicing and Incidental Revenue	**507,66,565**	2063,75,469
	507,66,565	2063,75,469
Total	**82161,18,914**	**60452,89,723**

NOTE NO.- 21 Other Income

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Interest Income from		
i). Bank Interest		
Interest on Call & Fixed Deposit-India	**937,00,779**	627,71,472
ii). Others		
Interest on Other Sundry Accounts	**-**	-
2. Profit on Sale of Fixed Asset (Net)		
Loss or Gain on Assets held for disposal	**-**	-
Provisions No Longer Required	**529,63,148**	235,10,833
Other miscellaneous Income	**0**	0
Total	**1466,63,927**	**862,82,305**

NOTE NO- 22 Other Operating Expense

(Amount in Rs.)

Particulars		As at March 31, 2019	As atMarch 31, 2018
i)	Aircraft Lease, Handling & Maintenance charges		
	Lease	**21224,95,103**	18041,54,432
	Handling	**3999,07,327**	2288,72,452
	Maintenance	**21084,89,290**	16718,50,379
		46308,91,720	37048,77,262
ii)	Navigation, Landing, Housing & Parking		
	Landing Fees - Scheduled & Other Ops	**251,36,955**	417,24,182
	Housing & Parking Fees	**103,27,967**	90,90,867
	Flight Comm & Navigation Charges	**2242,84,948**	1790,43,780
		2597,49,871	2298,58,829
iii)	Other Communication Charges		
	Telephone Equipment Rental	**68,250**	2,00,113
	Expenses on Reservation System	**4001,30,738**	2462,45,293
	Postage Telegram & Courier Charges	**1,26,974**	73,753
	Telephone & Trunk Call Charges	**14,04,036**	12,65,406
		4017,29,998	2477,84,565
iv)	Passenger Amenities		
	Inflight & Hotel Consumables Consumption	**-**	-
	Pax Amenities - Catering On Ground	**221,47,665**	153,81,915
	Pax Amenities - Catering On Board	**1092,18,490**	874,91,053
	Pax Amenities - Hotel Expenses	**17,54,776**	1,460
	Pax Amenities - Inflight Programme	**-**	-
	Pax. Call center Charges	**250,47,704**	
	Pax Amenities - News Paper & Magazines	**10,66,324**	6,24,732
		1592,34,959	1034,99,161
v)	Insurance		
	Insurance - Aircraft	**380,67,112**	239,72,654
	Insurance General	**22,384**	23,756
		380,89,496	239,96,410
vi)	Inventory Consumption		
	Material Consumed-Aircraft	**327,84,952**	1231,07,336
	Provision for Obsolescence (Net)	**(199,43,630)**	(1249,89,141)
		128,41,322	(18,81,805)
vii)	Booking Agency Commision (Net)		
	Commison on Ticket sale	**1647,03,103**	1096,72,738
		1647,03,103	1096,72,738
	Total	**56672,40,469**	**44178,07,159**

NOTE NO.- 23 EMPLOYEE BENEFIT EXPENSES

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
1. Salary, Wages and Bonus		
Salaries - Staff In India	**7247,35,144**	6986,00,025
Bonus Expense	**48,84,725**	46,17,884
	7296,19,869	7032,17,909
2. Crew Allowances		
Hourly Payments	**-**	-
Foreign Contract Pilots Fees & Claims	**6526,91,026**	4127,67,301
	6526,91,026	4127,67,301
3. Contribution to Provident and Other Funds		
CC Provident Fund-Staff in India	**104,05,656**	85,33,007
	104,05,656	85,33,007
4. Staff Welfare Expenses (Net)		
Other Staff Welfare Expenses	**310,60,373**	90,29,268
Staff Training Expenses	**38,60,304**	155,15,404
	349,20,677	245,44,672
5. Gratuity	**79,81,063**	119,31,392
6. Leave Enchashment	**55,00,613**	4,07,675
Total	**14411,18,904**	**11614,01,956**

NOTE NO.-24 FINANCE COSTS

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
(i) Interest on Loans:		
Interest on AI Loan (Holding Company)	**13826,46,876**	13407,06,606
Bank Charges	**258,10,681**	176,53,036
Interest - Others	**788,07,623**	833,53,071
Total	**14872,65,180**	**14417,12,713**

NOTE NO.- 25 OTHER EXPENSES

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Travelling Expenses	**881,92,564**	1529,66,864
Rent	**725,68,272**	264,77,110
Repair Charges	**20,69,502**	210,62,736
Hire of Transport	**424,89,107**	270,77,224
Electricity / Heating & Fuel Charges	**62,25,427**	34,86,367
Water Charges	**5,460**	10,100
Printing and Stationary	**28,75,328**	38,13,401
Publicity and Sales Promotion	**8,05,452**	22,34,794
Legal Charges	**10,58,359**	23,85,360
Audit & Other Fees		
-Audit Fees	**6,50,000**	6,46,000
-Reimbursement of Expenses	**-**	-
Provision for Redelivery & other charges	**1566,17,420**	2199,09,016
Provision for Bad & Doubtful Advances	**803,66,628**	
Exchange Variation (Net)	**324,21,724**	79,52,068
Professional / Consultation Fees & Expenses	**195,96,958**	59,73,619
Fees to DGCA	**36,02,890**	39,70,795
Office Cleaning Expenses	**59,939**	57,71,597
Entertainment Expenses - General	**4,49,606**	2,49,296
Books & Periodicals - Jeppesen / Technical	**137,31,536**	129,04,171
Surplus/Loss on Assets sold or scrapped	**-**	11,67,619
Other Misc. Expenses	**63,87,795**	59,77,794
Delayed Payment Charges to Fuel Companies and other Interest	**1091,74,235**	515,74,983
Interest on delayed payment of TDS	**104,41,134**	26,47,625
Interest on delayed payment of Service Tax/GST	**29,31,972**	2,03,319
Total	**6527,21,308**	**5584,61,858**

NOTE NO.- 26 EXCEPTIONAL ITEM

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
Provision for Inventory Reconciliation (Expenses)	**-**	-
	-	-

NOTE NO.- 27 DISCLOSURE OF EARNING PER SHARE

(Amount in Rs.)

Particulars	As at March 31, 2019	As at March 31, 2018
a) Weighted average number of shares at the beginning of year	**402,25,000**	402,25,000
b) Weighted average number of shares at the end of year	**402,25,000**	402,25,000
c) Net profit after tax available for equity shareholders (Rupees)	**(29656,65,911)**	(27092,54,102)
d) Basic and Diluted Earning Per Share (Rupees)	**(73.73)**	(67.35)
e) Par Value of Share (Rupees)	**100**	100
Total	**(73.73)**	**(67.35)**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF AIRLINE ALLIED SERVICES LTD. FOR THE YEAR ENDED 31 MARCH 2019

28. Contingent Liabilities & Contingent Assets:

A. In compliance of Ind AS 37 on "Provisions, Contingent Liabilities and Contingent Assets", the required information is as under:

Claims against AASL not acknowledged as debts (excluding interest and penalty wherever likely to be applicable) and being contested to the extent ascertainable and quantifiable.

Amount in Rs. Million

Description	Opening Balance As on 01.04.2018	Addition During the Year	Utilization during the Year	Reversals during the Year	Balance As on 31st 2019
Income Tax Demand Notices Received by Company which are under Apeal	41.97	0.51		3.20	39.28
** Other Claims on account of Other contigent Liabilities	1352.77	79.68	4.11	1212.56	215.78
Grand Total	**1394.74**	**80.19**	**4.11**	**1215.76**	**255.06**

B) <u> Explanatory Statement in respect of Other Contingent Liabilities</u>**

Standby Letter of Credits under Aircraft Lease and Maintenance Support Agreement for ATR aircraft operations **Rs. 110.43 Million**

(Based on guarantee given by Air India Ltd. the parent company)

Interest liability on account of delay in foreign remittance calculated at agreed interest rate amounts to **Rs. 23.98 Million** (Rs.10.68 Million**)**

Miscellaneous claim **Rs. 81.37 Million** (Rs. 163.91 Million) includes **Rs 3.55 million** towards invoices against PBH orders and repairs raised by ATR but not accepted by AASL, billing of **Rs.25.50 Million** towards CD cargo by AISATS not accepted, thus not accounted by AASL, unsettled legal claims of **Rs. 14.99 Million** (Rs. 19.10 Million) in respect of ongoing legal cases, and **Rs. 37.33 Million** of bank guarantees issued to AAI for RCS sectors.

No provision has been considered necessary in respect of disputed demand of Income tax amounting **Rs. 39.28 Million** (Rs. 41.97 Million) in view of company's appeals pending with appellate authorities. However, the same is shown above under contingent Liabilities. *(The disputed demands shown* *above are excluding interest on demand).*

29. Prior period

Under Ind As 8, Accounting policy, changes in Accounting Estimates and Errors, is corrected by retrospective restatement. Prior period items amounting to **Rs. 78.44 Millions** (Net) which is recognized in the year 2018-19 has been restated as at 01st April 2018, this restatement has resulted into decrease in retained earnings with corresponding increase/decrease in Asset/Liability by Rs. 78.44 Millions.

30. Commitments:

a. Capital Commitments

Estimated amount of contracts remaining to be executed on Capital Account are given hereunder:

(Rupees in Million)

Particulars	**As at 31 March 2019**	**As at 31 March 2018**
Others	**Nil**	Nil

b. Other Long Term Commitments:

The Company has taken four ATR 72-600 Aircraft, during the year 2018-19 (during the year 2017-18 – six ATR-72-600 Aircraft) on non-cancelable operating lease. Liabilities on account of future minimum lease rentals in respect of leases are as under:

Amount in Rs. Million

Sr. No.	**Particulars**	**As on 31st March 2019**	**As on 31st March 2018**
I	Not later than one year	**3132.46**	3196.72
ii	Later than one year and not later than five years	**11227.49**	12050.51
iii	Later than Five years	**13261.31**	14498.31
	Grand Total	**27621.26**	**29745.54**

**Includes aircraft lease, maintenance/others, GMSA*

However, in case of premature termination, the Lessee is required to pay compensation to the Lessors of the aircraft as per the terms of the agreement, which may differ from Lessor to Lessor; quantum of above is not ascertainable at this stage.

Lease rent expenses, in respect of aircraft taken on operating lease recognized in Statement of Profit & Loss for the year under the head 'Hire of Aircraft' is **Rs 2122.49 Million,** (Previous Year: Rs. 1804.15 Million).

31. Compensation/Credits

Grants Receivable by AASL

i) AASL is operating following sectors under VGF Arrangements with respective Govt. authorities:

Sr. No	VGF Signed With	Sectors
I	North-East Council	North-East
II	UT-Lakshadweep	Agatti
III	UT-Daman & Diu	Diu

ii). MOU executed between the Company and Union Territory of Daman & Diu for providing Air Operation Service on VGF model was valid up to 25.10.2017 . AASL is still providing Air operation services and claiming the VGF amount in terms of MOU valid up to 25.10.2017 and also receiving the payments against the services provided. AASL request dated 16.1.2019 for the extension of MOU for the years 2017-18 & 2018-19 to Union Territory of Daman & Diu and Dadar Nagar Havelli is in the process of execution.

32. Physical Verification & Reconciliation

a) Plant, Property and Equipment

The physical verification of PPE is done on the biennial period. For Delhi and Chennai this has been conducted in 2017-18. Next biennial physical verification exercise will be carried in 2019-20. However the physical verification at Mumbai and Kolkata stations is in the process of allotment.

b) Physical Verification of Aircraft Inventory

Physical verification of inventory has been carried during 2018-19 by a Chartered Accountants Firm appointed for this purpose. Discrepancies reported though insignificant are under reconciliation.

33. Effect of changes in Exchange rates (Ind AS-21)

Transactions relating to Foreign Inventory Procurements and closing balances of certain foreign currency monetary items have not been translated at the date of transaction/in accordance with the provisions of IND AS due to complexity of transactions. The impact of translation of the same is not ascertained; however, the same is not likely to be material.

34. Confirmations/Reconciliations

I. The outstanding balances with Oil Companies viz. Indian Oil Corporation Ltd. Rs.1262.90 Million, Bharat Petroleum Corporation Ltd. Rs.257.51 Million, Hindustan Petroleum Corporation Ltd. Rs. 403.28 Million, Reliance Industries Ltd. Rs. (1.13) Million and Shell MRPL Aviation Ltd. Rs.31.03 Million. The accounts of IOCL, RIL, BPCL, HPCL and Shell-MRPL have been reconciled till 31.03.2019.

II. The reconciliation/confirmation of payables & receivable has been outsourced to a Chartered Accountant firm. Out of the parties who had responded, wherever, the balances confirmed by the parties are not in agreement, the reconciliation is in process.

III. Reconciliation of GST, Tax Deducted at source (TDS), revenue related taxes, other statutory dues and Income tax etc is in process to reconcile with the Returns filed with the respective authorities /statutory records maintained financial impact of the same, if any, is not ascertainable at this stage.

IV. Indirect taxes recoverable includes GST input amounting to Rs. 323.80 millions and as per GST portal amount of GST input credit available as on 31.03.2019 was Rs.143.81 million. Job of GST compliances is outsourced to an outside agency and Company is in the process to reconcile the GST input credit difference with the help of outsourced agency. Impact, if any, due to said difference on the results of the Company at this stage is not ascertainable.

V. During the year 2018-19 **Rs. 13.37 Million (**Rs.0.20 Million) has been provided as interest on late/ non-payment of statutory dues. Penalty on delay deposit of statutory dues is not ascertainable at this stage, hence not provided for.

VI. Interest liability on delay/ nonpayment of lease rent and Maintenance Reserve (Supplemental Rental) to foreign vendors for the delay in payment due to liquidity problem during the year 2018-19 and in previous years has not been ascertained and provided as the Company is in the process with the lesser for the waiver of the same.

35. Internal Control

The Company has strengthened the internal audit process so as to ensure the coverage of all the areas as envisaged in the Minimum Audit program and to ensure effective internal controls at stations, regional offices and user departments. To comply with the same, Independent Chartered Accountants firm have been appointed by the Company. System for uniform and timely accounting entries of transactions in SAP as well as other software, including interface with each other, is under process of being strengthened further.

Also, audit for Internal Financial Control (IFC) to verifying the adequacy of internal financial control has been conducted during the year 2018-19 to further strengthen the Internal Control of the Company.

36. Inventories

1. The inventory is mainly comprised of aircraft spares & consumables and tools of ATR aircraft. The spares for exclusive use in ATR aircraft are being procured through AIL's (Air India Ltd) MMD department and recorded with the help of, Inventory Management System called RAMCO system, which is also used for procuring, controlling, issuing and managing the inventory of the entire Air India Group Companies maintained at AIL. For inventory including consumables, which can be commonly used for ATR, Airbus and Boeing aircraft is being procured either by AIL or by AASL. The consumption and closing stock is ascertained on the basis of the reports generated from RAMCO system and is based on the global reconciliation for the entire Air India Group companies. The interface between RAMCO and SAP took place in August' 2018, ensuring the correct allocation of inventory to the respective companies, thus, reducing the errors due to manual intervention between inventory systems and accounting system. Based on the advices received from AIL and reconciliation of manual and integrated entries in SAP, the reconciliation differences under various inventory groups viz-a-viz SAP is under process.

2. RAMCO is a comprehensive Maintenance, Repair and Overhaul system for all engineering items.

This system was primarily meant for the MRO operations and therefore as per original design system was configured in such way that all transactions will be booked and accounted in a single Operating Unit (OU) viz Air India Engineering Services Ltd. But, after the implementation of this system, Management decided to book all the inventory and related transactions in the respective Airlines. It was therefore a challenge to segregate the transactions that took place in one single OU - AIESL in respective airlines.

As required, manual segregation of the transactions which were booked in AIESL for transfer to respective Airlines was initiated. This was the starting point of airline wise mismatch of transactions.

As transactions are carried out in one single OU and then manually separated reconciliation at global level at the end of every year to match the system balances with book balance is required to be carried out.

To avoid the above mismatch, Ramco has come out with on behalf functionality so that transactions will get booked correctly in the respective airlines. Further, for this purpose all the inventory items required for respective internal Airlines have been identified and moved to respective airlines in Ramco system. This functionality was implemented during 2018-19 and all the required changes were done by the Ramco to implement the same. Due to changes carried out by Ramco during the year to reconfigure the system, there are some differences in values appearing in Ramco system viz-a-viz SAP.

During the year, long pending interface between Ramco and SAP was also implemented so all the transactions which were taking place in Ramco will now flow directly to SAP. There are some discrepancies in the inventory and other accounts which have arisen over the years since implementation of Ramco due to single OU design and non interface with SAP. Such discrepancies are proposed to be resolved during 2019-20. Impact of such discrepancies is not ascertainable at this stage

3. Goods in transit amounting to **Rs. 2.07 Million** (Rs. 1.85 Million) includes items at High Seas, items lying with Customs and items under inspection based on certification by Air India Ltd.

4. Custom Duties, Freight & Incidentals have been allocated on pro-rata basis on year end value of closing aircraft spares and consumption. Unallocated custom duty paid on aircraft spares is shown under Inventory.

5. Rotables relating to the Aircraft are capitalized and depreciated over the lease period of the aircraft.

37. Status of Reconciliation with Airport Operators

1. The accounts with BIAL, DIAL, HIAL and MIAL have been reconciled upto 31.03.2019. The interest claim of DIAL has been verified and amount agreed upon has been accounted for through provision.

2. Under the aegis of ministry of Civil Aviation, a Memorandum of Understanding (MoU) with Airports Authority of India (AAI) was signed by Headquarters on 26.08.2013 whereby the dues of AAI vis-a-vis Air India as on 31.03.2012 were adjudicated by the ministry. As per above stated MOU dated 26.08.2013 an interest @ 9% p.a. is payable on delayed payments to AAI, however, no such provision for interest on delayed payment has been made in

books of accounts as Joint Secretary MoCA directed that this issue be placed before Secretary MoCA for a final decision.

3. As per AASL books of Accounts, an amount of Rs. **622.52 Million** (previous year Rs. 652.84 Million) was payable to AAI as on 31st March 2019 (excluding interest). The accounting of landing, parking and other charges payable has been done to the extent of bills received and provisions made on estimated basis, wherever bills have not been received. Reconciliation with Airports Authority of India (AAI) is under process since previous years.

4. Execution of umbrella agreement effective from 1st Jan 2019 between AAI and AIL along with its subsidiary is in process, which will specify space occupied by AIL and its subsidiaries along with applicable rent rates. Financial impact of above said umbrella agreement on the results of the company is not ascertainable at this stage.

38. Segment Reporting

a. In terms of IND AS – 108, the Company is engaged in airline related business, which is its primary business segment and hence segment results are not disclosed separately. The details of geographical area wise gross passenger revenue earned (derived by allocating revenue to the area from where the passenger has originated) are given here under:

(Rupees in Million)

Particulars	FY-2018-19	FY-2017-18
India	**8216.12**	6045.29
TOTAL	**8216.12**	**6045.29**

b. The major revenue earning asset of the Company is aircraft fleet which is flexibly and optimally deployed across its route network. There is no suitable basis for allocation of assets and liabilities to geographical segment, consequently, area-wise assets and liabilities are not disclosed.

39. Related Party Transactions

Disclosure of the names and designations of the Related Parties as required by Indian Accounting Standard (Ind AS-24) during the year 2018-19

1. Key Management Personnel & Relatives:

Transactions with Key Managerial Personnel

i) There are no transactions with key managerial personnel other than Remuneration to Key Managerial persons.

ii) Key Management Personnel & Relatives:

A. Board of Directors (During FY 2018-19 and till date)

Sr. No.	Name	Designation	Date of Appointment	Date of Cessation
1	Shri Ashwani Lohani CMD, Air India Ltd.	Chairman	14/02/2019	Till date
2	Shri Vinod S Hejmadi Director (Finance), Air India Ltd.	Director	20/11/2015	Till Date
3	Shri Angshumali Rastogi Director (Finance), Ministry of Civil Aviation	Director	12/05/2017	Till Date
4	Shri Pranjol Chandra Director, Ministry of Civil Aviation	Director	31/08/2017	Till Date

B. Key Managerial Personnel & Relatives

Sr. No.	Name of Key Managerial Personnel	Designation
1.	Mr. C.S. Subbiah	Chief Executive Officer
2.	Mr. Kamal Roul	Chief Financial Officer
3.	Ms. Manjiree M. Vaze	Company Secretary

C. Related parties:

i.) In terms of Ind AS 24, following are related parties which are parties (Government) i.e. Significantly controlled and influenced entities (Government of India) :

Name	Nature of Relationship	Influence
Air India Limited	Holding Company	Entity having significance influence on the company
Air India Engineering Services Ltd.	Associates	Entity having no significance influence on the company
Air India Air Transport Ltd.	Associates	Entity having no significance influence on the company
Hotel Corporation of India	Associates	Entity having no significance influence on the company
Air India Express Limited	Associates	Entity having no significance influence on the company

ii) Parties (other than Government)

Air India SATS	Associates	Entity having no significance influence on the company

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D. Related Party Transactions

i. During the year 2018-19, a Masters Service agreement (MSA) between Air India Ltd (Holding Company) and Airline Allied Services Ltd was signed on 19.11.2018. The agreement provides for the exhaustive list for various services that will be rendered by both the parties to each-other. The basis of raising invoices has also been detailed in the agreement.

However, due to delay in signing of MSA and implementation thereof, the accounting of invoices got delayed. The interest due to Air India on the opening outstanding balance and debit balance in Air India's books due on transactions for the year 2018-19 has been accounted as per the past practice. The interest has been calculated @ 9% on the average of opening and closing balances of AASL in Air India Ltd books.

As per terms of the MSA , invoices of services provided by the Companies should be accompanied by the Supporting documents, however, since the year 2018-19 is the first year of implementation due to some practical difficulties at the initial stage , expenses of MSA are provided on the basis of advices received from the parent / associate Companies.

This being first year for the implementation of Master Service Agreement (MSA) between AASL and AIL / other Associate Companies, there are few areas, which need further improvement/ clarification at both end (also approval of holding company), e.g. applicability of GST/ taxes, Interest. Claim of Code Share Services provided by AASL on behalf of AIL are accounted for on rates other than the rates stated in MSA in respect of minor and infant passengers, amount collected from AASL's passengers above than the rates stated in MSA are treated as AIL Revenue, claim of Code Share Services accounted for without charging GST etc. are some of the other issues, wherein Companies are in the process to clarify / modify the MSA terms for better presentation and transparency. Impact of the same on the result of the Company is not ascertainable at this stage, therefore not provided.

ii. There are no transactions with Key Managerial Personnel except remuneration and perquisites to Chief Executive Officer and Chief Financial Officer for the year 2018-19 **Rs. 2.35 Million** (Rs.2.23 Million) and Rs.2.09 **Million** (Rs.2.33 Million) respectively.

iii. Transactions such as providing airline related services in the normal course of airline business are not included above.

iv. No Loans or Credit Transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year.

v. In term of Ind AS 24, following are the disclosure requirements related to transactions with certain Government Related entities i.e. Significantly controlled and influenced entities (Government of India) and non Govt. related parties:

E. Transaction details - Related Parties
Parent Company i.e Air India Ltd.:

Sr. No.	Name of the Entities and Nature of transactions		2018-19 (Rs.in Million)	2017-18 (Rs.in Million)
	a.) AIR INDIA LIMITED Opening Balance (Cr.)	A	15426.17	13517.53
	Expenditure/Debits received **I Debits for Services Rendered**	B	**7086.94**	**5720.05**
	Funds transfer through Bank		5867.11	4372.09
	Payments made to Foreign Vendors		880.11	743.67
	Payments made to Indian Vendors		130.52	42.72
	Expenses paid by AIL for AASL (exp *booked through provision)*		224.66	-
	Inventory Expenses		(316.23)	-
	Prior Period		6.78	306.99
	Fixed Assets		0.31	-
	SAP Maintenance		5.16	8.33
	GSD & SITA		288.52	246.25
	II Services Provided	**C**	**139.82**	**189.71**
	Handling		82.81	76.83
	SOD		31.63	84.09
	Staff Training Expenses *(booked through provisions)*		1.24	-
	Corporate Guarantee Charges		24.14	28.79
	III Interest charged by AIL	D	1382.65	1340.71
	IV Manpower Billing *(Salary of AIL Personnel working for AASL)*	E	**16.92**	**31.59**
	Revenue/ Credits Received			
	I Revenue	F	**7351.71**	**5307.78**
	Traffic Revenue		6919.62	4947.01
	JN Tax/ GST		303.31	234.14
	Commission		(175.86)	(109.24)
	PSF/UDF (Credit)		304.64	235.87
	II Billing	**G**	**18.82**	**65.63**
	Man power billing *Salary of AASL Personnel working for AIL*		14.66	58.45
	SOD Billing		4.16	7.18
	Net H = (B+C+D+E-F-G)	H	1255.80	1908.65
	Closing Balance(Cr.) I = (A + H)		16681.97	**15426.17**
Note:	Corporate Guarantee given by AIL on behalf of AASL.		4162.58	3923.01

b.) Air India Engineering Services Ltd (AIESL)	2018-19 Amount in Rs. Million	2017-18 Amount in Rs. Million
Opening Balance (Cr.)	**(483.30)**	**(575.53)**
Expenditure Repair Other	**692.13**	92.23
Sod billing (*revenue)*	**(6.53)**	
Closing Balance (Cr.)	**202.31**	**(483.30)**
Bills booked through provisions	**535.98**	754.93
Receivables	**(9.42)**	

c.) Air India Air Transport Services Ltd (AIATSL)	2018-19 Amount in Rs. Million	2017-18 Amount in Rs. Million
Opening balance	**230.24**	**135.93**
Expenditure Handling Charges	**302.56**	**112.17**
Payment made	**-**	**(17.86)**
Credit Received Amount claimed for damage SOD Billing	**(8.94)** **(0.99)**	- -
Closing Balance	**230.24** → **522.87**	**230.24**
Booked through Provision (Billing & Interest)	**50.25**	**14.21**
Booked through Receivables	**(51.81)**	

d.) Air India Express Limited	2018-19 (Amount in Rs. Million)	2017-18 (Amount in Rs. Million)
Opening Balance	**0.105**	**Nil**
Transfer of Inventory	**0.67**	**(0.105)**
SOD Billing	**(0.421)**	**_**
Closing Balance (Cr.)	**(0.144)**	**(0.105)**

e.) Air India SATS Airport Services Pvt. Ltd.	2018-19 (Amount in Rs. Million)	2017-18 (Amount in Rs. Million)
Opening Balance(Cr.)	**77.11**	**33.58**
Expenditure Handling Charges	**108.78**	**53.09**
Payment made	**-**	**(9.56)**
Closing Balance(Cr.)*	**185.90**	**77.11**
Bills booked through provision	**2.02**	**_**

*(Unreconciled amount of Rs.25.50 Million has been provided in contingent liability)

f.) Hotel Corporation of India	2018-19 (Amount in Rs. Million)	2017-18 (Amount in Rs. Million)
Opening Balance(Cr.)	**Nil**	_
Expenditure	**Rs. 0.0001**	_
Closing Balance(Cr.)	**Rs. 0.0001**	_

(2.) Transactions with Provident Fund Trusts

(Rupees in Million)

Particulars	2018-19		2017-18	
	PF Contribution during the Year	**Payable as on 31.3.19**	PF Contribution during the Year	Payable as on 31.3.18
AASL PF Trust	**10.40**	**Nil**	**8.53**	**0.011**

(3.) Major Transactions with Government Related Entities

The details of the major transactions of revenue and expenditure of the Company with Govt Related Entities are given hereunder:

(Rupees in Million)

Sr. No	Name of Entity	2018-19	2017-18
	Expenditure		
i)	Airport Authority of India *(including space)*	**251.67**	223.66
ii)	*Oil Companies*		
	Indian Oil Co Ltd	**1368.24**	834.02
	Hindustan Petroleum Co Ltd	**406.27**	250.35
	Bharat Petroleum Co Ltd	**257.51**	113.96
	Revenue		
i)	**Subsidiary for Operation from Govt.**		
	Govt of India	**1225.43**	888.71
ii)	**Charter Revenue - Others**		
	Govt of India	**17.42**	2.50

Note: *The above transactions with the Govt/Govt Related entities cover transactions that are significant individually and collectively. The company also entered into other transactions with various other Govt. related entities; however, these transactions are insignificant either individually or collectively and hence not disclosed.*

40. Re-Delivery Charges

Provision for re-delivery charges is made to meet the contractual maintenance and return conditions on all aircraft held under operating leases. Such provisions are made based on management estimates of number of flying hours and cycles each aircraft will have flown till the return date, the cost of performing the required restoration work at that future date and discount rates commensurate with the expected obligation maturity schedules. Judgment is exercised by management given the long-term nature of assumptions that go into the determination of the provision. The assumptions made in relation to the current year are consistent with those in the previous year.

The movement in provision made is as given below:

(Rupees in Million)

Particulars	FY 2018-19	FY 2017-18
Opening Balance	**383.48**	**286.14**
Add: Additional Provisions during the year	**75.60**	145.46
Add: Provision discharged during the year	**(294.17)**	(48.12)
		-
Closing balance	**164.92**	**383.48**

The proportionate expenditure for redelivery cost for all leased ATR aircraft has been worked out for **Rs.164.92 Million** (Rs.383.48 Million) up to 31.03.2019 on the basis of aircraft months in terms of the agreements executed with the parties and provision made for the same in the accounts.

The movement in provision made and the future commitments on account of re-delivery of aircrafts are as under:

(Rupees in Million)

Year	FY.2018-19		FY.2017-18	
	No. of Aircrafts	Amount (Rs. in Million)	No. of Aircrafts	Amount (Rs. in Million)
2018-19			3	69.38
2024-25	**2**	**229.56**	2	231.43
2027-28	**3**	**376.16**	3	368.15
2028-29	**3**	**386.40**	3	376.21
2029-30	**6**	**801.43**	6	775.53
2030-31	**4**	**552.58**		

Expected timing of resulting outflow of economic benefit is FY 2020 to 2031.

41. Employee Benefits

i. Contributions to Defined Contribution Schemes such as Provident Fund are charged to the Profit & Loss Account as follows:
Provident Fund **Rs.10.40 Million** (Previous Year Rs.8.53 Million)

ii. The Company also provides retirement benefits in the form of Gratuity and Leave Encashment on the basis of valuation, as at the Balance Sheet Date, carried out by independent Actuaries, as per Ind AS19 issued by the Institute of Chartered Accountants of India.

a. Privilege Leave Encashment is payable to all eligible employees at the time of retirement up to a maximum of 300 days. Leave Encashment liability for the current financial year is **Rs. 5.50 Million.**

b. Defined Benefit Plan-Gratuity (Unfunded)
The Company has a defined benefit gratuity plan in India (unfunded). The company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund. Gratuity is paid from company as and when it becomes due and is paid as per company scheme for Gratuity. During the year, there were no plan amendments, curtailments and settlements.

Movement in net Defined Benefit (Asset) / Liability
a) Reconciliation of balances of Defined Benefit Obligation

2.1 (a): Table Showing Changes in Present Value of Obligations:

Period	**From: 01-04-2018 To: 31-03-2019**	**From: 01-04-2017 To: 31-03-2018**
Present value of the obligation at the beginning of the period	**3,79,90,231**	4,40,43,843
Interest cost	**29,44,243**	34,13,398
Current service cost	**50,36,820**	44,26,843
Past Service Cost	**0**	0
Benefits paid (if any)	**(15,26,495)**	(98,02,702)
Actuarial (gain)/loss	**(18,66,432)**	(40,91,151)
Present value of the obligation at the end of the period	**4,25,78,367**	3,79,90,231

2.1 (b): Bifurcation of total Actuarial (gain) / loss on liabilities

Period	**From: 01-04-2018 To: 31-03-2019**	**From: 01-04-2017 To: 31-03-2018**
Actuarial gain / losses from changes in Demographics assumptions (mortality)	**Not Applicable**	Not Applicable
Actuarial (gain)/ losses from changes in financial assumptions	**0**	(10,81,458)
Experience Adjustment (gain)/ loss for Plan liabilities	**(18,66,432)**	(30,09,693)
Total amount recognized in other comprehensive Income	**(18,66,432)**	(40,91,151)

2.2: Key results (The amount to be recognized in the Balance Sheet):

Period	As on: 31-03-2019	As on: 31-03-2018
Present value of the obligation at the end of the period	**4,25,78,367**	3,79,90,231
Fair value of plan assets at end of period	**0**	0
Net liability/(asset) recognized in Balance Sheet and related analysis	**4,25,78,367**	3,79,90,231
Funded Status - Surplus/ (Deficit)	**(4,25,78,367)**	(3,79,90,231)

2.3 (a): Expense recognized in the statement of Profit and Loss:

Period	From: 01-04-2018 To: 31-03-2019	From: 01-04-2017 To: 31-03-2018
Interest cost	**29,44,243**	34,13,398
Current service cost	**50,36,820**	44,26,843
Past Service Cost	**0**	0
Expected return on plan asset	**(0)**	(0)
Expenses to be recognized in P&L	**79,81,063**	78,40,241

2.3 (b): Other comprehensive (income) / expenses (Remeasurement)

Period	From: 01-04-2018 To: 31-03-2019	From: 01-04-2017 To: 31-03-2018
Cumulative unrecognized actuarial (gain)/loss opening. B/F	**(1,75,96,051)**	(1,35,04,900)
Actuarial (gain)/loss - obligation	**(18,66,432)**	(40,91,151)
Actuarial (gain)/loss - plan assets	**0**	0
Total Actuarial (gain)/loss	**(18,66,432)**	(40,91,151)
Cumulative total actuarial (gain)/loss. C/F	**(1,94,62,483)**	(1,75,96,051)

2.3 (c): Net Interest Cost

Period	From: 01-04-2018 To: 31-03-2019	From: 01-04-2017 To: 31-03-2018
Interest cost on defined benefit obligation	**29,44,243**	34,13,398
Interest income on plan assets	**0**	0
Net interest cost (Income)	**29,44,243**	34,13,398

2.4: Experience adjustment:

Period	**From: 01-04-2018 To: 31-03-2019**	**From: 01-04-2017 To: 31-03-2018**
Experience Adjustment (Gain) / loss for Plan liabilities	**(18,66,432)**	(30,09,693)
Experience Adjustment Gain / (loss) for Plan assets	**0**	0

3.1: Summary of membership data at the date of valuation and statistics based thereon:

Period	**As on: 31-03-2019**	**As on: 31-03-2018**
Number of employees	**556**	482
Total monthly salary	**93,84,094**	82,64,269
Average Past Service(Years)	**7.5**	8.0
Average Future Service (yr)	**24.1**	23.4
Average Age(Years)	**35.9**	36.6
Weighted average duration (based on discounted cash flows) in years	**17**	17
Average monthly salary	**16,878**	17,146

3.2: The assumptions employed for the calculations are tabulated:

Discount rate	7.75 % per annum	7.75 % per annum
Salary Growth Rate	8.00 % per annum	8.00 % per annum
Mortality	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate
Withdrawal rate (Per Annum)	5.00% p.a.(18 to 30 Years)	5.00% p.a.(18 to 30 Years)
Withdrawal rate (Per Annum)	3.00% p.a. (30 to 44 Years)	3.00% p.a. (30 to 44 Years)
Withdrawal rate (Per Annum)	2.00% p.a. (44 to 60 Years)	2.00% p.a. (44 to 60 Years)

3.3: Benefits valued:

Normal Retirement Age	60 Years	60 Years
Salary	Last drawn qualifying salary	Last drawn qualifying salary
Vesting Period	5 Years of service	5 Years of service
Benefits on Normal Retirement	15/26 * Salary * Past Service (yr)	15/26 * Salary * Past Service (yr)
Benefit on early exit due to death and disability	As above except that no vesting conditions apply	As above except that no vesting conditions apply
Limit	2000000.00	2000000.00

3.4: Current Liability (*Expected payout in next year as per schedule III of the Companies Act, 2013) :

Period	As on: 31-03-2019	As on: 31-03-2018
Current Liability (Short Term)*	**13,90,076**	14,69,282
Non Current Liability (Long Term)	**4,11,88,291**	3,65,20,949
Total Liability	**4,25,78,367**	3,79,90,231

3.5: Effect of plan on entity's future cash flows

3.5 (a): Funding arrangements and funding policy
Not Applicable

3.5 (b): Expected contribution during the next annual reporting period

The Company's best estimate of Contribution during the next year	55,82,910	47,86,790

3.5 (c): Maturity profile of defined benefit obligation

Weighted average duration (based on discounted cash flows) in years	17	17

3.5 (d): Estimate of expected benefit payments (In absolute terms i.e. undiscounted)

01 Apr 2019 to 31 Mar 2020	13,99,316
01 Apr 2020 to 31 Mar 2021	10,28,340
01 Apr 2021 to 31 Mar 2022	13,32,636
01 Apr 2022 to 31 Mar 2023	11,88,974
01 Apr 2023 to 31 Mar 2024	14,29,682
01 Apr 2024 Onwards	3,55,24,874

3.6: Projection for next period:

Best estimate for contribution during next Period	55,82,910	

3.7: Sensitivity Analysis: Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase rate. Effect of change in mortality rate is negligible. Sensitivity analysis presented below may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one another as some of the assumptions may be correlated. The results of sensitivity analysis are given below:

Period	**As on: 31-03-2019**
Defined Benefit Obligation (Base)	4,25,78,367 @ Salary Increase Rate : 8%, and discount rate :7.75%
Liability with x% increase in Discount Rate	3,77,34,219; x=1.00% [Change (11)%]
Liability with x% decrease in Discount Rate	4,83,11,173; x=1.00% [Change 13%]
Liability with x% increase in Salary Growth Rate	4,82,40,052; x=1.00% [Change 13%]
Liability with x% decrease in Salary Growth Rate	3,77,02,655; x=1.00% [Change (11)%]
Liability with x% increase in Withdrawal Rate	4,23,14,425; x=1.00% [Change (1)%]
Liability with x% decrease in Withdrawal Rate	4,28,60,541; x=1.00% [Change 1%]

3.8: Reconciliation of liability in balance sheet

Period	**From: 01-04-2018 To: 31-03-2019**	From: 01-04-2017 To: 31-03-2018
Opening gross defined benefit liability/ (asset)	3,79,90,231	4,40,43,843
Expenses to be recognized in P&L	**79,81,063**	78,40,241
OCI- Actuarial (gain)/ loss-Total current period	**(18,66,432)**	(40,91,151)
Benefits paid (if any)	(15,26,495)	(98,02,702)
Closing gross defined benefit liability/ (asset)	4,25,78,367	3,79,90,231

42. Deferred Tax Assets/ Liability

Considering the past trends and projected budgeted revenue and expenditure, AASL is unlikely to generate net profit in next few years. The capital is eroded due to accumulated losses. The company has very nominal fixed Assets. In view of the reasons stated, the deferred asset has not been provided in books of account.

43. Earnings Per Share

(Rupees in Million)

Details	**As at March 31, 2019**	As at March 31, 2018
Profit/ (Loss) after tax	**(2965.67)**	(2709.25)
Weighted Average no. of equity shares	**4022.50**	4022.50
EPS Basic & Diluted (In Rs.)	**(73.73)**	(67.35)

44. The Micro and Small Enterprises Development Act

In terms of Section 22 of the Micro, Small and Medium Enterprises development Act 2006, the outstanding to these enterprises are required to be disclosed. The SAP system has a field, minority indicator in Vendor Master, which is updated to identify the vendor as SSI. The system is being enhanced to capture more details of SSI Vendors, such as certificate no., issuing agency, validity, etc. However, identification of MSME is in the testing stage and not fully functional. Payments to most of the undertakings covered under the Micro, Small and Medium Enterprises Development Act (to the extent identified) have been made within the prescribed time limit/date agreed upon with the supplier. The interest liability for delayed payments is very nominal and hence not provided. In other cases, necessary compliance/disclosure will be ensured in due course.

45. Remuneration to Auditors

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

(Rupees in Million)

Particulars	**2018-19**	2017-18
Audit Fees - For the Year	**0.65**	0.65
Total	**0.65**	0.65

46. Going Concern

Air India Limited had formulated a Turn Around Plan (TAP) applicable to its group companies in order to improve their operational and financial performance. The Government of India had approved the Turn Around Plan (TAP) in February 2012 with the intention to turn around Air India Limited and its subsidiaries.

In adherence to TAP, induction continued with the addition of 04 new ATR-72-600 aircraft in 2018-19. The fleet at year end comprised 20 aircrafts (02 ATR-42 320 and 18 ATR-72 600). AASL is contemplating a further induction of 15 aircrafts, out of which 02 is for replacement of ATR-42 320. The two replacement Aircraft are of ATR-72 600 and has been approved by AASL Board. As a corollary, necessary approvals and processes are being undertaken for induction of atleast 06 Aircraft in the first phase and FY 2020-21. The induction is required to meet the increasing RCS route commitments allotted to AASL.

AASL carried 1.60 million passengers during 2018-19 as against 1.28 million passengers during 2017-18. The year 2018-19 witnessed a growth of 25% in passenger carriage. Similarly, network also expanded from 48 destinations to 55 destinations, 100 departures to 109 departures per day and 542 flights per week to 607 flights per week. The aircraft utilization has increased to 51758 block hours from 38252 block hours at a growth of 35% in 2018-19 as compared to 2017-18.

Alliance Air has projected a revenue of around Rs. 1200 crores in 2019-20 as compared to the actual revenue of Rs. 836 crores in 2018-19. This is principally due to increase in effective utilization of ATR72-600 aircraft from the average 8.78 hours to 9.53 hours per day apart from increase in ASKM. The Revenue per Kilometer (RPK) have shown upward trend with a growth of 19% from 570.335 million in 2017-18 compared to 679.873 million for 2018-19 and is on par or higher than industry standard.

The company has continued to operate to the North Eastern region like Guwahati, Lilabari, Tezpur in Assam, Shillong in Meghalaya and Agatti and Diu on request from NEC, MHA and Diu Administration under Viability Gap Funding (VGF) arrangements. These routes are operationally profitable.

The company has emerged as a major player in the Government of India's premier scheme UDAN, which connects to various Tier II and Tier III cities with the development of unserved / underserved airports. The growth in Tier II and Tier III cities is still largely untapped and Alliance Air is likely to emerge as one of the largest players with its young ATR 72-600 fleet suitable for serving these smaller airports.

The company has strategized itself to invest major resources in Government of India's UDAN scheme. The performance of the airline under UDAN has been excellent wherein the company has been operationally positive. The company was operating 29 UDAN routes as on 31st March 2019, which at present has risen to 39 routes. The airline is further poised to launch more routes under UDAN scheme in the next 2-3 months. In 2018-19, AASL operated 19% UDAN routes as against 17% during the previous year, i.e. 2017-18. Currently, AASL is operating around 32% UDAN routes at a growth of 68% from the year 2018-19. Alliance Air by deploying more resources on UDAN sectors is moving towards profitability.

The company is also continuously evaluating routes, which are loss making and have consciously shifted the operations from these routes to potentially higher revenue earning routes. It is pertinent to mention that company has participated in UDAN round 3 and 3.1 and resultantly been allotted 52 more routes. The total entitlement of the company on such routes now stands at 95.

The airline is consciously increasing the yield and as at year end the average yield stood at Rs. 4179 per passenger, which is about 8% higher than the previous year (2017-18). Further the company has implemented cost saving measures for reduction of cost.

With the support of Air India Limited in providing corporate guarantee for aircraft leases, reservation systems, inventory management, SAP etc. and other various measures taken towards improving company's operational and financial activities, it is expected that the financial position of the company would improve in future.

Alliance Air is in the threshold of turnaround and poised to lead the regional connectivity in India in the next decade and be a leading regional carrier of Asia. Alliance Air plans to reverse the trend of adverse financial parameters in this financial year 2019-20 and thereafter further consolidate the gains.

47. Revenue

(i) Company is availing the services of an outside agency for the processing of data relating to passenger, cargo, baggage and other revenue. AIL's system has been used for the booking of Tickets etc. Revenue data relating to group is supplied by AIL to the out sourced agency and the processed data is received at their end. Revenue relating to AASL has been segregated on the basis of code assigned to AASL, and accounted for on the basis of reports uploaded on FTP server. Sources data for the processing and generation of reports which is basis for the recognition of AASL revenue is maintained at AIL. As per Industry practice, parent Company is complying all necessary norms to ascertain the authenticity and accuracy of data processed by outsourced agency.

(ii) Cargo Revenue amounting to Rs.2.82 million, Cargo commission amounting to Rs 0.14 million, Pax commission amounting to Rs 97.98 million , MSF commission to PGP amounting to Rs 15.33 million, Bank Charges on Credit Card Rs 51.24 million has been accounted for on the basis of amount allocated by AIL on the basis of report generated by an outsourced agency. Above has been accounted for without recording the GST and without deduction of TDS.

48. Regional Connectivity Scheme

Till 31.3.2019 AASL has been awarded (through bidding process) 83 routes under RCS, out of which 29 are operational. Remaining routes are proposed to be launched in the coming months, which includes 14 routes awarded in second round of allotment, remain non operational till 31.03.2019, though as per terms of the LOI these are required to be operational during the year 2018-19. Management is of the view that delay in the route to make operational is based on various factors, delay is not on the part of AASL, therefore AASL has no liability for the above stated delay in the route making operational.

49. **M/S Gati:** An agreement for freighter charter operations (undertaken by AASL) between Air India Ltd and M/s GATI was terminated by GATI in March 2009, consequent to which AI invoked the Bank Guarantee of Rs. 300 Million deposited by GATI. The Arbitral Tribunal has given it's award against which an appeal has been filed by Air India Limited before the Hon'ble Delhi High Court which has also upheld the decision of Arbitral Tribunal. To file an appeal in Delhi High court (Double Bench) against the subject order, AIL has deposited Rs. 220 Million with Hon'ble High Court as deposit money on 17.11.2015. Against this deposit, Provision for Doubtful Security Deposit has been made for Rs. 220.0 Million as prudence, although the matter is sub-judiced. The next date of hearing is 22.7.2019.

50. The job of verification of receivables and payables has been outsourced to a firm of Chartered Accountant. On the basis of their findings **Rs.80.37** has been provided as doubtful for recovery and in some other discrepant account reconciliation with parties is in process. Management is of the view that differences though insignificant are due to timing difference of balance confirmation or inappropriate data entry at other party end.

51. Reconciliation with regard to Maintenance Reserve paid to vendor i.e. M/s DAE and M/s AVAP is under process. The financial impact, if any, would be minimal and will be accounted after confirmation from the vendor.

52. The company has registered charges of **Rs. 2683.03 Millions** (Previous Year Rs. 2601.46 Million) with the Registrar of Companies. The company is in the process of getting the said charges satisfied by following the procedure.

53. Capital Management

The objective of the company is to maximize the shareholders' value by maintaining an optimum capital structure. Management monitors the return on capital as well as the debt equity ratio and makes necessary adjustments in the capital structure for the development of the business.

During the financial year ended 31 March 2019, no significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure.

Debt-Equity Ratio:

(Rs. in Million)

Particulars	**As at 31st March 2019**	As at 31st March 2018
Borrowings	**16,373.26**	15,432.94
Total Debt (A)	**16,373.26**	**15,432.94**

Equity Share Capital	**4,022.5**	4,022.5
Other Equity	**(24,027.72)**	(21,061.23)
Total Equity (B)	**(20,005.22)**	**(17,038.73)**
Debt Equity Ratio (A/B)	**(0.82)**	**(0.91)**

The Company monitors capital using gearing ratio which is net debt divided by total equity. Net debt comprises of non-current and current borrowings less cash and cash equivalent. Equity includes equity share capital and reserves that are managed as capital. The gearing ratio at the end of the reporting periods was as follows:

54. Fair value measurement and financial instruments

Financial instruments – by category and fair value hierarchy

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy.

i) As on 31 March, 2019

(Amount in Rupees)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others			10937,74,522	10937,74,522			
Current							
Trade Receivables*			9868,53,534	9868,53,534			
Cash and Cash equivalents*			384,84,203	384,84,203			
Bank balances other than (b) above*			2198,24,920	2198,24,920			
Loans*			1753,79,282	1753,79,282			
Other			1382,57,454	1382,57,,454			
Financial liabilities							
Non-Current							
Other							
Current							
Borrowings			163732,61,144	163732,61,144			163732,61,144
Trade Payables			57479,13,463	57479,13,463			
Other			8112,53,112	8112,53,112			

ii) As on 31 March 2018

(Amount in Rupees)

Particulars	Carrying Value				Fair value measurement using		
	FVTPL	FVTOCI	Amortized Cost	Total	Level 1	Level 2	Level 3
Financial Assets							
Non-Current							
Others			12802,94,155	12802,94,155			
Current							
Trade Receivables*			9149,92,077	9149,92,077			
Cash and Cash equivalents*(b)			2697,37,944	2697,37,944			
Bank balances other than (b) above*			126,56,696	126,56,696			
Loans*			1036,09,809	1036,09,809			
Other			6900,11,180	6900,11,180			
Financial liabilities							
Non-Current							
Other							
Current							
Borrowings			154329,41,765	154329,41,765			154329,41,765
Trade Payables			31991,78,705	31991,78,705			
Other			15934,88,778	15934,88,778			

*The Carrying amounts of trade receivable, trade payable, cash and cash equivalent, bank balance other than cash and cash equivalent and other financial assets and liabilities, approximates the fair values, due to their short term nature.

55. Financial Risk Management Objective and Policies:

a. The company has exposure to following risks arising from financial instruments:

i. Credit Risk

ii. Liquidity Risk

iii. Market Risk – a. Foreign Currency, and

b. Interest Rate

The Company's principal financial liabilities comprise of loan and borrowings, trade and other payables and derivatives. The main purpose of these financial liabilities is to finance receivable, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to credit risk, liquidity risk and market risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a treasury team. The treasury team provides assurance to the Company's senior management that the company's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objective. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purpose may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which summarized below:

(i) Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The maximum exposure to the credit at the reporting date is primarily from trade receivables. Trade receivables are typically unsecured are derived from revenue earned from customers .The Company does monitor the economic environment in which it operates. The Company manages its credit risk through credit approvals, establishing credit limits and continuously monitoring credit worthiness of customers to which the Company brands credit terms in the normal course of the business.

The company sells majority of its passenger service against deposits made by agents (customers) and through online channels.

On adoption of Ind AS 109, the company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivable. The provision matrix takes into account available internal credit risk factors such as the Company's historical experience for customers. Based on the business environment in which the company operates, management considers that the trade receivable (other than receivables from government departments) are in default (credit impaired) if the payments are more than 36 months past due.

Trade receivable as at year end primarily includes **Rs 986.85 Million** (Rs 914.99 million) relating to revenue generated from passenger services.

The Companies exposure to credit risk for trade receivables is as follows:

				(Amount in Million)
Particulars	**As at 31/03/2019**		**As at 31/03/2018**	
	Gross Carrying Amount	**Loss Allowance**	**Gross Carrying Amount**	**Loss Allowance**
Debts not due				
Debts over due	**986.85**	**(50.20)**	914.99	(2.73)

Movement in the allowance for impairment in respect of trade receivables

(Amount in Rs. Million)

Particulars	For the year ended 31st March 2019	For the year ended 31st March 2018
Balance at the beginning of the Year	**914.99**	801.49
Movement during the year	**71.86**	113.50
Balance at the end of the Year	**986.85**	**914.99**

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to manage Liquidity is to have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed circumstances, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that its liquidity position, including cash (including unencumbered bank deposit and excluding interest accrued but not due), anticipated future internally generated funds from operations, and its fully available, revolving undrawn credit facility of **Rs. Nil** (31 March 2017: Rs Nil) will enable it to meet its future known obligation in the ordinary course of business. However, if a liquidity needs were to arise, the Company believes it has access to financing arrangement with parent company, which should enable it to meet its ongoing capital, operating, and liquidity requirement. The Company will continue to consider various borrowing or leasing options to maximize liquidity and supplement cash requirement as necessary.

The Company's liquidity management process as monitored by management includes the following:

- Day to day funding, managed by monitoring future cash flows to ensure that requirement can be met.
- Maintaining rolling forecast of the Company's liquidity position on the basis of expected cash flows.
- Maintaining diversified credit lines.

Exposure to Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting data. The contractual cash flow amount are gross and undiscounted, and includes interest accrued but not due.

(Amount in Rs. Million)

As at 31st March 2019	Carrying Amount	Contractual Cash Flows Upto 1 year	1-5 Year	More than 5 years	Total
Payable to Holding Company	16373.26	16373.26			16373.26
Trade payables	5747.91	5747.91			5747.91
Other Financial Liabilities	811.25	811.25			811.25
Aircraft Lease		2070.89	8283.59	9917.82	20272.30
Maint./Other		735.98	2943.90	3343.49	7023.37
GMSA		325.58	0.00	0.00	325.58
Totals	**22932.42**	**26064.87**	**11227.49**	**13261.31**	**50553.67**

As at 31st March 2018	Carrying amount	Contractual Cash flows Upto 1 year	1-5 Year	More than 5 years	Total
Payable to Holding Company	15,432.94	15,432.94			15,432.94
Trade payables	3199.18	3199.18			3199.18
Other Financial Liabilities	1,593.49	1,593.49			1,593.49
Aircraft Lease		2,014.28	7,806.85	9,347.03	19,168.16
Maint./Other		881.84	3,295.98	4,047.80	8,225.62
GMSA		300.60	947.68	1,103.47	2,351.75
Totals	**20225.61**	**23422.33**	**12050.51**	**14498.30**	**49971.14**

(iii) Market risk

Market risk is that the fair value and future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises two type of risk namely: currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

a. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s borrowings with floating interest rates.

The exposure the company’s borrowings to interest rate changes as reported to the management at the end of the reporting period are as follows:

(Amount in Rs. Million)

Variable-rate instruments	As at 31st March 2019	As at 31st March 2018
Payable to Holding Company	**16373.26**	15,432.94
Total	**16373.26**	**15,432.94**

Interest rate sensitivity analysis

A reasonably possible change of 0.50 % in interest rates at the reporting date would have affected the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particulars foreign currency exchange rates, remains constant.

(Amount in Rs. Million)

Particulars	Statement of Profit and losses.	
Increase / (decrease) in the interest on foreign currency term loans-from others and on finance lease obligation.	Increase by .50 %	Decrease by .50 %
For the year ended 31 March 2019	81.87	(81.87)
For the year ended 31 March 2018	77.16	(77.16)

b. Currency risk

Currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to the effects of fluctuation in the prevailing foreign currency rates on its financial position and cash flows. Exposure arises primarily due to exchange rate fluctuation between the functional currency and other currencies from the company's operating, investing and financing activities.

56. Disclosure as per Ind AS 115, 'Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made.

The major revenue of the Company arises from rendering of services (Passenger and cargo). The following is a description of the principal activity.

Nature, timing of satisfaction of performance obligation and significant payment terms

Passenger revenue is recognized on flown basis i.e. after rendering the services, revenue recognised net of discounts given to the passengers, applicable taxes and airport levies such as passenger service fee, user development fee etc.

Cargo revenue is recognized when service is rendered i.e. goods are transported, net of airport levies and applicable taxes.

The amounts are billed as per the terms of the contracts and are payable within contractually agreed credit period as per the Master Service Agreement with Air India.

Disaggregation of revenue

Revenue is disaggregated by type and nature of services of revenue recognition.

Rendering of services

(Amount in Rs.)

S.No.	Particulars	31 March 2019	31 March 2018
1	Passenger	**6,915,988,203**	4,942,793,462
2	Excess Baggage	**488,432**	1,513,906
3	Mail	**42,552**	15,237
4	Cargo	**2,821,845**	3,382,425
5	Charter	**205,83,626**	2,501,250
6	Subsidy for Operation form Government	**1,225,427,691**	888,707,973
7	Handling Servicing and Incidental Revenue	**50,766,565**	206,375,469
	Total	**8,216,118,914**	6,045,289,723

The following table provides information about the opening and closing balance of trade receivables:

Particulars	31 March 2019	31 March 2018*
Trade Receivable	**986,853,534**	914,992,077

* The Company has applied Ind AS 115 using the cumulative effect method. Under this method, the comparative information is not restated.

As on 31st march 2019 company is operating under Regional Connectivity Scheme (RCS) in 29 no of routes, which has been awarded to the company on two rounds for validity of 3 years through bidding process. In terms of the RCS agreement, company is required to sell specified seats at agreed subsidized fare inclusive of taxes. On compliance with the terms of the agreement, company is eligible for the VGF Claim amount.

Since the RCS routes are awarded through bidding process for a period of 3 years, the route is open to all carriers after this period subject to availability of slots & other requirements.

Practical expedients applied as per Ind AS 115:

a. The company has not disclosed information about remaining performance obligations that have original expected duration of one year or less.

b. The Company does not expect to have any contracts for which revenue is recognised during the year where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company has not adjusted the transaction prices for the time value of money.

The Company adopted Ind AS 115 using the cumulative effect method and therefore the comparatives have not been restated and continue to be reported as per Ind AS 18. On account of adoption of Ind AS 115, no cumulative adjustment was required as at 1 April 2018. Further, no financial statement line items are affected in the current year as a result of applying Ind AS 115 as compared to Ind AS 18.

57. Standards Issued but not effective:

Ind AS-116 – Leases

The Standard replaces the existing Ind AS 17 “Leases”. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The Company is evaluating the requirements of the amendments and its effect on the Financial Statements.

Ind AS 19 ‘Employee benefits’

The amendments to the guidance in Ind AS 19, ‘Employee Benefits’, in connection with accounting for plan amendments, curtailments and settlements require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Ind AS 109

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The Group does not expect this amendment to have any impact on its financial statements

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments

Appendix C of Ind AS 12, ‘Uncertainty over Income Tax Treatments’ is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

58. The figures have been rounded off to the nearest rupee.

59. Previous Years figures have been re-casted/re-arranged in line with IND-AS requirements.

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

As per our report of even date attached

For M Verma & Associates

Chartered Accountants
Firm Regn No
FRN NO.501433C

Sd/-
Madan Verma
Partner:
Membership No. : 080939
Place: New Delhi
Date : 24 July 2019

For and on behalf of the Board

Sd/-
Ashwani Lohani
Chairman
DIN No. 01023747

Sd/-
Vinod Hejmadi
Director
DIN No. 07346490

Sd/-
C. S. Subbiah
CEO, AASL

Sd/-
Manjiree M. Vaze
Company Secretary
Membership No. : ACS-16028

Sd/-
Kamal Roul
Chief Financial Officer