

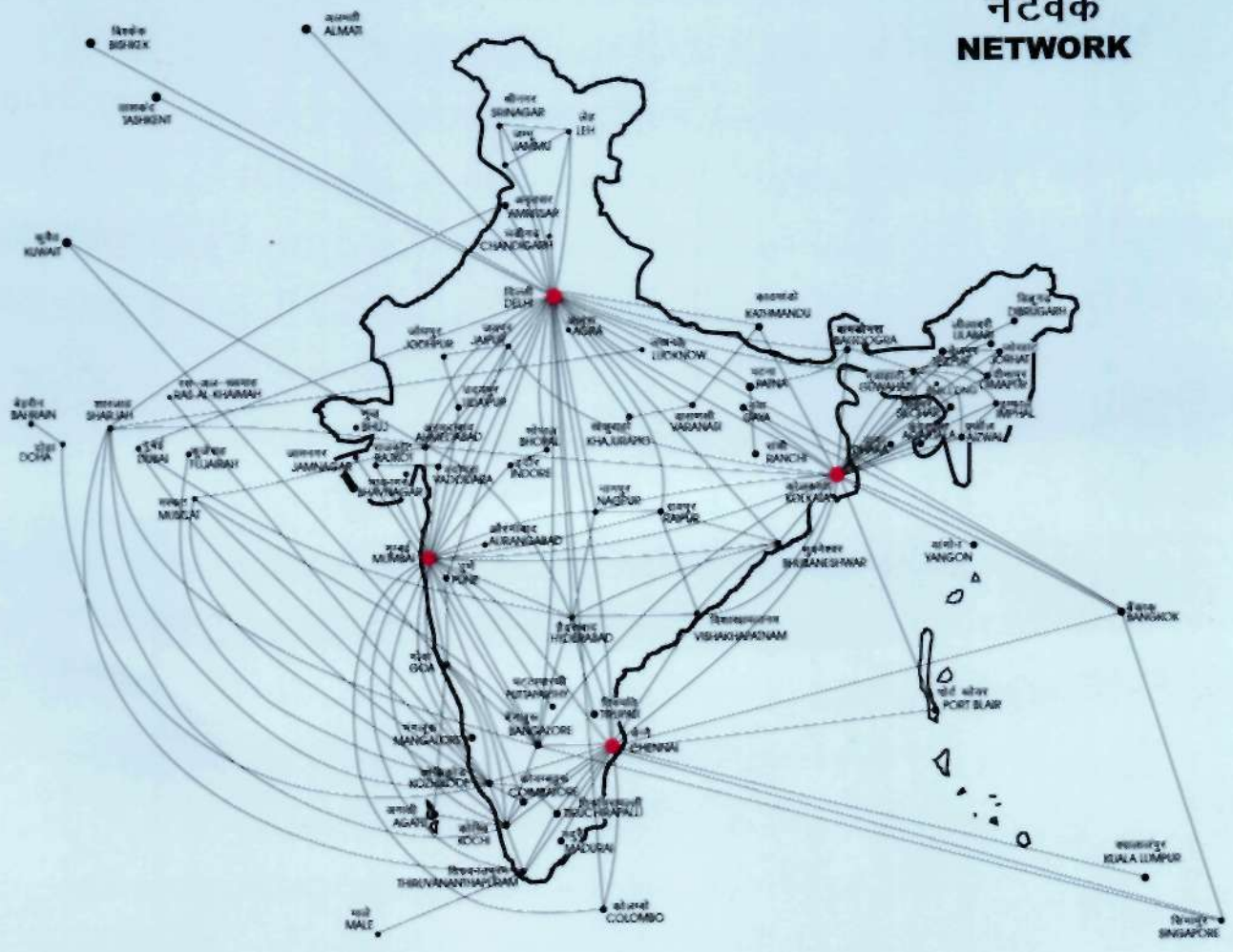
ANNUAL REPORT 2002-03



 इंडियन एयरलाइन्स
Indian Airlines

www.indian-airlines.com

इंडियन एयरलाइन्स
Indian Airlines
नेटवर्क
NETWORK



CONTENTS

| | | |
|-----|--|----|
| 1. | Board of Directors | ii |
| 2. | Executive Heads | iv |
| 3. | Directors' Report | 1 |
| 4. | Comments on Statutory Auditors' Report | 12 |
| 5. | Balance Sheet | 22 |
| 6. | Profit and Loss Account | 23 |
| 7. | Schedules 'A to 'P' | 24 |
| 8. | Cash Flow Statement | 35 |
| 9. | Schedule 'Q' - Notes on Accounts | 36 |
| 10. | Schedule 'R' - Significant Accounting Policies | 41 |
| 11. | Statement pursuant to Section 212 of the Companies Act, 1956 | 43 |
| 12. | Expenditure on Social Overheads | 45 |
| 13. | Auditors' Report | 46 |
| 14. | Comments of the Comptroller and Auditor General of India | 55 |
| 15. | Ten-year Financial Statistics | 62 |
| 16. | Ten-year Operating and Traffic Statistics | 63 |

BOARD OF DIRECTORS

(As on 5th December, 2003)

Sunil Arora

V. Subramanian

M. Damodaran

Raghu Menon

S.K. Narula

SECRETARY

H.S. Grover

BANKERS

State Bank of India
Bank of India

JOINT STATUTORY AUDITORS

M/s. Gupta & Gupta
D-70, Panchsheel Enclave
New Delhi-110 017

M/s. GS. Mathur & Co.
149 B, Pocket C
Siddartha Extension
New Delhi-110 014

REGISTERED OFFICE

Airlines House
113, Gurudwara Rakab Ganj Road
New Delhi-110 001



Sunil Arora



V. Subramanian



M. Damodaran



Raghu Menon



S.K. Narula

EXECUTIVE HEADS

Sunil Arora Chairman and Managing Director

V. Kashyap Dy. Managing Director

T. S. Chandrasekar Dy. Managing Director

Directors

K. K. Sharma

Ms. Sushma Chawla

A. K. Rastogi

A. K. Goyal

Shekhar Ghose

Yashvir Kumar

Capt D. V. Singh

Naresh Chand

Kaul Kapil

V. K. Jain

R. Dayal

R. K. Rana

Ms. Anjana Maheshwari

Anup K. Srivastava

Ms. Anita Khurana

Capt A. K. Malhotra

G. D. Brara

Capt G. Jesudason

Rajan Dayal

Ms, Manjira Khurana

S. C. Gupta

Anand Kumar

CVO

Director Finance

Director IT

Commercial Director

Director HRD

Director Planning & Project

Director Flight Safety

Director Corporate Affairs

Director Personnel & IR

Director Ground Support

Director Audit

E. D. SHOD

Director Systems

Director PR

Director Cargo

Director Training

Director Stores & Purchases

Director Operations

Director Engineering

Director IFS & Co-ordinator-Sales

Director JEOC

Director Security

Regional Directors

Manet Paes

S. K. Ghorai

M. S. Balakrishnan

S. Chandrasekar

Northern Region

Eastern Region

Eastern Region

Southern Region

INDIAN AIRLINES LTD

Directors' Report

The Directors of your Company have pleasure in presenting the Eleventh Annual Report, together with the Audited Statement of Accounts of Indian Airlines Ltd. for the year ended 31st March 2003.

FINANCIAL AND PHYSICAL PERFORMANCE

During the financial year 2002-03 the Company has suffered a Net Loss of Rs. 196.56 crore as against the Net Loss of Rs. 246.75 crore for the year 2001-02 mainly because of improved physical performance and strict cost control measures undertaken by the company.

The above loss for the Year 2002-03 is due to the following extraneous factors beyond its control:

There has virtually been no growth in the domestic market over the past few years. At a time, when the air travel market was still recovering from the impact of 11th September attacks in the US, it was again adversely affected by the Iraq War and SARS.

The effect of sluggish growth was further extenuated by the unbridled capacity induction by private airlines to the extent of 16% over the previous year. Consequently, IAL's share of domestic market dropped to the level of about 40%. The price of ATF increased by almost 20% on an average during the year 2002-03. In the month of March 2003 the domestic ATF price touched a historical high figure of Rs.25,200 per kilolitre.

Increase in expenditure due to closure of Pakistani Airspace requiring extra flying time to service the Gulf destinations.

In order to partially offset the huge increase in input cost and to contain the losses, the Company increased its Domestic Rupee Fares by 10% in November 2002. Another hike of 15% in Domestic Rupee Fares was effected in March 2003 as ATF prices touched an all time high of Rs 25,200 per kilolitre. However, the additional revenue generated due to the hike of 15% effected in March 2003 would be available to the Company only in the fiscal year 2003-04. The additional revenue generated by the upward revision of Domestic Rupee Fares in November 2002 was however, available from November till the end of Fiscal Year 2002-03.

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

| Financial Performance | (Rupees in Crore) | | |
|--|-------------------|----------|---------------------------|
| | 2002-03 | 2001-02 | % Increase/ (Decrease) |
| Operating Revenue | 4071.73 | 3769.91 | 8.00 |
| Operating Expenses | 4206.45 | 3990.56 | 5.41 |
| Operating Profit/(Loss) | (134.72) | (220.65) | 38.94 |
| Non-Operating Revenue | 42.51 | 107.38 | (60.41) |
| Non-Operating Expenses | 104.35 | 133.48 | 21.82 |
| (including Prior Period adjustments) Net Profit/ (Loss) | (196.56) | (246.75) | 20.34 |

Physical Performance

| | 2002-03 | 2001-02 | % Increase/ (Decrease) |
|-------------------------------|----------|----------|---------------------------|
| ATKMs (Millions) | 1308.018 | 1200.315 | 8.97 |
| RTKMs (Millions) | 845,097 | 755.547 | 11.85 |
| Passengers Carried (Millions) | 5.654 | 5.525 | 2.33 |
| Load Factor | 64.6 | 62.9 | 2.70 |
| Seat Factor | 59.5 | 60.5 | (1.65) |

ON TIME PERFORMANCE & TECHNICAL DESPATCH RELIABILITY

A very close monitoring was done to improve the on time performance to ensure the availability of reliable passenger service. For this purpose, a Core Committee at each of the metros and a Central Co-ordination Cell were set up during 2001-02 to monitor the on-time performance and take corrective measures. The concerted efforts yielded good results as during the period under review also the on time performance was at the same level as in the previous year i.e. 77% on the whole network, in comparison to 60% on time performance during the year 2000-2001.

The Technical Despatch reliability during the year was 98.76% as compared to 98.55% last year. The dispatch reliability of A-320 fleet of IA was 99.2%, which out-classed top airlines of the world like Lufthansa, Air France, United Airlines and Air Canada.

AIRCRAFT UTILISATION

The aircraft utilisation during the year improved quite substantially as compared to the previous year. For A300, the aircraft utilisation in terms of hours per annum per aircraft was 2753 hours as against 2491 hours during 2001-02. In respect of A320, the aircraft utilisation was 3389 hours as compared to 3178 hours in the previous year.

IA was adjudged the best airline by M/s Airbus Industrie for A-320 aircraft utilisation during 2001.

TECHNOLOGY UPGRADATION

During the year 100% up time of IBM main frame at the two central sites was achieved thereby ensuring the availability and reliability of system access for all users.

The Departure Control System (DCS) is now available at 39 stations comprising of 29 Domestic & 10 International Stations on IA Network.

Through Check-in facilities were also implemented with other airlines like Emirates, Cathay Pacific, Air France and Air India during the year.

Internet based Applications like E-Booking and E-Auction were also introduced during the year.

A Corporate Intranet has been made functional offering a wide range of services to the employees such as E- Mail communication within the organisation, sharing of information relating to Financial Rules, Medical and Personnel Rules etc.

COST CONTROL

Air Traffic was severely hit after the 11* September 2001 incidents in USA. The Aviation Market was still reeling under its impact when it witnessed a further down slide due to the Iraq War, SARS etc. This adversely affected the Company's revenue as well as liquidity position. For the past few years, the Company has been undertaking a comprehensive Budgetary Control exercise as well as Cost Benefit Analysis before undertaking major projects/investments. However

the cost control exercise received further impetus during the current year with the Constitution of a High Level Cost Control Committee to identify and recommend vital areas where cost control can be effected. The following areas have been identified amongst others for curtailment of costs:-

- Strict Monitoring of expenses and Budgetary Control.
- Efficient Inventory Management.
- Fuel Tankering and Monitoring.
- Route Rationalisation and Efficient Aircraft Capacity Deployment.
- Rationalisation of Catering Upliftment and Menus.
- Reduction in Overtime and ban on engagement of contractual labour.

The estimated savings from various cost control/economy measures amounted to around Rs.100 crore during the year on account of reduction in overtime, freeze on recruitment, discontinuance of payment of ex-gratia to officers, fuel tankering, rationalisation of menus and catering upliftment, streamlining of stores and inventory management etc.

MARKETING

In order to improve its market share, the Company continued its aggressive marketing as well as pricing policies. The Company's strategy in this respect primarily aimed at various Sales Promotion efforts, product improvements as well as upgradation of In-Flight Services in order to improve passenger satisfaction and convenience.

The various marketing as well as value addition initiatives adopted by the Company are highlighted below: -

- The Company introduced APEX Fares, an Advance Purchase Scheme on selected domestic sectors effective 1st August 2002.
- Corporate House Scheme was introduced to offer special incentives to corporates depending on the quantum of their business.
- The Super Saver Scheme was launched in May 2003.
- Introduction of the "Taj Offer" which allows a one night stop over on return tickets on payment of a nominal charge.
- " IA Flyaway - Holiday Packages" finalised to about 30 prime destinations.
- Introduction of Co-Brand Cards with American Express and ABN Amro Bank.
- On Line booking introduced through IA Website.
- Introduction of "IA Bid & Fly Scheme", which offers IA seats for auction on Internet at attractive prices.
- Executive Class Bonanza introduced from November, 2002 which included offering Executive Class Vacation, Lady Executive Offer, Weekly Lucky Prizes, Executive Companion offer, FFP enrollment etc.
- " Wings of Freedom " a promotional scheme introduced in August 2002.
- Introduction of "Bharat Darshan" offering unlimited travel on domestic network for 7 days.
- "Desh-Videsh Scheme" was launched offering Frequent Fliers free international tickets against value of domestic travel done by members.
- MOU signed with various State Tourism Development Corporations such as Rajasthan, Maharashtra and Kerala.
- IA organised a "Special Food Festival" on board its metro flights from 1st December, 2002 to 31st January, 2003 by tie up with Taj Sats Flight Catering and renowned Celebrity Chef - Mr. Sanjeev Kapoor.
- Effective 1st April 2003 IA took over the management of Flying Returns Programme and the same is being revamped.
- A new look passenger feed back system -."Reach" introduced.
- Various product improvements were introduced in the form of computerised check- in, Advance Seat Reservation, Improved Lounge Facilities, Transfer Desk; Fog Advisory System, Inter Airline through check in facilities, Tele/ Return Check-in etc.

- Renovation of booking offices at various IAL Stations offering better services to passengers.
- Offering better connectivity to Travel Agents through Internet.
- Introduction of better In Flight Services such as Bone China Cutlery and Mineral Water Bottles in Executive Class and New Uniform for Air Hostesses.

FLEET POSITION

The Fleet position, of the Company as at the end of the year, is as under:-

| <u>Aircraft Type</u> | <u>Number of Aircraft</u> |
|----------------------|---------------------------|
| | (As on 31.3.2003) |
| A-300 | 5 * |
| A-320 | 37 ** |
| B-737 | 11 *** |

Including 2 leased aircraft out of which one has subsequently been purchased retrospectively effective 15th November 2002.

Including 7 leased aircraft. (Subsequent to 31st March, 2003, 4 leased A320 aircraft have been further inducted into the network).

*** Operated by Alliance Air, which is IA's wholly owned subsidiary.

NEW LINKS

During the year, the Company introduced services on the following New routes:-

International

| | | |
|------|---|---------|
| Gaya | - | Bangkok |
|------|---|---------|

Domestic

| | | |
|----------|---|--------------------|
| Patna | - | Bagdogra |
| Patna | - | Guwahati |
| Guwahati | - | Lilabari |
| Kolkata | - | Gaya |
| Guwahati | - | Dimapur |
| Guwahati | - | Aizwal |
| Kolkata | - | Shillong |
| Agartala | - | Silchar |
| Mumbai | - | Delhi - Chandigarh |

FLIGHT SAFETY

Safety in Flight Operations has always received top priority in the corporate objectives of the Company. A Flight Safety Policy supporting and promoting all legal requirements is meticulously followed by the Company. The Company also follows an accident prevention as well as Safety Awareness Programme which encourages a non-punitive reporting of any unsafe act or hazards to aircraft operations.

Some of the steps taken by the Company for ensuring safety of flight operations are: -

- Permanent Investigation Board for A-300 & A-320.
- Cockpit Resource Management (CRM) training.
- CRM loft in simulators.
- Cockpit Voice Recorder Monitoring.
- CFIT Risk Assessment.
- Installation of TCAS (Airborne Collisions Avoidance System).
- Installation of SSFDR in all A-320 aircraft.
- Installation of Enhanced Ground Proximity Warning System (EGPWS) predictive terrain hazard warning equipment.
- Introduction of CNS/ATM Concept popularly known as FANS CONCEPT in phased manner.
- Regular Safety Audit of Base Stations.
- IA Flight Crew trained for Reduced Vertical Separation Minimum (RVSM) operations.
- Use of CAT-III instrument landing system at Delhi, which helps aircraft to land safely even in foggy conditions.
- Publishing of Quarterly Flight Safety Magazine.

ENGINEERING

The ageing fleet of the aircraft and the accompanying higher costs of maintenance have placed a greater responsibility in terms of streamlining the inventory management within the Company. Maintenance cost is bound to go up even further so long as ageing aircraft continue in the fleet.

The Company has extensive and modernised engineering facilities at Delhi, Mumbai, Kolkata & Hyderabad. The Engineering Department is well equipped to carry out all engineering and maintenance works.

During the year, 19 "C" Checks on A 320 aircraft were carried out in-house by the Company. Four A 320 aircraft were planned to be sent to repair agencies abroad for major checks, however, due to better management of inspection tasks to be performed during major checks and increased in-house productivity, only three aircraft were sent abroad.

Apart from normal maintenance & engineering jobs, B-737 being quite old have been subjected to additional maintenance works related to Corrosion Protection & Corrosion Prevention (CPCP) programme and Ageing Fleet Inspections/ Repairs. Five aircraft have been retrofitted at a cost of Rs.2.60 crore with new AVIO INTERIOR passenger seats to provide better passenger amenities.

Major structural repair of Rib 5 replacement was carried on VT-EFX. 'C' check life of A-320 has been enhanced and all the A-320 & A-300 aircraft have been approved for RNP-5, RNP-10 and Reduced Vertical Separation Minimum (RVSM) operation by DGCA.

Major modifications on A-320 aircraft such as Cockpit Door, Cockpit Door Surveillance System, Comprehensive EGPWS & SSFDR, Elevators-Thermo Graphic Inspection, MLG Door Actuator Fittings Reinforcement have been carried out as per DGCA guidelines and time frames at an estimated cost of Rs.21 crore.

During the year Engineering Services were provided to other airlines/ organisations like Blue Dart, Jet Airways, Air Sahara, British Airways, Cathay Pacific, Lufthansa etc.

Hyderabad Base & Engineers have been approved by Civil Aviation Authority Singapore for certification of A-319, A-320 & A-321 aircraft of Silk Air.

Major design change and computerisation of Quality Control & Technical Services Division and Production Planning Control Divisions at Delhi & Mumbai have been undertaken during the year.

The Company signed a Memorandum of Understanding (MOU) with SIA Engineering Company Ltd. (SIAEC), the engineering subsidiary of Singapore Airlines on 7th February, 2003 for carrying out a joint feasibility study to explore

possibilities for a joint venture facility for undertaking aircraft maintenance, repair and overhaul in India with Indian Airlines as the majority stakeholder. After initial study, key terms of the joint venture were finalised and a Term Sheet' incorporating these terms was signed on 18th September 2003. The separating of aircraft maintenance functions from the core airline business, which is today the global norm in the airline industry, is expected to improve productivity, efficiency and expand third party business in Engineering services.

JET ENGINE OVERHAUL COMPLEX

Jet Engine Overhaul Complex (JEOC), a state-of-art & modernised engineering workshop continued to provide vital engineering support and maintenance services. As in the previous year, neither JT8D nor V2500 engines have been outsourced for maintenance resulting in saving of valuable foreign exchange.

The Piece Parts Repair Facility continues to be gradually upgraded. A 3-Dimensional Co-ordinate Measurement Machine (3D-CMM) has been installed and commissioned which ensures precise measurement of duplicate dimensions. This, in turn, enhances the item repair capability of the shop.

JEOC FAA Approval is high in the preferred list of FAA for approval of foreign repair stations. JEOC accordingly, is getting geared up with Repair Station Manual and its implementation in the shop. The application form FAA 8310-3 shall be submitted with the manual on receiving the invitation from FAA Singapore field office, which is expected shortly. Thereafter, it will take 8-9 months for review and certification of the Shop. Consequent upon this approval, IA shall be able to take up engineering jobs for other airlines earning much valuable foreign exchange for the Company.

National Productivity Council (NPC) has also been engaged for acquiring ISO 9000-2000 approval for JEOC.

ENERGY CONSERVATION AND FUEL ECONOMY

As in the past, in the current year also, the Company continued with its thrust towards achieving higher levels of energy conservation and fuel economy.

Use of GPU's instead of APU's is resorted to whenever aircraft is on ground. This, along with towing of aircraft for maintenance etc., has resulted in substantial savings of ATF costs.

Proper monitoring of Fuel Expenses is done and Flight Sector Report has been amended to include actual fuel consumed in flight for A300/A320's. Many international routes have been changed to conduct operations by shortest possible routes after introduction of EMARRSH routing w.e.f. 28th Nov.2002.

Fuel Tankering is resorted to take advantage of the wide difference in ATF prices across different states and international sectors. The savings on this account amounted to Rs.9.80 crore during the year.

Regular Performance Monitoring of A300 and A320 is done to ensure that performance remains within specified parameters. Savings have also been effected by doing away with the requirements of test flights for renewal of Certificate of Airworthiness for A300 and A320 aircraft as a result of Performance Monitoring.

The Central Training Establishment (CTE) continued to provide valuable classroom support to engineers as well as pilots in respect of providing them with upgraded means and measures towards optimisation of flight techniques & flight profiles in order to conserve fuel and energy.

GROUND SUPPORT

The Ground Support Department has adequate equipment & facilities to cater to the handling of any type of aircraft in the world market today. During the year ground handling services were provided to 14 foreign airlines besides provision of such services to corporate/tourist charters. The ground handling services were extended to VVIP dignitaries such as Hon'ble President of India, Vice President of India & Prime Minister of India as well as Foreign Heads of State.

IA successfully finalised an agreement with Silk Air for providing Aircraft Certification Services to their flights at Hyderabad and Cochin. Support was also extended to the handling of Haj Charter Flights operated by Air India and Saudi Arabian Airlines to Srinagar, Ahmedabad, Hyderabad, Lucknow, Calicut & Nagpur.

An Ambu-lift tailgate was designed by GSD to facilitate sick passengers for boarding/disembarkation and transportation to the aircraft.

The Company has signed a Memorandum of Understanding (MOU) with Singapore Airports Terminal Services (SATS), subsidiary of Singapore Airlines on 28th March, 2003 for carrying out a joint feasibility study to explore possibilities for a joint venture facility for undertaking these services with Indian Airlines as the majority stakeholder. In the meantime, the Company has formed a subsidiary company 'IAL Airport Services Ltd.' to undertake Airport Handling, Traffic Services and other Allied activities in August 2003. The aim is to separate airport handling functions from the core airline business to fall in line with the global trend in the airline industry. The JV is expected to improve productivity, efficiency, upgrade facilities and higher customer satisfaction and expand third party business.

CENTRAL TRAINING ESTABLISHMENT (CTE)

The Central Training Establishment continued to provide training in both technical and non-technical fields to personnel of IA as also other external agencies.

The CTE training conformed to all prescribed international standards as laid down by DGCA, IATA, ICAO, FAA etc.

During the year CTE provided simulator facilities to Air India, Alliance Air, Dolphin Air, Blue Dart, Air Sahara, Sri Lankan Airlines, Phoenix FZE etc.

CTE also published a wide array of training manuals, Cat-II/III literature, other operational & technical circulars and Cabin Crew in-Flight announcement Handbook etc.

ACQUISITION OF NEW AIRCRAFT

The Company has already submitted to the Govt, its proposal for acquisition of 43 new aircraft at a Net Project Cost of Rs. 10089 crores. These new aircraft are envisaged to replace the entire fleet of A300 & B737 in a phased manner as well as to cater to the annual traffic growth of about 5% during the 5 year period from 2003-04. The proposal is awaiting approval of the Government.

HUMAN RESOURCES

The total staff strength as on 31st March 2003 was 19523 as against 20012 as on 31st March 2002. This includes 3770 employees belonging to Scheduled Castes and 1167 employees belonging to Scheduled Tribes representing 19.3% and 6% respectively of the total staff strength. The Company has been following Government's directives with regard to representation of Scheduled Castes and Scheduled Tribes. The Company also has a total of 2933 women employees as on 31.3.2003 comprising 15% of the total staff strength.

STAFF WELFARE ACTIVITIES

The Company continued to provide various welfare facilities to its employees which include, amongst others, Medical facilities, Subsidised Canteens, Financial Assistance for Part Time Courses, Educational Scholarship to wards of employees, Holiday Homes, Sports Clubs, Staff Housing Colony, Housing Loans, Festival Advances, Group Insurance Schemes etc.

INDUSTRIAL RELATIONS

There are 8 recognised Union/Associations in the Company representing various categories of employees.

There was no major incident of industrial unrest during the year and the industrial relations of the Company remained completely harmonious and peaceful.

The Company's Pilots / Engineers played a productive role in maintaining normalcy in operations by carrying out additional flights during the period of unrest caused by the Air India pilots due to SARS outbreak in South-East Asia.

VOLUNTARY RETIREMENT SCHEME

A Voluntary Retirement Scheme (VRS) for the employees was approved by the Board in its 65th Meeting held on 27.3.2003.

The Ministry of Civil Aviation also accorded its approval for the same and it was introduced in the Company effective 19.5.2003 for a period of two months upto 17th July 2003 and was applicable to all employees except those working in the technical cadres and employees on contract. It was further extended for a period of two months upto 17th September 2003 for all categories of employees including Pilots, Engineers and Technicians.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year Foreign Exchange Earnings amounted to Rs. 1409.74 crore and outgo was Rs. 1550.34 crore. The major components of this outgo were on account of repayment of aircraft loans and interest thereon, purchase of stores equipment/repairs, payment to airlines, hire of aircraft etc.

Foreign Exchange Earnings constituted 34.62% of the total operating revenue of the Company.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company has contributed Rs. 232.94 crore to the Government Exchequer by way of payment of Custom Duty, Sales Tax, Excise Duty etc.

SOCIO-ECONOMIC RESPONSIBILITIES

Indian Airlines has been providing air-connectivity over a large domestic network comprising number of uneconomical services to remote / far flung and tourist destinations being served for socio-economic reasons. Indian Airlines also offer a number of fare concessions on humanitarian / social ground like defence personnel & their families, senior citizens, students, blind persons, cancer patients, physically impaired persons etc. Indian Airlines, quite often, is called upon to perform operations in times of natural calamities, defence requirements and other emergency situations.

ISSUES HAVING SIGNIFICANT BEARING ON THE PERFORMANCE OF THE COMPANY

- **Aviation Turbine Fuel (ATF)**

The high cost of ATF is a major factor adversely affecting the profitability of the airlines in India. The ATF is subject to high central excise of 16% and high sales tax, as high as 39.1% in Kerela, 36% in Gujarat with average rate working out to 25%. Further, in India, ATF sold to international flights of Indian Airlines and Air India is subject to levy of sales tax whereas ATF for international flights of foreign airlines is exempt from levy of sales tax. Therefore, Indian Airlines face a significant cost disadvantage on international operations vis-a-vis its foreign counterparts. Thus, there is an urgency of rationalisation of taxes on ATF, by reducing / abolishing excise duty, categorising ATF as 'Declared Goods' in Central Sales Tax Act to cap the sales tax to 4%, to treat ATF sold on international flights of Indian Airlines and Air India as 'Deemed Exports' to exempt ATF from sales tax on par with foreign airlines.

- **Operations on Uneconomic Routes**

Indian Airlines is deploying a large capacity on North East and other Category II routes as well as Category III routes, much more than what is required by route dispersal guidelines of the Govt, to provide air connectivity to tourist destinations, state capitals, remote and far flung regions not well connected by other modes of transport. Many of these services comprise multi sector flights / short haul direct flights and are uneconomical. Indian Airlines continue to bear these losses in the absence of any subsidy / reimbursement of losses being provided by the Govt.

- **Fleet Renewal**

As already stated, the Company has already submitted its proposal for acquisition of new aircraft to meet replacement needs, cater to market growth and contain fuel and maintenance costs. The competitor private airlines are holding

much younger modern fleet and therefore enjoy greater passenger appeal and lower fuel & maintenance costs. The induction of new aircraft in the fleet of Indian Airlines is required to retain its competitive edge in the market. The fleet renewal would enable Indian Airlines to improve its market share and have better passenger appeal besides expanding network and bring cost savings due to fuel efficiency & lower maintenance costs of new aircraft.

SUBSIDIARY COMPANIES ACCOUNTS

Airlines Allied Services Ltd. (AASL) a subsidiary of Indian Airlines was formed in 1983 and commenced operations w.e.f. 15th April 1996 under the banner of Alliance Air. The Accounts of the Company for the year ended 31.3.2003 are not annexed as the same are under preparation.

The Annual Report of the year 2002-03 of M/s Vayudoot Ltd., a wholly of subsidiary Indian Airlines has not been annexed with the accounts as the same is under preparation. Accounts upto the financial year 2001-02 have already been adopted by the shareholders of Vayudoot Ltd.

Indian Airlines also formed a subsidiary viz. IAL Airport Services Limited which has been registered on 27.8.2003.

USE OF HINDI

The Company continues to promote Hindi as official language. All efforts are made in this regard in accordance with the Official Implementation Programme.

SPORTS

The Company continued to support and promote sports particularly Hockey, Cricket, Chess & Carrom. Employees of the Company performed and excelled in various sports events at both the national as well as international levels. Some of the noteworthy performances by the Company's employees are highlighted below: -

- Indian Airlines team won the MCC Murugappa Gold Cup held at Chennai, the Chief Minister's Invitational Hockey Tournament held at Coorg, Karnataka. Indian Airlines also won the K.D. Singh Babu and Rajnandagoan hockey tournaments.
- V.V.S. Laxman and Dilip Tirkey were awarded the prestigious Arjuna Award for excellence in the field of cricket and hockey respectively.
- Dilip Tirkey, Dhanraj Pillay and Bimal Lakra were members of Silver Medal winning hockey team in the Busan Asian Games, South Korea.
- Dhanraj Pillay, Dilip Tirkey and Bimal Lakra were members of the Indian Hockey Team at the Champion's Trophy. Dhanraj Pillay was selected as the player of the tournament in this championship.
- J.Srinath, Harbhajan Singh and Yuvraj Singh were the members of the Indian Team which finished runners up in the Cricket World Cup in South Africa. These players were also members of the Indian Team which shared the ICC Champions trophy at Colombo.
- In Carrom R.M. Shankara won the International Carrom Federation Cup held in Cannes, France and has also won the National Championships held in Bangalore.
- B. Radhakrishnan won the individual event and Maria Irudayam finished runner up in the Federation Cup Carrom tournament held at Raipur.
- Shekhar Guha was appointed as an Umpire for the International Carrom tournament at Cannes, France.
- In Chess S. Vijayalakshmi won the Silver Medal in the Chess Olympics at Slovenia. She also won the National 'A' Women's Chess Tournament for the record 6th time in her career and S. Meenakshi finished 4th in the same tournament in May 2002. Both of them qualified to represent India in the Chess Olympiad.
- Tejas Bakre won the Bangkok Open International Chess Championship in December 2002.
- Annuraj Singh won the Bronze Medal in the World Junior Shooting championship in Germany.

- Birendeeep Singh Sodhi won the Gold Medal in the Trap event of the ISSF Shooting World Cup held at New Delhi and the Asian Clay Shooting Championship 2003 held at New Delhi.
- Alok Singh won the Gold Medal in the junior category of the Asian Clay Shooting Championship and the Bronze Medal in the Skeet event of the ISSF World Cup held at Delhi.
- Sweta Choudhary represented India in the Shooting event at the Asian Games held in Busan, South Korea.
- Indian Airlines Golf Team comprising of M. P. Singh and Capt. D.K. Ahluwalia participated in the World Corporate Golf tournament held in Jamaica in May 2002. Both these players were also the winners in the first Indian Tourism Global Interline Golf Championship held at Delhi.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm: -

- i) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- ii) that they had 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 or loss of the Company for that period.
- iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) that they had prepared the Annual Accounts on a going concern basis.

AUDIT COMMITTEE & CORPORATE GOVERNANCE

For improving Corporate Governance, a new section 292A was introduced in the Companies Act, 1956 providing that every public company having a paid up capital of not less than Rs. 5 crore shall constitute a Committee of the Board known as "Audit Committee". Accordingly, the Audit Committee was constituted on 15th March 2001. The Audit Committee presently comprises of: -

1. Shri V. Subramanian - Chairman
2. Shri Raghu Menon
3. Shri S.K. Narula

During the year 2002-2003, one meeting of the Audit Committee was held on 29.11.2002. In the current financial year, two meetings of the Audit Committee have been held on 30th April, 2003 and 21st November, 2003.

PARTICULARS OF EMPLOYEES

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

AUDITORS

The Statutory Audit for the financial year 2002-03 has been carried out jointly by M/s G.S. Mathur & Company and M/s Gupta & Gupta, Chartered Accountants both of New Delhi, appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956. The Statutory Auditors have made certain observations in their report on the Accounts of the Company for the year ended 31st March 2003. The comments of the Management to these observations are attached as addendum to this Report.

BOARD OF DIRECTORS

During the year, the Board of Directors of Indian Airlines held four meetings. The Board consists of the following Directors: -

1. Shri Sunil Arora Chairman & Managing Director, Indian Airlines & Managing Director, Air India.
2. Shri V.Subramanian Addl. Secretary & Financial Advisor, Ministry of Civil Aviation.
3. Shri M. Damodaran Chairman, Industrial Development Bank of India
4. Shri Raghu Menon Joint Secretary, Ministry of Civil Aviation
5. Shri S.K. Narula Chairman, Airports Authority of India

ACKNOWLEDGEMENTS

The Board places on record its appreciation of valuable services rendered by Shri J.N Gogoi and Shri P.P. Vora as members of the Board of the Company.

The Board also places on record its appreciation for sincere efforts and contribution made by the Company's employees at all levels. The Board sincerely acknowledges the assistance and continued support given by the Ministry of Civil Aviation, Airports Authority of India, Comptroller and Auditor General of India, Department of Company Affairs and other Government Departments, Airlines and Agents.

By Order of the Board



(Sunil Arora)

Chairman & Managing Director

Place: New Delhi.

Dated: 5th December, 2003

COMMENTS ON STATUTORY AUDITORS' REPORT

The comments of the Board of Directors to the observations of the Statutory Auditors are as under:

| Para No. | Audit Para | Reply |
|----------|--|---|
| 2. | We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. Despite well meaning efforts by finance department and the audit committee, on account of inadequacy of appropriate internal control systems and accounting procedures as detailed hereinafter, we were unable to apply in entirety audit standards necessary for the purposes of our audit. | 2. Efforts are continuously being made to further improve the systems and procedures. |
| 4.1 | Computing revenue on account of passenger sales, after deducting advance passenger receipts, based on estimate of five days gross sales, instead of booking revenue on flown basis and of considering revenue on cargo services on issue of airway bills irrespective of transportation (Accounting Policy G) are not in accordance with the fundamental accounting assumption of accrual as well as Accounting Standard AS-1 read with AS-9 including generally accepted accounting practice, apart from their being no control of the tickets/airways bills issued and the utilization thereof. | 4.1 In absence of data on flown basis, the relevant Accounting Policy is being consistently followed. |
| 4.2 | Inclusion of rotatable parts and assemblies of significant value and non identifying rotatables of capital nature from expandable parts as part of inventories aggregating Rs 199.47 crore (last year 189.31 crore) is neither in consonance with Accounting Standard, "Accounting of Fixed Assets" (AS-10) nor as per generally accepted accounting principles and practices. Further, considering ground support rotatables and catering rotatables as rotatables rather than ground/ other equipment is neither a correct treatment nor in consonance with AS-10 and the generally accepted accounting principles and practices. | 4.2 The company considers rotatables as part of the Inventory hence these are not considered as Fixed Assets. Further provision for obsolescence is made for the same as per Accounting Policy No. E(ii). A meeting on this issue was held in the office of the Additional Secretary and Financial Advisor, Ministry of Civil Aviation, Govt. of India. Necessary accounting action, as outlined in the minutes of the meeting when received, would be taken in 2003-04. |

Similarly, provision of obsolescence thereon, though in line with significant accounting policy of the Company, but is not in consonance with AS-6 -Depreciation Accounting and AS-10.

- | | | | |
|-------|--|-----|---|
| 4.3 | No satisfactory explanation was forthcoming in respect of special arrangements of 30% discount given to Onwa Electronics Pvt. Ltd. as to either to the compliance of various condition/stipulation of the arrangements which includes contradiction in regard to the refund to be made at the station despite such tickets being non-refundable and not considering special discount for the purpose of TDS, despite discount given through Credit Note and IATT charged on published fare. | 4.3 | Noted. The arrangement has since been discontinued. |
| 4.4 | In respect of Patel On Board Courier P. Ltd., no satisfactory explanation was forthcoming for continuing arrangements with them despite internal audit report of fraudulent practices adopted by them, resulting in an estimated yearly loss of over Rs.1 crore. Further non-deduction/ deposit of TDS on productivity linked commission paid remains unexplained. | 4.4 | Noted. Suitable instructions have been issued for close monitoring. |
| 4.5 | Note No.15 of Schedule Q - Non disclosure of revenue as well as assets and liabilities as per geographical segments in terms of Accounting Standards AS-17 on Segment Reporting. | 4.5 | This has been adequately disclosed vide Note No. 21(H). |
| 4.6 | Non-adhering to certain laws and regulations at some regions inter-alia: | 4.6 | Required corrective action/ compliance shall be done during the current year. |
| 4.6.1 | Non-charging of Sales Tax on sale of spares to IAF, Blue Dart and engines to HAL. | | |
| 4.6.2 | Non-Registering/paying Excise Duty for manufacturing activities undertaken at Dum Dum Airport. | | |
| 4.6.3 | Non-deduction of tax to professionals, contractors, rent, interest etc., at the time of credit. | | |
| 4.6.4 | Ineffective monitoring of Inland Air Travel Tax (IATT) inter-alia (i) Non collecting/deposit of IATT for protocol/courtesy up-gradation including eligible staff (ii) Non collecting of IATT on child tickets at certain stations (iii) Excess collection on certain promotional fares due to wrong published rates as per circular (iv) Deposit of Tax on ad-hoc basis instead of actual monthly collection (v) Excess deposit because of wrong reporting by agents where fare was reported as IATT (vi) Non maintaining of records as per Part B of form as required under IATT Act/Rules. | | |

(vii) Reporting in return IATT collected rather than gross fare.

4.6.5 Instances of non-claiming of duty drawback on fuel used in international flights filled up India and non-payment of import duty on fuel purchase abroad and used in domestic sectors.

4.6.6 Ineffective monitoring including some delay in few cases in timely deposit of provident fund deductions of staff to trust and audit of trust account being performed by auditors other than auditor as stipulated by regulation 15 (5) of the Indian Airlines Employees Provident Fund Regulations, 1955.

4.6.7 In regard to Taxes at foreign station and Foreign Travel Tax in India the mismatch of outstanding vis-a-vis liability on 31.3.2003 and subsequent deposits, no satisfactory explanation was forthcoming for the mismatch to ascertain the correctness or otherwise of mismatch outstanding Foreign Travel Tax at the year end which has resulted in a negative balance by considering payment made in April 2003 thereby depicting a statement of over flown passengers overseas. Further ineffective monitoring through out the year of various taxes collected and deposited resulted in distorted status through out the year, including unreliable/ unrealistic outstanding at the year end.

4.7 Attention is invited to the following notes in Schedule Q of the Notes on Accounts.

4.7 In order to make the Accounts more transparent, the cited notes have been incorporated in the Accounts.

4.7.1 Note No.6 - Non-availability of Lease/Title Deeds;

4.7.2 Note No.9 regarding non-reconciliation of General Ledger Balances with the subsidiary records, non-availability of balance confirmation for receivables and payables including old and unadjusted credits/debits in Debtors account and consequential impact, if any, that may arise on reconciliation.

4.7.3 Note No.13 - Regarding Debts due for more than three years amounting to Rs.163.84 crore from the Government or Government owned companies being considered good for the recovery including even in respect of parties, where there are no operations over a year. Full reliance can not be placed as to the adequacy or otherwise of the provision for doubtful debts including dues from Government or Government owned parties as appropriate analytical procedure was lacking in identifying uncollectable amounts.

- 4.7.4 Note No.14-Provision of liability for wage arrears on estimate basis.
- 4.7.5 Note No.15 - Regarding estimated liability of Rs.183 crore of Vayudoot Limited on its eventual take over.
- 4.7.6 Note No. 16 - Regarding providing liability of various expenses payable to Airports Authority of India on estimate for reasons stated.
- 4.7.7 Note No.17 Non-providing of liability for demands raised by customs and sales tax authorities for reasons stated.
- 4.7.8 Note No.19 in respect of **MOU** & various arrangements with Airlines Allied Services Ltd. (AASL), satisfactory explanation **was** not forthcoming in regard to: (i) considering insurance surcharge and collection commission of **IATT** / PSF as Company's revenue despite there being no stipulation in this regard in the MOU (ii) considering debtors of AASL as that of the Company despite all revenue on flown basis having been transferred to AASL (iii) considering AASL revenue as that of the Company in respect of unflown coupons (iv) non-charging of Sales Tax for catering stores and other supplies (v) Undertaking statutory obligation on account of IATT, PSF as part of company's own operations/ transactions including filing of monthly returns to customs of IATT of AASL collected and deposited.
- 4.8 The accounts do not give the disclosures as required by Schedule VI of the Companies Act, 1956 in respect to:
- 4.8.1** Amount of surplus on sale of Aircraft/Engines included in Capital reserves upto 31.3.1996 and being in the nature of revenue surplus as per Accounting Standards 10, not set off against accumulated revenue loss as on 31.3.2003. The amount involved in set off is yet not ascertained;
- 4.8.1 Amount of Rs 461.52 crore transferred from Indian Airlines Corporation as on 1.3.1994 has been separately reflected. This leaves a balance of Rs 57.70 crore only.
- 4.8.2 Carrying balances particularly of Air India Ltd. in debits as well as credits without netting/adjusting, resulting in overstating debtors and liabilities aggregating Rs.74.49 crore.
- 4.8.2 There are certain outstanding issues with Air India Ltd. Till such issues are resolved, the receivables and payables are being kept separately.
- 4.9 In respect of various provision / liabilities held for doubtful debts and expenses, due to non-availability of reliable information following and not writing off of provision as bad debts remains unexplained and impact thereof has not been determined.
- 4.9 Noted.

- 4.10 In the absence of information, to the extent of not specified, we are unable to comment on the possible impact of items (4.1, 4.6, 4.7, **4.8.2 and** 4.9) above, on the loss for the year as per the Profit and Loss Account or the State of Affairs as per the Balance Sheet as at 31st March, 2003.
- 4.10.1 We further report that without considering the items mentioned in paragraph 4.10 above, the effect of which could not be determined, had the observations made by us in paragraph 4 been considered, Net Fixed Assets would have been Rs. 2290.98 crore (as against the reported figure of Rs. 2091.51 crore), Gross inventories would have been Rs. 305.98 crore (as against reported figure of Rs. 505.48 crore), Sundry Debtors would have been Rs. 685.67 crore (as against reported figure of Rs. 760.16 crore) and the Current Liabilities would have been Rs. 2193.15 Crore (as against the reported figure of Rs. 2267.64 crore).
- 4.10 Suitable comments have been furnished in response to respective Audit Paras.
- 4.10.1 Suitable comments have been furnished in response to respective Audit Paras.

For and on behalf of the Board

Place : New Delhi
Date : 5th December, 2003

Sd/-
(Sunil Arora)
Chairman & Managing Director

COMMENTS ON ANNEXURE REFERRED TO IN PARAGRAPH(3) OF STATUTORY AUDITORS' REPORT AS REQUIRED BY THE MANUFACTURING AND OTHER COMPANIES (AUDITORS' REPORT) ORDER, 1988.

| Para No. | Audit Para | Reply | |
|----------|---|-------|---|
| 1. | <p>The Company has generally maintained proper records showing particulars including quantitative details and location of fixed assets except that Fixed Assets register have not been updated at Kolkatta and New Delhi. The management at the end of the year has physically verified Aircrafts and Simulators. The Company physically verifies other fixed assets once in every two years. Physical verification for the year 2003 is being conducted in the biennial period of 2002-2004. We understand that the process of physical verification of other fixed assets is being conducted on different dates even in respect of the same items where there is more than one location in the same city. Discrepancies noticed on physical verification done during the biennial period 2000-2002 have not been adjusted in the accounts. The physical verification for the biennial period 2002-2004 is in progress. The Company is also in the process of reconciling the Fixed Assets figure as shown in the financial books with subsidiary records. Hence we are unable to comment upon the materiality of discrepancies, if any.</p> | 1. | <p>The physical verification of assets for the biennial period 2000-2002 is complete and report is likely to be finalized shortly.</p> |
| 5. | <p>The discrepancies arising out of Physical Verification with book records for the biennial period ended March 31,2002 are under compilation and have not been identified fully. Pending compilation of final discrepancies, we are unable to comment, whether there would be any material discrepancies requiring appropriate adjustments in the books of account.</p> | 5. | <p>The physical verification of stores & spares for the biennial period 2000-2002 is complete and report is likely to be finalized shortly.</p> |
| 6. | <p>The valuation of stores and spares have been done by deriving weighted average rate without considering freight, duty and incidental charges, which are kept under a separate account and charged to consumption on the basis of a standard formula, and not on actual FDI relating to respective of items of stores and spares. The remaining Closing Balances of FDI is included in the stock in totality in closing value in the financial statements, non-considering direct costs as a component of item of stores and spares is not in consonance with the Accounting Standard-2, though consistently followed. The impact, of non-compliance of Accounting Standard-2</p> | 6. | <p>Listing of the inventory as on 31.3.2004, shall be kept ready for verification.</p> |

"valuation of inventories," is undetermined, hence we are unable to comment upon the materiality of the same. We could not independently verify the closing inventory including valuation in entirety, since either list of closing inventory was not provided or wherever provided some was made available at fag end of audit.

10. In our opinion, and according to the information and explanation given to us, on account of inadequacies in systems and procedures arising from lack of proper accounting record and periodic review including of legal and accounting compliance, delay in recording of transactions, delay in receipt of information from stations/user department, delay in compilation of periodic accounts, non reconciliation of control and subsidiary records as well as accounts of Head Office with Regions particularly in respect to stores accounting and lack of adequate management reporting systems in respect of Region and other accounting information, resulted in :-
- a) Deficiencies in recognition of revenue and control over outstanding inter-alia (i) Non-reconciliation of outstanding debtors with subsidiary records, (ii) Non-maintenance of records for the full year operations in Debtors Accounts relating to computerised debtors, (iii) Non-monitoring of credit balances including unmatched credits of material amounts leading to a failure to record revenue and misapplication of receipts with a consequential effect on revenue and debtors, (iv) Non-availability or calling for confirmation from debtors, (v) Lack of monitoring of Agents outstanding including unrealised debit notes of considerable amounts and not considering of such outstanding for the purpose of taking appropriate action against agents, (vi) Not giving effect of wrong debits and credits identified subsequent to 31st March 2003 relating to period upto 31st March 2003 because of non-availability of corrected timely data from EDP. (vii) Ineffective monitoring various wrong practices adopted by Agents in the issuing and reporting of sale of tickets, (viii) Ineffective and poor monitoring of wrong reporting of various components of air tickets consisting of passenger fares, IATT, Insurance Surcharge, FTT, FATT and PSF resulting in showing distorted and unrealistic status of various components through out the year including at year end. (ix) Ineffective monitoring of MCO sale resulting in double payment of IATT and PSF as also incorrect
10. All the discrepancies pointed out during the course of Audit have been rectified in the Accounts. Instances of non reconciliation/non matching have been noted and necessary reconciliation work is in progress. Endeavour shall be made to strictly implement the existing systems and procedures and to further improve upon the same. All the concerned departments are being advised for timely furnishing of the relevant information and taking necessary action.

disclosure of outstanding of MCO at the year end including non-monitoring of MCO to ensure that MCO utilized are debited to the relevant period to which MCO were issued rather than operating current year MCO. (x) Undetected debits arising out of the duplicate billings, (xi) Non availability of records to disclose correct aging of debtors by considering a formula based aging rather than actual including showing certain outstanding of over six months more than the total outstanding at the year end. (xii) Non-identifying entries parked in debit as also credit at stations including carrying on certain parked entries as in the nature of expenditures like complimentary tickets, IATT etc. (xiii) Non-booking of fortnightly sales of agents including debits to wrong parties for various billings, (xiv) Non identifying of outstanding of one region, where recovery made in other regions, (xv) Non coordination or effective follow up with the outstanding arising at stations for casual booking, collect shipments, to-pay, cash short etc. (xvi) Carrying unlinked credits/debits lying in CRA for suspense parties pending reconciliation, (xvii) Considerable delay in processing and dispatch of billing particularly for charter flights, (xviii) Ineffective controls to ensure that rates charges for charter flights are correct, (xix) Non-availability of Audit Coupon for BSP Sales being considered only as per GSA summary report, (xx) Billing of Interline - SP arrangement, due to constraints in EDP programme, the same is accounted for a sector-fare and not SPA fare, provision for such difference is made on estimated basis and included in other liability, (xxi) Reducing hotel expenditure for package deals from passenger sales rather than including the same in food, services and other pax amenities.

- b) Other deficiencies particularly in monitoring of sundry creditors including liability for expenses revealed material variances effecting various accounts of profit and loss account, assets and liabilities inter-alia (i) Creating liability of material amount for supply of spares/repairs FOC/undue warranty, (ii) Non matching of liability provided based on GRAN value which was in wide variance to the amount of the bill, (iii) Undetected double payment to suppliers, (iv) Carrying liabilities having corresponding debit in store in transit/advances, (v) Carrying advances despite material having been received or service rendered, (vi) Non matching of GRANs with payments/credit notes, (vii) Non-linking of old unadjusted entries in various heads, (viii) Non monitoring or

considering defective material sent to foreign supplier, (ix) delay in recording of transactions, (x) Creditor accounts were not maintained party wise and transactions were recorded under liability for goods and expenses. (xi) No follow up or confirmation was on record of outstanding including old outstanding including to foreign parties. (xii) Writing back of unclaimed balances only on the basis of older than three years, without ascertaining whether it was due to double provision or otherwise or providing any reliable explanation for such write back. (xiii) Inconsistency and not operating fully/correctly prior period income/expenditure and disclosing prior period net of adjustment in various accounts inter-se. (xiv) Ineffective control in ensuring creation of liability for outside repairs despite material received. (xv) Non linking of payment made by Headquarters prior to 31/03/03 and adjustment thereof in respect of bills of repairs of foreign suppliers despite material having been received. (xvi) Non adjustment of credit notes received from foreign suppliers prior to 31/03/03. (xvii) Instances of not correctly applying conversion rates for foreign currency transactions.

- c) Central Revenue Accounts monitors debtors/ revenue and related matters including taxes in India and Foreign stations. Analysis of various accounts revealed unnatural and unrealistic behavior through out the year including mismatch of outstanding at the year-end resulting in passing entries of material amounts at our instance including fresh scrutiny undertaken on the basis of our reservations. This obviously has arisen because of poor and ineffective timely monitoring of transactions at CRA particularly because of delays and wrong reporting by EDP and other Regions inter-alia (i) Incorrect reporting of various components of tickets, (ii) Delay in giving figures of collections of passenger revenue. (iii) Delays in corrective entries required to be processed as ARD including poor monitoring of unlinked debtors/creditors particularly in Suspense Debtors/SP computer. (iv) Non revision and use of old standard form of RF-1, not containing requisite details required for correct operation of various components of ticket. (v) Non-revision of column in Air Tickets of Foreign Tax component.
- d) Lack of coordination and poor support including delays on the part of user/source department particularly stores and purchases engineering (PPC) and EDP in timely submission of relevant

and reliable data as well as supporting documents to enable timely and correct validation of entries and compilation of the same in the financial statements has resulted in continuous deficiencies requiring adjustment of material amounts much after the year end effecting the various components of expenditures income assets and liabilities. Lack of coordination by the Commercial Deptt., was also noticed wherein outstanding of material amounts from debtors and agents continued to remain outstanding for a considerable time and no effective penal action was taken by the Commercial Deptt., for either stopping the facilities of debtors or arrangements of agents.

There is not only a need to improve internal control system, but there is an urgent need to evolve an appropriate accounting manual for procedures and systems to be followed to be commensurate with the size of the Company and nature of its business and ensuring orderly and efficient conduct of company's business, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and the timely preparation of reliable information. The internal control system needs also to ensure coordination between finance department and user/source department for timely correct and reliable relevant data to Accounts.

For and on behalf of the Board

Place : New Delhi
Date : 5th December, 2003

Sd/-
(Sunil Arora)
Chairman & Managing Director

BALANCE SHEET AS AT 31ST MARCH, 2003

| | | Schedule | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|---|--------------------------|----------|-------------------------|-----------------------|
| I. SOURCES OF FUNDS | | | | |
| 1. SHAREHOLDERS' FUNDS | | | | |
| a) | Capital | A | 107,13,64,890 | 105,19,36,030 |
| b) | Reserves | B | 562,45,28,584 | 559,34,24,016 |
| | | | 669,58,93,474 | 664,53,60,046 |
| 2. LOAN FUNDS | | | | |
| a) | Secured Loans | C | 442,07,22,950 | 275,86,37,043 |
| b) | Unsecured Loans | | 723,59,19,091 | 1101,43,56,181 |
| | | | 1165,66,42,041 | 1377,29,93,224 |
| Total | | | 1835,25,35,515 | 2041,83,53,270 |
| II. APPLICATION OF FUNDS | | | | |
| 1. FIXED ASSETS | | | | |
| a) | Gross Block | D | 5477,42,27,008 | 5492,76,80,888 |
| b) | Less: Depreciation | | 3385,90,93,466 | 3121,80,21,415 |
| c) | Net Block | | 2091,51,33,542 | 2370,96,59,473 |
| d) | Capital work in progress | | 7,52,98,985 | 8,81,16,632 |
| | | | 2099,04,32,527 | 2379,77,76,105 |
| 2. INVESTMENTS | | | | |
| | | | 2,87,96,915 | 2,83,29,605 |
| 3. CURRENT ASSETS LOANS AND ADVANCES | | | | |
| a) | Inventories | | 120,88,86,532 | 137,25,17,296 |
| b) | Goods-in-Transit | | 19,25,09,873 | 12,29,66,053 |
| c) | Sundry Debtors | | 760,15,82,271 | 656,21,44,838 |
| d) | Cash & Bank Balances | | 73,15,23,702 | 116,97,28,209 |
| e) | Other Current Assets | | 28,47,39,827 | 115,34,07,691 |
| f) | Loans and Advances | G | 287,24,81,136 | 181,14,99,874 |
| | | | 1289,17,23,341 | 1219,22,63,961 |
| Less: CURRENT LIABILITIES AND PROVISIONS | | | | |
| a) | Liabilities | H | 2267,64,04,788 | 2105,93,81,602 |
| b) | Provisions | I | 405,05,92,008 | 374,77,39,213 |
| | | | 2672,69,96,796 | 2480,71,20,815 |
| Net Current Assets | | | (1383,52,73,455) | (1261,48,56,854) |
| 4. MISCELLANEOUS EXPENDITURE | | | | |
| (to the extent not written-off or adjusted) | | | | |
| Deferred Revenue Expenditure | | | 32,40,145 | 73,78,273 |
| 5. Profit and Loss Account | | | | |
| | | | 1116,53,39,383 | 919,97,26,141 |
| Total | | | 1835,25,35,515 | 2041,83,53,270 |

NOTES ON ACCOUNTS - SCHEDULE 'Q'
SIGNIFICANT ACCOUNTING POLICIES - SCHEDULE 'R'
In terms of our report of even date attached

For G.S. MATHUR & CO.
CHARTERED ACCOUNTANTS
Sd/-
Partner

For GUPTA & GUPTA
CHARTERED ACCOUNTANTS
Sd/-
Partner
New Delhi, Dec. 5, 2003

Sd/-
S. Chawla
Director (Finance)

For and on behalf of the Board

Sd/-
Sunil Arora
Chairman & Managing Director

Sd/-
V. Subramanian
Director

Sd/-
H.S. Grover
Secretary

New Delhi, Dec. 5, 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

| PARTICULARS | Schedule | 2002-03 (Rupees) | 2001-02 (Rupees) |
|---|----------|-------------------------|------------------------|
| I. REVENUE | | | |
| Operating | | | |
| Traffic Revenue | J | 3824,57,79,637 | 3543,23,34,990 |
| Incidental Revenue | K | 247,14,47,950 | 226,67,44,008 |
| Total Operating Revenue (A) | | 4071,72,27,587 | 3769,90,78,998 |
| Non-Operating Revenue | L | 42,51,24,872 | 107,37,72,939 |
| Total Revenue (B) | | 4114,23,52,459 | 3877,28,51,937 |
| II. EXPENSES | | | |
| Operating | | | |
| Employees' Remuneration & Benefits | M | 1073,76,25,922 | 1120,22,69,157 |
| Insurance | | 169,21,79,787 | 116,05,83,935 |
| Fuel & Oil (Aircraft) | | 956,18,56,639 | 808,97,55,386 |
| Landing, Parking & Navigational | | 268,82,43,374 | 252,46,15,418 |
| Material Consumed (Aircraft) | | 336,29,20,991 | 332,90,63,529 |
| Outside Repairs (Aircraft) | | 254,24,79,872 | 275,72,59,250 |
| Hire of Aircraft | | 96,09,47,902 | 70,63,16,112 |
| Booking Agency Commission | | 260,58,17,081 | 263,35,36,329 |
| Depreciation | | 317,94,14,569 | 301,46,37,805 |
| Food Services & Other Pax Amenities | | 126,93,71,379 | 109,57,38,354 |
| Provision for Bad/Doubtful Debts | | 6,30,00,000 | 80,00,000 |
| Provision for Obsolescence of Spares | | | 26,90,00,000 |
| Other Operating Expenses | N | 340,06,25,779 | 311,48,40,301 |
| Total Operating Expenses (C) | | 4206,44,83,295 | 3990,56,15,576 |
| Non-operating Expenses | O | 104,71,15,056 | 134,74,59,819 |
| Prior Period Adjustments (Net) | P | (36,32,650) | (1,27,08,622) |
| Total Expenses (D) | | 4310,79,65,701 | 4124,03,66,773 |
| Operating Profit(Loss) (A-C) | | (134,72,55,708) | (220,65,36,578) |
| Net Profit/(Loss) for the year (B-D) | | (196,56,13,242) | (246,75,14,836) |
| Brought forward (Loss) | | (919,97,26,141) | (673,22,11,305) |
| Balance Carried to Balance Sheet | | (1116,53,39,383) | (919,97,26,141) |

NOTES ON ACCOUNTS - SCHEDULE 'Q'
SIGNIFICANT ACCOUNTING POLICIES - SCHEDULE 'R'

In terms of our report of even date attached

For G.S. MATHUR & CO.
CHARTERED ACCOUNTANTS
Sd/-
Partner

For GUPTA & GUPTA
CHARTERED ACCOUNTANTS
Sd/-
Partner
New Delhi, Dec. 5, 2003

Sd/-
S. Chawla
Director (Finance)

For and on behalf of the Board

Sd/-
Sunil Arora
Chairman & Managing Director

Sd/-
V. Subramanian
Director

Sd/-
H.S. Grover
Secretary

New Delhi, Dec. 5, 2003

SCHEDULE 'A' - SHARE CAPITAL

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|--|-----------------------|-----------------------|
| AUTHORISED | | |
| 44,99,58,200 Equity Shares of Rs 10/- each | 449,95,82,000 | 449,95,82,000 |
| 50,04,180 Redeemable Preference Shares of Rs 100/-each | 50,04,18,000 | 50,04,18,000 |
| Total | 500,00,00,000 | 500,00,00,000 |
| ISSUED, SUBSCRIBED & PAID UP | | |
| 10,71,36,489 Equity Shares of Rs 10/- each fully paid up in cash. (Previous Year 10,51,93,603 Shares) | 107,13,64,890 | 105,19,36,030 |
| Total | 107,13,64,890 | 105,19,36,030 |

SCHEDULE 'B' - RESERVES

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|--|-----------------------|-----------------------|
| 1. CAPITAL RESERVE | | |
| Transferred from Indian Airlines Corporation | 461,51,74,659 | |
| Others | 57,70,39,106 | |
| | 519,22,13,765 | 519,22,13,765 |
| 2. INSURANCE RESERVE | | |
| Opening Balance | 40,12,10,251 | 35,55,87,137 |
| Add: Provision during the year | 5,39,00,000 | 5,83,00,000 |
| | 45,51,10,251 | 41,38,87,137 |
| Less: Losses during the year | 2,27,95,432 | 1,26,76,886 |
| | 43,23,14,819 | 40,12,10,251 |
| Total | 562,45,28,584 | 559,34,24,016 |

SCHEDULE 'C' - LOAN FUNDS SECURED LOANS

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|--|-----------------------|-----------------------|
| Loan from Banks | | |
| A. Cash Credit From: | | |
| 1. Indian Overseas Bank | 64,97,48,432 | 58,64,10,968 |
| 2. Jammu & Kashmir Bank Ltd. | 40,88,91,275 | 49,92,64,914 |
| 3. Bank of India | 75,18,35,614 | 75,17,16,455 |
| 4. Punjab National Bank | 59,86,92,977 | 39,89,09,418 |
| 5. Allahabad Bank | 92,41,12,913 | 19,87,90,428 |
| (The above loans are secured against hypothecation of Aircraft Stores & Spares - Repayable in One to three Years). | | |
| 6. State Bank of India (IFB) (Secured against hypothecation of A-300 aircraft registration no. VT-EFX & VT-EHC) | 93,53,28,134 | |
| B. Overdraft From: | | |
| Bank of India (Secured against Second Charge on Aircraft Stores & Spares) | 15,21,13,605 | 32,35,44,860 |
| Total | 442,07,22,950 | 275,86,37,043 |

UNSECURED LOANS

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|--|-----------------------|-----------------------|
| A. Long Term Loans from Foreign Banks (In Foreign Currencies) | | |
| 1. KFW Germany | 228,22,22,046 | 304,03,11,116 |
| 2. National Westminster Bank of Canada | | 44,40,79,993 |
| 3. EDC Canada | 18,69,14,498 | 25,64,72,821 |
| 4. Barclays Bank Plc. | 45,33,31,643 | 188,34,94,221 |
| 5. ANZ Grindlays Bank Plc. | 285,45,21,163 | 405,84,86,064 |
| 6. ANZ Investment Bank | | 18,45,82,225 |
| a) The above loans except at Sr. No. 6 are guaranteed by Govt. of India | | |
| b) payable in next 12 months Rs 271.26 crore. (previous year Rs 469.40 crore) | | |
| B. Housing Development Finance Corporation | | |
| | 30,00,00,000 | 30,00,00,000 |
| C. Air India Advance | | |
| | 60,00,00,000 | 60,00,00,000 |
| Interest Accrued and due on above | 55,89,29,741 | 24,69,29,741 |
| | 115,89,29,741 | 84,69,29,741 |
| Total | 723,59,19,091 | 1101,43,56,181 |

SCHEDULE 'D' - FIXED ASSETS

| Sl. No. | Particulars | GROSS BLOCK | | | |
|---------|--|-----------------------|---------------------|----------------------------|-----------------------|
| | | As at 1-4-2002 | Additions | Deductions/ Adjustments | As at 31-3-2003 |
| 1 | 2 | 3 | 4 | 5 | 6 |
| | | RUPEES | RUPEES | RUPEES | RUPEES |
| 1. | Land-Freehold | 7,61,43,476 | 1,41,120 | 24,41,244 | 7,38,43,352 |
| 2. | Land-Leasehold | 15,64,70,580 | - | - | 15,64,70,580 |
| 3. | Buildings - Others | 111,27,57,804 | 2,10,53,636 | - | 113,38,11,440 |
| 4. | Buildings-Housing Colony | 23,55,93,258 | 1,28,920 | - | 23,57,22,178 |
| 5. | Aircraft | | | | |
| | (a) Airframes | 3162,51,91,847 | 16,39,14,085 | 61,39,09,739 | 3117,51,96,193 |
| | (b) Aero Engines & Power Plants | 1613,84,30,199 | 22,26,39,579 | 4,21,44,591 | 1631,89,25,187 |
| 6. | Simulators & Link Trainers | 131,41,08,248 | - | 43,97,254 | 130,97,10,994 |
| 7. | Workshop Equipment, Instruments, Machinery & Plants | 157,07,58,065 | 6,36,25,021 | 90,60,505 | 162,53,22,581 |
| 8. | Ground Support & Ramp Equipment | 98,14,56,242 | 6,72,82,482 | 6,87,31,326 | 98,00,07,398 |
| 9. | Electrical Fittings & Installations | 2,69,24,411 | 2,15,822 | 1,82,802 | 2,69,57,431 |
| 10. | Other Equipment | 59,50,41,436 | 3,72,85,818 | 62,54,697 | 62,60,72,557 |
| 11. | Computerised Check-in System | 1,18,20,967 | 5,81,389 | 10,800 | 1,23,91,556 |
| 12. | Office Appliances | 6,48,73,264 | 39,53,993 | 13,29,288 | 6,74,97,969 |
| 13. | Computer System | 50,31,00,000 | - | - | 50,31,00,000 |
| 14. | Data Communication Equipment | 23,18,67,043 | 1,16,05,152 | 33,23,336 | 24,01,48,859 |
| 15. | Furniture & Fixtures | 8,76,34,448 | 82,11,212 | 4,06,832 | 9,54,38,828 |
| 16. | Vehicles | 19,42,86,544 | 7,53,536 | 17,49,394 | 19,32,90,686 |
| 17. | Surplus Assets | 12,23,056 | 78,46,567 | 87,50,404 | 3,19,219 |
| | Total | 5492,76,80,888 | 60,92,38,332 | 76,26,92,212 | 5477,42,27,008 |
| | Previous year | 5484,49,70,300 | 125,02,67,240 | 116,75,56,652 | 5492,76,80,888 |

- Note:**
1. The deduction under Aircraft and simulator includes exchange variation of Long Term Liabilities amounting to Rs 13,73,99,862 and Rs 43,97,254 respectively.
 2. Reclassification amongst Assets is adjusted under 'Additions'.
 3. Realisable value of Surplus Assets has been considered to be at least 5% of Gross Block.
 4. Prior Period Depreciation amounting to Rs 60,93,790 is included in current year charge.

| DEPRECIATION | | | NET BLOCK | | |
|-----------------------|----------------------|----------------------------|----------------------------|-----------------------|-----------------------|
| Upto 31-3-2002 | For the year | Deductions/ Adjustments | Total Upto 31-3-2003 | As at 31-3-2003 | As at 31-3-2002 |
| 7 | 8 | 9 | 10 | 11 | 12 |
| RUPEES | RUPEES | RUPEES | RUPEES | RUPEES | RUPEES |
| — | - | — | - | 7,38,43,352 | 7,61,43,476 |
| 1,42,67,676 | 16,07,953 | - | 1,58,75,629 | 14,05,94,951 | 14,22,02,904 |
| 33,75,28,655 | 3,28,72,505 | - | 37,04,01,160 | 76,34,10,280 | 77,52,29,149 |
| 6,96,70,760 | 35,15,437 | - | 7,31,86,197 | 16,25,35,981 | 16,59,22,498 |
| 1840,88,28,024 | 181,78,16,248 | 51,34,67,923 | 1971,31,76,349 | 1146,20,19,844 | 1321,63,63,823 |
| 917,23,54,644 | 100,71,19,715 | - | 1017,94,74,359 | 613,94,50,828 | 696,60,75,555 |
| 82,49,12,568 | 7,28,45,265 | - | 89,77,57,833 | 41,19,53,161 | 48,91,95,680 |
| 89,84,53,153 | 5,82,60,734 | 92,31,276 | 94,74,82,611 | 67,78,39,970 | 67,23,04,912 |
| 40,41,19,519 | 3,29,12,169 | 42,33,156 | 43,27,98,532 | 54,72,08,866 | 57,73,36,723 |
| 2,58,57,894 | 2,96,711 | 1,81,532 | 2,59,73,073 | 9,84,358 | 10,66,517 |
| 30,55,64,706 | 3,40,59,784 | 59,09,731 | 33,37,14,759 | 29,23,57,798 | 28,94,76,730 |
| 1,07,95,150 | 6,31,231 | 1,06,180 | 1,13,20,201 | 10,71,355 | 10,25,817 |
| 3,41,41,708 | 46,45,559 | 8,74,491 | 3,79,12,776 | 2,95,85,193 | 3,07,31,556 |
| 33,45,66,295 | 8,15,52,510 | - | 41,61,18,805 | 8,69,81,195 | 16,85,33,705 |
| 19,19,70,347 | 1,67,97,351 | 53,37,849 | 20,34,29,849 | 3,67,19,010 | 3,98,96,696 |
| 6,54,87,692 | 42,56,735 | 4,63,705 | 6,92,80,722 | 2,61,58,106 | 2,21,46,756 |
| 11,95,02,624 | 1,63,18,452 | 46,30,465 | 13,11,90,611 | 6,21,00,075 | 7,47,83,920 |
| - | - | - | - | 3,19,219 | 12,23,056 |
| 3121,80,21,415 | 318,55,08,359 | 54,44,36,308 | 3385,90,93,466 | 2091,51,33,542 | 2370,96,59,473 |
| 2933,60,43,558 | 301,46,37,805 | 113,26,59,948 | 3121,80,21,415 | 2370,96,59,473 | |

SCHEDULE 'E' - INVESTMENTS

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|---|---------------------------|-----------------------|
| 1. LONG TERM INVESTMENT (UNQUOTED) | | |
| A. SHARES IN SUBSIDIARY COMPANIES | | |
| a. Vayudoot Ltd. | | |
| 3,64,200 Equity Shares of Rs 1,000/- each fully paid up. | 18,21,00,001 | 18,21,00,001 |
| Less: Provision for diminution | <u>18,21,00,001</u> | <u>18,21,00,001</u> |
| | | - |
| b. Airline Allied Services Ltd. | | |
| 2,25,000 Equity Shares of Rs 100/- each fully paid up. | 2,25,00,000 | 2,25,00,000 |
| B. TRADE INVESTMENTS | | |
| a) 6,806 Class B Shares (Previous year 1,554) of BHT 100 each fully paid up in Aeronautical Radio of Thailand Ltd. | 7,55,466 | 2,88,156 |
| b) 94,295 Shares of SITA INC. | 44,15,348 | 44,15,348 |
| 2. CURRENT INVESTMENTS (QUOTED) | | |
| 53,072 ordinary shares of M/s France Telecom (Previous year 1,16,758 shares of M/s SITA EQUANT NV). (Market Value of Shares US\$ 12.11 lakh equivalent Rs 577.81 lakh (Previous year Rs 633.23 lakh). | 11,26,101 | 11,26,101 |
| Total | <u>2,87,96,915</u> | <u>2,83,29,605</u> |

SCHEDULE 'F' - CURRENT ASSETS

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|--|--|-----------------------|
| INVENTORIES | | |
| (As valued & certified by the Management) | | |
| A. Stores and Tools (at Cost) | 505,44,80,799 | 523,91,68,755 |
| Less: Provision for Obsolescence | 384,55,94,267 | 386,66,51,459 |
| | Total | 137,25,17,296 |
| SUNDRY DEBTORS | | |
| (Unsecured and considered good unless otherwise stated) | | |
| (i) Outstanding for more than six months | | |
| Good | 350,63,81,198 | 266,81,42,827 |
| Doubtful | 35,53,12,956 | 45,79,12,192 |
| | 386,16,94,154 | 312,60,55,019 |
| Less: Provision for doubtful debts | 35,53,12,956 | 45,79,12,192 |
| | 350,63,81,198 | 266,81,42,827 |
| (ii) Other Debts * | 409,52,01,073 | 389,40,02,011 |
| * (Secured by bank guarantees to the extent of Rs 168.65 crore - Previous year Rs 162.69 crore) | 760,15,82,271 | 656,21,44,838 |
| CASH & BANK BALANCES | | |
| i) Cash-on-hand | 1,79,83,333 | 2,29,58,706 |
| ii) Cheques in hand | 7,03,11,394 | 8,65,49,102 |
| iii) Cash-in-transit | 9,80,03,210 | 26,86,22,844 |
| iv) With Scheduled Banks | | |
| a) in Current Accounts * | 35,71,29,405 | 45,73,22,212 |
| b) in Fixed Deposits ** | 17,12,62,546 | 31,07,61,655 |
| v) With Other Non Scheduled Banks in Current Accounts (in Foreign Currencies) | | |
| Name of the Bank | Maximum Balance during the year | |
| 1 Agrani Bank, Chittagong | 82 | 84 |
| 2 Nabil Bank, Nepal | 55,592 | 5,594 |
| 3 Nabil Bank, Nepal | 5,64,159 | 92,087 |
| 4 Bank Millie, Kabul | 4,01,326 | 4,01,326 |
| 5 Bank Millie, Kabul | 17,89,849 | 17,89,849 |
| 6 Bank Millie, Kabul | 15,678 | 15,678 |
| 7 Bank Millie, Kabul | 53,353 | 53,353 |
| 8 Peoples Bank, Yangon | 14,06,137 | 14,06,137 |
| 9 Bank Millie, Afghan, Kabul | 51,488 | 51,488 |
| 10 National Bank of Uzbekistan, Tashkent | 2,36,325 | 2,30,059 |
| 11 Myanmar Foreign Trade Bank, Yangon | 1,95,39,019 | 1,27,65,334 |
| 12 Peoples Bank, Yangon | 22,827 | 22,827 |
| | 73,15,23,702 | 116,97,28,209 |
| OTHER CURRENT ASSETS | | |
| Interest accrued | 20,40,74,813 | 50,63,249 |
| Claims Recoverable from Insurance & Others | 11,59,50,625 | 118,31,82,636 |
| Less: Provision | 3,52,85,611 | 3,48,38,194 |
| | 8,06,65,014 | 114,83,44,442 |
| Total | 28,47,39,827 | 115,34,07,691 |

* Includes Rs 22,28,476 lying with Banks in inoperative accounts for which no confirmation is available.

** Includes Rs 1.40 crore held under lien with Bank of India as per the DRT order.

SCHEDULE 'G' - LOANS & ADVANCES

(Unsecured considered good unless otherwise stated)

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|---|-----------------------|-----------------------|
| Loan to wholly owned subsidiary | | |
| Vayudoot Ltd.(Doubtful) | 10,00,00,000 | 10,00,00,000 |
| Less: Provision | <u>10,00,00,000</u> | <u>10,00,00,000</u> |
| Loans and Advances to Staff | | |
| a) Secured by Assets | 22,38,36,625 | 27,77,00,554 |
| b) Others | <u>12,15,07,000</u> | <u>12,79,62,565</u> |
| Total | 34,53,43,625 | 40,56,63,119 |
| Less: Provisions | <u>60,00,000</u> | <u>60,00,000</u> |
| | 33,93,43,625 | 40,56,63,119 |
| Advances recoverable in cash or in kind or for value to be received (Unsecured and considered good) | | |
| a) From Subsidiary Companies* | 166,34,72,763 | 91,19,83,271 |
| b) From Others | <u>46,16,53,758</u> | <u>33,94,92,489</u> |
| | 212,51,26,521 | 125,14,75,760 |
| (Unsecured and considered doubtful) | | |
| a) From Subsidiary Companies** | 65,31,06,974 | 63,50,55,596 |
| b) From Others | <u>7,05,02,699</u> | <u>7,05,02,699</u> |
| | 72,36,09,673 | 70,55,58,295 |
| Total | 284,87,36,194 | 195,70,34,055 |
| Less: Provisions | 72,36,09,673 | 70,55,58,295 |
| | 212,51,26,521 | 125,14,75,760 |
| Advance Income Tax (Net of Provision) | 2,27,68,765 | 2,65,62,275 |
| Other - Deposits | | |
| a) With Custom | 28,41,06,850 | 3,02,67,126 |
| b) Others | 10,11,35,375 | 9,75,31,594 |
| | Total | 181,14,99,874 |
| | 287,24,81,136 | 181,14,99,874 |
| From AASL | 166,34,72,763 | |
| ** From Vayudoot | 65,31,06,974 | |

SCHEDULE 'H' - CURRENT LIABILITIES

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|---|-----------------------|-----------------------|
| Sundry Creditors | | |
| a) Dues to SSI * | 4,29,000 | |
| b) Others | 2005,51,37,143 | 1855,17,25,545 |
| Advance Passenger Receipts | 63,00,00,000 | 58,38,00,000 |
| Interest Accrued but not due on Unsecured Loans | 4,55,54,065 | 9,24,73,987 |
| Book Overdraft | 30,16,59,646 | 29,49,64,743 |
| Other Liabilities | | |
| Upfront Benefit | 12,22,64,394 | 15,08,14,886 |
| Advance from GSA | | 17,98,13,699 |
| Suspense BT | 2,04,57,818 | 4,12,07,083 |
| MCO | 15,34,99,409 | 8,97,84,199 |
| Others | 134,74,03,313 | 107,47,97,460 |
| Total | 2267,64,04,788 | 2105,93,81,602 |

* The names of SSI undertakings to whom the company owes a sum exceeding Rs. 1 lakh for more than 30 days is furnished below:

- 1) M/s Ferro Fabs.
- 2) M/s Anand Industries.

SCHEDULE T - PROVISIONS

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|--------------------------------------|-----------------------|-----------------------|
| For Wealth Tax (Net of advance paid) | 16,64,395 | 27,25,237 |
| For Staff Gratuity/ Leave Encashment | 358,66,20,247 | 343,25,13,976 |
| For Post Retirement Medical Benefits | 46,23,07,366 | 31,25,00,000 |
| Total | 405,05,92,008 | 374,77,39,213 |

SCHEDULE 'J' - TRAFFIC REVENUE

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|------------------------------------|-----------------------|-----------------------|
| Passenger | 3268,97,96,191 | 2976,98,29,396 |
| Excess Baggage | 55,48,84,976 | 56,99,90,529 |
| Freight & Mail | 193,96,71,136 | 181,91,62,269 |
| Charter and Aircraft Lease Charges | 292,80,86,858 | 325,21,12,930 |
| Pool | 13,33,40,476 | 2,12,39,866 |
| Total | 3824,57,79,637 | 3543,23,34,990 |

SCHEDULE 'K' - INCIDENTAL REVENUE

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|----------------------------|-------------------------------|-------------------------------|
| Handling Receipts | 128,71,11,405 | 117,46,81,732 |
| Outside Repair Revenue | 16,80,68,258 | 20,40,82,398 |
| Cancellation Fee | 10,60,09,894 | 7,49,55,208 |
| Commission on FTT/IATT/PSF | 22,56,81,338 | 22,91,65,661 |
| Others | 68,45,77,055 | 58,38,59,009 |
| Total | 247,14,47,950 | 226,67,44,008 |

SCHEDULE 'L' - NON-OPERATING REVENUE

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|---|-------------------------------|-------------------------------|
| Interest | | |
| From Banks (TDS Rs 3,30,577) | 1,93,65,243 | 2,14,92,630 |
| Others | 21,89,42,371 | 2,27,33,815 |
| Surplus on Assets Sold or Scrapped | 4,04,18,328 | 98,13,90,631 |
| Writeback of Provision for Doubtful Debts | 8,41,00,000 | |
| Net Exchange Gain | 2,35,54,735 | |
| Others | 3,87,44,195 | 4,81,55,863 |
| Total | 42,51,24,872 | 107,37,72,939 |

SCHEDULE 'M' - EMPLOYEES REMUNERATION & BENEFITS

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|-----------------------------|-------------------------------|-------------------------------|
| Pay & Allowances | 924,50,34,215 | 953,09,15,587 |
| Provident Fund Contribution | 26,02,75,543 | 25,57,33,410 |
| Other Staff Cost | 48,33,26,384 | 55,12,78,748 |
| Staff Welfare Expenses | 74,89,89,780 | 86,43,41,412 |
| Total | 1073,76,25,922 | 1120,22,69,157 |

SCHEDULE 'N' - OTHER OPERATING EXPENSES

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|-------------------------------|-----------------------|-----------------------|
| Repairs | | |
| a) Buildings | 3,32,83,238 | 3,32,24,258 |
| b) Vehicles | 9,59,07,347 | 9,31,60,289 |
| Publicity & Sales Promotion | 21,12,92,574 | 15,30,32,417 |
| Handling Expenses | 72,65,08,481 | 67,69,10,004 |
| Hire of Transport | 10,22,44,600 | 8,94,77,965 |
| Auditors' Remuneration | 10,26,000 | 11,02,500 |
| Legal Expenses | 3,10,90,199 | 3,02,22,952 |
| Bank Charges | 1,94,51,483 | 2,32,55,339 |
| Rent Rates & Taxes | 23,93,26,354 | 19,80,72,456 |
| Electricity & Water Charges | 19,66,96,756 | 15,75,23,653 |
| Printing & Stationary | 6,99,35,683 | 6,50,58,556 |
| Telephone & Telex Expenses | 19,58,50,815 | 20,89,69,791 |
| Clearing & Forwarding Charges | 4,00,03,772 | 3,97,42,043 |
| Real Time Computer | 3,93,62,145 | 6,44,25,084 |
| CRS Expenses | 41,11,17,044 | 36,94,81,724 |
| Travelling Expenses | 31,00,77,915 | 30,83,21,902 |
| Other Miscellaneous Expenses | 67,74,51,373 | 60,28,59,368 |
| Total | 340,06,25,779 | 311,48,40,301 |

SCHEDULE 'O' - NON-OPERATING EXPENSES

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|---|-----------------------|-----------------------|
| Interest & Financing Charges on Aircraft Loans | 55,82,87,047 | 91,16,74,495 |
| Other Interest | 48,88,28,009 | 32,04,02,440 |
| Net Exchange Loss | | 11,53,82,884 |
| Total | 104,71,15,056 | 134,74,59,819 |

SCHEDULE 'P' - PRIOR PERIOD ADJUSTMENTS (NET)

| PARTICULARS | 31-3-2003 (Rupees) | 31-3-2002 (Rupees) |
|---------------------------------|-----------------------|-----------------------|
| Passenger Revenue | (1,22,83,135) | 44,94,685 |
| Other Operating Revenue | (1,52,43,514) | (1,60,74,191) |
| Interest Income | | (1,94,378) |
| Other Non Operating Revenue | (56,29,692) | (7,28,421) |
| Employees Remuneration | (1,69,11,289) | (2,45,47,864) |
| Fuel & Oil | 4,54,825 | 19,87,340 |
| Landing, Parking & Navigational | (4,08,93,078) | 2,11,48,148 |
| Material Consumed | (44,04,021) | 1,72,38,300 |
| Outside Repairs | (13,54,32,529) | (6,21,21,490) |
| Depreciation | 60,93,790 | |
| Interest on Air India Advance | 23,40,00,000 | |
| Other Expenses | (1,33,84,007) | 4,60,89,249 |
| Total | (36,32,650) | (1,27,08,622) |

Note: The above items are net of liabilities of earlier years amounting to Rs 21.10 crore (Previous year Rs 8.89 crore) written back.

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31 ST MARCH 2003

| | AMOUNT (Rs. in Lakh) |
|---|---------------------------------|
| A. Cash flow from Operating Activities | |
| Profit/(loss) before tax | (19,656.00) |
| Add : Adjustments For | |
| Depreciation | 31,855.00 |
| Loss/(Profit) on Sale of Assets (Net) | (404.00) |
| Insurance Reserve | 311.00 |
| Interest Income on Deposits, Loans & Advances | (2,383.00) |
| Upfront Benefit | 286.00 |
| Interest Expenditure | 10,471.00 |
| Foreign Exchange Difference Gain/(Loss) | 235.00 |
| Deffered Revenue Exp. | 41.00 |
| B. Operating Profit before Working Capital Change | 20,756.00 |
| C. Change in Working Capital (Excluding Cash & Bank Balances) | |
| Trade and other Receivables | (12,318.00) |
| Inventories | 942.00 |
| Trade and other Payables | 19,199.00 |
| Change in Working Capital | 7,823.00 |
| D. Cash Generated From Operations (B+C) | 28,579.00 |
| E. Less: Taxes Paid | |
| F. Net Cashflow from operating Activities (D-E) | 28,579.00 |
| G. Net Cashflow from Investing Activities : | |
| Profit on Sale of Assets | 404.00 |
| Purchase of Assets | (4,433.00) |
| Expenditure on Construction WIP | 128.00 |
| Investment/Advance for Investments | (4.00) |
| Net Cash used in Investing Activities | (3,905.00) |
| H. Net cash flow from Financing Activities | |
| Increase / (Decrease) of Secured Loans | (37,784.00) |
| Increase / (Decrease) of Unsecured Loans | 16,621.00 |
| Interest Paid | (10,471.00) |
| Interest income on Deposits. Loans & Advances | 2,383.00 |
| Proceeds from Share Capital | 195.00 |
| Net Cash Generated/(Used) from Financing Activities: | (29,056.00) |
| I. Net Change in Cash & Cash Equivalent (F+G+H) | (4,382.00) |
| J. Cash and Cash Equivalents as at End of the Financial Year | 7,315.00 |
| K. Less: Cash and Cash Equivalents as at Beginning of the Financial Yr | 11,697.00 |
| Net Change in Cash & Cash Equivalent (J-K) | (4,382.00) |

For G. S. MATHUR & CO.
CHARTERED ACCOUNTANTS

Sd/-
Partner

For GUPTA & GUPTA
CHARTERED ACCOUNTANTS

Sd/-
Partner

New Delhi, Dec. 5, 2003

Sd/-
S. Chawla
Director (Finance)

Sd/-
Sunil Arora
Chairman & Managing Director

Sd/-
V. Subramanian
Director

Sd/-
H.S. Graver
Secretary

New Delhi, Dec. 5, 2003

SCHEDULE 'Q' - NOTES ON ACCOUNTS

A.1 CONTINGENT LIABILITIES (TO THE EXTENT NOT PROVIDED FOR)

| | | (Rs. in crore) | |
|---|---------------|----------------|--|
| Particulars | Current Year | Previous Year | |
| (a) Claims against the Company not acknowledged as debts | 106.85 | 71.81 | |
| (b) Demands received from Customs Authorities for Duty on Aircraft Spares and Equipment, but not admitted. | 9.58 | 9.53 | |
| (c) Guarantee fee on the guarantees from Govt. of India wherever there is no stipulation to pay such fees though demanded. The company, however has requested for waiver. | 141.10 | 136.68 | |
| (d) Corporate Guarantee on behalf of AASL | 5.82 | | |
| A.2 Estimated amount of contract remaining to be executed on Capital Account. | 0.40 | 0.75 | |

B. NOTES TO THE BALANCE SHEET

- Long Term Liabilities have been revalued based on the Bankers' Selling Rate of US \$ 1 = Rs.47.73 as on 31st March, 2003. (Previous year's Selling Rate US \$ 1 = Rs 48.86).
The devaluation impact of Rs 13.68 crore (Previous year Rs 41.80 crore were added to Long Term Liabilities due to revaluation impact) has been deducted from Long Term Liabilities. The translation difference of Rs 13.04 crore (Previous year Rs 37.63 crore were added to Gross Block due to revaluation impact) relating to the funds borrowed for purchase of Fixed Assets has been deducted from Gross Block and the balance of Rs 0.64 crore (Previous year Rs 4.17 crore were debited to Foreign Exchange Loss & Gain Account due to revaluation impact) for the funds borrowed for purchase of initial spares, etc. has been credited to Foreign Exchange Loss & Gain Account. Further, exchange gain on repayment of Long Term Liabilities amounting to Rs 1.14 crore (Previous year Rs. 6.39 crore were added to Gross Block due to revaluation impact) have been deducted from fixed assets and Rs. 0.24 crore {Previous year (Rs.1.27 crore)} recognised in the Profit & Loss Account.
- Out of 30 A320 aircraft, 10 aircraft, excluding five (previous year 3) whose lease term had expired, were acquired under lease financing arrangement, including 5 aircraft under Japanese Leverage Lease (JLL). The value of these aircraft stands capitalised in books of account of the Company since the finance lease terms transferred substantially all the risks & rewards incidental to ownership of the aircraft to the company.
- One Airbus A-300 VT-EVD, which was taken on lease in 1998, has been purchased at a price of USD 4 million on 14th Nov, 2002. Accordingly, this aircraft has been capitalized alongwith 2 Engines and 1 APU at a cost of Rs 10.36 crore. Since the aircraft is around 20 years old, 99% of the cost has been provided by way of depreciation.
- Permanently grounded 2 Airbus A-300 aircraft VT-EDY and VT-EFV (Hull only) were written off during the year and are under Cannibalization. Reclaimed Rotables are taken into inventory at Rs 1/-.
- Two Dornier Aircraft (Previous year three aircraft) belonging to Vayudoot Ltd. (Gross Value Rs.5.38 crore) were operated by the company during the year. The value of these aircraft continues to be reflected in Vayudoot Ltd.'s books of Accounts and no compensation is payable for such usage. During the year one aircraft VT-EJN suffered extensive damage during landing at Jaipur on 9th June 2002 and was declared as total loss. The insurance claim of Rs. 5 crore received on this account alongwith the written down value of the aircraft have been accounted for in the books of the company as all expenses on operation/maintenance of Dornier Aircraft are borne by the Company.

6. Lease/Title Deeds in respect of Land & Buildings costing Rs.17.72 crore (Previous year Rs.17.84 crore) are yet to be executed.
7. An adhoc provision of Rs 0.10 crore (Previous year Rs 0.10 crore) has been retained to take care of shortages arising out of physical verification of Assets and Stores pending finalisation of the report.
8. Obsolete/redundant aircraft stores, amounting to Rs 12.51 crore (Previous year Rs 10.66 crore) as on 31st March, 2003, determined as per policy approved by the Board, have been written off by charge to "Provision for Obsolescence". Similarly, earlier written-off aircraft stores amounting to Rs 4.12 crore (Previous year Rs 3.54 crore), which became active during the year, have been taken back to Stock by crediting "Provision for Obsolescence".
9. Balancing of Subsidiary Ledgers and reconciliation including matching of Debit/Credit entries in certain subsidiary records with the corresponding Control Accounts in General Ledger is under process. Pending completion of reconciliation/balancing/matching, figures as per General Ledger have been taken in the Financial Statements. Impact, if any, of consequential adjustment arising out of reconciliation on Financial Statements cannot be ascertained.
10. Upfront Benefit represents unadjusted benefit, being adjusted over a period of 15 years.

C. NOTES TO PROFIT & LOSS ACCOUNT

11. In respect of mail arrangement with DGP&T, revenue is recognized on the agreed rates pending finalization of mail rates with DGP&T.
12. In the absence of final agreement of rates between Indian Airlines and M/s Air India for handling of flights at Cochin International Airport (CIAL) and in the absence of receipt of bills, expenditure has been booked on provisional basis pending finalization.
13. Debts outstanding against Govt., Govt. Departments and PSUs for more than 3 years amounting to about Rs. 163.84 crore have been considered good by the management since they are not specifically known to be doubtful.
14. The wage agreement upto the period 31st December, 1996 has been finalized by the company. Pending final settlement/calculation, liability of Rs.556 crore on this account is considered adequate. Liability for the wage agreement due w.e.f. 1st January, 1997 is being provided on estimated basis. Adjustment on final determination of the liability will be made in the year such agreements are concluded.

D. OTHERS

15. As per Government of India, Ministry of Civil Aviation & Tourism Order dated 25.5.1993, M/s. Vayudoot Ltd. would be merged with Indian Airlines. The merger is yet to take place. As per the said order, dues owed by Vayudoot to its creditors in the public sector on the date of takeover by Indian Airlines would remain frozen for 5 years. The Govt. further extended such moratorium for a period of 2 years. The company has taken up the issue with the Govt. for either extending the moratorium beyond 25.5.2000 or compensating Indian Airlines. These dues are estimated to be of the order of Rs 183.00 crore. (Previous year Rs 183.00 crore).
16. Payments/Liabilities towards License Fee, Landing & Parking, Route Navigational Charges, Security Charges, Electricity and other Misc. Payments to Airports Authority of India are in some cases booked on different basis in different regions and in some cases where bills are not certified by the user departments due to non availability of complete records, provision is made based on latest available information/estimates the impact of which is not ascertainable.
17. No provision has been considered necessary in respect of (i) Demands aggregating Rs.26.28 crore (P.Y.Nil) raised by customs department for default in deposit of IATT (included in Advances-Others); (ii) Demands aggregating Rs.6.74 crore (PY.Rs.10.49 crore) raised in respect of Sales Tax on sale of scrap, used oil and canteen sales, since the matter is under appeal and the company is legally advised of the demands not being sustainable.
18. **Operating Leases**
 - (a) Company has taken aircraft on non-cancelable leases on or after 1st April, 2001. The future lease obligation in respect of these aircraft amounts to Rs.478.52 crore (Previous Year 542.07 crore).

The bifurcation of future lease obligation is as follows:-

(Rs in Crore)

| Particulars | Current Year | | Previous Year | |
|---|---------------|------------------------------|---------------|------------------------------|
| | Rent | Maintenance & Other Charges* | Rent | Maintenance & Other Charges* |
| Not later than one year | 99.22 | 40.77 | 77.39 | 32.96 |
| Later than one year and not later than five years | 239.39 | 99.14 | 300.43 | 131.29 |
| Total | 338.61 | 139.91 | 377.82 | 164.25 |

* These amount are taken as per the prevailing rates and are subject to annual reconciliation.

(b) The total lease rent including maintenance payments recognized in Profit & Loss account in respect of above leases amount to Rs. 127.63 crore (Previous Year 56.92 crore).

19. The company has given its B-737 Fleet of 11 aircraft on lease to its wholly owned subsidiary Airline Allied Services Ltd. (AASL). The company is providing extensive infrastructure and administrative supports to AASL. These supports inter-alia include manpower, issuance of traffic documents, IT & reservation facilities, billing & realization of dues, procurement & storage of dry in-flight consumables, collection & deposit of IATT & PSF etc. The lease and other charges for services provided to AASL, including reimbursable cost/expenditure incurred by the company on behalf of AASL have been charged to AASL in terms of MOUs and other mutual understanding/arrangements existing between the company and AASL. The billing arrangement covers aircraft lease including hourly charge for maintenance, per departure charge for ground handling and other supports including marketing and joint publicity, 3% of revenue earned for ticketing, IT, billing and realization of dues and other administrative services, 1% of revenue earned for reservation facilities besides billing of reimbursable cost/expenditure incurred for AASL flights. In addition to 4% of service charges, insurance surcharge and collection commission on IATT and PSF is considered as IAL revenue since statutory obligation for deposit and collection of taxes is undertaken by IAL as its own statutory obligation of compliance. Outstanding in debtors including agents is considered as part of IAL outstanding. Running account is maintained of various transactions and at the year end outstanding is Rs. 166.35 crore included in advances.

20. Taxes on Income/Deferred Tax

In accordance with Accounting Standard AS-22, Accounting for taxes on Income, the Company has deferred tax assets amounting to Rs 240.28 crore for transitional period upto 31.3.2002 & Rs 96.72 crore for financial year 2002-03. In view of history of recent losses of the Company, there is no virtual certainty that sufficient future taxable income will be available against which the above deferred tax assets can be realised. Hence the same have not been accounted for in the books.

21. Segment Reporting

- (i) The Company is engaged in airline business, which is considered as one business segment. All other income are incidental to above business. However, the details of revenue earned from various activities related to airline business are given in Schedule J ' to the accounts.
- (ii) The Company operates flights in domestic sectors and in certain foreign sectors. The revenue earned from domestic sectors and foreign sectors is not separately ascertainable.
- (iii) The only revenue earning assets are aircraft which are deployed in various sectors. There is no appropriate basis for allocating the assets and related liabilities in geographical segments.
- (iv) Presentation of Annual Accounts read with Directors' Report enables better understanding of the performance of enterprise, better assessment of risk and returns, and makes more informed judgment about the activities of the Company as a whole.

22. Related Party Disclosure

- A) Related Party.
Mr. Sunil Arora - Chairman & Managing Director
- B) Related Party Transactions.
 - (a) There was no transaction with the above-referred related party.
 - (b) Transaction such as providing Airline related service in the normal course of Airline business are not disclosed.
- C) No Loans or credit transactions were outstanding with Directors or Officers of the Company or their relatives at the end of the year which are required to be disclosed in accounts under the Companies Act, 1956.
- D) In the opinion of the Company, the agreements with various airlines termed as "Joint Operations/Joint Ventures/ Code-share Agreements" do not fall within the definition of Joint Venture as mentioned in AS 18, and hence, are not included in above disclosures.

23. Change in Accounting Policy-

In order to comply with the principle of accrual basis of accounting, the company has booked the following items of Income/Expenditure on accrual basis.

- (a) Interest on staff loans - Interest Income higher by Rs 20.33 crore.
 - (b) Material at high seas - Expenditure on Outside Repairs and Services higher by Rs 1.88 crore.
 - (c) Air India Advance - Interest Expenditure higher by Rs. 27.30 crore.
24. In the opinion of the Board, Current Assets and Loans and Advances are realizable at least at value stated if realised in the ordinary course of business. Moreover, the operations of Airline-Allied Services Ltd., a wholly owned Subsidiary of the Company, are considered to be viable in view of the going concern concept as well as expected revival of the aviation industry.
25. Schedule A to R form integral part of accounts.
26. Previous year's figures have been recasted/ restated wherever necessary to make them comparable with the figures of the current year.

E. ADDITIONAL INFORMATION

| | CURRENT YEAR | PREVIOUS YEAR |
|--|-----------------------|---------------|
| A. Expenditure on Imports (CIF) during the year ended 31st March, 2003: | (Rs. in Crore) | |
| Components & Spares | 406.74 | 393.90 |
| Capital Items | 19.57 | 12.14 |
| B. Expenditure on Consumption during the year ended 31st March, 2003: | | |
| Imported Spares & Components. | 333.60 | 329.91 |
| | (99.2%) | (99.1%) |
| Indigenous Spares. | 2.69 | 3.00 |
| | (0.8%) | (0.9%) |
| C. Earnings in Foreign Currency. | | |
| Passage Sales | 1225.78 | 1185.24 |
| Cargo | 36.89 | 37.95 |
| Handling & Other Misc. Receipts. | 147.07 | 97.71 |
| Total | 1409.74 | 1320.90 |
| D. Expenditure in Foreign Currency | | |
| Repayment of Loans & Interest thereon. | 489.77 | 477.05 |
| Purchase of Stores Equipments/Repairs | 598.97 | 528.62 |
| Payments to Airlines | 217.61 | 257.65 |
| Other Misc. Payments | 243.99 | 183.02 |
| Total | 1550.34 | 1446.34 |
| (The above information is as certified by the management and relied upon by the Auditors.) | | |
| E. Payment to Auditors: | (Rs. in Lakh) | |
| (i) As Audit Fees. | 10.26 | 9.98 |
| (ii) As additional Audit Fee for previous year | | 1.05 |
| F. The remuneration paid/payable to the Managing Director is as under: | (Rs. in Lakh) | |
| Pay & Allowances | 4.91 | - |
| Perquisites | 0.29 | - |
| Total | 5.20 | - |

SCHEDULE 'R' - SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING CONVENTION

- a) These Accounts have been prepared under historical cost convention on an accrual basis and comply with the Accounting Standards referred in Section 211(3C) of the Companies Act, 1956, except as stated in Para G.
- b) The presentation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

B. FIXED ASSETS

- (i) Aircraft are stated at purchase price converted at the rate of exchange prevailing on the date of acquisition, duly adjusted with exchange variation on conversion/repayment of loans taken for acquisition of aircraft. Other Assets are stated at historical cost.
- (ii) Major modifications to the aircraft involving expenditure, including material and labour, of more than Rs. 10 lakh are capitalised.
- (iii) Discrepancies observed in the course of physical verification of Assets are adjusted on a biennial basis, i.e. once in the block of two years' period. Discrepancies shown as Capital Stock Verification account are clubbed under Other Equipment pending write off action.
- (iv) Gain or loss arising out of sale/loss of Fixed Assets including aircraft over the net depreciated value is taken to Profit & Loss account as Non-Operating Revenue or Expenses.

C. DEPRECIATION

- (i) Depreciation has been mainly provided on straight line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956 except for assets purchased before 1994 which are depreciated over remaining useful life.
- (ii) Depreciation for the increase/decrease in values of the Fixed Assets due to revaluation of the Long Term Liabilities is provided over the remaining period of the useful life.

D. INVESTMENTS

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

E. INVENTORIES

- (i) Inventories are stated at cost on weighted average basis.
- (ii) Provision for obsolescence of Aircraft Stores and Spares is made over the depreciable life of the aircraft of 18 years. Besides, a sum equivalent to 20% of net additions during the year towards Other Engineering Stores, Computer Stores, Ground Support Rotables, Simulator & Link Trainers Spares and General Tools is also provided towards obsolescence.

F. RESERVES

- (i) Insurance Reserve in respect of uninsured risks is created at 0.5% of the gross value of Fixed Assets and 0.025% of value of stores inventory as at the close of the year, plus a sum equivalent to the three years' moving average of:
 - Actual compensation paid due to accidents involving Flight/Cabin Crew and Ground Staff.
 - Deductibles borne by the Company under risk covered with outside insurers.
- (ii) Manufacturers' credits received from Aircraft/Engine manufacturers are booked in the accounts on receipt and adjustments are made to the credit of Capital Reserve/Obsolescence Reserve Account on utilisation. Unutilised credits, based on the exchange rate prevailing during the month of receipt of such credits, are reflected under Sundry Creditors and Advances.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

| | | | |
|---------------------|----------|------------|------|
| Registration No. | 55-48582 | State Code | 55 |
| Balance Sheet Date: | 31 | 03 | 2003 |
| | Date | Month | Year |

II. Capital raised during the year (Amount in Rs. Thousand)

| | | | |
|--------------|---|-------------------|--------|
| Public Issue | - | Right Issue | |
| Bonus Issue | - | Private Placement | 19,429 |

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

| | |
|-------------------|--------------|
| Total Liabilities | Total Assets |
| 45079532 | 45079532 |

Sources of Funds:

| | | | |
|-----------------|---------|--------------------|---------|
| Paid Up Capital | 1071365 | Reserves & Surplus | 5624529 |
| Secured Loans | 4420723 | Unsecured Loans | 7235919 |

Application of Funds:

| | | | |
|--------------------|------------|-------------------|-------|
| Net Fixed Assets | 20990433 | Investments | 28797 |
| Net Current Assets | (13835273) | Misc. Expenditure | 3240 |
| Accumulated Losses | 11165339 | | |

IV. Performance of Company (Amount in Rs Thousand)

| | | | |
|--------------------------|-----------|-------------------|----------|
| Turnover | 41142353 | Total Expenditure | 43107966 |
| Profit/(Loss) before Tax | (1965613) | | |
| Profit/(Loss) after Tax | (1965613) | | |
| Earning per share in Rs | - | Dividend rate % | |

V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Not Applicable

STATEMENT OF EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR ENDED 31.3.2003

| Sl. No. | Particulars | Rupees 31-3-2003 | Rupees 31-3-2002 |
|---------|--|---------------------|---------------------|
| 1. | Expenditure on Township including depreciation on Housing Colony. | 4,98,54,795 | 7,11,67,207 |
| 2. | Maintenance of Schools and Educational Facilities | 52,48,973 | 49,93,682 |
| 3. | Provision of Medical Facilities over and above those which are statutorily required to be maintained by the Company. | 50,06,06,191 | 62,79,50,425 |
| 4. | Provision of the Subsidised Transport | 5,51,25,567 | 3,96,43,646 |
| 5. | Subsidy in regard to social and Cultural Activities | 91,58,360 | 70,75,155 |
| | Total | 61,99,93,886 | 75,08,30,115 |
| | Less: Recoveries from Staff on account of Township | 59,84,492 | 55,03,828 |
| | Net | 61,40,09,394 | 74,53,26,287 |

- 4.7.5 Note No.15 - Regarding estimated liability of Rs.183 crore of Vayudoot Limited on its eventual take over.**
- 4.7.6 Note No.16 - Regarding providing liability of various expenses payable to Airports Authority of India on estimate for reasons stated.
- 4.7.7 Note No. 17 Non-providing of liability for demands raised by customs and sales tax authorities for reasons stated.
- 4.7.8 Note No.19 in respect of MOU & various arrangements with Airlines Allied Services Ltd. (AASL), satisfactory explanation was not forthcoming in regard to: (i) considering insurance surcharge and collection commission of IATT / PSF as Company's revenue despite there being no stipulation in this regard in the MOU (ii) considering debtors of AASL as that of the Company despite all revenue on flown basis having been transferred to AASL (iii) considering AASL revenue as that of the Company in respect of unflown coupons (iv) non-charging of Sales Tax for catering stores and other supplies (v) Undertaking statutory obligation on account of IATT, PSF as part of company's own operations/transactions including filing of monthly returns to customs of IATT of AASL collected and deposited.**

4.8 The accounts do not give the disclosures as required by Schedule VI of the Companies Act, 1956 in respect to:

4.8.1 Amount of surplus on sale of Aircraft/Engines included in Capital reserves upto 31.3.1996 and being in the nature of revenue surplus as per Accounting Standards 10, not set off against accumulated revenue loss as on 31.3.2003. The amount involved in set off is yet not ascertained;

4.8.2 Carrying balances particularly of Air India Ltd. in debits as well as credits without netting/adjusting, resulting in overstating debtors and liabilities aggregating Rs.74.49 crore.

4.9 In respect of various provision / liabilities held for doubtful debts and expenses, due to non-availability of reliable information following and not writing off of provision as bad debts remains unexplained and impact thereof has not been determined.

4.10 In the absence of information, to the extent of not specified, we are unable to comment on the possible impact of items (4.1, 4.6, 4.7, **4.8.2 and 4.9**) above, on the loss for the year as per the Profit and Loss Account or the State of Affairs as per the Balance Sheet as at 31st March 2003.

4.10.1 We further report that without considering the items mentioned in paragraph 4.10 above, the effect of which could not be determined, had the observations made by us in paragraph 4 been considered, Net Fixed Assets would have been Rs.2290.98 crore (as against the reported figure of Rs.2091.51 crore), Gross inventories would have been Rs.305.98 crore (as against reported figure of Rs.505.48 crore), Sundry Debtors would have been Rs.685.67 crore (as against reported figure of Rs.760.16 crore) and the Current Liabilities would have been Rs.2193.15 crore (as against the reported figure of Rs.2267.64 crore).

5 Further to our comments in the Annexure referred to in paragraph 3 & paragraph 4 above and **subject to any adjustment that we might have found to be necessary in terms of limitations as specified in paragraph 2 above and further subject to our comments in the preceding paragraphs, the impact of which on the Profit and Loss Account and Balance Sheet is not determinable except to the extent wherever specified**, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and returns received from stations have been generally found to be adequate for the purposes of our audit including overseas stations which were not visited by us;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

- (iv) In our opinion, the Balance Sheet & Profit and Loss Account dealt with by this report comply with the accounting standards referred in Sub Section (3C) of Section 211 of the Companies Act, 1956, except non-compliance reported otherwise.
- (v) On the basis of written representations received from the directors, as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with Schedule Q- Notes to Accounts and Schedule R-Accounting Policies, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
- (b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For GUPTA & GUPTA
Chartered Accountants
Sd/-
(A.B.GUPTA)
Partner

For G. S MATHUR & Co
Chartered Accountants
Sd/-
(AJAY MATHUR)
Partner

Place: New Delhi
Dated : 5th Dec, 2003

(Annexure referred to in paragraph (3) of the Auditors' Report of even date on the accounts of Indian Airlines Limited for the year ended 31st March 2003)

1. The Company has generally maintained proper records showing particulars including quantitative details and location of fixed assets **except that Fixed Assets register have not been updated at Kolkatta and New Delhi.** The management at the end of the year has physically verified Aircraft's and Simulators. The Company physically verifies other fixed assets once in every two years. Physical verification for the year 2003 is being conducted in the biennial period of 2002-2004. We understand that the process of physical verification of other fixed assets is being conducted on different dates even in respect of the same items where there is more than one location in the same city. **Discrepancies noticed on physical verification done during the biennial period 2000-2002 have not been adjusted in the accounts.** The physical verification for the biennial period 2002-2004 is in progress. The Company is also in the process of reconciling the Fixed Assets figure as shown in the financial books with subsidiary records. Hence we are unable to comment upon the materiality of discrepancies, if any.
2. None of the fixed assets have been revalued during the year.
3. As informed to us physical verification of stores and spares for the year has been completed by Internal Audit Department in accordance with their regular programme of verification. **The Company has not obtained confirmation for goods sent to outside agencies for repairs and does not physically verify ground support/stand by rotables.** In our opinion and having regard to the nature of the Company's business, the Company should obtain confirmation for goods sent to outside agencies for repairs and should physically verify ground support /stand by rotables. Difference between General Ledger balance and inventories were noticed particularly in respect of rotables, pending reconciliation General Ledger balances have been considered.
4. In our opinion, and according to the information and explanations given to us and subject to our comments in 3 above, the procedure of physical verification of stores and spares followed by management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies arising out of Physical Verification with book records for the biennial period ended March 31,2002 are under compilation and have not been identified fully. Pending compilation of final discrepancies, we are unable to comment, whether there would be any material discrepancies requiring appropriate adjustments in the books of account.
6. The valuation of stores and spares have been done by deriving weighted average rate without considering freight, duty and incidental charges, which are kept under a separate account and charged to consumption on the basis of a standard formula, and not on actual FDI relating to respective of items of stores and spares. The remaining Closing Balances of FDI is included in the stock in totality in closing value in the financial statements, non-considering direct costs as a component of item of stores and spares is **not in consonance with the Accounting Standard-2, though consistently followed. The impact, of non-compliance of Accounting Standard-2 "valuation of inventories," is undetermined, hence we are unable to comment upon the materiality of the same. We could not independently verify the closing inventory including valuation in entirety, since either list of closing inventory was not provided or wherever provided some was made available at fag end of audit.**
7. The Company has taken an interest bearing unsecured loan of Rs. 60 crore from Air India Limited that is listed in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the terms and conditions of this loan are prima facie not prejudicial to the interest of the Company. Provisions of sub-section (1B) of Section 370A of the Act are not applicable to the Company.
8. The Company has granted unsecured loan of Rs.10 crore to Vayudoot Limited a company required to be listed in the register maintained under Section 301 of the Companies Act, 1956. The said loan is doubtful of recovery and has been fully provided for in the accompanying financial statements and is subject to confirmation/reconciliation. Provisions of sub-section (1B) of Section 370A of the Act are not applicable to the Company.
9. The Company has given loans and advances in the nature of loans to its employees and they are generally regular in the repayment of principal and interest amounts as stipulated, **except that adjustment of timely recovery was lacking due to operation of various advances in different regions.**

10. In our opinion, and according to the information and explanation given to us, on account of inadequacies in systems and procedures arising from lack of proper accounting record and periodic review including of legal and accounting compliance, delay in recording of transactions, delay in receipt of information from stations/user department, delay in compilation of periodic accounts, non reconciliation of control and subsidiary records as well as accounts of Head Office with Regions particularly in respect to stores accounting and lack of adequate management reporting systems in respect of Region and other accounting information, resulted in:-

- a) Deficiencies in recognition of revenue and control over outstanding inter-alia (i) Non-reconciliation of outstanding debtors with subsidiary records (ii) Non-maintenance of records for the full year operations in Debtors Accounts relating to computerised debtors; (iii) Non-monitoring of credit balances including unmatched credits of material amounts leading to a failure to record revenue and misapplication of receipts with a consequential effect on revenue and debtors (iv) Non-availability or calling for confirmation from debtors; (v) Lack of monitoring of Agents outstanding including unrealised debit notes of considerable amounts and not considering of such outstanding for the purpose of taking appropriate action against agents; (vi) Not giving effect of wrong debits and credits identified subsequent to 31st March 2003 relating to period upto 31st March 2003 because of non-availability of corrected timely data from EDP. (vii) Ineffective monitoring various wrong practices adopted by Agents in the issuing and reporting of sale of tickets. (viii) Ineffective and poor monitoring of wrong reporting of various components of air tickets consisting of passenger fares, IATT, Insurance Surcharge, FTT, FATT and PSF resulting in showing distorted and unrealistic status of various components through out the year including at year end. (ix) Ineffective monitoring of MCO sale resulting in double payment of IATT and PSF as also incorrect disclosure of outstanding of MCO at the year end including non-monitoring of MCO to ensure that MCO utilized are debited to the relevant period to which MCO were issued rather than operating current year MCO. (x) Undetected debits arising out of the duplicate billings (xi) Non availability of records to disclose correct aging of debtors by considering a formula based aging rather than actual including showing certain outstanding of over six months more than the total outstanding at the year end. (xii) Non-identifying entries parked in debit as also credit at stations including carrying on certain parked entries as in the nature of expenditures like complimentary tickets, IATT etc. (xiii) Non-booking of fortnightly sales of agents including debits to wrong parties for various billings. (xiv) Non identifying of outstanding of one region, where recovery made in other regions. (xv) Non coordination or effective follow up with the outstanding arising at stations for casual booking, collect shipments, to-pay, cash short etc. (xvi) Carrying unlinked credits/debits lying in CRA for suspense parties pending reconciliation (xvii) Considerable delay in processing and dispatch of billing particularly for charter flights (xviii) Ineffective controls to ensure that rates charges for charter flights are correct. (xix) Non-availability of Audit Coupon for BSP Sales being considered only as per GSA summary report (xx) Billing of Interline - SP arrangement, due to constraints in EDP programme, the same is accounted for a sector-fare and not SPA fare, provision for such difference is made on estimated basis and included in other liability, (xxi) Reducing hotel expenditure for package deals from passenger sales rather than including the same in food, services and other pax amenities.
- b) Other deficiencies particularly in monitoring of sundry creditors including liability for expenses revealed material variances effecting various accounts of profit and loss account, assets and liabilities inter-alia (i) Creating liability of material amount for supply of spares/repairs FOC/undue warranty (ii) Non matching of liability provided based on GRAN value which was in wide variance to the amount of the bill, (iii) Undetected double payment to suppliers, (iv) Carrying liabilities having corresponding debit in store in transit/advances (v) Carrying advances despite material having been received or service rendered (vi) Non matching of GRANs with payments/credit notes; (vii) Non-linking of old unadjusted entries in various heads; (viii) Non monitoring or considering defective material sent to foreign supplier; (ix) delay in recording of transactions; (x) Creditor accounts were not maintained party wise and transactions were recorded under liability for goods and expenses, (xi) No follow up or confirmation was on record of outstanding including old outstanding including to foreign parties. (xii) Writing back of unclaimed balances only on the basis of older than three years, without ascertaining whether it was due to double provision or otherwise or providing any reliable explanation for such write back. (xiii) Inconsistency and not operating fully/correctly prior period income/expenditure and disclosing prior period net of adjustment in various accounts inter-se. (xiv) Ineffective control in ensuring creation of liability for

outside repairs despite material received (xv) Non linking of payment made by Headquarters prior to 31/03/03 and adjustment thereof in respect of bills of repairs of foreign suppliers despite material having been received (xvi) Non adjustment of credit notes received from foreign suppliers prior to 31/03/03 (xvii) Instances of not correctly applying conversion rates for foreign currency transactions.

- c) Central Revenue Accounts monitors debtors/revenue and related matters including taxes in India and Foreign stations. Analysis of various accounts revealed unnatural and unrealistic behavior through out the year including mismatch of outstanding at the year-end resulting in passing entries of material amounts at our instance including fresh scrutiny undertaken on the basis of our reservations. This obviously has arisen because of poor and ineffective timely monitoring of transactions at CRA particularly because of delays and wrong reporting by EDP and other Regions inter-alia (i) Incorrect reporting of various components of tickets. (ii) Delay in giving figures of collections of passenger revenue. (iii) Delays in corrective entries required to be processed as ARD including poor monitoring of unlinked debtors/creditors particularly in Suspense Debtors/SP computer. (iv) Non revision and use of old standard form of RF-1, not containing requisite details required for correct operation of various components of ticket, (v) Non-revision of column in Air Tickets of Foreign Tax component.
- d) Lack of coordination and poor support including delays on the part of user/source department particularly stores and purchases engineering (PPC) and EDP in timely submission of relevant and reliable data as well as supporting documents to enable timely and correctly validation of entries and compilation of the same in the financial statements has resulted in continuous deficiencies requiring adjustment of material amounts much after the year end effecting the various components of expenditures income assets and liabilities. Lack of coordination by the Commercial Deptt., was also noticed wherein outstanding of material amounts from debtors and agents continued to remain outstanding for a considerable time and no effective penal action was taken by the Commercial Deptt., for either stopping the facilities of debtors or arrangements of agents.

There is not only a need to improve internal control system, but there is an urgent need to evolve an appropriate accounting manual for procedures and systems to be followed to be commensurate with the size of the Company and nature of its business and ensuring orderly and efficient conduct of company's business, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and the timely preparation of reliable information. The internal control system needs also to ensure coordination between finance department and user/source department for timely correct and reliable relevant data to Accounts.

11. **The register maintained under Section 301 of the Companies Act does not contain the particulars of contract or arrangements required to be entered therein.** However, the Companies in which some of the directors are interested are Government companies as defined under Section 619 of the Companies Act, 1956 and in the opinion of the Management, the terms of contract and arrangements between them, even though some of these are yet to be finally agreed upon, would not prima facie be prejudicial to the interest of the Company.
12. As explained to us, the company has determined unserviceable and damaged stores and spares on the basis of slow moving items, on the non-movement of such items for a specified period, based on technical evaluation. The company considers loss, if any, arising there from as covered by the provision for obsolescence provided on stores and spares as per Accounting policy E (ii).
13. The company has not accepted any deposits from the public during the year.
14. In our opinion, the company is maintaining reasonable records for the sale and disposal of realizable scraps.
15. The company has an in-house internal audit department, with a minimum audit programme. **The internal audit as a separate component of internal control was not found to be effective as will be evidenced from the deficiencies reported particularly in Para (10) above and adjustment/corrective entries of material amounts passed at our instance or further scrutiny undertaken by Regions on illustrative deficiencies reported by us.** The internal audit need to re-orient its audit strategy, to ensure timely reporting of deficiencies along with ensuring timely preparation of reliable information and advise on a regular basis improvements in accounting records and systems and also ensure that timely action is taken for rectification, to be commensurate with the size of the company and the nature of its business.

16. The Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956.
17. The Company is generally regular in depositing provident fund dues with trust **except in a few cases where timely deposit of provident fund deductions was not made with PF Trust**. As explained to us, the provident fund dues relating to wage revision provided shall be deposited as and when the wage revision payments are made to the employees. The Company is also generally regular in depositing Employees State Insurance dues with appropriate authorities wherever applicable.
18. There were no undisputed amounts payable in respect of income-tax, sales-tax, custom duty and excise duty outstanding as at the last date of financial year for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, and the records of the Company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
20. The Sick Industrial Companies (Special Provisions) Act, 1985 is not applicable to the Company.
21.
 - (a) The company has a reasonable system of recording receipts, issues and consumption of material and stores and allocating material consumed to the relative jobs, commensurate with its size and nature of its business. However, in some cases it is noticed that the system gets affected by late/ wrong processing of GRANs and may affect the recording of issues to respective jobs.
 - (b) The Company has a reasonable system of allocating man-hours utilized to the relative aircraft repair jobs commensurate with its size and nature of its business.
 - (c) The Company has a reasonable system of authorization at proper levels and an adequate system of internal control commensurate with the size of the company and nature of its business, on the issue of stores and allocation of stores and labour to aircraft repair jobs.

For GUPTA & GUPTA
Chartered Accountants
Sd/-
(A.B.GUPTA)
Partner

For G.S MATHUR & Co
Chartered Accountants
Sd/-
(AJAY MATHUR)
Partner

Place: New Delhi

Dated : 5th Dec, 2003

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT,1956 ON THE ACCOUNTS OF INDIAN AIRLINES LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2003

I have to state that the Comptroller & Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Indian Airlines Limited, New Delhi for the year ended 31 March 2003.

Sd/-
(Mamta Kundra)
Principal Director of Commercial Audit
& ex-officio Member, Audit Board-I,
New Delhi

Place: New Delhi

Dated: 23 December 2003

REVIEW OF ACCOUNTS BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF INDIAN AIRLINES LIMITED FOR THE YEAR ENDED 31 MARCH 2003

Note: Review of Accounts has been prepared without taking into account the qualifications contained in the Statutory Auditor's Report.

1. FINANCIAL POSITION

The table below summarizes the financial position of the Company under broad headings for the last three years:

| | Rupees in crore | | |
|--|-----------------------|-----------------------|-----------------------|
| | 2000-2001 | 2001-2002 | 2002-2003 |
| LIABILITIES | | | |
| a) Paid up Capital | | | |
| i) Government | 105.19 | 105.19 | 107.14 |
| ii) Others | | | |
| b) Reserve & Surplus | | | |
| i) Free Reserves & Surplus | | | |
| ii) Capital/Other Reserves | 554.78 | 559.34 | 562.45 |
| c) Borrowings | | | |
| i) From Government of India | | | |
| ii) From Financial Institutions | | | |
| iii) Foreign Currency Loans | 1336.53 | 986.75 | 577.70 |
| iv) Cash Credit | 91.28 | 243.51 | 426.86 |
| v) Others | 32.05 | 122.36 | 105.21 |
| vi) Interest accrued and due | | 24.69 | 55.89 |
| d) i) Current Liabilities & Provisions | 2039.53 | 2211.90 | 2400.51 |
| ii) Provision for Gratuity | 194.50 | 268.80 | 272.18 |
| e) Deferred Tax Liability | | | |
| TOTAL | <u>4353.86</u> | <u>4522.55</u> | <u>4507.94</u> |

ASSETS

| | | | | |
|----|---|----------------|----------------|------------------|
| f) | Gross Block | 5484.49 | 5492.77 | 5477.42 |
| g) | Less Cumulative Depreciation | 2933.60 | 3121.80 | 3385.91 |
| h) | Net Block | 2550.89 | 2370.97 | 2091.51 |
| i) | Capital Work-in-Progress | 5.35 | 8.81 | 7.53 |
| j) | Investments | 2.39 | 2.83 | 2.88 |
| k) | Current Assets, Loans and Advances | 1121.52 | 1219.23 | 1289.17 |
| l) | Deferred Tax/Assets | | | |
| m) | Miscellaneous Expenditure not written off | 0.49 | 0.74 | 0.32 |
| n) | Accumulated Loss | 673.22 | 919.97 | 1116.53 |
| | Total | 4353.86 | 4522.55 | 4507.94 |
| o) | Working Capital {(k-d(i)-c(vi))} | (918.01) | (1017.37) | (1167.23) |
| p) | Capital Employed {h+o} | 1632.88 | 1353.60 | 924.28 |
| q) | Net Worth {a+b(i)+b(iii)-m-n} | (568.52) | (815.52) | (1009.71) |
| r) | Net Worth Per rupee of Paid up Capital(in Rupees) | (5.40) | (7.75) | (9.42) |

2. SOURCES AND UTILIZATION OF FUNDS

Funds amounting to Rs.271.34 crore from internal and external sources were generated and utilized during the year as given below:

(Rupees in crore)

A. Sources of Funds

Funds from operation

| | | | |
|------|---|--------|---------------|
| i) | Loss for the year | 196.56 | |
| | Less: Depreciation | 318.55 | |
| | Less: Increase in Insurance Reserve | 3.11 | |
| | Less: Miscellaneous Expenditure to the extent written off | 0.42 | |
| | Add: Profit on sale of Fixed Assets | 4.04 | 121.48 |
| ii) | Increase in Capital | | 1.95 |
| iii) | Sale proceeds/adjustment of Fixed Assets | | 25.87 |
| iv) | Decrease in Working capital | | 122.04 |
| | Total | | 271.34 |

B. Utilisation of Funds

| | | | |
|------|---|--|---------------|
| i) | Increase in Fixed Assets and Capital Work-in-Progress | | 59.64 |
| ii) | Decrease in Loans | | 211.65 |
| iii) | Increase in Investments | | 0.05 |
| | Total | | 271.34 |

3. WORKING RESULTS

The working results of the Company for the last three years are given below:

(Rupees in crore)

| | 2000-2001 | 2001-2002 | 2002-2003 |
|--|--------------|-----------|-----------------|
| i) Operating Revenue | 3793.34 | 3769.91 | 4071.72 |
| ii) Excise Duty | - | - | - |
| iii) Net Operating Revenue | 3793.34 | 3769.91 | 4071.72 |
| iv) Other or Miscellaneous Income | 60.56 | 107.38 | 42.51 |
| v) Profit/(Loss) before tax and Prior Period Adjustment | (183.12) | (248.02) | (196.92) |
| vi) Prior Period Adjustments (+) Income/ (-) Expenditure | (+)23.95 | (+)1.27 | (+)0.36 |
| vii) Profit/(Loss) before tax | (159.17) | (246.75) | (196.56) |
| viii) Tax Provisions | - | - | - |
| ix) Profit/(Loss) after tax | (159.17) | (246.75) | (196.56) |

4. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under:

(In percentages)

| | 2000-2001 | 2001-2002 | 2002-2003 |
|---|-----------|-----------|-----------------|
| A. Liquidity Ratio | | | |
| Current Ratio (Current Assets to Current Liabilities and Provisions and Interest accrued & due but excluding Provision for Gratuity) [(k/d(i)+c(vi))] | 54.99 | 53.09 | 52.48 |
| B. Debt Equity Ratio | | | |
| Long term Loans to Paid-up Capital | 12.71:1 | 9.38:1 | 5.39:1 |
| C. Profitability Ratios | | | |
| a) Profit before tax to: | | | |
| i) Operating Revenue | (4.20) | (6.55) | (4.83) |
| ii) Capital Employed | (9.75) | (18.23) | (21.27) |
| iii) Net worth | (28.00) | (30.26) | (19.47) |
| b) Profit after tax to: | | | |
| i) Equity | (151.32) | (234.58) | (183.41) |
| c) Earnings per share (in Rupees). Share of Rs. 10/-each | (15.13) | (23.46) | (18.35) |

5. FLEET POSITION AND UTILISATION

The fleet position and its utilisation by the company for the last three years are given below:

| Type of Aircraft | 2000-2001 (as on 31.3.2001) | | 2001-2002(as on 31.3.2002) | | 2002-2003(as on 31.3.2002) | |
|------------------|-----------------------------|---|----------------------------|---|----------------------------|---|
| | Number of aircraft | Utilization per aircraft per annum in hours | Number of aircraft | Utilization per aircraft per annum in hours | Number of aircraft | Utilization per aircraft per annum in hours |
| A-300 | 11 | 2400 | 7 * | 2491 | 5 * | 2753 |
| A-320 | 30 | 3048 | 35 * | 3178 | 37 ** | 3389 |
| B-737 | 11 *** | - | 11 *** | - | 11 *** | - |
| Total | 52 | 53 | 53 | | | |

* Including 2 leased aircraft out of which one has subsequently been purchased retrospectively effective 15th November 2002.

** Including 7 leased aircraft (Subsequent to 31st March. 2003, 4 leased A-320 aircraft have been further inducted into network)

*** Operated by Airline Allied Services, a wholly owned subsidiary

Analysis of Routes Operated

An analysis of the routes/services operated during the year revealed that out of the total 67 domestic services operated during the year, 15 services met the total cost of operations, 30 services met the direct (cash) cost of operations and 22 services did not meet even the direct (cash) cost of operations.

35 services were operated in the international sectors, out of which 17 services met the total cost of operations, 17 services met the direct (cash) cost of operations and 1 service did not meet even the direct (cash) cost of operations.

6. OPERATIONAL PERFORMANCE

| Particulars | 2001-02 | 2002-03 | | Variations in percentage over previous year | |
|---|---------|----------------|----------------|---|--------|
| | Actual | Budgeted | Actual | over budgeted | |
| Capacity- Available Tonne Kilometers (million) | 1200.32 | 1290.54 | 1308.02 | 8.97 | 1.35 |
| Utilisation- Revenue Tonne Kilometers (million) | 755.55 | 832.66 | 845.10 | 11.85 | 1.49 |
| Overall Load Factor (in percentage) | 62.90 | 64.50 | 64.60 | 2.70 | 0.16 |
| Passenger Load Factor (in percentage) | 60.50 | 60.00 | 59.50 | (165) | (0.83) |
| Operating cost per ATKM (Rupees) | 31.61 | 32.36 | 31.31 | (0.95) | (3.24) |
| Yield per passenger (Rupees) | 5388.20 | 5895.89 | 5781.52 | 7.30 | (1.94) |
| Number of Passengers (million) | 5.53 | 6.22 | 5.65 | 2.17 | (9.16) |

7. SUNDRY DEBTORS

The following table indicates the position of Sundry Debtors and Operating revenue for the last three years :

(Rupees in crore)

| As on | Sundry Debtors | | Total | Operating revenue | Sundry Debtors as a percentage of Operating revenue |
|------------------|-----------------|---------------------|---------------|-------------------|---|
| | Considered good | Considered doubtful | | | |
| 31.3.2001 | 679.80 | 118.59 | 798.39 | 3793.34 | 21.05 |
| 31.3.2002 | 656.21 | 45.79 | 702.00 | 3769.91 | 18.62 |
| 31.3.2003 | 760.16 | 35.53 | 795.69 | 4071.72 | 19.54 |

The age-wise analysis of total sundry debtors as on 31 March 2003 is as under:

(Rupees in crore)

| Sundry Debtor outstanding for : | Govet. Deptt | Airlines | Agent | Others | Total |
|---|-----------------|---------------|---------------|--------------|---------------|
| upto one year | 112.02 | 151.72 | 179.18 | 29.12 | 472.04 |
| more than one year but less than two years | 29.85 | 66.22 | 1.39 | 1.38 | 98.84 |
| more than two years but less than three years | 3.78 | 32.50 | 2.20 | 0.05 | 38.53 |
| more than three years | 10.83 | 166.75 | 6.48 | 2.22 | 186.28 |
| Total | 156.48 | 417.19 | 189.25 | 32.77 | 795.69 |

Sd/-

(Mamta Kundra)

Principal Director of Commercial Audit
& ex-officio Member, Audit Board-I,
New Delhi.

Place: New Delhi

Dated: 23 December 2003

Ten Year Financial Statistics

| Sl. No. | Particulars | | 2002-03 | 2001-02 | 2000-01 | 1999-2000 | 1998-99 | 1997-98 | 1996-97 | 1995-96 | 1994-95 | 1993-94 |
|---------|--|------------|------------|------------|------------|-----------|----------|----------|----------|----------|----------|----------|
| 1 | | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1 | Passenger Revenue | (Rs. Crs.) | 3,268.98 | 2,976.98 | 2,985.39 | 2,745.70 | 2,621.43 | 2,522.55 | 2,267.04 | 2,019.51 | 1,672.13 | 1,540.17 |
| 2 | Operating Revenue | (Rs. Crs.) | 4,071.72 | 3,769.91 | 3,793.34 | 3,549.17 | 3,423.57 | 3,243.45 | 2,848.54 | 2,466.81 | 2,044.72 | 1,781.79 |
| 3 | Operating Expenses | (Rs. Crs.) | 4,206.45 | 3,990.56 | 3,878.66 | 3,349.36 | 3,129.33 | 2,984.56 | 2,713.23 | 2,310.30 | 2,008.48 | 1,849.76 |
| 4 | Operating Profit/(Loss) | (Rs. Crs.) | (134.73) | (220.65) | (85.32) | 199.81 | 294.24 | 258.89 | 135.31 | 156.51 | 36.24 | (67.97) |
| 5 | Total Revenue | (Rs. Crs.) | 4,114.24 | 3,877.29 | 3,853.91 | 3,565.88 | 3,445.61 | 3,268.25 | 2,914.38 | 2,489.84 | 2,070.24 | 1,816.37 |
| 6 | Total Expenses | (Rs. Crs.) | 4,310.80 | 4,124.04 | 4,013.08 | 3,514.46 | 3,431.44 | 3,220.98 | 2,928.97 | 2,599.82 | 2,258.97 | 2,074.83 |
| 7 | Profit/(Loss) | (Rs. Crs.) | (196.56) | (246.75) | (159.17) | 51.42 | 14.17 | 47.27 | (14.59) | (109.98) | (188.73) | (258.46) |
| 8 | Foreign Exchange Earnings | (Rs. Crs.) | 1,409.74 | 1,320.90 | 1,409.42 | 1,313.20 | 1,400.88 | 1,256.48 | 1,102.94 | 894.67 | 668.08 | 565.21 |
| 9 | Interest Payment to Govt. on Loan Capital | (Rs. Crs.) | - | - | - | - | - | - | - | 0.83 | 4.56 | 4.56 |
| 10 | Contribution to Central Exchequer on account of Duty on Aviation Fuel | (Rs. Crs.) | 68.88 | 58.76 | 71.62 | 40.04 | 40.89 | 38.87 | 41.30 | 37.64 | 39.12 | 16.03 |
| 11 | Contribution to State Exchequer on account of Sales Tax on Aviation Fuel | (Rs. Crs.) | 153.36 | 136.28 | 158.76 | 111.54 | 104.95 | 105.83 | 108.44 | 96.22 | 92.20 | 96.18 |
| 12 | Equity Capital | (Rs. Crs.) | 107.14 | 105.19 | 105.19 | 105.19 | 105.19 | 105.19 | 105.19 | 105.19 | 55.15 | 55.15 |
| 13 | Loan Capital | (Rs. Crs.) | - | - | - | - | - | - | - | - | 50.04 | 50.04 |
| 14 | Current Assets | (Rs. Crs.) | 1,289.17 | 1,219.23 | 1,121.52 | 1,005.35 | 1,094.12 | 1,024.14 | 1,051.80 | 893.26 | 860.40 | 1,003.57 |
| 15 | Current Liabilities | (Rs. Crs.) | 2,672.70 | 2,480.71 | 2,234.03 | 1,909.16 | 1,803.71 | 1,560.53 | 1,544.55 | 1,271.54 | 1,059.67 | 849.34 |
| 16 | Net Working Capital | (Rs. Crs.) | (1,383.53) | (1,261.49) | (1,112.51) | (903.81) | (709.59) | (536.39) | (492.75) | (378.28) | (199.27) | 154.23 |
| 17 | Net Block | (Rs. Crs.) | 2,091.51 | 2,370.97 | 2,550.89 | 2,709.36 | 2,909.76 | 3,026.55 | 3,006.95 | 3,125.63 | 3,171.15 | 2,703.29 |
| 18 | Investments | (Rs. Crs.) | 2.88 | 2.83 | 2.39 | 2.36 | 2.25 | 2.25 | 2.25 | 2.25 | 20.46 | 20.46 |
| 19 | Loan Funds | (Rs. Crs.) | 1,165.66 | 1,377.30 | 1,459.86 | 1,678.93 | 2,114.65 | 2,417.60 | 2,547.09 | 2,759.90 | 2,878.51 | 2,593.05 |
| 20 | Capital Employed | (Rs. Crs.) | 711.19 | 1,113.05 | 1,441.26 | 1,807.91 | 2,202.42 | 2,492.41 | 2,516.45 | 2,749.61 | 2,992.34 | 2,877.97 |
| 21 | Net Worth | (Rs. Crs.) | (446.94) | (255.44) | (13.25) | 142.53 | 94.41 | 79.75 | 30.26 | 25.01 | 161.45 | 326.31 |
| 22 | Operating Cost per ATKm | (Rupees) | 31.31 | 31.61 | 32.35 | 28.75 | 26.79 | 26.18 | 24.18 | 21.18 | 18.78 | 17.27 |
| 23 | Operating Revenue per ATKm (Rupees) | | 30.31 | 29.86 | 31.63 | 30.46 | 29.31 | 28.45 | 25.39 | 22.62 | 19.12 | 16.63 |
| 24 | Operating Cost per RTKm | (Rupees) | 48.35 | 50.73 | 48.48 | 43.81 | 42.38 | 40.84 | 37.24 | 30.73 | 28.10 | 26.25 |
| 25 | Operating Revenue per RTKm (Rupees) | | 46.81 | 47.93 | 47.41 | 46.42 | 46.36 | 44.39 | 39.10 | 32.81 | 28.61 | 25.28 |
| 26 | Operating Ratio (Ratio of Operating Expenses to Operating Revenue) | (%) | 103.31 | 105.85 | 102.25 | 94.37 | 91.41 | 92.02 | 95.25 | 93.66 | 98.23 | 103.81 |

* Per unit Revenue/Cost has been worked out after taking into account the Joint Venture operations with Air India upto 2001-02, Hub & Spoke flights and Haj operations on behalf of Air India.

Ten-Year Operating and Traffic Statistics

| Sl.No. | Particulars | 2002-03 | 2001-02 | 2000-01 | 1999-2000 | 1998-99 | 1997-98 | 1996-97 | 1995-96 | 1994-95 | 1993-94 |
|--------|--|------------|------------|------------|------------|------------|------------|------------|-----------|------------|------------|
| 1 | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1 | Revenue Hours | | | | | | | | | | |
| (a) | A-300B | 14,654 | 19,629 | 24,804 | 24,886 | 26,440 | 25,470 | 23,412 | 21,766 | 19,427 | 22,537 |
| (b) | A-320 | 1,19,259 | 98,042 | 84,346 | 81,680 | 78,966 | 77,401 | 71,371 | 58,894 | 58,487 | 50,641 |
| (c) | Boeing-737 | 894 | 670 | 431 | 905 | 542 | 534 | 11,447 | 27,060 | 28,483 | 34,177 |
| (d) | Dornier-228 | 2,072 | 2,965 | 3,020 | 2,392 | 1,606 | - | - | - | - | - |
| (d) | Total IA Revenue Hours | 1,36,879 | 1,21,306 | 1,12,601 | 1,09,863 | 1,07,554 | 1,03,405 | 1,06,230 | 1,07,720 | 1,06,397 | 1,07,355 |
| (e) | Aircraft Hired Out | 2,987 | 5,784 | 5,720 | 5,611 | 5,891 | 5,630 | 22,688 | 5,265 | 5,660 | 1,808 |
| 2 | Revenue Aircraft Kilometres (Million) | 82.617 | 72.802 | 66.833 | 64.877 | 63.408 | 60.730 | 60.907 | 60.751 | 60.007 | 59.676 |
| 3 | Available Tonne Kilometres (Million) | 1308.018 | 1,200.315 | 1,153.684 | 1,120.926 | 1,122.922 | 1,094.132 | 1,075.238 | 1,045.813 | 1,025.754 | 1,056.888 |
| 4 | Revenue Tonne Kilometres(Million) | | | | | | | | | | |
| (a) | Passenger | 705.496 | 638.745 | 651.321 | 616.358 | 594.532 | 591.677 | 588.175 | 604.093 | 573.349 | 584.932 |
| (b) | Mail | 12.121 | 13.528 | 14.944 | 15.042 | 14.016 | 14.074 | 15.136 | 17.537 | 20.149 | 20.147 |
| (c) | Cargo including Excess Baggage | 127.480 | 103.274 | 111.077 | 108.885 | 100.531 | 95.145 | 94.805 | 101.056 | 92.831 | 90.212 |
| (d) | Total RTKms | 845.097 | 755.547 | 777.342 | 740.285 | 709.079 | 700.896 | 698.116 | 722.686 | 686.329 | 695.291 |
| 5 | Available Seat Kilometres(Million) | 13,063.091 | 11,775.173 | 11,185.008 | 10,911.266 | 10,803.962 | 10,408.437 | 10,143.229 | 9,973.103 | 10,065.616 | 10,566.802 |
| 6 | Revenue Passenger Kilometres (Million) | 7,777.692 | 7,121.488 | 7,307.216 | 6,982.502 | 6,846.820 | 7,015.477 | 7,052.771 | 7,323.688 | 7,014.315 | 7,246.001 |
| 7 | Passenger Load Factor (%) | | | | | | | | | | |
| (a) | A-300B | 55.8 | 57.2 | 61.6 | 60.4 | 61.3 | 65.7 | 67.8 | 70.3 | 63.7 | 66.4 |
| (b) | A-320 | 60.4 | 61.7 | 67.3 | 66.0 | 64.6 | 68.4 | 70.3 | 74.8 | 72.0 | 69.7 |
| (c) | Boeing-737 | - | - | - | - | - | - | 72.0 | 75.5 | 72.7 | 69.8 |
| (d) | All Types | 59.5 | 60.5 | 65.3 | 64.0 | 63.4 | 67.4 | 69.5 | 73.4 | 69.7 | 68.6 |
| 8 | Overall Load Factors (%) | | | | | | | | | | |
| (a) | A-300B | 62.8 | 61.2 | 65.7 | 63.9 | 60.8 | 62.9 | 63.6 | 66.1 | 60.8 | 62.4 |
| (b) | A-320 | 65.1 | 63.7 | 68.4 | 67.4 | 64.7 | 64.8 | 65.4 | 70.5 | 69.8 | 68.3 |
| (c) | Boeing-737 | - | - | - | - | - | - | 68.5 | 71.7 | 70.5 | 67.3 |
| (d) | All Types | 64.6 | 62.9 | 67.4 | 66.0 | 63.1 | 64.1 | 64.9 | 69.1 | 66.9 | 65.8 |
| 9 | Revenue Passenger Carried | | | | | | | | | | |
| (a) | International | 15,31,645 | 13,03,085 | 13,12,573 | 12,23,658 | 11,61,605 | 11,12,651 | 9,64,446 | 8,10,599 | 7,13,491 | 6,54,566 |
| (b) | Domestic | 41,22,545 | 42,21,918 | 46,79,765 | 47,03,232 | 49,06,970 | 52,50,769 | 61,33,704 | 69,30,954 | 69,21,777 | 72,36,550 |
| (c) | Total IA Revenue Passengers | 56,54,190 | 55,25,003 | 59,92,338 | 59,26,890 | 60,68,575 | 63,63,420 | 70,98,150 | 77,41,553 | 76,35,268 | 78,91,116 |
| 10 | Mail Carried (Tonnes) | 10,927 | 11,813 | 12,784 | 12,814 | 12,131 | 11,985 | 13,271 | 15,769 | 18,291 | 18,327 |
| 11 | Cargo Carried including Excess Baggage (Tonnes) | 92,135 | 80,236 | 91,418 | 91,392 | 86,317 | 82,150 | 85,766 | 93,566 | 87,949 | 85,204 |
| 12 | Unduplicated Route Kilometres (Year-end) | 1,35,748 | 1,30,784 | 1,16,740 | 1,12,188 | 1,07,670 | 1,07,935 | 1,11,236 | 1,14,646 | 1,17,024 | 1,07,085 |
| 13 | Aircraft Utilisation per aircraft per annum on Total Hours | | | | | | | | | | |
| (a) | A-300B | 2,753 | 2,491 | 2,400 | 2,274 | 2,528 | 2,727 | 2,356 | 2,182 | 1,947 | 2,130 |
| (b) | A-320 | 3,389 | 3,178 | 3,048 | 2,954 | 2,834 | 2,770 | 2,581 | 2,148 | 2,357 | 2,291 |
| (c) | Boeing-737 | - | - | - | - | - | - | 2,166 | 1,629 | 1,657 | 1,903 |
| (d) | All Types | 3,185 | 2,897 | 2,751 | 2,657 | 2,628 | 2,760 | 2,436 | 2,000 | 2,053 | 2,121 |
| 14 | Number of Employees at Year-end | 19,523 | 20,012 | 20,554 | 21,173 | 21,922 | 21,990 | 22,153 | 22,582 | 22,683 | 22,182 |
| 15 | Available Tonne Kilometres per Employee | 67,963 | 62,240 | 57,474 | 54,072 | 53,209 | 51,656 | 50,166 | 48,187 | 47,673 | 47,983 |

Notes:

- Operational Statistics include those on Indian Airlines Network only, unless otherwise specified.
- Indian Airlines Limited came into operations w.e.f 1 /3/94 by taking over the Assets and Liabilities of erstwhile Indian Airlines Corporation. Figures for 1993-94 represents full 12 months' operations.
- During 1996-97, entire fleet of B-737 was made available in phases to Alliance Air for its operations. The hours operated by Alliance Air during 1996-97 have been shown under the head 'Aircraft Hired Out'.
- ATKms per employee has been worked out after considering the Joint Venture operations with Air India upto 2001-02, Hub & Spoke flights and Haj operations on behalf of Air India.
- W.e.f. 1998-99, totals, wherever appearing, also include Dornier Data.