

ANNUAL REPORT
2007-08



PAWAN HANS HELICOPTERS LIMITED

OUR AIM

***MAXIMISE
FLYING WITH
TOTAL
SAFETY
AND
ECONOMY***

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BOARD OF DIRECTORS



R.K. Tyagi
Chairman-cum-Managing Director



Vilasini Ramachandran
Additional Secretary & Financial Advisor
Ministry of Civil Aviation



Dr. S. N.A. Zaidi
Director General of Civil Aviation



Arun Mishra
Joint Secretary
Ministry of Civil Aviation



N.K. Mitra
Director (Off-shore)
Oil & Natural Gas Corporation Ltd.



Air Cmde G.S. Cheema
Principal Director (T&H)
Air Headquarters



MANAGEMENT TEAM

Chairman Cum Managing Director	Shri R.K. Tyagi
Chief Vigilance Officer	Shri Bhawesh Kumar Singh, IPS
General Manager (Finance & Accounts)	Shri Sanjiv Bahl
General Manager (Engineering)	Shri Deepak Kapoor
General Manager (Operations)	Major (Retd.) H.S. Sandhu
General Manager (Infocom Services)	Shri C.P. Singh
Deputy General Manager (Administration & Materials)	Air Cmde. (Retd.) V. Ramesh
Company Secretary & Dy. General Manager (Legal)	Shri Sanjiv Agrawal
Deputy General Manager (Marketing)	Shri Sanjay Kumar
Deputy General Manager (Personnel & HRD)	Shri R.B. Kushwaha
General Manager (Western Region)	Shri Subir Kumar Das
General Manager (Northern Region)	Shri Sanjiv Takru

Registered office

Safdarjung Airport
New Delhi -110 003

Regional offices

Western Region
Juhu Aerodrome
S.V. Road
Vile Parle (West)
Mumbai-400 056

Northern Region

Safdarjung Airport
New Delhi-110 003

Auditors

M/s. V.K. Verma & Co.
Chartered Accountants
New Delhi

Branch Auditors

*M/s. R.B. Jain &
Associates*
Chartered Accountants
Mumbai

Bankers

Vijaya Bank



NOTICE

ALL SHAREHOLDERS, PAWAN HANS HELICOPTERS LIMITED.

NOTICE is hereby given that the 23rd Annual General Meeting of the Company is scheduled to be held on 30th December, 2008 at 2.30 PM at Registered Office of the Company at Safdarjung Airport, New Delhi to transact the following business:-

ORDINARY BUSINESS

1. Adoption of Accounts

To receive, consider and adopt the audited Balance Sheet as on 31.3.2008, the audited Profit & Loss Account for the year ended on 31st March 2008, along with the Auditors' Report, comments of C&AG thereon and Directors' Report.

2. Declaration of Dividend

To consider and if thought fit, to pass with or without modification the following resolution as ordinary resolution:-

"RESOLVED THAT dividend amounting to Rs.11,37,66,000/- @ 10% (including the interim dividend) on the paid-up capital of Rs.113.766 crores is hereby declared for the financial year 2007-08 to the shareholders of the Company."

SPECIAL BUSINESS

3. Alteration in Main Object Clause of Memorandum of Association of PHHL for incorporation of new clauses relating to new business of fixed wing aircrafts/sea planes and Heliports/Helipads.

If deemed fit, to pass with or without modification, the following special resolution for alteration in Main Object Clause of Memorandum of Association of the Company:-

"RESOLVED THAT the following alterations in the main object clause of the Memorandum of Association of Pawan Hans Helicopters Ltd. by way of incorporation of new clauses as clause no.4 and 5 be and is hereby approved :

Objects III - "A. Main Objects – additional clauses

4. To purchase, lease, provide, repair, overhaul, hold and operate Fixed Wing Aircrafts, Sea Planes and any other types of aircraft and to plan, promote, develop, organize and operate scheduled/non-scheduled services by the same.

5. To plan, promote, invest, develop, organize, purchase/lease land, provide, construct, hold, dispose-off, participate/create joint venture and operate heliports/helipads and other support services."

FURTHER RESOLVED THAT the Company Secretary is authorized to take necessary action for carrying out alteration in the object clause after approval of the Shareholders and to file documents with the Registrar of Companies and other authorities for the same."

By the Order of the
Board of Directors of
Pawan Hans Helicopters Limited

(Sanjiv Agrawal)
Company Secretary

New Delhi
December 02, 2008

NOTES:

- a) A member entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a member of the Company to attend and vote instead of himself. Proxies in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the meeting. A blank Proxy Form is enclosed.
- b) For Special Business regarding alterations in Main Object Clause of Memorandum of Association of PHHL for new business, Explanatory Statement is attached. In respect of the above Special Business, none of the Directors are interested in their personal capacity.



DIRECTORS' REPORT

The Shareholders,

Ladies and Gentlemen,

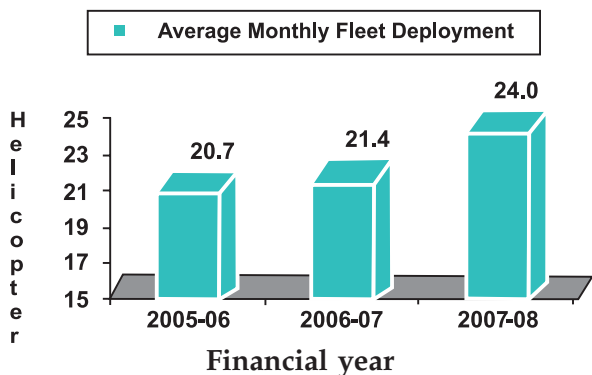
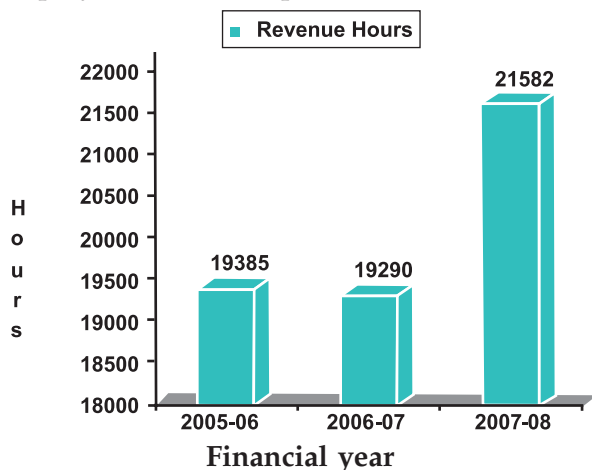
Your Directors have immense pleasure in presenting the Twenty Third Annual Report of the Company together with the audited accounts and the Report of the Comptroller and Auditor General of India for the year ended on 31st March, 2008.

I. Operations

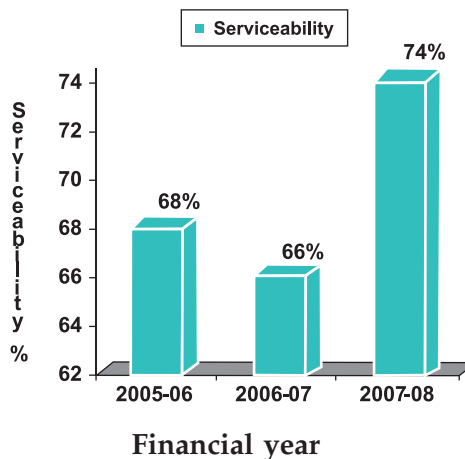
a) Operational results

The Company was able to secure long-term contracts with Institutional clients mainly in the Oil Industry and Government Sector.

The revenue hours and average monthly deployment of helicopters was as under



The overall performance during the financial year 2007-08 has improved over previous year due to increased deployment of helicopters and better fleet serviceability.



b) Fleet Profile

The Company's operational fleet as on 31.3.2008 comprises of the following :-

Helicopter type	No. of helicopters
Dauphin SA365N	18
Dauphin AS365N-3	9
Bell-407	4
Bell 206L4	3
MI-172	2
Total	36

c) Fleet deployment

As on 31.3.2008, the Company had on contract 12 Dauphin helicopters with ONGC for their off-shore task. The Company provided one Dauphin helicopter each to State Governments viz. Arunachal Pradesh, Punjab, Meghalaya, Nagaland and Lakshadweep. The Company also provided two Dauphin helicopters to the



Dauphin Helicopters ready for off-shore task for ONGC at Juhu Aerodrome

Administration of Andaman & Nicobar Islands and one Dauphin helicopter each to Ministry of Home Affairs and M/s Hardy Oil Exploration at Chennai.

One Bell 206 L4 helicopter was deployed with State Government of Sikkim. One Bell 407 helicopter was deployed with the State Government of Tripura and one with GAIL. The Company runs the helicopter services from Augustmuni every year and from May 2008, it has commenced operations from Phata to the Holy shrine of Kedarnath after construction of Helipad at that location. The Company was able to achieve record revenue from operations at Phata during two seasons, namely May-June and September-October, 2008 by carrying 12,604 passengers as compared to the previous periods. The Company has succeeded in obtaining award of contract for two light helicopters for a period of 3 years for helicopter services at Mata Vaishno Deviji from Katra to Sanjhichat under competitive bidding and has commenced the services w.e.f. 3.4.2008. The operations have been very successful as it carried 55,325 passengers till 31.10.2008.

The Company has undertaken a pilot project for Power Grid Corporation of India for Hotline Washing of insulators of the power transmission lines w.e.f. 31.10.2008. These operations are being carried out for the first time in India for which the Company has taken the washing equipment and technical manpower from abroad.

The Company has also got Operation & Maintenance Contracts of Dauphin N helicopter of Government of Bihar and Dauphin N3 helicopter of Government of Gujarat. The Company would also be undertaking Operation & Maintenance contract of Dhruv helicopters from HAL in respect of 3 Dhruv helicopters of ONGC for which agreement shall be signed shortly.

The Dauphin N3 helicopters registration No.VT-PHP operating for Lakshadweep Administration had made a crash landing at Kavaratti on 27.9.2007 while returning from Kochi to Kavaratti. While there was no casualty, the helicopter suffered extensive damages. The Company has lodged claim with the Insurance Company. The damage



assessment has been carried out by M/s Eurocopter, France after obtaining necessary clearance from DGCA and their detailed Report is awaited.

d) Fleet Augmentation

Two new fully AS-4 compliant Dauphin N3 helicopters were received in September/October, 2007 and were reassembled and made serviceable with Certificate of Air Worthiness in the shortest possible time period.

The Company has purchased one second hand Dauphin 365N helicopter VT-ENX from Government of Gujarat in March, 2008. The said helicopter after inspection was made operational and is being used for long-term contract.

The Company had floated tender in July 2008 for purchase of 16 new helicopters comprising heavy, medium-I, medium-II, light single engine and light twin engines helicopters. After finalization of technical and operational evaluation, financial bid of successful bidders shall be opened and approval of Competent Authority shall be obtained.

e) Mid-Life upgrade programme of Dauphin fleet.

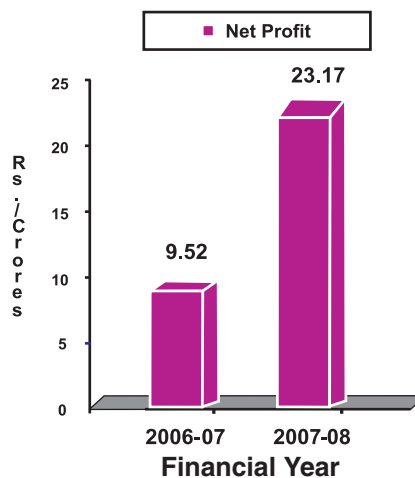
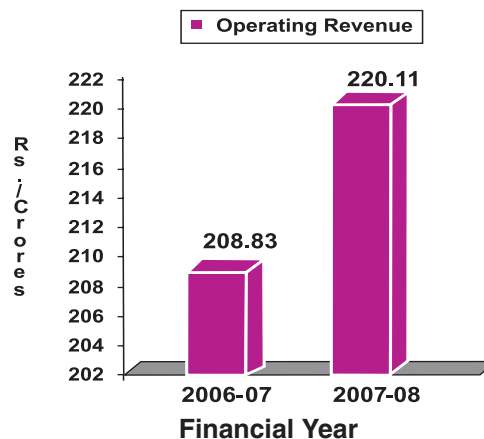
With a view to meet the requirements of DGCA and ONGC contract, Retrofit programme for the full Dauphin fleet is being undertaken in a phased manner. This retrofit programme has been undertaken for better safety and improved serviceability of Dauphin fleet in view of on-time monitoring of all dynamic components and engines by the technical personnel of the Company. 12 numbers of AS-4 compliant Dauphin N/N3 helicopters were deployed with ONGC by 31.12.2007.

II. Finance

a) Financial Results

Financial performance during the financial years 2006-07 and 2007-08 was as under :

(Rupees/Crores)		
Particulars	2006-07	2007-08
I. Operating Revenue		
- Revenue from Operations	182.02	210.33
- Incidental Revenue	26.81	9.78
Total (I)	<u>208.83</u>	<u>220.11</u>
II. Operating Expenditure		
- Operating Expenditure	180.38	183.54
- Depreciation	25.67	30.36
Total (II)	<u>206.05</u>	<u>213.90</u>
III. Net Operating Profit (I-II)	2.78	6.21
IV. Interest Income	24.96	23.30
V. Prior Period/Extraordinary Adjustments	(9.13)	0.66
VI. Profit before Tax	<u>18.61</u>	<u>30.17</u>
VII. Taxes /Deferred Tax Liability	9.09	7.00
VIII. Net Profit after Tax	<u>9.52</u>	<u>23.17</u>





b) Dividend

Your Directors have recommended that the interim dividend @ 10% of equity of Rs.11.38 crores already paid by the Company may be treated as final dividend. Accordingly, the dividend recommended amounts to Rs.11,37,66,000/- @ 10% (previous year @ 8% Rs.9,10,12,800/-) on the paid up equity capital of Rs.113.766 crores for the financial year 2007-08. Out of the paid up capital of Rs.113.766 crores, Rs.89.266 crores (78.5%) is held in the name of President of India through Ministry of Civil Aviation and Rs.24.50 crores (21.5%) is held in the name of Oil & Natural Gas Corporation Ltd. The Corporate tax on dividend borne by the Company during 2007-08 is Rs.1,93,34,532/- (Previous Year :Rs.1,27,64,545/-).

c) Claim of Government of India

In respect of pending issue of Government of India claim, a proposal was submitted by the Ministry of Civil Aviation in 2005 which inter-alia included reduction in the rate of interest from 18% pa to 9% pa on the principal amount and other issues as covered by its previous proposal dated 23.4.2003 submitted by the Ministry of Civil Aviation remain unchanged. However, the Ministry of Finance has not agreed to the reduction in the rate of interest from 18% pa to 9% pa. Subsequently in May, 2006 the Ministry of Civil Aviation had submitted another proposal to settle the long outstanding dues as one time final payment of Rs.298.49 crores comprising of principal amount of dues of Rs.130.91 crores and interest @ 9% pa upto 31.3.2001 of Rs.167.58 crores. Interest amount @ 9% p.a. aggregating to Rs 82.47 crores (P.Y. Rs.70.69 crores) from 01.04.2001 to 31.03.2008 on the principal amount has been shown as Contingent Liability as observed by the Government Audit in the past. During the financial year under audit, the Ministry of Civil Aviation

submitted a proposal to Ministry of Finance in December,2007 that the Government may reconsider the claim by Ministry of Finance and waive off the total amount of Rs. 470.22 crores (Principal amount Rs. 130.91 crores and interest upto 31.03.2001 Rs. 339.31 crores) claimed from the Company so that the existing funds could be utilized for fleet expansion and other capital outlay programmes which are essential for the survival of the Company under the competitive environment prevailing in the Civil Aviation industry in India. The Ministry of Finance has not agreed to this proposal and has advised that the Company be asked to deposit the said amount in Government Treasury. The Board of Directors of the Company viewed that the Company may pursue with the Ministry of Civil Aviation for full waiver of the claim of Ministry of Finance and appointed a Financial Advisor to examine the matter along with other related issues.

The Company had earlier made provision of Rs.339.31 crores upto 31.3.2001 during the financial years 1999-2000, 2000-01 and 2002-03 towards interest and other charges as claimed by the Ministry of Finance and the same is being carried forward.

d) Foreign Exchange

During the year the foreign exchange receipt was Rs.27,32,24,213/- (previous year : Rs.19,52,102/-) and outgo on account of foreign exchange payments for purchase of helicopters, spares & equipments, repairs & other charges amounted to Rs.206.27 crores (previous year Rs.191.55 crores).

III. Engineering / Maintenance Activities

The Company has established state-of-the-art maintenance facilities in Mumbai & Delhi approved by DGCA for maintenance of its fleet of helicopters. Meticulous maintenance checks on helicopters are carried out and extensive workshops with in-house facilities



Bell Helicopter taking off from Gangtok

provide the back up. Maintenance capability has been upgraded to carry out major 'G' Inspections on Dauphin helicopters totally in-house without any foreign assistance which leads to saving of foreign exchange on account of lower cost of repairs/inspections. The scope of approval of maintenance facilities at Mumbai have been extended to include 'G' inspection (Airframe overhaul at 6000 hours) on Dauphin N3 helicopters

during the year under review. A total of 21 inspections consisting of T/2T/5T(600 hrs./1200 hrs./3000 hrs.) inspection and 1 'G' inspection (5400 hrs.) on Dauphin N3 helicopter was carried out by the Company from within its resources.

Presently 15 nos. Dauphin N/N3 helicopters are AS4 complied and the work on 16th helicopter is progressing on the helicopter.



Dauphin helicopters operating in Juhu Aerodrome



Dauphin Helicopters undergoing maintenance at PHHL hanger in Juhu Aerodrome, Mumbai

The enhancement in workshop facilities is a continuous process with every extension in scope a milestone. During the year in addition to extension in scope to cover 'G' inspections on the Dauphin N3 helicopters, the workshop facilities have

extended scope to cover some of the Dauphin N3 instruments for bench check. Further, major maintenance inspections and major component changes of the Bell helicopters at Bases was also continued during the year.



MI-172 Operating in North East



The Company has always considered energy saving and technology absorption as an important goal and high priority has been accorded to the same during the year under review.

IV. Materials Management

Material management directive for better control relating to non-moving inventories was issued. Further by fixing of inventory levels all procurements have been made based on joint review by Engineering and Material Departments and spares are ordered on forecasted projections. During the year the Material Management functions have gone online through integrated computerization. Processing of demand and supply has become efficient. Data has become transparent and available to users across the network in all regions and bases. Inventory

management through timely alerts has enhanced the efficacy of supply chain management.

V. Information System & Technology Plan

In order to implement Information System & Technology Plan in the critical functional areas of Operations, Engineering, Materials & Finance, agreement for crucial integrated software development signed with M/s.Tata Consultancy Services Ltd. would enhance efficiency, effectiveness and customer satisfaction. The development work has reached an advance stage and process of implementation have commenced in certain functional areas. Further integrated LAN/WAN infrastructure for NOIDA, Safdarjung Airport and Mumbai Offices is under process of implementation. An integrated Voice Communication for Corporate Office,



Dauphin and MI 172 helicopter at North East



Regional Offices and Detachments is also under implementation.

VI. ISO 9001:2000 Certification

The Company is certified for its Quality Management Systems under ISO 9001:2000 standards valid upto February, 2010. Initiative for certification under ISO 14001 and 18001 is also in progress. It will be known as Integrated Management System.

VII. Human-Resources Development

a) Manpower

The staff strength as on 31st March, 2008 was 761 as against 711 as on 31st March 2007.

b) Industrial Relations

Industrial relation during the period continued to be cordial and regular meetings with employee's representative bodies were held. The issues concerning employees were resolved through discussion.

c) Training

Training of all employees i.e. Executives, Pilots, Engineers, Technicians and Support staff continued to receive high priority. Lectures on different subjects of Managerial Skills have been conducted regularly. The Company has also been nominating employees to specialized training programmes and in-house training. The resources of Aviation Training School were utilized for conducting various refresher courses for Pilots, Engineers and Technicians on regular basis. Due to a large number of retirement / resignation of pilots, action has been taken for recruitment of experienced and young pilots.

VIII. Board Of Directors

The Board of Directors held four meetings during the year. The Board consists of the following members presently as well as during the financial year 2007-08 :-

At present	
Shri R.K. Tyagi	Chairman-cum- Managing Director (from 18.5.07)
Smt. Vilasini Ramachandran	Addl. Secretary & FA, MOCA (from 8.5.08)
Shri Arun Mishra	Joint Secretary, MOCA (from 13.3.2007)
Shri N.K. Mitra	Director off-shore, ONGC (from 9.9.2004)
Air Cmde. G.S. Cheema	Principal Director T&H, Air Force (from 28.3.2007)
Dr. S.N.A. Zaidi	Director General of Civil Aviation (from 17.11.08)
Ceased to be Directors	
Shri R.K. Singh	Chairman-cum-Managing Director (from 30.6.06 to 18.5.07)
Shri Raghu Menon	Special Secretary & FA, MOCA (from 17.11.06 to 31.3.08)
Shri K. Gohain	Director General of Civil Aviation (from 31.3.06 to 17.11.08)

The Board places on record its appreciation of the valuable services rendered by Shri R.K. Singh, Shri Raghu Menon and Shri K. Gohain during their tenure on the Board.

None of the Directors of your Company is disqualified as per provision of Section 274 (1) (g) of the Companies Act, 1956.

IX. Directors' Responsibility Statement

Pursuant to provision of Section 217(2AA) of the Companies Act, 1956, in respect of the Annual Accounts for the financial year ended 31st March, 2008, your Directors have:-

- a) followed in the preparation of Annual Accounts, the applicable accounting standards and proper explanation



Dauphin Helicopter at ONGC off-shore Rig

- relating to material departure if any, have been incorporated.
- b) 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 financial year and of Profit of the Company for that period.
 - c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
 - d) prepared the Annual Accounts on a going concern basis.



Bell 407 helicopters at Kedarnath



Bell 206 L4 helicopter at Katra Sanjhi Chhat Sector

X. Corporate Governance

In compliance to Section 292(A) of the Companies Act, the Board of Directors had constituted an Audit Committee on 24.5.2001 comprising of its Chairman and two members. During the year, the Audit Committee has held meetings on 01.11.2007 and 31.12.2007.

Presently the Audit Committee comprise of Smt. Vilasini Ramachandran, Additional Secretary & Financial Advisor, Ministry of Civil Aviation as Chairperson of the Audit Committee, Shri Arun Mishra, Joint Secretary, Ministry of Civil Aviation and Air Cmde. G.S. Cheema, Principal Director (T&H), Air Headquarter as Members.

The Company has also adopted Guidelines on Corporate Governance issued by DPE on 06.07.2007. Accordingly, efforts are being made for compliance of the Guidelines.

XI. Auditors' Report

The observations made by the Statutory Auditors in respect of the Annual Accounts for the financial year 2007-08 together with replies thereto are appended as Annex-A. (Refer to page 57 to 65).

The report of Comptroller and Auditor General of India in pursuance of Section 619(4) of the Companies Act, 1956, and replies thereto are appended as Annexure-B. (Refer to page 66 to 69).

XII. Particulars of the employees

Pursuant to section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Amendment Rules, 1988, the required information is appended to this report as Annexure-'C' (refer to page 70).

XIII. Official Language Policy

During the year under review, the Company has made significant progress towards implementation of various provisions of Government's Official Language Policy by celebrating Hindi Day/Week, holding Hindi workshops, granting monetary incentives and issuing bilingual advertisements and compliance to Section 3(3) of Official Language Act, 1963.

XIV. Employment of Persons with Disabilities

The Company has been following the law regarding Persons for Disabilities Act.



XV. Vigilance

The Company has an independent Vigilance department headed by a Chief Vigilance Officer. Regular inspections, greater interface with the staff and periodic counseling has helped in streamlining procedures and imparting greater transparency and accountability in decision making. A sincere attempt at preventive vigilance has also exerted a healthy influence in promoting ethical work culture, imparting better control and discipline within the system, and in motivating the honest and committed employees. Conscientious functioning of the Vigilance department has added to the efficiency and image of the organization as well as to the code of accountability.

XVI. Emerging Scenario

In the emerging scenario, the Company has opportunities and challenges before itself to be competitive, qualitative and cost effective. Pawan Hans is the largest helicopter Company in India and its operating and maintenance standards are of a high order. The Company's relentless pursuit continued in achieving excellence by effecting all round improvement in safety and performance. It is time for the Company to capitalize on its strength and skills achieving its aim to become a

market leader in Asia, in helicopter operations as well as globally competitive in the repair & overhaul of aviation products.

XVII. Acknowledgements

The Board of Directors deeply appreciates the continued co-operation, guidance and support received from the various Ministries of the Government of India, particularly, the Ministry of Civil Aviation and the Director General of Civil Aviation.

The Board expresses its thanks for the confidence reposed by the Oil and Natural Gas Corporation Ltd. and other customers in the operations of the Company.

The Board also places on record its appreciation of the sincere and devoted services rendered by the employees at all levels for the progress of the Company.

For & on behalf of the
Board of Directors

(R.K. Tyagi)
Chairman cum Managing Director

Date : 30th December, 2008

Place : New Delhi

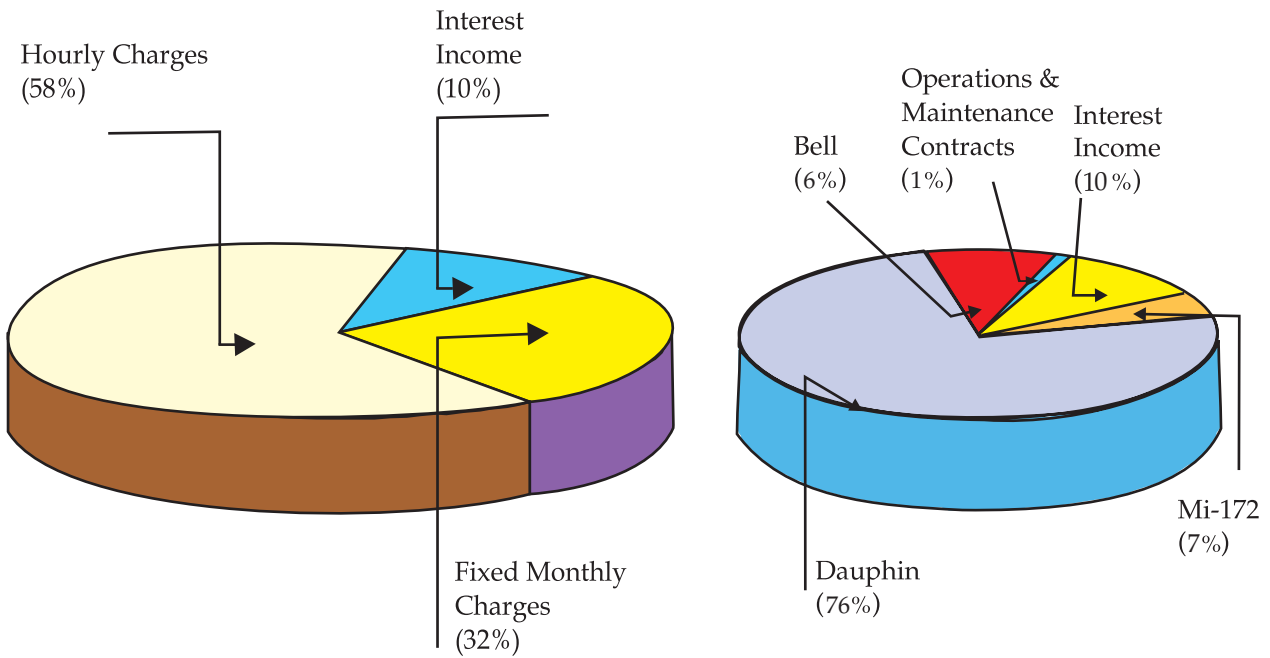


Dauphin Helicopter at ONGC off-shore Rig.

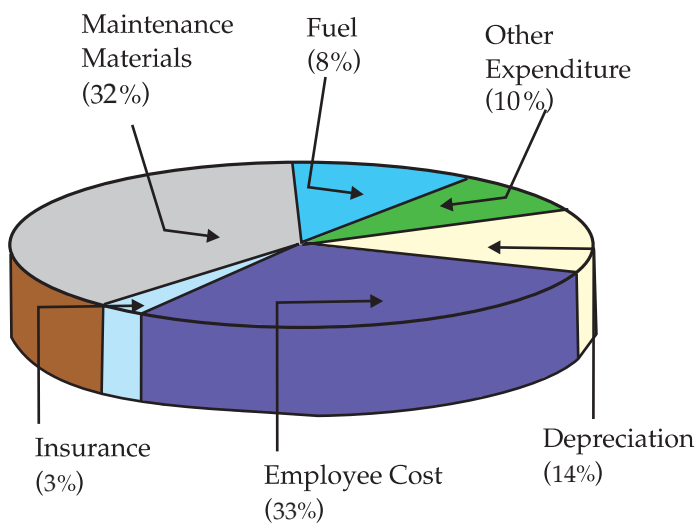


FINANCIAL HIGHLIGHTS (For 2007-08)

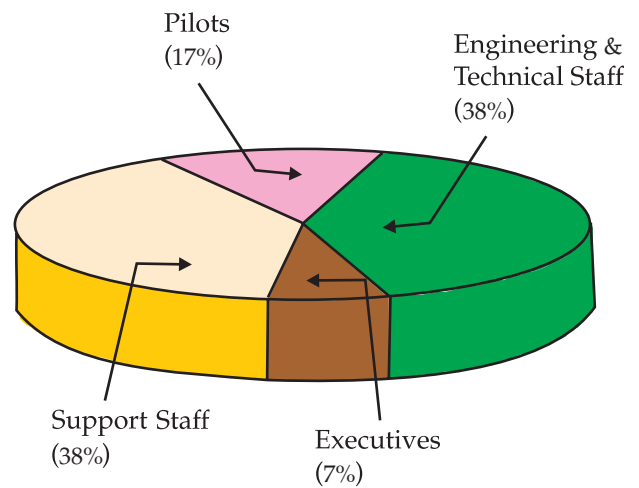
Source of Income



Cost Structure

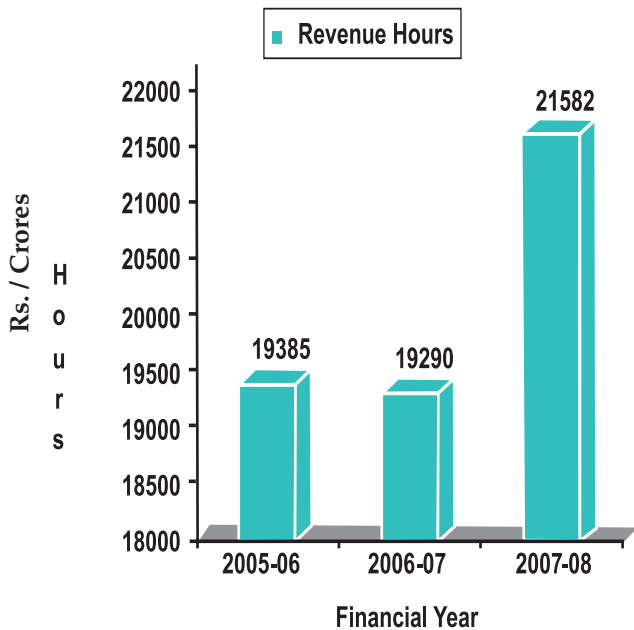


Manpower Profile

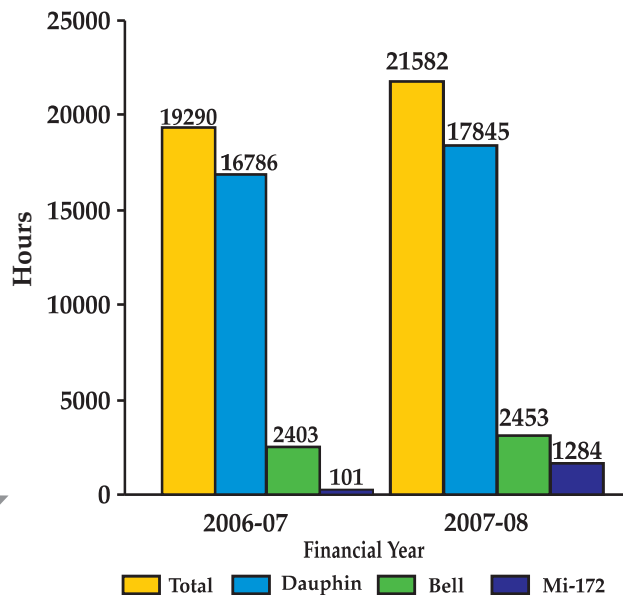




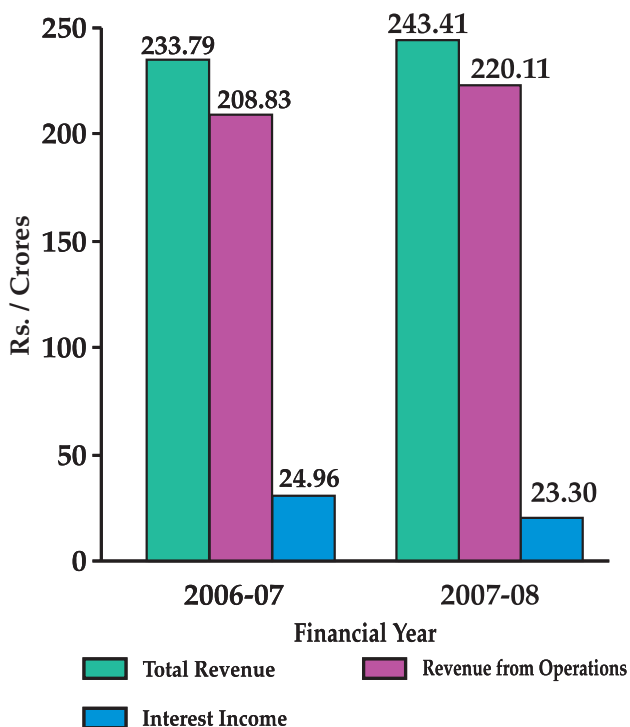
Net Profit & Operating Profit



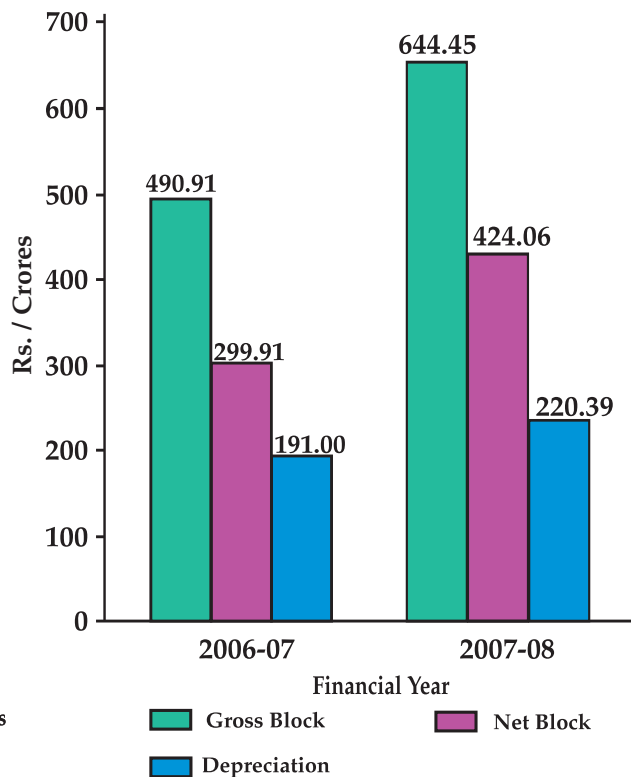
Flying Hours



Revenue



Fixed Assets





SUMMARISED ACCOUNTS

		(In Rs./Crores)			
		2007-08	2006-07	2005-06	2004-05
RESOURCES					
Net Worth		288.56	279.79	280.64	259.28
Deferred Tax Liabilities		50.38	47.48	39.22	34.71
Total		338.94	327.27	319.86	293.99
UTILISATION OF RESOURCES					
Fixed Assets (Including Capital wip)		681.07	546.25	431.43	385.60
Less : Depreciation		215.37	191.00	169.61	156.60
Net Fixed Assets		465.70	355.25	261.82	229.00
Net Working Capital		(137.97)	(27.98)	58.04	64.99
Miscellaneous Expenditure		11.21	-	-	-
Total Capital Employed		338.94	327.27	319.86	293.99
EARNINGS					
Revenue from Operations		220.11	208.83	168.75	213.30
Interest Income		23.30	24.96	30.33	28.55
Total		243.41	233.79	199.08	241.85
OUTGOINGS					
Employee Cost		71.20	59.03	46.78	46.74
Insurance		5.48	5.42	5.29	6.39
Maintenance & Materials		68.06	77.32	54.33	64.78
Fuel		16.89	21.24	20.49	22.61
Other Expenditure & Provisions		21.91	17.37	15.82	13.27
Depreciation		30.36	25.67	21.27	20.11
Total		213.90	206.05	163.98	173.90
Profit for the year before Extraordinary/ Prior period Adjustments		29.51	27.74	35.10	67.95
Prior period/Extraordinary adjustments		0.66	(9.13)	29.50	15.91
Profit before tax		30.17	18.61	64.60	83.86
Provision for Taxation		3.00	0.40	12.00	19.10
Fringe Benefit Tax		0.55	0.43	0.69	-
Deferred Tax Liability		3.45	8.26	4.52	15.18
Net Profit after Tax		23.17	9.52	47.39	49.58
Dividend Paid		11.38	9.10	22.75	22.75
Significant Ratios					
a) Net Profit Ratio	$\frac{\text{Net Profit after Tax}}{\text{Total Revenue}}$	9.5%	4.1%	23.08%	20.5%
b) Return on Investment	$\frac{\text{Net Profit after Tax}}{\text{Capital Employed}}$	6.8%	2.9%	14.8%	16.9%
c) Return on Net Worth	$\frac{\text{Net Profit after Tax}}{\text{Net Worth}}$	8.0%	3.4%	16.9%	19.1%
d) Debt Collection Period (months)	$\frac{\text{Operational debtors}}{\text{Avg. monthly Period Rev.}}$	4.2	3.6	4.0	3.5
e) Inventory Turnover (month)	$\frac{\text{Year end Inventory}}{\text{Avg. monthly Op. Rev.}}$	2.0	2.0	2.1	1.3
f) Current Ratio	Current Assets : Current Liabilities	0.8	0.9	1.2	1.32:1



ACCOUNTS



SIGNIFICANT ACCOUNTING POLICIES

1. FIXED ASSETS / DEPRECIATION

- a) Fixed Assets are stated in the Balance Sheet at actual cost less depreciation.
- b) Cost of mid-life up-gradation programme (including type certification costs) / major retrofit of the helicopter fleet is capitalized.
- c) Depreciation is provided on straight line basis at the rates prescribed under Schedule XIV of the Companies Act, 1956 unless the useful life of the asset warrants higher rate of depreciation. In case of acquisition of second hand helicopters and aero-engines, depreciation is provided at a rate so as to write off 95% of the cost of such assets over the balance specified life as technically evaluated by the management subject to the minimum charge as per the statute rate. In the case of MI-172 helicopters, taking into consideration the life limitation of 7,000 hours or 15 years, whichever occurs first, depreciation is provided at the minimum rate of 6.33% per annum, for upto 466 flying hours each year and for additional hours flown depreciation is charged on the basis of actual hours flown in excess of 466 hours multiplied by the hourly rate computed by dividing 95% of the original cost by 7,000 hours for each helicopter.
- d) Depreciation on Airframe and Aero-engine equipment-Rotables and cost of mid-life upgradation programme (including type certification costs) / major retrofit of the Helicopters is computed on straight line basis in a manner so as to write-off the 95% of the amount thereof over the remaining useful life of the principal asset (type of helicopters) to which they pertain, subject to a minimum charge as per the statute rate. In

respect of Mi-172 helicopters the depreciation on airframe and aero engine rotables is derived on the basis of annual average maintenance flying hours of the fleet and the remaining useful life in flying hours of the least flown helicopter at the commencement of the financial year. For this purpose, the remaining useful life of the last batch of helicopters (in case of Dauphin N since these constitute significant strength of the fleet) or latest helicopter (in the case of other fleet) is considered. Effective from the financial year 2006-07, the useful life of helicopters is enhanced to 30 years or 25000 hours, whichever is later (other than Mi-172 helicopters for which there is a life limitation as explained above) based on technical estimates and the disposal policy evolved by the Company. Hitherto, the useful life of helicopters was considered as 20 years or 16,000 hours, whichever is later. Items scrapped under these heads are written off on FIFO basis. Rotables related to Westland Helicopters fleet continue to be classified as "inventory" as the full book value has been provided.

- (e) Cost of leasehold land is amortized over the period of lease. Similarly the cost of residential flats constructed under joint development agreement with AAI is amortized over the period of right to possess the property as per the terms of such agreement.
- (f) Translation differences relating to liabilities in foreign exchange for acquisition of fixed assets are adjusted to the original cost of the asset and depreciation on the revised un-amortized depreciable amount is provided prospectively over the residual specified period of the asset.



The policy was followed upto 31/3/2007.

- (g) Assets of material value retired from active use and held for disposal are stated at the lower of their net book value or net realizable value (wherever available) and disclosed separately in the Accounts. No depreciation is provided on such assets (including Westland helicopters and related items w.e.f. financial year 1995-96).
- (h) Depreciation in respect of additions or deletions of helicopters / spare aero engines is made on a pro-rata basis, effective from / to the date of acquisition (being the date of Certificate of Airworthiness in India for helicopters) / disposal. Depreciation in respect of all other fixed assets is reckoned on a pro-rata basis. The effective date for the purpose of such other assets is taken as the first day of the month following the month of purchase of the item. Likewise, in respect of deletions, last day of the preceding month of the deletion of such an asset is considered for providing pro-rata depreciation. Gains and Losses arising from the retirement or disposal of assets are credited / charged to the Profit and Loss Account.
- (i) Assets having unit value of Rs. 5,000 or less are depreciated @ 100 % in the year of purchase.

2 INVESTMENTS

Investments are stated at cost less interim payments, if any, received. However, in respect of investments whose redemption value is different than the acquisition cost, the difference between the acquisition cost and redemption value of the investment is amortised on time basis over the period from the acquisition date to the redemption date. The amortised amount for the year is shown as "Profit / Loss

on investments" with corresponding adjustment in the cost of such investments.

3. TRANSACTION IN FOREIGN CURRENCIES

- a) Transactions in foreign currency relating to purchase of fixed assets, goods and services are accounted for at the rate of exchange prevailing on the date of transaction as provided by the principal banker of the Company. Similarly, transactions in foreign currency relating to services provided by the Company are accounted for at the rate of exchange prevailing on the date of transaction which in this case is considered as the last date of the respective month.
- b) At the year-end, monetary assets and liabilities are translated at the year end exchange rate whereas non-monetary items are reported at historical rates.
- c) Losses or gains due to exchange fluctuations arising due to restatement of monetary assets or liabilities or on settlement of foreign exchange transactions are transferred to the Profit and Loss Account of that year.

4. INVENTORIES

- a) Inventory consisting of helicopter spares and consumable stores are stated at cost using the moving weighted average method. Items of spares and stores lying on the shop floor at the year end are also considered as part of closing inventory.
- b) Loose/test tools are valued at cost less financial write-offs. Loose tools/test tools are amortised equally over a period of 3 financial years including the year of purchase and stated accordingly. Items scrapped under these heads are written off on FIFO basis.



- c) Stores and Spares the landed unit value of which, is less than Rs.1,000 and all items of consumables, oil, greases, lubricants are expensed in the year of purchase.
- d) Goods despatched by the suppliers by 31st March of each year but not received by the Company are accounted for as Goods in transit. However, the repair/overhaul charges in respect of Goods in transit being returned after repairs are accounted for by a corresponding debit to the "Maintenance expenditure into Profit & Loss Account " in the year itself.
- e) Provision is made in the accounts on moving weighted average basis for non-moving items of stores, spares and consumables (other than ground support and test equipments, and maintenance tools) which have not been issued for actual use for three consecutive years from the date of last transaction.
5. *LIABILITIES*
- a) Provision is made in the accounts for all known liabilities existing on the date of balance-sheet. Liabilities not known or liabilities whose amount can not be determined with any reasonable degree of accuracy are not provided for. Further, liability for goods or repairs/overhaul charges is made in the accounts for goods despatched by the suppliers by 31st March of each year but not received by the Company as at the year end, based on manufactures advice / engineering estimates.
- b) Claims on suppliers / outside parties are accounted for on acceptance by such parties. Claims of suppliers / outside parties/ customers are accounted for on settlement basis.
- c) No provision for accrued expenses / liabilities is made in the accounts where the individual transaction is less than Rs. 5,000.
6. *PREPAID EXPENSES*
- Prepaid expenses which are individually less than Rs. 5,000 are not accounted for.
7. *MAINTENANCE EXPENDITURE OF HELICOPTERS*
- Effective from F.Y 2006-07 Maintenance expenditure of helicopters is accounted as on incurred basis.
8. *REVENUE RECOGNITION*
- a) Revenue from helicopter operations is recognized on accrual basis as per the terms of the contract.
- b) Income from engineering and other services is recognized when the corresponding services are completed.
- c) Revenue from Sale of scrapped Assets/Stores is recognized on actual realization.
9. *INTEREST / INCOME FORM INVESTMENTS*
- Interest / yield accruing on Deposits / Investments with banks / others is accounted for on proportionate basis upto the end of the financial year at the applicable interest / yield rates.
10. *FUEL*
- Expenditure on Aviation Turbine Fuel is fully charged to Profit and Loss Account in the year of purchase and no cognizance is taken of stock, if any, of fuel in helicopters as at the end of the financial year.
11. *INSURANCE / INSURANCE CLAIMS*
- a) The Company has opted for separate schemes of Self Insurance in respect of Technical Personnel. A Self-Insurance reserve for Rs.40 lacs was created in this regard. Any compensation payable under the schemes is charged to expenditure for the year with a corresponding transfer from the Self-Insurance



reserve to the Profit and Loss Account.

- b) Insurance Claims other than those relating to the helicopters and inventory are accounted for on cash basis and recognised as income except where payable to any third party.
- c) All helicopter and inventory related claim recoveries other than the total loss are accounted for in the year of lodging the final claim upon establishing the virtual certainty of admittance of claim by the insurance surveyor/insurance company at the estimated/ finally assessed value which is known before the close of Books of Accounts of such financial year, otherwise in the year of admittance of the claim. The actual expenditure on repairs as also the total Insurance claim realized are accounted for in Profit & Loss Account and the assets are carried forward at their book values.
- d) In the case of total loss of helicopter, adjustment is made in the year of event taking place by reducing the written down value of the helicopter from the fixed assets and reflecting the same as "Insurance Claim Receivable Account" and appropriate adjustment is made to the "Profit / Loss on Insurance Claim on destruction of Assets", when the value of claim is admitted / settled by the insurance company.

12. GRATUITY

Gratuity is accounted for on actuarial valuation basis and the amount due for the year is transferred to a separate recognised Gratuity Trust.

13. INTANGIBLE ASSETS

- a) All training expenses/ acquisition cost of training material are written off in the year of expenditure in compliance with AS 26 issued by ICAI.

- b) Costs of software purchased/ developed in-house exceeding Rs. 5 lacs each is amortized over a period of 60 months on straight line basis from the date of successful commissioning of the software, subject to review at each financial year end. Software costing upto Rs. 5 lacs each are charged off to Revenue in the year of purchase.

14. EMPLOYEE BENEFITS

Provision for Leave salary/baggage Allowance / Post Retirement Medical Benefits and Leave Travel Concession benefit is accounted for on the basis of actuarial valuation.

15. PRIOR PERIOD ADJUSTMENTS

Amounts pertaining to income or expenditure which arise in the current period that could have been reasonably estimated in earlier years but remained unaccounted due to errors or omissions are reflected as prior period items.

16. SUNDRY DEBTORS / ACCOUNTS RECEIVABLE

- a) Debts recoverable from outside parties and outstanding for more than three years are considered doubtful and provided for unless specifically known to be doubtful prior to this period.
- b) Unadjusted / unclaimed credit balances relating to outside parties and outstanding for more than three years are written back and treated as income.

17. BORROWING COSTS

- a) Borrowing cost that is directly attributable to acquisition, construction or production of qualifying assets is capitalized upto the time the asset gets ready for its intended use.
- b) Borrowing cost other than stated above is treated as period cost and charged to the Profit & Loss Account.



18. TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Additional demands of Income Tax raised in the Assessment are provided in the year of finality of Assessments. Accordingly, the interest on Income Tax refunds is accounted for in the year of finality of Assessments or actual receipt whichever is later. The deferred tax charge or credit due to timing differences between the Book Profits and Tax Profits is recognized using the rates and laws that have been enacted or substantially enacted as on the Balance Sheet date. Deferred Tax

assets are recognized only to the extent there is reasonable certainty of realization in future. Such assets are reviewed as at each Balance Sheet date to reassess realization. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets supported by convincing evidence.

19. CASH FLOW STATEMENT

Cash Flow Statement is prepared under the indirect method prescribed under "Accounting Standard 3 on Cash Flow Statement" issued by The Institute of Chartered Accountants of India.



BALANCE SHEET As at 31st March, 2008

	Schedule	31st March, 2008	31st March, 2007
I SOURCES OF FUNDS			
1. Shareholders' Funds			
Capital	1	1,13,76,60,000	1,13,76,60,000
Reserves & Surplus	2	1,74,79,64,394	1,66,02,21,394
		2,88,56,24,394	2,79,78,81,394
2. Deferred Tax Liability (Net)	3	50,38,10,064	47,48,44,030
Total (I)		<u>3,38,94,34,458</u>	<u>3,27,27,25,424</u>
II APPLICATION OF FUNDS			
1. Fixed Assets			
A. Assets under Active Use			
Gross Block		6,06,19,68,492	4,90,90,68,996
Less Depreciation Fund		2,15,36,62,489	1,90,99,61,896
Net Block		3,90,83,06,003	2,99,91,07,100
B. Assets retired from Active Use and held for disposal/Impaired Assets			
Gross Block		67,29,35,527	68,97,48,701
Less Depreciation Fund		55,27,57,588	54,74,53,990
Less Provision for loss on disposal/Impairment		11,76,77,939	14,22,94,711
Net Block		25,00,000	-
C. Assets currently not in Active use			
Gross Block		38,24,63,052	-
Less Depreciation Fund		5,02,24,054	-
Net Block		33,22,38,998	-
D. Capital Work in Progress (Including Advances on account of Capital goods)			
		41,39,61,611	55,34,14,592
		4,65,70,06,612	3,55,25,21,692
2. Current Assets, Loans, and Advances			
Inventories		37,26,78,412	34,48,53,241
Sundry Debtors		76,37,84,968	61,94,75,648
Cash & Bank Balances		2,28,71,48,138	3,00,85,35,359
Loans & Advances		1,18,88,72,879	1,07,61,24,193
		4,61,24,84,397	5,04,89,88,441
Less:			
Current Liabilities & Provisions			
Liabilities	6	5,83,18,17,175	5,21,90,21,099
Provisions		16,03,22,401	10,97,63,610
		5,99,21,39,576	5,32,87,84,709
Net Current Assets		(1,37,96,55,179)	(27,97,96,268)
3. Miscellaneous Expenditure (to be extent not written off or adjusted)			
		11,20,83,025	-
Total (II)		<u>3,38,94,34,458</u>	<u>3,27,27,25,424</u>
Contingent Liabilities & Notes to Accounts			
	14		-

Statement on Significant Accounting Policies and the Schedules referred to above form an integral part of the Accounts.

As per our report of even date attached.

For V.K.Verma & Co.
Chartered Accountants

V.Kumar
Partner
(M.No.- 503826)

Place : New Delhi.
Dated : 18th November, 2008

R.K. Tyagi
Chairman-Cum-Managing Director

Sanjiv Agrawal
Company Secretary & DGM (Legal)

Vilasini Ramachandran
Director

Sanjiv Bahl
General Manager (F&A)



PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2008

	Schedule	31st March, 2008	31st March, 2007
<i>(In Rupees)</i>			
I INCOME			
Helicopter Hire Charges		2,16,19,90,026	1,83,24,68,313
Less: Deduction for non-provision of Helicopters(AOG)		<u>5,87,10,079</u>	<u>1,23,18,649</u>
		2,10,32,79,947	1,82,01,49,664
Interest Income	7	23,30,07,846	24,96,35,063
Other Income	8	9,78,13,669	26,80,80,233
Total		<u>2,43,41,01,462</u>	<u>2,33,78,64,960</u>
II EXPENDITURE			
Helicopter Maintenance Expenditure		51,39,74,583	64,18,55,918
Helicopter Operational Expenditure	9	33,55,23,530	34,37,61,683
Employees' Remuneration & Other Benefits	10	71,19,62,020	59,03,10,439
Insurance		5,47,62,791	5,41,65,917
Depreciation	4	3,06,02,832	25,66,67,762
Other Expenses	11	21,90,96,550	17,36,65,378
Total		<u>2,13,89,22,306</u>	<u>2,06,04,27,097</u>
III Profit for the year before extraordinary/ Prior Period Items		29,51,79,156	27,74,37,863
Extraordinary Items	12	80,77,222	(8,82,16,756)
Prior Period Adjustments	13	<u>(15,69,263)</u>	<u>(30,74,586)</u>
Profit for the year before Tax		30,16,87,115	18,61,46,521
Provision for Taxation (including Wealth Tax/MAT)		3,00,00,000	40,00,000
Fringe Benefit Tax		55,00,000	43,35,000
Deferred Tax Liability		<u>3,45,32,764</u>	<u>8,25,99,317</u>
Net Profit After Tax		23,16,54,351	9,52,12,204
Profit brought forward from the previous year		1,45,12,21,394	1,45,97,86,535
Profit available for appropriation		<u>1,68,28,75,745</u>	<u>1,55,49,98,739</u>
Appropriations			
Proposed Dividend		11,37,66,000	9,10,12,800
Corporate Tax on Dividend		1,93,34,532	1,27,64,545
Provision for liability (including Deferred Tax adjustment) of earlier years towards Retirement benefits for Employees		1,08,10,819	-
Profit Carried over to Balance Sheet		<u>1,53,89,64,394</u>	<u>1,45,12,21,394</u>
		<u>1,68,28,75,745</u>	<u>1,55,49,98,739</u>
Earnings Per Share (Basic & Diluted) (Face value Rs.10,000/- each)		2,036	837

Contingent Liabilities & Notes to Accounts 14

Statement on Significant Accounting Policies and the Schedules referred to above form an integral part of the Accounts.
As per our report of even date attached.

For **V.K.Verma & Co.**
Chartered Accountants

V.Kumar
Partner
(M.No.- 503826)

R.K.Tyagi
Chairman-Cum-Managing Director

Sanjiv Agrawal
Company Secretary & DGM (Legal)

Vilasini Ramachandran
Director

Sanjiv Bahl
General Manager (F&A)

Place : New Delhi.
Dated : 18th November, 2008



SCHEDULE 1 CAPITAL

	31st March, 2008	(In Rupees) 31st March, 2007
AUTHORISED CAPITAL		
1,20,000 Equity Shares of Rs. 10,000/- each	1,20,00,00,000	1,20,00,00,000
ISSUED, SUBSCRIBED & PAID-UP		
1,13,766 Equity Shares of Rs. 10,000/- each, fully paid-up	1,13,76,60,000	1,13,76,60,000
Total	1,13,76,60,000	1,13,76,60,000

SCHEDULE 2 RESERVES & SURPLUS

	31st March, 2007	(In Rupees) 31st March, 2006
1. Self Insurance Reserve		
Opening Balance	40,00,000	40,00,000
Add: Addition during the year	-	-
	<u>40,00,000</u>	<u>40,00,000</u>
Less: Utilised during the year	-	-
	<u>40,00,000</u>	<u>40,00,000</u>
2. General Reserve		
Opening Balance	20,50,00,000	20,50,00,000
Add: Addition during the year	-	-
	<u>20,50,00,000</u>	<u>20,50,00,000</u>
Less: Utilised during the Year	-	-
	<u>20,50,00,000</u>	<u>20,50,00,000</u>
3. Profit & Loss Account	1,53,89,64,394	1,45,12,21,394
Total	1,74,79,64,394	1,66,02,21,394



SCHEDULE 3 DEFERRED TAX LIABILITY

	31st March, 2008	31st March, 2007 <i>(In Rupees)</i>
1. Deferred Tax Liability		
Tax Arising on Account of Timing Difference		
- Accumulated Depreciation	64,41,69,189	57,20,70,752
Gross Deferred Tax Liability	64,41,69,189	57,20,70,752
2. Deferred Tax Assets		
Tax Arising on Account of Timing Difference		
- Provision for Employee Benefits	10,95,02,440	4,87,19,626
- Provision for Non-moving Inventories	2,99,93,810	2,65,82,586
- Provision for impairment of Assets	(83,67,241)	1,33,40,624
- Provision for doubtful debts/advances including Interest accrued	92,30,116	85,83,886
Gross Deferred tax Assets	14,03,59,125	9,72,26,722
Net Deferred Tax Liability	50,38,10,064	47,48,44,030



SCHEDULE 4 FIXED ASSETS

GROSS BLOCK

Sl. No.	Particulars	Balance as at 1st April, 2007	Additions during the year	Deletions / Adjustments during the year	As at 31st March, 2008
A. Assets Under Active Use					
1	Land - Leasedhold	58,90,935	-	-	58,90,935
2	Buildings	32,39,89,050	8,85,560	-	32,48,74,610
3	Helicopters & Aero-Engines	3,30,19,86,642	1,24,33,18,956	38,24,63,052	4,16,28,42,546
4	Airframe & Engine Equipment Rotables	1,02,90,24,185	27,98,20,101	1,55,83,920	1,29,32,60,366
5	Workshop & Ground Support Equipment	16,31,83,530	1,66,41,349	78,857	17,97,46,022
6	Training Aid Equipment	21,01,983	1,67,902	-	22,69,885
7	Air Conditioning	63,94,018	5,55,650	-	69,49,668
8	Electrical Installations	73,92,226	4,54,836	-	78,47,062
9	Furniture & Fixures	1,63,71,228	11,86,936	-	1,75,58,164
10	Office Equipment	87,68,367	11,61,997	82,829	98,47,535
11	Vehicles	79,56,515	46,08,576	13,80,722	1,11,84,369
12	Computers	2,08,57,047	36,87,013	-	2,45,44,060
13	Capitalised Software	1,30,55,111	-	-	1,30,55,111
14	Communication Equipment	20,98,159	-	-	20,98,159
Grand Total		4,90,90,68,996	1,55,24,88,876	39,95,89,380	6,06,19,68,492
Previous Year		3,90,01,84,464	1,06,63,85,376	5,75,00,844	4,90,90,68,996
B. Assets Retired from Active Use and held for Disposal/Impaired Assets					
1	Helicopters & Aero-Engines	58,65,77,624	-	-	58,65,77,624
2	Airframe & Engine Equipment Rotables	5,49,12,605	-	1,68,92,030	3,80,20,575
3	Workshop & Ground Support Equipment	3,14,75,933	-	(78,856)	3,15,54,789
4	Training Aid Equipment	41,25,207	-	-	41,25,207
5	Electrical Installations	6,67,996	-	-	6,67,996
6	Furniture & Fixures	34,06,217	-	-	34,06,217
7	Office Equipment	29,92,051	-	-	29,92,051
8	Vehicles	14,53,274	-	-	14,53,274
9	Computers	41,37,794	-	-	41,37,794
Grand Total		68,97,48,701	-	1,68,13,174	67,29,35,527
Previous Year		65,44,07,929	-	(3,53,40,772)	68,97,48,701
C. Assets Currently not in Active use					
	Helicopters & Aero-Engines	-	38,24,63,052	-	38,24,63,052

Note: Refer Note nos 7.3 and 7.4 to Notes to Accounts, Schedule No.14 in respect of Assets currently not in Active use. * Represents.



DEPRECIATION

NET BLOCK

Upto 31st March,2007	For the Year	Deletions / Adjustments	As at 31st March,2008	W.D.V. as at 31st March,2008	(In Rupees) W.D.V. as at 31st March,2007
11,10,045	65,455	-	11,75,500	47,15,435	47,80,890
7,06,41,031	1,17,20,898	-	8,23,61,929	24,25,12,681	25,33,48,019
1,23,41,71,062	19,14,72,203	5,02,24,054	1,37,54,19,211	2,78,74,23,335	2,06,78,15,580
50,92,98,158	8,49,02,144	80,92,830	58,61,07,472	70,71,52,894	51,97,26,027
5,10,58,096	73,53,261	22,790	5,83,88,567	12,13,57,455	11,21,25,434
13,14,602	1,03,455	-	14,18,057	8,51,828	7,87,381
28,67,036	3,06,916	-	31,73,952	37,75,716	35,26,982
59,03,162	2,33,020	-	61,36,182	17,10,880	14,89,064
87,30,292	12,51,614	-	99,81,906	75,76,258	76,40,936
42,60,915	5,02,469	22,221	47,41,163	51,06,372	45,07,452
58,90,152	5,75,768	13,80,722	50,85,198	60,99,171	20,66,363
1,19,25,722	23,65,396	-	1,42,91,118	1,02,52,942	89,31,325
22,71,842	24,90,947	-	47,62,789	82,92,322	1,07,83,269
5,19,781	99,664	-	6,19,445	14,78,714	15,78,378
1,90,99,61,896	30,34,43,210	5,97,42,617	2,15,36,62,489	3,90,83,06,003	2,99,91,07,100
1,67,49,40,164	25,66,02,731	2,15,80,999	1,90,99,61,896	2,99,91,07,100	
51,07,05,633	-	-	51,07,05,633	7,58,71,991	7,58,71,991
1,24,77,781	1,59,622	(51,21,184)	1,77,58,587	2,02,61,988	4,24,34,824
1,32,58,038	-	(22,792)	1,32,80,830	1,82,73,959	1,82,17,895
18,90,720	-	-	18,90,720	22,34,487	22,34,487
5,72,702	-	-	5,72,702	95,294	95,294
31,44,451	-	-	31,44,451	2,61,766	2,61,766
17,68,216	-	-	17,68,216	12,23,835	12,23,835
8,52,380	-	-	8,52,380	6,00,894	6,00,894
27,84,069	-	-	27,84,069	13,53,725	13,53,725
54,74,53,990	1,59,622	(51,43,976)	55,27,57,588	12,01,77,939	14,22,94,711
55,17,46,679	65,031	43,57,720	54,74,53,990	14,22,94,711	
-	5,02,24,054*	-	5,02,24,054	33,22,38,998	-

Accumulated depreciation.



SCHEDULE 5 CURRENT ASSETS, LOANS & ADVANCES

	31st March, 2008	31st March, 2007
<i>(In Rupees)</i>		
Current Assets, Loans & Advances		
A. Current Assets		
I) Inventories \$ (Certified and valued by Management)		
a) At Cost		
Stores & Spares	49,93,52,995	43,69,41,205
Less: (i) Provision for Non moving Stores & Spares	(8,82,43,042)	(7,89,73,816)
(ii) Provision for Impairment in value	<u>(4,68,46,043)</u>	<u>(4,68,46,043)</u>
	36,42,63,910	31,11,21,346
Goods in Transit	63,60,504	3,19,18,585
b) At Cost Less Written Off		
Repairables & Rotables	15,75,56,671	15,75,56,671
Less: (i) Obsolescence Reserve	(14,36,26,262)	(14,36,26,262)
(ii) Provision for Impairment in value	<u>(1,39,30,409)</u>	<u>(1,39,30,409)</u>
	-	-
Gem Modules	5,01,37,213	5,01,37,213
Less: (i) Obsolescence Reserve	(4,47,21,331)	(4,47,21,331)
(ii) Provision for Impairment in value	<u>(54,15,882)</u>	<u>(54,15,882)</u>
	-	-
Test Tools Equipment	2,78,41,607	2,72,39,690
Less: Written Off	<u>(2,57,87,609)</u>	<u>(2,54,26,380)</u>
	20,53,998	18,13,310
Training Material	27,17,193	27,17,193
Less: Written Off	<u>(27,17,193)</u>	<u>(27,17,193)</u>
	-	-
Sub Total (ii)	<u>37,26,78,412</u>	<u>34,48,53,241</u>
<p>\$ Inventories include Westland items aggregating Rs.27.32 crores (P.Y.Rs.27.32 crores) at cost, book value Rs. 6.47 crores (P.Y.Rs.6.47 crores), retired from active use and held for disposal against which the Company is carrying a corresponding provision towards impairment in value as stated above in order to reflect the inventories at lower of cost or net realisable value.(Refer Note No.4 of the Notes to Accounts).</p>		
II) Sundry Debtors (Unsecured)		
Debts Outstanding for more than six months		
a) Considered Good	12,27,36,925	17,01,68,397
b) Considered Doubtful	1,77,43,256	1,73,88,490
Other Debts, Considered Good	<u>64,10,48,043</u>	<u>44,93,07,251</u>
	78,15,28,224	63,68,64,138
Less: Provision for Doubtful Debts	<u>(1,77,43,256)</u>	<u>(1,73,88,490)</u>
Sub Total (iii)	<u>76,37,84,968</u>	<u>61,94,75,648</u>

Contd.....



	31st March, 2008	31st March, 2007
<i>(In Rupees)</i>		
III) Cash & Bank Balances		
Cash in Hand	15,13,749	10,68,096
Balances with Scheduled Banks		
Current Accounts	1,77,29,536	6,56,44,643
Deposit Accounts	2,16,94,91,159 *	2,82,17,44,556 *
* (Including under lien Rs. 33.85 crores P.Y. Rs. 26.23 crores)		
Interest Accrued on Deposits	9,84,13,694	12,00,78,064
Sub Total (III)	<u>2,28,71,48,138</u>	<u>3,00,85,35,359</u>
Total (A)	<u>3,42,36,11,518</u>	<u>3,97,28,64,248</u>
B. Loans & Advances (Unsecured unless otherwise stated)		
Advances Recoverable in cash or in kind or for value to be received		
i) Considered Good *	1,12,18,11,232	1,03,74,40,394
ii) Considered Doubtful	94,12,132	59,70,394
	<u>1,13,12,23,364</u>	<u>1,04,34,10,788</u>
Less: Provision for Doubtful Advances	<u>94,12,132</u>	<u>59,70,394</u>
	1,12,18,11,232	1,03,74,40,394
* (Including Loans & Advances to staff secured by Assets Rs. 8,07,70,227 ; P.Y. Rs.8,10,99,689) and Deposits made under protest with Income Tax Deptt. Rs. 102.00 crores, refer Note no. 2(C) of Notes to Accounts.		
Loans to Public Sector Undertakings		
i) Considered Good	1,25,00,000	-
ii) Considered Doubtful	7,25,00,000	12,25,00,000
	<u>8,50,00,000</u>	<u>12,25,00,000</u>
Less: Provision for Doubtful Loans	<u>7,25,00,000</u>	<u>12,25,00,000</u>
	1,25,00,000	-
Interest accrued on deposits with PSUs	-	21,42,857
Less: Provision for doubtful debts	-	<u>21,42,857</u>
	-	-
Prepaid Expenses	2,75,90,574	2,59,24,609
Security Deposits	2,69,71,073	1,27,59,190
Sub Total (B)	<u>1,18,88,72,879</u>	<u>1,07,61,24,193</u>
Total (A+B)	<u>4,61,24,84,397</u>	<u>5,04,89,88,441</u>



SCHEDULE 6 CURRENT LIABILITIES & PROVISIONS

	31st March, 2008	31st March, 2007
<i>(In Rupees)</i>		
Current Liabilities & Provisions		
A. Current Liabilities		
Amount claimed by Central Government		
- Principal Amount	1,30,91,03,140	1,30,91,03,140
- Interest/Other Charges	3,39,31,18,827	3,39,31,18,827
	4,70,22,21,967	4,70,22,21,967
Sundry Creditors	54,45,93,571 *	22,68,30,426 *
Advance from Customers	81,62,120	1,04,11,124
Other liabilities	57,68,39,517	27,95,57,582
	1,12,95,95,208	51,67,99,132
Sub Total (A)	5,83,18,17,175	5,21,90,21,099
* Amount due to Micro & Small Enterprises : Nil		
B. Provisions		
Proposed Dividend	11,37,66,000	9,10,12,800
Less: Interim Dividend Paid	11,37,66,000	9,10,12,800
	-	-
Corporate Tax on Dividend	1,93,34,532	-
Less: Corporate Tax on Dividend Paid	1,93,34,532	-
	-	-
Employee Benefits	16,03,22,401	10,97,63,610
Sub Total (B)	16,03,22,401	10,97,63,610
Total (A+B)	5,99,21,39,576	5,32,87,84,709

SCHEDULE 7 INTEREST INCOME

	31st March, 2008	31st March, 2007
<i>(In Rupees)</i>		
Interest Income from Deposits with Banks [TDS Rs. 4,84,46,199 ; P.Y.Rs.5,24,67,582]	22,94,01,055	24,61,84,537
Interest on Loans to Employees	32,31,895	32,57,350
Other Interest Income	3,74,896	1,93,176
Total	23,30,07,846	24,96,35,063



SCHEDULE 8 OTHER INCOME

	31st March, 2008	(In Rupees) 31st March, 2007
Operations & Maintenance Contracts	2,40,31,980	1,80,16,458
Provisions No Longer Required	4,98,14,231	23,87,04,905
Profit on Sale of Assets	97,66,964	-
Exchange Rate Fluctuations	86,76,605	-
Miscellaneous Income	55,23,889	1,13,58,870
Total	9,78,13,669	26,80,80,233

SCHEDULE 9 HELICOPTER OPERATIONAL EXPENDITURE

	31st March, 2008	(In Rupees) 31st March, 2007
Fuel Expenses	15,84,67,032	20,24,10,169
Landing, Parking and other Expenses	1,03,88,535	99,61,328
Liquidated Damages	13,69,75,538	3,05,44,904
Other Operating Expenses	17,53,372	4,35,09,370
Freight, Transportation & Cartage	26,36,211	25,03,032
Storage, Handling & Demurrage Charges	61,88,631	43,50,754
Rotables, Stores & Spares Written Off	75,89,220	1,23,71,477
Provision for Non-Moving Inventory / Life Expired Items	1,15,24,991	1,63,95,259
Exchange Rate Fluctuations	-	69,82,388
Provision for loss on disposal/impairment of Assets	-	1,47,33,002
Total	33,55,23,530	34,37,61,683



SCHEDULE 10 EMPLOYEES' REMUNERATION & OTHER BENEFITS

	31st March, 2008	31st March, 2007 <i>(In Rupees)</i>
Salaries,Wages & Other Benefits	61,99,62,984	49,69,03,542
Staff Welfare	79,20,398	68,94,580
Provident & Gratuity Funds	2,15,65,809	3,36,07,052
Other Staff Expenses	6,25,12,829	5,29,05,265
Total	71,19,62,020	59,03,10,439

SCHEDULE 11 OTHER EXPENSES

	31st March, 2008	31st March, 2007 <i>(In Rupees)</i>
Repairs and Maintenance		
Building	38,90,006	30,30,466
Equipment	15,50,055	10,16,659
Others	39,19,865	1,35,89,616
	93,59,926	1,76,36,741
Rent	3,36,79,607	3,04,45,881
Travelling & Conveyance	9,68,21,226	6,73,96,052
Staff Training	1,53,79,300	71,70,973
Bank Charges	39,68,754	57,24,509
Electricity & Water	73,41,184	65,10,763
Telephone & Postage	68,77,895	69,51,568
Advertisement & Publicity	88,24,780	55,53,315
Printing & Stationery	32,83,703	18,63,191
Vehicle Running & Maintenance	19,15,743	16,76,018
Auditors Remuneration		
- Audit Fees (incl. Serv. tax & arrears of fee)	6,42,191	3,55,464
Rates and Taxes	97,25,588	55,21,428
Loss on Sale of Assets	-	79,737
Amount Written off	3,96,42,857	-
Less: Provision for doubtful Loan to PSUs	3,96,42,857	-
Net Amount Written off	-	3,120
Provision for Doubtful Debts & Advances	41,81,290	26,16,022
Miscellaneous Expenses	1,70,95,363	1,41,60,596
Total	21,90,96,550	17,36,65,378



SCHEDULE 12 EXTRAORDINARY ITEMS

	31st March, 2008	(In Rupees) 31st March, 2007
A. Credits		
Insurance Claims	80,77,222	8,43,19,805
Total	80,77,222	8,43,19,805
B. Debits		
Expenditure on repairs and overhaul/ Stores & Spares consumed for recovery of helicopters damaged in flood /provision against book value of rotables and other fixed assets, and flood related expenditure (Net of credit/transfer)	-	15,63,81,494
Provision for Impairment of Assets	-	1,61,55,067
Total (B)	-	17,25,36,561
C. Net Credit/(Debits) (A-B)	80,77,222	(8,82,16,756)

SCHEDULE 13 PRIOR PERIOD ADJUSTMENTS

	31st March, 2008	(In Rupees) 31st March, 2007
A. Credits		
Capitalisation of expenses	44,81,668	-
Claim on Supplier for earlier years	9,37,193	-
Other Items	63,750	28,05,467
Total (A)	54,82,611	28,05,467
B. Debits		
Repair & Maintenance Expenses	23,70,260	-
Technical Assistance	30,39,735	-
Billing /Claim on customer for earlier years	-	8,96,084
Depreciation	-	18,00,301
Other Items	16,41,879	31,83,668
Total (B)	70,51,874	58,80,053
C. Net Credit/(Debits) (A-B)	(15,69,263)	(30,74,586)



SCHEDULE 14

CONTINGENT LIABILITIES AND NOTES TO ACCOUNTS

(Annexed to and forming part of the Annual Accounts for the year ended 31st March, 2008).

1. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for Rs 15.18 crores (P.Y. Rs. 113.88 crores).
2. *Contingent Liabilities*
 - a) Counter guarantees given to Bank Rs. 16.02 crore (P.Y.Rs. 14.69 crores).
 - b) Outstanding letters of credit Rs. 56.41 crores (P.Y. Rs. 71.50 crores).
 - c) Claims against the Company not acknowledged as debt:
 - i) Income tax demand for earlier years contested by the Company and under appeal Rs. 100.57 crores (P.Y.Rs. 53.78 crores) against which the Company has deposited under protest/adjusted against refund due from Tax department up to 31.03.08, in aggregate Rs.102.00 crores (P.Y. Rs.77.48 crores) relating to that period. Amounts deposited with Tax Department (net of tax provision) have been shown as Advances recoverable.
 - ii) Court cases/ cases under Arbitration Rs.6.70 crores (P.Y. Rs. 6.72 crores).
 - iii) Other matters Rs.4.28 crores (P.Y. Rs. 3.89 crores)
 - d) Other moneys for which company may be contingently liable including claim of GOI Rs. 83.80 crores (P.Y. 72.02 crores).
3. *Claim of Government of India*
 - 3.1 The Government had decided in June, 1986 to provide full amount as Equity Capital towards the project cost for acquisition of 42 numbers Westland and Dauphin helicopters.

However, as the budgetary support received by the Company was significantly lower than the project cost, it was unable to settle the GOI dues. The Ministry of Finance claimed interest @ 18% p.a. on the outstanding dues which presently are Rs.130.91 crores (principal amount). The Ministry of Civil Aviation had earlier requested the Ministry of Finance to waive off such interest and other charges.

- 3.2 The Ministry of Civil Aviation submitted a proposal to the Ministry of Finance in March, 2001 for settlement of claims of Government of India which inter alia provided (a) complete waiver of Westland loan and interest claim and (b) payment of balance Dauphin loan along with accumulated interest based on reduced rate of interest @ 9% p.a. against 18% p.a. claimed by Ministry of Finance. However, Ministry of Finance did not accede to the proposal of Ministry of Civil Aviation and advised vide letter dated 31.8.2001 that the Company should make payment aggregating Rs.430.91 crores comprising of principal amount of Rs. 130.91 crores and accumulated Interest of Rs. 300 Crores upto 31.3.2001. This includes interest at 18% p.a. on Dauphin Rs. 171.73 crores and interest dues on Westland restricted to Rs.128.27 crores (against earlier claim of Rs. 167.58 crores, thereby agreeing to write off interest dues of Rs. 39.31 crores). It was also stated that the interest claim beyond 31.3.2001 on Westland and Dauphin account are also waived provided the Company makes repayment of Government dues within a month of CCEA



- decision. The Ministry of Finance reiterated this position vide letter dated 31.1.2002 on the request of the Ministry of Civil Aviation for review of its decision of 31.8.2001
- 3.3 During the Financial year 2003-04, a revised proposal was submitted by the Ministry of Civil Aviation to Ministry of Finance which envisaged payment by the Company of total amount of interest and other charges claimed on Dauphin and Westland fleet till 31.3.2001 aggregating Rs.339.31 crores (interest on dues from 1.4.2001 till date be written off) and the Principal amount of Rs.130.91 crores be converted into equity of the Government in the Company. The proposal was agreed by Ministry of Finance. The Company had accordingly made provision of Rs. 339.31 crores upto 31.3.2001 during the financial years 1999-2000, 2000-01 and 2002-03 towards interest and other charges as claimed by the Ministry of Finance and the same is being carried forward.
- 3.4 The Ministry of Civil Aviation had submitted a revised proposal to Ministry of Finance in 2005 which sought reduction in the interest rate from 18% p.a to 9% p.a on the principal amount of Rs. 130.91 crores along with conversion of the principal amount of Rs. 130.91 crores in equity and freezing of interest liability as on 31.3.2001. Ministry of Finance did not agree for reduction in the rate of interest from 18% p.a to 9% p.a. Subsequently in May 2006, the Ministry of Civil Aviation had submitted another proposal to settle the long outstanding claim of the Government of India as one time final payment of Rs. 298.49 crores comprising of principal amount Rs.130.91 crores and interest @9% p.a upto 31.03.2001 of Rs. 167.58 crores.
- 3.5 During the financial year under audit, the Ministry of Civil Aviation submitted a proposal to Ministry of Finance in December,2007 that the Government may reconsider the claim by Ministry of Finance and waive off the total amount of Rs. 470.22 crores (principal amount Rs. 130.91 crores and interest upto 31.03.2001 Rs. 339.31 crores) claimed from the Company so that the existing funds could be utilized for fleet expansion and other capital outlay programmes which are essential for the survival of the Company under the competitive environment prevailing in the Civil Aviation industry in India. The Ministry of Finance has not agreed to this proposal and has advised that the Company be asked to deposit the said amount in Government Treasury. The Board of Directors of the Company in their 115th Meeting held on 21.08.2008 decided that the Company may pursue with the Ministry of Civil Aviation for full waiver off the claim of Ministry of Finance and appointed a Financial Advisor who would examine the matter alongwith other related issues.
4. *Disposal of Westland assets*
- 4.1 The Government conveyed its decision on 18th January 1993 that the entire Westland fleet, together with the related inventory may be offered for sale through global tender and that the sale proceeds may be made available for utilization on poverty alleviation programmes in mutual consultation between the Governments of India and UK. However, consequent to an unfavorable response to such global tender, the Government permitted the Company on 12th May 1994 to dispose off the Westland assets through negotiations with parties which may be interested in their purchase. The Government also



appointed a Steering Committee to oversee the disposal of Westland assets.

- 4.2 Pending disposal of the Westland helicopters (including one damaged helicopter) and the related inventory, these assets were stated at their book value aggregating Rs. 22.39 crores. The Company had in the earlier years, as a matter of abundant caution, made a provision of Rs.22.39 crores equivalent to the book value against possible losses on disposal of Westland assets. After adjusting the book value of Rs.7.23 crores relating to disposal of such assets in 1999-2000, the residual provision of Rs.15.16 crores is being carried forward.
- 4.3 During the financial year 1999-2000, the Company had entered into an agreement with a UK firm with Government approval for sale of Westland assets as a package deal for a lump sum price of Pounds Sterling 9,00,000. It was agreed that the entire package should be lifted in not more than two consignments with payments corresponding to the approximate value of the consignment shipped. The first shipment was dispatched in December 1999 and the Company had realized sale consideration of Pounds Sterling 4,50,000 (Rs.3.22 crores) in January 2000, which was immediately deposited with the Government of India as per directions of the Administrative Ministry. The shipment also included some essential components of Westland helicopters, which are presently in custody of the Company. The second shipment could not be dispatched in view of dispute created by the Buyer. The Company has initiated Arbitration proceedings against the Buyer in terms of the agreement for specific performance and recovery of

damages for violation of various contractual obligations.

It has also come to light that the Buyer (M/s AES Aerospace Ltd., UK) had been ordered to be wound up by order of the Court in U.K. in 2002 and an official Receiver was appointed . The Company has been legally advised that despite such winding up order, the Arbitration proceedings should be continued. Pending settlement, the Company has not accounted for such dues and the same will be accounted for as and when realized / settled.

- 4.4 Necessary accounting adjustment relating to the Westland assets sold (Cost Rs. 51.46 crores, W.D.V. Rs. 7.23 crores) during the financial year 1999-2000 was passed in the Books of Accounts of that year, treating the transactions carried out under first shipment as a completed sale. In the absence of complete quantitative details of inventory items sold and those lying at the Warehouse in Mumbai (refer Para 4.5 below), the figures have been considered on provisional basis, subject to further reconciliation. The cost of inventory items sold is computed on FIFO basis. As the contract for sale of Westland assets is on lump-sum price basis, the loss on disposal of such items has been determined by deducting the aggregate written down value of the 9 helicopters, test bed and inventory items sold under first shipment from the sale consideration of Pounds Sterling 4,50,000/- (Rs.3.22 crores) in the absence of item-wise sale price and the same was accounted for during the financial year 1999-2000.
- 4.5 Part of the Westland inventory items while under transfer during the financial year 1999-2000 from the Delhi office to Mumbai office of the Company by the appointed transporter of the Buyer were



diverted under the instructions of the Buyer and are presently lying in the custody of the Warehouse at Mumbai. The estimated initial acquisition cost of Westland inventory including capital items lying at Warehouse is Rs.32.50 crores (written down value- Rs.4.50 crores). The Company has initiated necessary legal action against the Buyer (refer para 4.3 above) for such diversion. The Warehouse has claimed Rs 3.29 crores (P.Y Rs.2.96 crores) which in term of the Agreement is required to be settled directly by the Buyer. The Company had in December, 2002 obtained an interim injunction from the Delhi High Court restraining the Warehousing company from disposing of the goods for settling its claim. The Hon'ble Single Judge of Delhi High Court on 22.04.2008, delivered judgment in favour of the Company for taking back the possession of Inventory items from the Warehouse Company without any claim of Warehouse Company on the Company. Against the said judgment the Warehouse Company preferred an appeal in Division Bench of Delhi High Court which had also in the judgment dated 11.08.2008 upheld the judgment of Single Judge of the High Court in favour of the Company. The Company has also filed a caveat in the Supreme Court against likely appeal of the Warehouse Company. Further, as an abundant caution, the claim is shown under Contingent Liabilities. Such items along with the remaining inventory items lying with the Company (which are kept in sealed boxes but not physically verified during the year) together forming part of the second shipment have been carried forward as per the book value (Rs.6.47 crores) though fully provided as per para 4.2 above.

5. Residential Flats/Quarters

- 5.1 The Company had constructed and capitalized 242 flats during 2002-03 at a cost of Rs. 22.76 crores on land given on lease by Airport Authority of India (AAI) for a period of 25 years. The Company has allotted 50 flats out of 242 flats to AAI as per Joint Development Agreement in lieu of lease rentals for the said land and the cost of construction of these 50 flats as estimated by the project architect amounts to Rs. 5.95 crores.
- 5.2 The Company had purchased 6 nos. residential flats for the employees from MHADA, Mumbai in May,1998. Although the possession was taken based on the letter of allotment, the Company had on provisional basis made provision for stamp duty and registration charges and the same is subject to final payment on the execution of the appropriate conveyance deed in favour of the society. Since some of the Societies in the buildings have gone into litigation against MHADA in Mumbai High Court on the issue of differential pricing, therefore, the conveyance deed could not be executed as the amount can not be determined at this stage.
- 5.3 The Company had purchased 42 nos. of residential flats in the year 1991-1992 for employees from Lokhandwala Construction Industries Limited, Mumbai . The Board of Directors of the Company have approved for renting out these flats to Public Sector Undertakings. Subsequent to the closure of the Financial Year under audit, 41 flats have been let out on rental basis to Union Bank of India w.e.f. 23rd July 2008.

6. Loans to Public Sector Undertakings

The Company had made unsecured inter-corporate loans in the earlier years 1991 - 1992 to Central PSU's with interest rate



of 20% p.a compounded / payable quarterly. The balance principal amount aggregates to Rs. 12.25 crores comprising of Rs.5.00 crores with Instrumentation Ltd. (IL), and Rs.7.25 crores with Hindustan Photo Films Mfg. Co. Ltd.(HPF). However, these companies were unable to meet their contractual obligation to repay the loans with interest in view of adverse financial conditions. These Companies had been declared sick and registered with BIFR. The Company had filed its claim with BIFR for protection of its dues from these PSUs. In respect of Instrumentation Ltd, BIFR had earlier finalized rehabilitation scheme with full waiver of interest and repayment of loan in two installments during 2000-01 and 2001-02. However, no payment was made by Instrumentation Ltd. M/s Instrumentation Ltd. had in March 2008 informed the Company that it has settled all unsecured loans from other depositors @ 25% of principal amount with waiver of balance principal amount and full interest accrued and requested the Company for considering one time settlement to the extent of 25% of principal amount only. Accordingly, the Board of Directors in the 115th meeting held on 21.08.2008 approved the proposal and thereafter Instrumentation Ltd. have made payment of Rs. 1.25 crores on 24th September 2008 towards One Time Settlement.

As regards HPF, in January, 2003 BIFR issued recommendations for winding-up, against which HPF and its Administrative Ministry had preferred an appeal before AAIFR. Pending settlement and the negative net worth of HPF, the Company has not accounted for interest income from such loan for the financial year under review and the same will be accounted for as and when settled/ realized. Accordingly, the profit for the year is lower by an amount of Rs. 1.56 crores (P.Y. Rs. 2.53 crores).

As a matter of abundant caution, the Company has already made provision

of Rs.12.25 crores against the aggregate principal amount in the earlier years, which was carried forward. In view of the one time settlement of the principal amount of Rs. 1.25 crores by Instrumentation Ltd. in September, 2008, the corresponding provision made earlier is written back as no longer required and outstanding principal amount of Rs. 3.75 crores and interest accrued amounting to Rs. 0.21 crore are written off during the financial year under review against corresponding provision amounts being brought forward from previous year. Accordingly, the balance provision towards principal amount of Rs. 7.25 crores of HPF is being carried forward.

7. Fixed Assets

Midlife upgradation programme of Dauphin Fleet

7.1 With a view to conform to the Aviation Standard (AS 4) requirements of the new ONGC contract, Dauphin fleet of the Company is undergoing Mid Life Upgrade Programme, a major retrofit project which will improve the safety and quality of output, resulting in better availability of fleet to the customers. The Mid Life Upgrade Programme of the first helicopter was carried out by M/s. Eurocopter, the manufacturer of Dauphin fleet in France and next two helicopters were done under its supervision at Mumbai. M/s. Eurocopter will supply Retrofit Kits to the Company for the remaining Dauphin helicopters and the retrofitment of these will be completed by the Company in a phased manner. In this respect the Company has entered into contracts with M/s. SOFEMA, France being the authorized representative of M/s. Eurocopter. The retrofit package that will form an integral part of the Dauphin Helicopter, is fully compliant with JAR OPS3



standards. Such betterment would upgrade the Company's Dauphin fleet to latest off shore standards and which in turn will extend the utilization period of this fleet resulting in future economic benefit to the Company.

During the financial year under review, 12 Nos., Dauphin N helicopters AS-4 compliant were inducted for ONGC operations under the new contract. Subsequent to the close of financial year under review, one more Dauphin N helicopter with registration no. VT-ELL has also been made AS-4 compliant,

The Company has carried out in-house job of making the Dauphin Helicopters AS4 compliant and the total man-hours cost incurred amounting to Rs. 1.67 crores has been capitalized, being in the nature of preoperative expenditure.

- 7.2 Fixed Assets includes Rotables and Repairables (Gross Value) amounting to Rs.36.57 crores (P.Y Rs.13.01 crores) sent abroad for repairs but lying with repair agencies as at 31st March'2008 . However, most of the items have been received back by the Company after 31st March 2008 duly repaired.
- 7.3 During the year, on 27th September 2007, Dauphin helicopter VT-PHP (Gross Block Rs. 35.48 crores; Net Block Rs.33.08 crores) had met with an accident at Kavaratti resulting in major damage and prolonged grounding of the helicopter. While necessary insurance claim has already been preferred on the Insurance company, however , the repair estimates are not determinable at this stage. After the visit of the Technical Specialists from the manufacturer, Eurocopter have confirmed that the damaged helicopter is repairable at its factory

in France. However, detail report alongwith cost estimates are awaited. The matter is under joint investigation by Director General of Civil Aviation of India (DGCA) assisted by manufacturer, M/s Eurocopter and Civil Aviation Authorities of France. Pending investigation, which was in progress at the time of finalization of annual accounts and is likely to take more time, since major structural damage has occurred and the helicopter is grounded for operational use for a prolonged period, the helicopter is considered as 'Asset currently not in active use' and shown as part of Fixed Assets. Accordingly, depreciation has been provided in respect of this damaged helicopter upto 27.09.2007 (date of accident). However, no depreciation has been provided in respect of the said helicopter for the period 28.09.2007 to 31.03.2008 amounting to Rs. 1.00 crore. The Agreed value of insurance of this helicopter is Rs. 35 crores with a deductible amount of Rs. 70 lakhs. As per the terms of the Insurance Policy, if the cost of repairs and transportation of the damaged helicopter is estimated at 70% or more of its agreed value, the Company may mutually agree with the Insurance Company to declare such damaged helicopter to be a Constructive Total Loss. Under such circumstances, the Insurance Company shall pay the agreed value of the helicopter less its salvage value. Accordingly, as the net realisable value of the damaged helicopter from Insurance Company is more than its carrying amount, Provision towards Impairment of Asset, if any, as per the requirements of Accounting Standard 28 is not considered necessary and the damaged helicopter is being carried forward at its net book value.



7.4 A major damage had occurred in an accident to one Dauphin helicopter bearing Regn. No. VT-ELB (Gross Block Rs.2.75 crores ; Net block Rs.0.13 crores) on 12.09.2006 in Punjab. The Company lodged claim with insurance company, however, the repair estimates are not determinable at this stage. The helicopter is fully depreciated as per the Companies Act, 1956. The said helicopter is considered as 'Assets currently not in active use' during the current financial year and shown as part of Fixed Assets.

7.5 The Company has received a confirmed offer from a party to buy Robinson R-44 helicopter and inventory for an agreed value of Rs.0.25 crore against open tenders issued by the Company. Accordingly, the Provision against Impaired Assets amounting to Rs. 10.27 crores is reduced by the sale offer amount of Rs. 0.25 crore (P.Y. Nil) considered as the net realizable value of the Impaired Assets pertaining to Robinson R-44 helicopter.

8. *Depreciation*

The Company had changed its Accounting Policy during the F.Y. 2003-04 in respect of Air Frame & Aero Engine-Rotables and depreciation charged thereof. The Rotables were reclassified as Fixed Assets and Depreciation charged whereas such items were hitherto classified as Inventory under the head Current Assets and Obsolescence Reserve charged thereon. The depreciation in respect of Rotables was linked to the remaining useful life of the principal assets to which they pertained i.e. the type of helicopters, subject to the minimum charge as per statute rate of depreciation. For the purposes of depreciation in respect of Rotables, the

useful life of helicopters was extended to 20 years or 16000 hours, whichever is later and with effect from financial year 2006-07 to 30 years or 25,000 hours, whichever is later. The Auditors were of the view that the Company's aforesaid revised Accounting Policy relating to Depreciation in respect of Rotables being linked to the extended useful life of helicopters beyond the specified period of 17 years under the Companies Act contravenes the provisions of such Act and Accounting Standard 10.

The Expert Advisory Committee of the Institute of Chartered Accountants of India (ICAI) has issued an opinion in June, 2006 on a reference made earlier by the Company with regard to the revised Accounting Policy of the Company and issues raised by the Auditors. The Institute has opined that the Rotables are in the nature of general spares to be treated as Inventory and not as capital spares and that the useful life of helicopters cannot be more than the useful life determined by applying the Depreciation Rate prescribed under schedule XIV to the Companies Act. The Company has requested the Institute for review/reconsideration of their opinion and have sought certain clarifications, keeping in view the generally accepted accounting practices being followed in respect of Rotables by various International Airlines and Depreciation charge on them by linking it to the useful life of helicopters.

In light of the above, no accounting adjustments have been made pending receipt of clarifications from the Expert Advisory Committee of the ICAI.

9. *Inventories*

9.1 On a review of inventory of non-moving stores, spares and consumables, provision of Rs.1.15 crores (P.Y. Rs. 1.36 crores) has been made during the year under review for such items as per the Accounting Policy.



- 9.2 The Company purchases spare parts from a party on “High Sea Sales” basis who imports goods on behalf of the Company. Whereas the quotation is received in foreign currency, the payments are released in Indian rupees as per the terms of purchase orders. For the purpose of payment in Indian rupees, the rate advised by the Customs Deptt. for Bill of Entry purposes as on first of the month during which goods are imported, is taken as the basis for payment in Indian rupees.
10. The Indian Oil Corporation (IOC) account in respect of purchase of ATF at Northern Region shows net balance of Rs.0.87 crore (debit); P.Y. Rs. 0.36 crore (debit) for ATF purchased in the earlier years. While doing a detailed reconciliation, it was observed that certain unlinked transactions stated to be pertaining to the Company were identified in IOC books for earlier as well as for the financial year under consideration, namely difference in opening balance, supply to the Company not booked by IOC, un-linked payments in IOC books, payments by the Company not taken into account by IOC and unlinked supplies for which supporting documentation could not be furnished by IOC. The Company has, however, scrutinized the subsequent period till the finalization of Accounts to account for any outstanding IOC bills received since the year end and has also broadly reconciled its actual fuel consumption with the flying hours. Accordingly, no cognizance has been taken in respect of such outstanding entries in IOC statement for accounting action. Matter has been taken up by the Company with IOC at the highest level. Necessary rectification entries, if any, will be passed when requisite information is made available to the Company by IOC.

The following entries are unreconciled in the books of PHHL and IOC respectively as on 31.03.2008: -

In PHHL books

- i. IOC Invoices booked by PHHL but not appearing in IOC books : Rs. 1.23 crores (P.Y. Rs. 0.31 crore)
- ii. Payment made by PHHL but not appearing in IOC books : Rs. 0.98 crore (P.Y. Rs. 0.55 crore)

In IOC's books

- i. Invoices booked by IOC but not appearing in PHHL books for which supporting documents could not be furnished by IOC : Rs. 1.09 crores (P.Y Rs.0.58 crore)
- ii. Payments as reported to be made by the Company appearing in IOC books only Rs. 0.28 crore (P.Y. Rs. 0.27crore), such payments were however not released to IOC by the Company.

11. *Mobilisation of Helicopters under ONGC Contract*

ONGC has awarded a contract to the Company for provision of 12 AS4 compliant Dauphin helicopters. The contract is for a period of 3 years extendable at the option of ONGC by one year. As per the contract, the Company was required to deploy the helicopters within 150 days of the issue of LOI dated 01.03.2006. In case of delay in mobilization of these helicopters, ONGC would levy liquidated damages (LD) as per the terms of the contract, keeping in view total value of the contract for a period of 3 years.

The Company could not provide requisite number of AS4 compliant Dauphin helicopters by the stipulated date and had sought extensions of time without levy of LD. However, ONGC had granted the time extensions but with levy of LD. The Company has in a phased manner fulfilled the contractual



requirement of deploying these helicopters by 31.12.2007.

In the meantime, ONGC started recovering the LD as per the terms of contract from payments made under the new contract. However, based on the request of the Company, ONGC has stopped such recovery of LD on account of delayed mobilisation of AS4 compliant helicopters after close of the financial year under review. The total LD thus recovered by ONGC works out to Rs.14.94 crores including LD recovered amounting to Rs. 1.36 crores that was accounted for during F.Y. 2006-07. The Company proposes to take up with ONGC the matter regarding refund of LD already so recovered.

The Company is of the view that the LD recovered from payments made under the new contract on account of delayed mobilization / induction of contracted 12 nos. AS4 Dauphin helicopters at the time of commencement of contract is in the nature of preoperative "Contractual LDs" which are distinct from "Operational LDs". The latter relates to non provision of helicopters on day-to-day basis and the same needs to be accounted for on the specific dates to which they pertain. Accordingly, as the Contractual LD actually recovered by ONGC relates to the entire contract period of 3 years and the total contract value thereof, the amount of LD recovered is being spread uniformly over 3 years period commencing w.e.f. 01.01.2008 and therefore the financial year 2007-08 is considered as the first year and balance amount will be written off equally in the subsequent two financial years. Accordingly, Rs.4.53 crores is charged to Profit and Loss Account for the financial year 2007-08 towards Contractual LD on account of delay in mobilisation of contracted 12 AS4 Dauphin helicopters and balance of Rs 9.05 crores has been carried forward under the head "Miscellaneous expenditure to the extent not written off

or adjusted". This is a change in accounting treatment for Contractual LDs in the financial year under review as compared to the actual LD recovery amounting to Rs. 1.36 crores as accounted for in the previous year.

12. Confirmation for balances as at 31st March 2008 from Sundry Debtors and Loans and Advances/ Deposits were circulated to some parties but response received was limited. However, in most of the cases the debts / advances, other than those provided for, have since been realized / adjusted.

13. *Employee Remuneration and other benefits.*

13.1 In view of the revision of pay and allowances due w.e.f. 01.01.2007, an ad-hoc provision of Rs. 18.92 crores (P.Y.Rs. 3.50 crores) has been made for the period from 1st April 2007 to 31st March 2008 for regular as well as contractual employees out of which a sum of Rs. 6.23 crores has been paid/adjusted during the financial year under audit and the balance provision of Rs. 16.19 Crores is being carried forward for payment/ adjustment in the subsequent period.

13.2 As per Accounting Policy, the Company provides for Gratuity and Leave salary on the basis of actuarial valuation. Further, commencing from the financial year under audit, Liability towards LTC, Retirement benefits like Baggage Allowance and Post Retirement Medical Benefits Scheme for the financial year 2007-08 amounting to Rs.0.91 crore has been provided on the basis of actuarial valuation as per AS-15 (Revised). However, the liability amounting to Rs.1.64 crores pertaining to earlier years for such benefits to employees is adjusted from the Profit & Loss Appropriation Account, being the transitional year for the Company



for provision of liability on actuarial valuations as per following details :-

(Fig. in Rs./Crores.)

Particulars	Opening Liability as on 31.03.2007	Created/ Adjusted during the Year	Closing Liability as on 31.03.2008
Gratuity Liability	13.48	(0.01)	13.47
Leave Encashment	10.97	2.52	13.49
Post Retirement Medical Benefit Scheme	1.32	0.45	1.77
LTC	0.24	0.45	0.69
Baggage Allowance upon Retirement	0.08	0.01	0.09

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employees benefit entitlement and measures each unit separately to build up the final obligation. The following table summarizes the component of the various employees benefits and the components of net benefit expenses recognized in the Profit and Loss Accounts :-

(Fig. in Rs/ Crores.)

Particulars	Leave Encashment (EL & HPL) as on 31.03.2008 (Non-funded)	Baggage Allowance/ LTC/PRMBS as on 31.03.2008 (Non-funded)	Gratuity as on 31.03.2008 (funded)
A) Changes in Present Value of Obligation			
(i) Present value of obligation as at the beginning of the period (01.04.2007)	10.97	1.64	13.48
(ii) Interest Cost	0.83	0.11	1.01
(iii) Past Service Cost	-	-	-
(iv) Current Service Cost	0.82	0.53	0.72
(v) Curtailment / Settlement cost	-	-	-
(vi) Benefits paid	(1.16)	(0.04)	(0.80)
(vii) Actuarial (gain) / loss on obligation (Balancing figure)	2.03	0.31	(0.94)
(viii) Present value of obligation as at the end of the period (31.03.2008)	13.49	2.55	13.47
B) Changes in fair value of plan assets			
(i) Fair Value of plan assets as at the beginning of the period (01.04.2007)	-	-	13.48
(ii) Expected return on plan assets	-	-	1.13
(iii) Contributions	-	-	-
(iv) Benefits paid	-	-	(0.80)
(v) Actuarial gain / (loss) on obligation	-	-	0.05
(vi) Fair value of plan assets as at the end of the period (31.03.2008)	-	-	13.86
C) The amounts to be recognized in the balance sheet			
(i) The present value of obligation as at the beginning of the period (31.03.08)	13.49	1.17	13.47
(ii) Fair value of plan assets as at the end of the period.	-	-	13.86
(iii) Net Assets/ (liability) recognized in balance sheet.	(13.49)	(2.55)	0.38*
D) Expenses recognized in the Statement of Profit and Loss A/c			
(i) Current Service Cost	0.82	0.53	0.72
(ii) Past Service Cost	-	-	-
(iii) Interest Cost	0.83	0.11	1.01
(iv) Expected return on plan assets	-	-	(1.13)
(v) Curtailment / settlement cost	-	-	-
(vi) Net Actuarial gain / (loss) recognized in the period	2.03	0.31	(0.98)
(vii) Expenses recognized in the statement of profit and loss including benefit paid	3.68	0.94	(0.38) *

*Assets value being more than liability, ignored.



The Principal assumption used in determining employee benefits are given below:-

Particulars	Leave Encashment (EL & HPL) for all Employees (non-funded)	Baggage Allowance/ LTC/PRMBS for all Employees (non-funded)	Gratuity (Funded)	
Discount Rate	7.50%	7.50%	Vesting period	5 year service
Expected rate of return on plan assets.	0.00%	0.00%	Benefit	As per the provisions of payment of Gratuity Act 1972. present limit Rs. 3.50 Lacs
Future cost increase	-	5.50%	-	-
Salary escalation rate	5.50%	-	Salary for calculation for Gratuity	Last Drawn basic salary plus Dearness allowance
Retirement age	-	60 years	-	60 years
Attrition rate :				
Age (years)				
Upto 30 years	3.00%	3.00%		
Upto 44 years	2.00%	2.00%		
Above 44 years	1.00%	1.00%		

The above information is certified by the Actuary.

14. Insurance Claims

The following major insurance claims are outstanding for final assessment at the close of the financial year :-

- (a) The Company premises at Mumbai was flooded due to incessant rains on 26.07.2005. This resulted in extensive damages to Inventory, GSE, Workshop Equipment. The claim has been assessed by the Insurance Surveyor for Rs. 9.51 crores (net) under spares policy after the close of the financial year and is being processed by the Insurance Company. Accordingly, accounting adjustment shall be made in the subsequent year upon realization of the claim.
- (b) The Company premises at Mumbai was flooded due to incessant rains on 26.07.2005. This has resulted in extensive damages to 10 Dauphin helicopters parked in the hanger. During the year under review, the Company has lodged additional claim on account of damage to Five nos. of C.V.Rs. of Main Recording units and Seven nos. of Control Units, under Hull Insurance Policy. The claim has been assessed by the Surveyor for Rs. 0.11 crore (net) after the close of the financial year and is being processed by the Insurance Company. Accordingly, accounting adjustment

shall be made in subsequent year upon realization of claim.

15. Income Tax

15.1 Assessment of income tax is presently in progress / under Appeal for certain previous years. Tax liabilities, if any, will be recognized on finalization of such assessments. Reconciliation of disputed statutory dues relating to Income Tax Assessments has been taken up with the Tax Department.

15.2 Provision for Taxation of Rs. 3.00 crores (P.Y. 0.40 crore) has been made for the year as per the existing provisions of MAT (Minimum Alternative Tax) on book profits under section 115JB of Income Tax Act 1961 as there is nil Tax Liability under normal provisions of the Act. However, the benefit of adjustment of MAT shall be taken in the subsequent period against the normal tax liability as per the Income Tax Act.

16. The Board of Directors of the Company have recommended Dividend at 10% (including interim dividend of Rs. 11.38 crores already paid) of the paid-up capital of Rs. 113.77 crores for the Financial Year 2007-08 (P.Y. @ 8%, Rs.9.10 Crores).



17. Expenses include the following :

	Rs./Crores	
	31 st March 2008	31 st March 2007
i) Company - Staff Quarters		
a) Taxes	0.33	0.33
b) Repairs – Buildings/others	0.21	0.13
ii) Leased Residential Accommodation		
a) Rent (Net of Recovery)	0.20	0.24
b) Maintenance charges	0.05	0.07

18. Interest Income

Interest income of Rs. 23.30 crores (P.Y. Rs. 24.96 crores) for the financial year under audit earned on deposits with Banks made with funds generated from operations which include funds for

settlement of claim of the Govt. of India, the amount of which is pending finalization (Refer Note No. 3) and indeterminate at this stage.

19. The Company had no dues to Micro & Small Scale Industrial Undertaking out micro standing for more than 30 days on the Balance Sheet date.

20. Segment Reporting

The Company is engaged in providing helicopter services business which is considered as one business segment. Hence, Segment Reporting as per Accounting Standard 17 on Segment Reporting is not considered applicable to the Company.

21. Provisions:

(Fig. in Rs./Crores)

Particulars	Opening Balance as on 01.04.2007	Created during the year	Utilized during the year	Other Adjustments/ transfer/ Reversals	Closing/ Balance as on 31.03.08
Impairment of Assets including inventory	20.86	0.80	-	3.02	18.64
Provision for Revision of Pay & Allowances from 01.01.2007.	3.50	18.92	6.23	-	16.19
Doubtful Debts/Advance	14.88	0.43	3.96	1.30	10.05
Dividend	-	11.38	11.38	-	-
Corporate Taxes on Dividend	-	1.93	1.93	-	-
Slow moving/non moving inventories, etc.	7.89	1.21	-	0.28	8.82

22 Related Party Disclosure

Related party disclosures, as required by Accounting Standard-18 "Related Party Disclosures" issued by the ICAI are given below:

a. Key Management Personnel

- Shri R. K. Tyagi, Chairman & Managing Director from 18.5.2007 onwards as Chairman & Managing Director.

- Shri R.K.Singh, Jt. Secy, MoCA was given additional charge of the post of CMD w.e.f. 30.06.2006 (AN) till 17.05.2007(FN). Shri R.K. Singh was not paid any remuneration for the tenure as CMD of the Company.

b. Transactions

- *Remuneration Rs. 11,34,336/-
- Loans Given Rs. 6,34,898/- (HBA including Interest)



23. Earning Per share has been computed as under:

	31 st March 2008	31 st March, 2007
● Net Profit after tax	Rs. 23,16,54,351/-	Rs. 9,52,12,204./-
● Weighted average number of Equity Share outstanding	1,13,766	1,13,766
● Earning per share (Basic and diluted) Face Value of Rs.10,000/- per share	Rs.2,036/-	Rs. 837/-

24. ADDITIONAL INFORMATION

a) Opening and closing stocks (after financial write offs)

	(In Rupees)	
	31 st March, 2008	31 st March , 2007
i) Stores, Spares & Consumables(Net)	38,53,08,196	36,84,35,992
ii) Gem Modules	54,15,882	54,15,882
iii) Test Tool/Ground Support Equipment	20,53,997	18,13,310
iv) Goods-in-Transit	63,60,504	3,19,18,585
v) Stocks under Inspection	3,70,78,317	-
TOTAL	43,62,16,896	40,75,83,769

b) Value of imports calculated on CIF basis:

	(In Rupees)	
	31 st March, 2008	31 st March , 2007
i) Helicopters & Accessories	71,05,31,633	80,32,31,676
ii) Stores, Spares & Consumables	19,30,87,704	18,45,46,981
iii) Airframe & Aero Engine Equipments-Rotables	30,43,52,921	15,43,25,935
iv) Test equipment/Ground Support Equipment/Loose Tools	1,50,59,856	1,88,01,730
v) Goods-in-Transit /Goods under Inspection	4,33,55,203	2,99,66,484
vi) Spare Aero Engine	2,53,99,635	-
vii) Capital Goods/Other Items	11,61,040	5,46,956
Viii) Retrofit programme	30,11,01,337	6,39,94,358
TOTAL	1,59,40,49,329	1,25,54,14,120



c) Expenditure in Foreign Currency during the financial year:

	<i>(In Rupees)</i>	
	31st March, 2008	31st March , 2007
i) Helicopters & Accessories	71,05,31,633	80,26,99,373
ii) Stores, Spares & Consumables	18,71,88,795	17,72,46,595
iii) Airframe & Aero Engine Equipments- Rotables	30,11,86,092	15,27,95,936
iv) Test equipment/Ground Support Equipment/ Loose Tools	1,47,98,053	1,83,39,766
v) Foreign Travelling/Foreign Training	42,83,797	58,97,384
vi) Goods in Transit/Goods under Inspection	3,96,21,747	2,94,38,918
vii) Repair Charges	38,42,07,881	53,53,44,538
viii) Operational/Maintenance exp. (Mi-172 helicopters)	-	6,25,76,370
ix) Spare Aero Engine	2,51,69,796	-
x) Capital Goods/ Other Items	23,07,605	7,67,380
xi) Payment to supplier for Retrofit Programme	39,33,79,718	13,04,17,992
TOTAL	<u>2,06,26,75,117</u>	<u>1,91,55,24,252</u>

d) Value of consumption of imported and indigenous components and spare parts (including write off of loose tools and excluding capitals items):

	VALUE (in Rupees)		PERCENTAGE	
	31st March, 2008	31st March, 2007	31st March, 2008	31st March, 2007
Imported	17,50,68,534	14,57,35,952	95.41%	96.70%
Indigenous	84,19,632	49,60,331	4.59%	3.30%
TOTAL	<u>18,34,88,166</u>	<u>15,06,96,283</u>	<u>100.00%</u>	<u>100.00%</u>

e) Earnings in Foreign Exchange during the financial year :

	<i>(In Rupees)</i>	
	31st March, 2008	31st March , 2007
Helicopter Services	27,32,24,213	-
Liquidated damages recovery from Helicopter manufacturers	-	19,52,102
	<u>27,32,24,213</u>	<u>19,52,102</u>



- f) Remuneration paid to Directors including Chairman & Managing Director
 i.) Remuneration paid to Chairman & Managing Director

	31 st March, 2008	31 st March, 2007
	<i>(In Rupees)</i>	
i) Salary	7,40,912	2,09,225
ii) Allowances & Perquisites	3,20,808	30,851
iii) Provident Fund/Gratuity	72,616	17,346
Total	<u>11,34,336</u>	<u>2,57,422</u>

- g) Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details:

Registration No.: 55/22233 State Code : 55
 Balance Sheet Date : 31.03.2008

II. Capital Raised during the year (Amount in Rs. thousands)

Public Issue : Nil Right Issue : Nil
 Bonus Issue : Nil Private Placement : Nil

III. Position of Mobilization and Deployment of Funds (Amount in Rs. thousands)

Total Liabilities : 9381574 Total Assets : 9381574

a) Source of Funds :

Paid-up Capital : 1137660 Reserve & Surplus : 1747964
 Deferred Tax Liability : 503810
 Secured Loans : Nil Unsecured Loan : Nil

b) Application of Funds:

Net Fixed Assets : 4657007 Investments : Nil
 (including Capital Work in Progress)
 Net Current Assets : (1379655) Misc. Expenditure : 112083
 Accumulated Losses : Nil

IV) Performance of Company (amount in Rs. thousands)

- i) Turnover including Interest & Other Income, Extraordinary and other credits : 2447661
 ii) Total Expenditure including Extraordinary and other Debits : 2145974
 iii) Profit before Tax : 301687
 iv) Profit after Tax : 231654
 v) Earnings per Share : Rs. 2036
 vi) Proposed Dividend : 10%



V) Generic Name of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Not applicable

Product Description

Helicopter Services

25. *Previous year figures have been re-grouped/ recasted wherever necessary.*

R.K.Tyagi
Chairman-Cum-Managing Director

Vilasini Ramachandran
Director

Sanjiv Agrawal
Company Secretary & DGM(Legal)

Sanjiv Bahl
General Manager (F&A)

Place : New Delhi

Dated : 18th November, 2008



Cash flow Statement for the Year ended 31st March, 2008

	31 st March, 2008	31 st March , 2007
<i>(In Rupees)</i>		
A. Cash flow arising from Operating Activities		
Net Profit before Tax	3,016.87	1,861.47
Depreciation charge /Impairment of Assets	3,091.53	2,584.69
Interest Income	(2,330.08)	(2,496.35)
Profit/(loss) on sale of fixed assets	(2.74)	0.15
Fixed Assets Written off	-	340.41
Amount Written off for doubtful Loan to PSUs	(396.43)	-
Insurance Claims	(80.77)	(843.20)
Operating profit/(loss) before working capital changes	3,298.38	1,447.17
Working Capital changes		
Add/(less)		
Inventories	(273.00)	(434.50)
Sundry Debtors	(1,741.82)	(930.91)
Loans & Advances	(1,102.18)	79.41
Current liabilities	6,322.53	437.19
Provisions	1,583.65	(245.13)
Exceptional Items (Insurance Claims)	80.77	843.20
Decrease/(Increase) in working capital	4,869.95	(250.74)
Net Cash flow from Operating Activities (A)	8,168.33	1,196.43
B. Cash flow arising from Investing Activities		
Purchase of Fixed Assets	(15,549.93)	(12,376.73)
Sale of Fixed Assets	2.98	-
Intangible Assets	(215.47)	-
Capital work in progress	1,419.56	109.02
Interest income	2,330.08	2,496.35
Net Cash flow from Investing Activities (B)	(12,012.78)	(9,771.36)
C. Cash flow arising from Financing Activities		
Dividend paid (including Corporate Tax)	(1,458.65)	(2,722.08)
Net Cash flow from Financing Activities (C)	(1,458.65)	(2,722.08)
D. Taxes Paid		
Income Tax (including wealth tax) paid	(1,910.77)	(1,152.75)
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C+D)	(7,213.87)	(12,449.76)
Cash and Cash Equivalents at the beginning of the year	30,085.35	42,535.11
Cash and Cash Equivalents at the end of the year	22,871.48	30,085.35

Notes: Figures in brackets indicate cash outgo

For V.K.Verma & Co.
Chartered Accountants

R.K.Tyagi
Chairman-Cum-Managing Director

Vilasini Ramachandran
Director

V.Kumar
Partner
(M.No. - 503826)

Sanjiv Agrawal
Company Secretary & DGM (Legal)

Sanjiv Bahl
General Manager (F&A)

Place : New Delhi
Dated : 18th November, 2008



AUDITORS' REPORT

Annexure 'A' to the Director's Report

Management's Reply

To

The Members

PAWAN HANS HELICOPTERS LIMITED

We have audited the attached Balance Sheet of PAWAN HANS HELICOPTERS LIMITED as at 31st March, 2008 and also the Profit & Loss Account for the year ended on that date annexed thereto and cash-flow statement for the year ended on that date, in which are incorporated the accounts of Western Region audited by Branch Auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that:



- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion, proper books of accounts as required by law, have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branch not visited by us. The branch auditor's report dated 15-10-2008 has been forwarded to us and has been appropriately dealt with.
- c. The Balance Sheet, the Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited returns from the branch.
- d. In our opinion, Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report complied with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e. As per the information & explanations given to us, in view of the general circular no. 8/2002 dated 22-03-2002 issued by Department of Company Affairs, the Govt. companies are exempt from applicability of the provisions of Section 274 (1) (g) of the Companies Act, 1956
- f. Subject to our following observations:
 - I. Refer Note No. 4.3, .4.4, 4.5 of Schedule 14 regarding disposal of Westland Assets:
 - i. Part of the inventory item transferred from Delhi to Mumbai during 1999-2000 was diverted by transporter of buyer to a warehouse at the instruction of buyer. The same are presently lying in the custody of warehouse. Quantitative details of such items are not available and have not been physically verified also. This has been explained in Note No. 4.3, 4.4 & 4.5 of Notes to Accounts Sch 14



- ii. Complete quantitative details of item lying with the company, which are kept in sealed boxes, are not available and further these items have not been physically verified during the year.
- This has been explained in Note No. 4.3, 4.4 & 4.5 of Notes to Accounts Sch 14
- In view of point (i) and (ii) above, inventory carried at book value (though fully provided for) have been carried on provisional basis, not verifiable by us and are subject to further reconciliation and physical verification.
- This has been explained in Note No. 4.3, 4.4 & 4.5 of Notes to Accounts Sch 14
- II Notes No. 5 of Schedule 14 regarding non-execution of title deeds of residential flats purchased at Mumbai for employees.
- This has been explained in Note No. 5 of Notes to Accounts Sch 14
- III Note No. 10 of Schedule 14 regarding unreconciled/unlinked entries with IOC. Financial impact will be ascertained only on final settlement.
- This has been explained in Note No. 10 of Notes to Accounts Sch 14
- IV. Note No. 12 of Schedule 14 regarding Sundry Debtors, Loans & Advances being subject to confirmation by the parties.
- This has been explained in Note No. 12, of Notes to Accounts Sch 14
- V. Loans and Advances includes Rs. 102.00 crores relating to 12 financial years (Net amount of Income Tax paid/ TDS Rs. 294.63 crores less Income Tax provision Rs. 192.63 crores). The Company had sought permission from COD to proceed against Income Tax Department in Tribunal but COD deferred consideration of the matter based on submission made by the Ministry of Civil Aviation for all the years under dispute. Non-provision has resulted in over statement of Reserve and Surplus and Loans and Advances by Rs. 102.00 crores
- This has been explained in Note No. 2 (c)(i) of Notes to Accounts Sch 14. On the basis of legal and other submissions made by the Company / Ministry of Civil Aviation, COD has deferred the matter for consideration and not rejected the plea to appeal before Income Tax Appellate Tribunal (ITAT).
- Additional demand of Tax raised in the Assessment are provided in the year of finality of Assessments. In terms of the opinion issued by the Expert Advisory Committee of ICAI, where a tax liability has been contested on bonafide and valid grounds on the basis of judgment of a Higher Court, it is not necessary to provide for the tax liability but a disclosure thereof must be made by way of a Note to the Accounts. In the present case the Company has contested the demand of the Tax Department on the basis of a Supreme Court judgment on a similar matter. Accordingly, in line with the aforesaid opinion of ICAI, necessary disclosure about disputed tax amount has been made in Notes No. 2 (c) (i) and 14 of the Notes to Accounts.



Attention is invited to the following observation made by the Branch Auditors of Western Region in their audit report dated 15.10.2008.

i) Accounting of Liquidated Damages (AS-4 Mobilisation)

This has been explained in Note No. 11 of Notes to Accounts Sch 14

The company has also changed the accounting policy.

The company has deferred the writing off of the liquidated damages deducted by ONGC for not meeting the contractual obligation of providing AS4 compliant helicopter on time to the extent of Rs. 905 Lacs. Had the company followed the same policy, the entire amount of Rs. 905 Lacs should have been written off as the expense for the financial year 2007 – 2008. But, by not following the same policy, the company has overstated the profit by Rs. 905 Lacs.

ii) Capitalization of Retrofit Kit fitted in Dauphin Helicopters and non provision of depreciation on the Retro Fit Kit to the Extent of the depreciation on Dauphin Helicopters.

This has been explained in Note No. 7.1 & 8 of Notes to Accounts Sch 14

The company has continued the policy of capitalizing the amount spent on retrofit kits used for making the Dauphin Helicopters AS-4 compliant and thereby capitalized the expenditure to the tune of 3208 lacs during the financial year 2007-08. This amount includes salaries and wages to the extent of Rs. 167 Lacs utilized for fitting the retrofit kits in the helicopters to make them AS4 compliant, as referred in Note No. 7.4 of the Notes to Accounts. In our opinion the useful life of the principal asset (Helicopter) is over. Therefore 95% of the value of the Retrofit Kit fitted in the fleet of Dauphin Helicopters should have been depreciated because 95% of the value of the main asset i.e. fleet of Dauphin Helicopters have already been depreciated. This has resulted into



overstatement of the assets by Rs. 2742.84 Lacs and overstatement of the profit by the same amount.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:

- i) In the case of the Balance Sheet, of the state of Affairs of the Company as at 31st March 2008.
- ii) In the case of Profit & Loss Account, of the PROFIT of the Company for the year ended on that date.
- iii) In case of Cash-Flow statement, of the cash flows for the year ended on that date.

For V.K. Verma & Co.
Chartered Accountants

(V. Kumar)
Partner
M.No. 503826

Place: New Delhi

Dated: 18th November, 2008



ANNEXURE TO THE AUDITOR'S REPORT

Management's Reply

PAWAN HANS HELICOPTERS LTD ,
NEW DELHI

(Referred to in paragraph 1 of our audit report
of even date)

I.

- | | |
|--|--|
| (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. At Western Region the branch auditors have reported that Situation / location of Fixed Assets have not been recorded in many cases. | Fixed Assets Register records main situation / location of assets of each Region. Movement records for Rotables are being maintained by Materials / Engineering Departments of the Company for location of such assets. At Western Region the situation / location of fixed assets are being recorded. |
| (b) The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verification. At Western Region the branch auditors have reported that since the process of identification of fixed assets is in progress, the assets so verified were not reconciled with book records. | The Identification of Fixed Assets at Western Region is now complete. The process of reconciliation of the assets physically verified is being taken up with Book records. The Branch Auditors have reported that till now no major discrepancy was observed on physical verification as compared to Book records. |
| (c) No substantial disposal of fixed assets has taken place during the year, which would have affected the going concern. | No Comments |

II.

- | | |
|---|--|
| (a) The inventory has been physically verified during the year by the management at reasonable intervals except for inventories of Westland Helicopters and inventories scrapped but not disposed off at Northern Region and Inventory lying out of Country for repairs/ maintenance. | Action is in progress in respect of items scrapped but pending disposal. |
| (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business in respect of inventory verified. | No Comments |



- (c) The company is maintaining proper records of inventory and discrepancies noticed on physical verification, which were not material, have been properly dealt with in the books of account. No comments
- III. According to the information and explanation given to us by the management and records produced, there are no parties covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly clauses iii (b), iii (c) and iii (d) are not applicable. No comments
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for hiring charges of helicopters. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control. No comments
- V. According to the information and explanations given to us by the management and record produced, there are no transactions in the company that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956. No comments
- VI. According to the information and explanations given to us, and as per our examination of records, the company has not accepted any deposits from the public and therefore, the directives issued by the Reserve Bank of India and provisions of section 58 A and 58AA of the Companies Act, 1956 and rules framed there under, are not applicable. No comments
- VII. In our opinion, the company has an internal audit system which commensurate with its size and nature of the business. No comments
- VIII. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for the company No comments



- IX. (a) The company is regular in depositing statutory dues like provident fund, income tax, sales tax, wealth tax, custom duty, cess and other material undisputed statutory dues with the appropriate authorities. No comments
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Statutory dues were in arrear, as at 31st March, 2008 for a period of more than six months from the date they become payable. No comments
- X. The clause relating to accumulated losses is not applicable. No comments
- XI. The company has not defaulted in repayment of dues to any financial institution or bank or debenture holders.
- XII. According to the information & explanations given to us, and as per our examination of records, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. No comments
- XIII. According to the information & explanations given to us, and as per our examination of records, the provisions of clause relating to Chit Fund or nidhi/ mutual benefit fund/societies are not applicable to the company. No comments
- XIV. According to the information & explanations given to us, and as per our examination of records, the company has not dealt in or traded in shares, securities, debentures during the year. In respect of investments in the shape of fixed deposits with banks the company has maintained proper records of transactions and timely entries have been made therein. All such investments have been held by the company in its own name. No comments
- XV. According to the information and explanations given to us and records No comments



- examined by us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- XVI.** According to the information & explanations given to us, and as per our examination of record, the company has not obtained any term loans. No comments
- XVII.** According to the information & explanations given to us, and as per our examination of records, the company has not used funds raised on short terms basis for long terms investment and vice versa. No comments
- XVIII.** The clause relating to preferential allotment of shares is not applicable. No comments
- XIX.** The clause regarding issue of debentures is not applicable. No comments
- XX.** The provisions of this clause relating to raising of money by means of public issue are not applicable. No comments
- XXI.** According to the information & explanations given to us, and as per our examination of records, no fraud on or by the company has been noticed or reported during the year. No comments

For V.K.Verma & CO.
Chartered Accountants

(V. Kumar)
Partner
M. No.503826

Place: New Delhi

Dated: 18.11.2008



Annexure 'B' to the Directors' Report

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PAWAN HANS HELICOPTERS LIMITED FOR THE YEAR ENDED 31 MARCH 2008.

The preparation of financial statements of **Pawan Hans Helicopters Limited** for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 18 November 2008.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3) (b) of the Companies Act, 1956 of the financial statements of **Pawan Hans Helicopters Limited** for the year ended 31 March 2008. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

A. COMMENTS ON FINANCIAL POSITION

BALANCE SHEET

(a) Fixed Assets (Schedule-4)

Net Block –Rs.390.83 crore

This is overstated by Rs. 13.54 crore due to short provision of depreciation on Rotables of Dauphin N series helicopters. The depreciation has been charged treating the useful life of helicopters as 30 years or 25,000 hours whichever is later instead of 17 years as per Companies Act, 1956. Consequently profit of the Company was overstated by Rs.13.54 crore.

Management's Reply

This has been explained in Note No. 8 of Notes to Accounts (Schedule – 14)

The Company has referred the subject matter to the Institute of Chartered Accountants of India (ICAI) for their opinion / clarification, keeping in view the generally accepted accounting principles followed by various International Airlines (including Air India) in respect of Rotables by treating them as Fixed Assets and depreciation charged on them by linking it to the useful life of aircrafts / helicopters.

In the light of above, no accounting adjustments have been made pending receipt of clarifications from the ICAI.



(b) Miscellaneous expenses Rs. 11.21 crore (to the extent not written off or adjusted)

This includes Rs.2.15 crore being the expenditure incurred during the year on training of pilots to the extent not written off. The company has treated the expenditure as deferred revenue expenditure to be written off in five years instead of treating it as revenue expenditure on sound accounting principles. It is also in violation of the provisions of Accounting Standard 26 and Company's own Accounting Policy No.13(a). This has resulted in overstatement of Current Assets and profit of the Company by Rs. 2.15 crore.

The Company is of the view that the training cost for the new recruited pilots is in the nature of Intangible Assets covered under AS- 26 as it satisfy the prescribed criteria of Identifiability, Cost, Control and Future economic benefits.

The Company would review it's Accounting Policy relating to Intangible Assets in respect of training expense in the subsequent period.

B. COMMENTS ON PROFITABILITY PROFIT AND LOSS ACCOUNT

Income

Other Income-Rs.9.78 crore

This includes Rs. 2.06 crore being the foreign exchange difference between the rate at the transaction date and closing date of the accounting year in respect of advance paid to foreign supplier for acquisition of assets in violation of Accounting Standard 11.

This has resulted in overstatement of Profit and Fixed Assets (Capital WIP) by Rs. 2.06 crore

The Company is of the view that Advance paid to suppliers in foreign currency for acquisition of assets against a matching Bank Guarantee is a monetary item as defined under AS-11. In the eventuality of termination of contract, the advance paid is recoverable from the supplier as return of money paid by PHHL. Accordingly, translation difference at the year end foreign exchange rate has been accounted in respect of such Advances as compliance to the requirements of AS-11 and in line with the opinion issued by the Expert Advisory Committee of ICAI.

C. COMMENTS ON STATUTORY AUDITORS' REPORT

A reference is invited to Statutory Auditors Report wherein attention has been drawn to the observation of the Branch Auditors of Western Region in their Audit Report dated 15 October, 2008 regarding capitalization of retrofit kit fitted in Dauphin helicopters and non provision of depreciation thereon to the extent of Rs. 27.43 crore and consequently overstatement of profit by the same amount.

The capitalization of retrofit kits under the mid life upgrade programme of Dauphin fleet of the Company and its depreciation over the useful life of the fleet as extended from 20 years to 30 years is in accordance with the Accounting Policy and the same has been explained in note nos. 7.1 and 8 of the Notes to Accounts. Similar Accounting Treatment has been given to the rotatables relating to Dauphin fleet which were capitalized during the year under review.



Considering the impact of comments of the Comptroller and Auditor General of India of Rs.17.75 crores and the Statutory Auditors qualification of Rs. 27.43 crore, the profit before tax of the Company of Rs. 30.17 crore would actually turn into loss of Rs. 15.01 crore.

Thus, the opinion given by the Statutory Auditors that accounts present a true and fair view is not in order.

The cost of mid-life upgrade programme of Dauphin fleet is capitalized in view of the future economic benefits to accrue in excess of those expected from the unmodified assets. M/s Eurocopter, the manufacturer have confirmed that the mid-life upgrade programme of Dauphin fleet will improve safety and quality of the output, resulting in better availability of fleet to the customer for operations. This would be done through on-time monitoring of dynamic components and engines. Such betterment would upgrade the Company's Dauphin fleet to latest off-shore standards which in turn will extend its utilization period well beyond its present vintage of 20 years, resulting in enhanced future economic benefits to the Company. M/s Eurocopter have advised that after the mid-life upgrade programme, the utilization period of Dauphin fleet is expected to enhance from the past 20 years to at least 10 more years, subject to compliance to the laid down maintenance and inspection schedules and procedures. Accordingly, the useful life of the helicopters have been extended based on the manufacturer's advise.

The Company is of the view that there is a need to distinguish between the "Specified period" as derived under Schedule-XIV for helicopters and its "Useful life" which is the period over which such depreciable asset is expected to be used by the Company depending upon technical and economic factors. Accounting Standard 6 (AS6) para 3.3 defines "Useful life" as the period over which a depreciable asset is expected to be used by the enterprise. As per para 8 of AS6, determination of useful life of a depreciable asset is a matter of estimation and is normally based on various factors including experience with similar type of assets. As per para 9 of AS6, any addition or extension to an existing asset which is of capital nature and which becomes an integral part of the existing asset is depreciated over the remaining useful life of that asset. The retrofit kit which is a capital asset after its installation will form an integral part of Dauphin helicopters and in accordance with the provisions of AS6, these have been depreciated over the remaining useful life (as



extended upto 30 years) of the fleet. Similar treatment is being given to rotables relating to Dauphin fleet procured during the year under review. This Accounting treatment is also being followed by Air India.

The Company has referred the subject matter to the Institute of Chartered Accountants of India (ICAI) for their opinion / clarification, keeping in view the generally accepted accounting principles followed by various International Airlines in respect of Rotables by treating them as Fixed Assets and depreciation charged on them by linking it to the useful life of aircrafts / helicopters. The Company has also followed similar policy which in its view is a fair accounting treatment.

In the light of above, no accounting adjustments have been made pending receipt of clarifications from the ICAI.

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

(Birendra Kumar)
Principal Director of Commercial Audit
& ex-officio Member, Audit Board-I,
New Delhi

Place: New Delhi

Dated: 30th December 2008



Annexure 'C' to the Directors' Report

STATEMENT OF PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF COMPANIES ACT 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTOR'S REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2008

Sl. No.	Name	Age	Qualification	Designation	Joining Date	Experience	Remuneration Received (Rs.)	Last Employment
1	2	3	4	5	6	7	8	9
A. Employed throughout the year under review and were in receipt of remuneration aggregating not less than Rs. 24,00,000/- per annum								
1	Gp. Capt. P.P. Singh	60	Ex.NDA	DGM(Ops)	20/08/1996	12Years	24,62,630	Ex.IAF
2	Capt. S.K. Datta**	60	Ex.NDA	Sr. Cdr.	12/12/1996	12Years	24,08,550	Ex.IAF
3	Cdr. Y.S. Das	55	B.A.	Sr. Cdr.	17/02/1997	11Years	24,28,655	Ex.IAF
4	Cdr. E. Samuel	52	H.S.C.	Sr. Cdr.	20/05/1988	19Years	24,58,667	H.I.E.TD. & IGRUA
5	Cdr. M.V. Alexander	48	B.Sc.	Sr. Cdr.	14/06/1988	19Years	25,00,827	IGRUA
6	Cdr. Vikas Nigam	43	B.A.	Sr. Cdr.	18/05/1989	18Years	25,78,995	-
7	Cdr. Subhash Chander	56	M.Sc.	Sr. Cdr.	12/12/1996	11Years	24,31,015	Ex.Defence
8	Cdr. Rohit Rai	56	M.Sc.	Sr. Cdr.	20/02/1997	11Years	24,93,609	Ex.Defence
9	Cdr. R.S. Dhanda	56	M.Sc.	Sr. Cdr.	07/04/1997	10Years	29,66,031	Ex.Defence
10	Cdr. Ashok Khosla***	60	Ex.NDA	Cdr.	15/05/1989	18Years	29,31,672	Ex.Defence
11	Cdr. P.D. Shriname	58	Ex.NDA	Sr. Cdr.	29/10/1987	20Years	24,23,825	Ex.Defence

** The pilot has superannuated on 31.01.2008 and rejoined as contractual pilot w.e.f. 04.02.2008.

*** Retired on 30.09.2007 and subsequently employed under contract w.e.f. 03.10.2007.

NOTE:

- 1 None of the above Employees are related to any of the Directors.
- 2 Remuneration includes Salary and Allowances Medical Reimbursement Company Leased Accommodation, Conveyance Reimbursement etc., and related Arrears for earlier Years.



EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Alteration in Main Object Clause of Memorandum of Association of PHHL for commencement of new business of fixed wing air crafts/sea planes and Heliports/Helipads.

In view of the demand for small fixed wing aircrafts having capacity of 20 passenger seats as also sea planes by Andaman & Nicobar Island Administration, Lakshadweep Administration and in the North East, PHHL has been exploring possibility in this area for taking small fixed wing aircrafts/ sea planes on wet lease basis initially and later on if found feasible to acquire the fixed wing aircrafts/ sea planes on outright purchase basis.

The need has been felt for Heliports to be developed by PHHL to cater to the requirement for regular passenger services, ad-hoc charter services, parking of helicopters away from busy International Airports and for free movement/operations of helicopters with comparatively lesser waiting time for take off and landing. Heliports could be used as a platform for requirements arising due to Emergency/Disaster relief, medical usage by hospitals, public service such as fire and law & order, News gathering, patrolling and repairing of critical power. The heliport will also provide a crucial support to Commonwealth Games in Delhi in terms of co-ordination, traffic movement, medivac, law & order etc. during the period of games. It will also showcase India's quality of infrastructure at par with other Developed Countries of the World. For heliport at Delhi and adjoining areas, a team consisting of Pawan Hans, DGCA and Ministry of Civil Aviation had carried out aerial survey of Delhi, NOIDA and Greater NOIDA in July 2007. Again a Committee constituted by MOCA having members from DGCA, AAI, ONGC and PHHL visited the sites at Rohini and DND Flyway in June 2008 and PHHL requested DDA for allotment of the land at Rohini for heliport

operations and after a joint survey of Rohini (Sector-36), site has also been selected in July 2008. For the Heliport at Rohini 40 acre land has been identified along with DDA and PHHL is likely to get the same in near future. Further, PHHL also want a separate heliport/helipad in the vicinity of Common Wealth Games Village for which officials of DDA, PHHL and DGCA made a site survey of the Games Village recently and identified an area of about one hectare near Water Treatment Plant for creation of a small heliport.

In order to start business of fixed wing aircraft / sea planes and Heliports/Helipads, there would be requirement to take approval of the shareholders as presently the main objects of the Company are as under:-

A. Main Objects to be pursued by the Company on its incorporation are:

1. To plan, promote, develop, organize, provide and operate air support services to meet the requirements of Petroleum Sector including Oil and Natural Gas Commission, which would include services by Helicopter and such other services as may be determined.
2. To operate scheduled/non-scheduled services by Helicopter and such other means as may be determined by the Government in inaccessible areas and difficult terrains and to provide intra-city transportation for the carriages of passengers, mail and freight and for any other purpose.
3. To operate Tourist Charters by Helicopters and to undertake any other operations that may be directed/requisitioned by the Government.

Approval from the Ministry of Civil Aviation for alteration in the Main Object

1. The Memorandum of Association of the Company provide for operating



scheduled/non-scheduled services by helicopter and such other means as may be determined by the Government. Therefore, PHHL after approval of the Board of Directors in the 109th meeting held on 26.6.2007 submitted a request to the Ministry of Civil Aviation for permission to operate fixed wing aircrafts/ sea planes. The Ministry of Civil Aviation vide letter No.AV.30020/014/2007-VE dated 4.12.2007 conveyed approval for change in the Object Clause of the Memorandum of Association of the Company to cover fixed wing / sea planes operations as approved by the Board. Incorporation of a new clause regarding operations of Fixed Wing/ Sea Planes which is considered to be in furtherance for pursuing of the main business of the Company more conveniently and economically as also to attain its main purpose by new and improved means. The inclusion of the following new business (which may be combined conveniently and advantageously with the existing business of the Company) may be approved by Shareholders of the Company by passing the following Special Resolutions for alteration in the Memorandum of Association as per section 17 of the Companies Act:-

“A.

4. To purchase, lease, provide, repair, overhaul, hold and operate Fixed Wing Aircrafts, Sea Planes and any other types of aircraft and to plan, promote, develop, organize and operate scheduled/non-scheduled services by the same.
2. In the Memorandum of Association of the Company, there is no clause regarding the activities of heliport. The objects incidental and ancillary to the attainment of the main objects provides that the

Company can secure the helicopter and other air support services are developed to the best advantage for the attainment of main objects and to acquire hold or dispose of any property whether moveable or immovable. In order to commence activities related to heliport it may be appropriate to have a suitable clause in the main object of the Company. Therefore, after approval of the Board in the 112th meeting held on 23.1.2008, PHHL submitted a request to the Ministry of Civil Aviation for permission for incorporation of following clause regarding heliport which is considered to be in furtherance for pursuing of the main business of the Company more conveniently and economically as also to attain its main purpose by new and improved means. The Ministry of Civil Aviation vide letter No.AV.30020/014/2007-VE dated 17.3.2008 conveyed approval for incorporation of amendment proposed by PHHL. Accordingly, the Shareholders may approve inclusion of new business (which may be combined conveniently and advantageously with the existing business of the Company) by passing Special Resolution for the following amendment in the Memorandum of Association as per section 17 of the Companies Act:-

“A.

5. To plan, promote, invest, develop, organize, purchase/lease land, provide, construct, hold, dispose-off, participate/create joint venture and operate heliports/helipads and other support services.”

None of the Directors is interested in personal capacity in respect of the above Special Resolutions.

Accordingly, the Shareholders are requested to approve alteration in the Memorandum of Association of the Company.