EIH FLIGHT SERVICES LIMITED

BOARD

Mr. P. R. S. Oberoi, Chairperson
Mr. S.S. Mukherji
Mr. Zafar Siamwala
Mrs. Véronique Magny-Antoine

SECRETARY

Abax Corporate Administrators Ltd.
6th Floor, Tower A
Cybercity
Ebène
Mauritius

AUDITORS

PricewaterhouseCoopers
18, Cyber City
Ebène
Mauritius

REGISTERED OFFICE

The Oberoi Mauritius
Baie aux Tortues
Pointe aux Piments
Mauritius

All figures in Mauritian Rupees unless otherwise stated.

Annual Report

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Principal Activities of the Company is that of catering services to airlines.

REVIEW OF THE BUSINESS

The Company's loss for the year is Rs. 108,708,887 (2010 - Rs. 11,711,976).

The Directors do not recommend the payment of a dividend for the year under review.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Financial Statements of the Company for the year ended 31 March 2011 are set out on pages 8 to 28. The Independent Auditor's Report on these Financial Statements is on pages 6 and 7.

DIRECTORS

The following Directors held office during the year ended 31 March 2011 and at the date of this report:

Mr. Prithvi Raj Singh Oberoi
Mr. Shib Sankar Mukherji
Mr. Zafar Siamwala
Mrs. Véronique Magny-Antoine

No remuneration and benefits were paid to full time Directors during the year ended 31 March 2011.

Annual Report ... *Contd.*

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare Financial Statements for each financial year which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FEES PAYABLE TO AUDITOR

The fees paid to the Auditor, PricewaterhouseCoopers, for audit and other services were:

	2011	2010
	Rs.	Rs.
Audit	**325,000**	50,000

AUDITOR

The Auditor, PricewaterhouseCoopers, has indicated its willingness to continue in office and will be automatically reappointed at the Annual General Meeting.

Authorised by the Board of Directors on 17 May 2011
and signed on its behalf by:

Zafar Siamwala
Véronique Magny-Antoine
Directors

Secretary's Certificate

OF EIH FLIGHT SERVICES LTD ('the Company')
AS PER SECTION 166(d) OF THE COMPANIES ACT 2001

We confirm, as secretary of the abovenamed company that, based on the records and information made available to us by the Directors and Shareholders of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 March 2011, all such returns as are required of the Company under the Companies Act 2001.

Martine Cundasawmy
For Abax Corporate Administrators Ltd
Corporate Secretary

17 May 2011

Independent Auditor's Report

To the Shareholders of
EIH Flight Services Limited

Report on the Financial Statements

We have audited the Financial Statements of EIH Flight Services Limited (the "Company") on Pages 8 to 28 which comprise the statement of financial position at 31 March 2011 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Financial Statements on pages 8 to 28 give a true and fair view of the financial position of the Company at 31 March 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

Independent Auditor's Report *(Continued)*

Report on Other Legal and Regulatory Requirements

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the Company other than in our capacity as auditor;

(b) we have obtained all the information and explanations we have required; and

(c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Mushtaq Oosman
Licensed Auditor 17 May 2011

Statement of Comprehensive Income for the year ended 31 March 2011

	2011 Rupees	2010 Rupees
Revenue	**104,513,649**	–
Cost of Sales	**(63,371,281)**	–
Gross Profit	**41,142,368**	–
Management expenses (Note 5)	**(4,180,548)**	–
Administrative expenses	**(114,655,857)**	(11,681,030)
Operating Loss (Note 6)	**(77,694,037)**	(11,681,030)
Finance costs - Net (Note 8)	**(31,014,850)**	(30,946)
Loss before Income Tax	**(108,708,887)**	(11,711,976)
Inome Tax Expense (Note 9)	**–**	–
Total Comprehensive Loss for the year	**(108,708,887)**	(11,711,976)

The notes to the Financial Statements on Pages 12 to 28 are an integral part of these Financial Statements.

Statement of Financial Position for the year ended 31 March 2011

	2011 Rupees	2010 Rupees
ASSETS		
Non Current Assets		
Property, plant and equipment (Note 10)	**671,008,029**	528,628,399
Current Assets		
Inventories (Note 11)	**4,268,624**	–
Trade and other receivables (Note 12)	**35,488,087**	31,405,694
Cash and cash equivalents (Note 13)	**2,870,064**	10,892,506
	42,626,775	42,298,200
Total Assets	**713,634,804**	570,926,599
EQUITY AND LIABILITIES		
Capital and Reserves		
Share Capital (Note 14)	**160,147,215**	53,868,390
Share Application monies (Note 15)	**–**	106,278,825
Retained Earnings	**(140,311,291)**	(31,602,403)
Total Equity	**19,835,924**	128,544,812
Non-current Liabilities		
Borrowings (Note 17)	**561,421,540**	399,282,200
Current Liabilities		
Trade and other payables (Note 16)	**43,546,571**	19,012,094
Borrowings (Note 17)	**88,830,769**	24,087,493
	132,377,340	43,099,587
Total Liabilities	**693,798,880**	442,381,787
Total Equity and Liabilities	**713,634,804**	570,926,599

Authorised for issue by the Board of Directors on 17 May 2011
and signed on its behalf by:

Zafar Siamwala
Véronique Magny-Antoine
Directors

The notes to the Financial Statements on Pages 12 to 28 are an integral part of these Financial Statements.

Statement of Changes in Equity for the year ended 31 March 2011

	Share Capital Rupees	**Share Application Monies Rupees**	**Retained Earnings Rupees**	**Total Rupees**
At 01 April 2009	53,868,390	106,278,825	(19,890,427)	140,256,788
Loss for the year	–	–	(11,711,977)	(11,711,977)
At 31 March 2010	53,868,390	106,278,825	(31,602,404)	128,544,811
Issue of Shares	106,278,825	(106,278,825)	–	–
Total comprehensive loss for the year	–	–	(108,708,887)	(108,708,887)
At 31 March 2011	160,147,215	–	(140,311,291)	19,835,924

The notes to the Financial Statements on Pages 12 to 28 are an integral part of these Financial Statements.

Cash Flow Statement
for the year ended 31 March 2011

	2011 Rupees	2010 Rupees
Cash flow from operating activities		
Loss before taxation	**(108,708,887)**	(11,711,976)
Adjustments for:		
Depreciation on property, plant and equipment (Note 10)	**51,340,283**	65,858
Net unrealised exchange (gain)/loss (Note 8)	**(6,061,038)**	2,539
Interest expense (Note 8)	**37,075,888**	28,407
Operating loss before working capital changes	**(26,353,754)**	(11,615,172)
Increase in inventories	**(4,268,624)**	–
Increase in trade and other receivables	**(4,082,393)**	(30,267,074)
Increase in trade and other payables	**21,752,982**	18,559,951
Cash used in operations	**(12,951,789)**	(23,322,295)
Interest paid	**(36,543,419)**	(28,407)
Net cash used in operating activities	**(49,495,208)**	(23,350,702)
Cash flow from Investing activities		
Payments for purchases of property, plant and equipment	**(193,719,914)**	(496,946,176)
Net cash used in investing activities	**(193,719,914)**	(496,946,176)
Cash flow from financing activities		
Application Monies	**–**	106,278,825
Payments for capital element on finance lease	**(84,762)**	(45,753)
Loan from immediate parent (note 20)	**79,614,889**	–
Proceeds from new bank loans	**209,267,600**	595,230,442
Bank loans	**(57,193,485)**	(172,312,481)
Net cash used in financing activities	**231,604,242**	529,151,033
Net (decrease)/increase in cash and cash equivalents	**(11,610,880)**	8,854,155
Cash and cash equivalents at beginning of year	**10,892,506**	2,038,351
Cash and cash equivalents at end of year (Note 13)	**(718,374)**	10,892,506

The notes to the Financial Statements on Pages 12 to 28 are an integral part of these Financial Statements.

Notes to the Financial Statements
31 March 2011

1. GENERAL INFORMATION

EIH Flight Services Limited is a private Company incorporated and domiciled in Mauritius. The address of its office and principal place of business is Opposite Airport Police Station, Plaine Magnen, Mauritius.

The principal activity of the Company is that of offering catering service to airlines.

These Financial Statements will be submitted for consideration and approval at the forthcoming Annual Meeting of the shareholders of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The Financial Statements are prepared under the historical cost convention.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 2 page 13.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The Company has adopted the following new standards and amendments to standards which were effective for the financial year beginning 01 January 2010 and relevant to the Company's operations:

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) not withstanding the fact that the entity could be required by the counterparty to settle in shares anytime. The amendment did not have an impact on the Company's operations.

(b) New and amended standards and interpretations mandatory for accounting periods beginning on 01 January 2010 but not relevant to the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting period in 2010 but the Company has not adopted them as the Directors believe these are not relevant to the Company's operations.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

IFRS 2 (amendment), 'group cash-settled shared share-based payment transaction' from 01 January 2010.

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' (effective on or after 01 January 2010).
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 35, Financial instruments: Recognition and Measurement' effective 01 July 2009.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 01 July 2009.
- IFRIC 17, 'Distribution of non-cash assets to owners' effective on or after 01 July 2009.
- IFRIC 18, 'Transfer of assets form customers' effective for transfer of costs received on or after 01 July 2009.
- IAS 36 (amendment), 'Impairment of finance assets' (effective 01 January 2010).

(c) Standards, amendments and interpretations to existing standards issued but not effective

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 01 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.

(d) Standards, amendments and interpretations to existing standards issued but not yet effective and not relevant to the company's operations

The following standards, amendments to existing standards have been published and are relevant for the financial year beginning on or after 01 January 2011 or later periods but are not relevant to the company's operations.

- IFRS 9, 'Financial Instruments' effective for the period beginning 01 January 2013.
- Amendments to IAS 32, 'Classification of risks issues' effective for period beginning on or after 01 February 2010.
- Amendments to IFRIC 14, 'Prepayments of a Minimum Funding Requirement' effective for period beginning on or after 01 January 2011.
- Amendments to IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' effective for period beginning on or after 01 July 2010.

Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, be definition, seldom equal the related actual results.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

The Company does not have any areas involving a higher degree of judgement or complexity, nor any areas where assumptions and estimates are significant to the Financial Statements at 31 March 2011.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in Profit or Loss.

Foreign exchange gains and losses are presented in profit and loss within 'finance income or cost'.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Profit or Loss in the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives. The annual rates used are:

Buildings on leasehold land	3.33%
Furniture, fittings and kitchen equipment	15.00%
Office equipment	33.00%
Motor vehicles	20.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the First-in-First-out ("FIFO") method. Cost includes purchase price and any related overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and cash equivalents

Cash comprises cash and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Share Capital

Ordinary shares are classified as 'share capital' in equity.

Current and deferred income tax

The tax expense for the year comprises of current, deferred income tax and corporate social responsibility fund. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

Current and deferred income tax *(Contd.)*

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on depreciation on property, plant and equipment, provision for retirement benefits and tax losses carried forward.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Contd.)*

Borrowings

Borrowings are recognised initially a fair value, net of transaction cost incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in Profit or Loss over the period of the borrowings using the effective interest method.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed in the period in which they are incurred. The interest costs capitalised are then depreciated in accordance with the Company's depreciation policy for property, plant and equipment.

Financial instruments

Financial instruments carried on the statement of financial position include trade and other receivables, cash and cash equivalents, loan due to parent, retirement benefit obligations and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the Company is a party are provided in Note 3.

Revenue recognition

Revenue is recognised on delivery of food, net of value added tax and discount.

Related party

Related parties are individuals and companies where the individual or Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating activities.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market price, foreign currency exchange rates and interest rates, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by the Company under policies approved by senior management.

- *Interest rate risk*

  The Company's income and operating cash flows may be affected by changes in market interest rates. The Company's policy is to maximise returns on interest-bearing assets.

  The Company's interest rate risk arises from loan due to bank and cash and cash equivalents.

  The loan due to bears interest at the higher of 6% per annum and LIBOR plus 2% per annum. Based on simulations performed, the impact on post tax profit of a 1% shift in interest rates would be an increase/(decrease) of Rs. (6,498,879).

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

3. FINANCIAL RISK MANAGEMENT *(Contd.)*

- *Credit risk*

  Credit risk arises on trade and receivables from cash and cash equivalents and credit exposures from trade and other receivables.

  For banks, the Company transacts only with highly reputable financial institutions. The credit quality of this financial asset can be assessed by the historical information about the financial strengths of the financial institutions the Company is dealing with. In the opinion of the Company there is no associated risk as these are reputable institutions in the Industry.

  For trade receivables, the Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Credit facilities are based on the recommendations of the sales offices of the Oberoi Group abroad, after performing a credit worthiness check on these customers. Only renowned and big tour operators are granted credit facilities. All other tour operators are on prepayment basis.

- *Foreign exchange risk*

  The Company has assets and liabilities denominated in foreign currencies. Consequently, the Company is exposed to the risk that the exchange rate of the Mauritian rupee relative to the foreign currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which the denominated in foreign currencies.

  If the USD, GBP and EURO fluctuate by 10% more compared to the Mauritian rupee, the financial assets would have been higher by Rs. 306,801 and financial liabilities would have been higher by Rs. 22,612,186.

- *Currency profile*

  The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets 2011 Rs.	**Financial Liabilities 2011 Rs.**	Financial assets 2010 Rs.	Financial Liabilities 2010 Rs.
US dollar	**2,777,578**	**141,278,611**	8,067,881	109,028,185
Euro	**290,427**	**140,054**	–	–
Singapore dollar	**–**	**1,119,188**	–	–
Indian dollar	**–**	**83,584,006**	–	–
Mauritian rupee	**34,941,028**	**467,677,022**	34,230,319	333,353,603
	38,009,033	**693,798,880**	42,298,200	442,381,788

Prepayments of Rs. 349,118 have not been included in financial assets.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

3. FINANCIAL RISK MANAGEMENT *(Contd.)*

- *Liquidity risk*

  Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

  The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year Rs.	Between 1 to 2 years Rs.	Between 2 to 5 years Rs.	Over 5 years Rs.
At 31 March 2011				
Trade and other payables	43,546,571	–	–	–
Bank Loans	128,310,768	109,578,257	292,953,080	210,340,942
Finance lease liabilities	126,863	126,863	179,722	–
Bank overdraft	3,588,438	–	–	–
Other Loan	–	–	–	80,902,014
	175,572,640	109,705,120	293,132,802	291,242,956

- *Fair values*

  The carrying amounts of receivables, cash and cash equivalents, loan due to parent, retirement benefit obligations and trade and other payables approximate their fair values.

- *Capital risk management*

  The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optional structure to reduce cost of capital.

  In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

  The Company considers total equity and loan due to parent as capital.

4 REVENUE

Turnover is based on the invoiced value net of Value Added Tax and discounts.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

5 MANAGEMENT EXPENSES

	2011 Rs.	2010 Rs.
Management and licence fees		
Basic management fees	**3,135,410**	–
Licence fees	**1,045,138**	–
Total management expenses	**4,180,548**	–

A Management and Licence Agreement (the "Agreement") was entered into between the Company and EIH Limited ("EIH") and Oberoi Hotels Private Limited ("OHP") respectively, both are related parties. Under the terms of the Agreement, the Company has agreed to pay EIH and OHP the following fees:

a) *Management fees to EIH*

- Basic management fee – 3% of the Company's turnover; and
- Incentive management fee – 5% of the Company's net operating profit.

b) *Licence fees to OHP*

- Licence fee – 1% of the Company's turnover.

c) *Reserve for replacement of equipment and for bad and doubtful debts*

In addition to the above, the Company has agreed to set up a Reserve Account in its books and allocate to such reserve a percentage of the Company's turnover as follows:

Reserve for replacement of equipment:
– 2% for the first two years of operations;
– 3% for the next three years of operations; and
– 4% as from the sixth year of operations

Reserve for bad and doubtful debt:
– 0.25% for each fiscal year.

The reserve of Rs. 2,090,273 (2010 - Rs. Nil) and Rs. 261,284 (2010 : Rs. Nil) will be appropriated out of retained earnings to cover the cost of replacements of equipment and for bad and doubtful debt respectively.

The Company will make such replacements of equipment as deems necessary, up to the balance of the Reserve Account. At the end of the term of the Agreement, any balance remaining in this Reserve Account shall be that of EIH Limited.

Any surplus in the provision for bad and doubtful debt can be utilised for any shortfall in working capital. At the end of the agreement, any surplus shall be repaid to the Company.

Appropriation for the above reserves have not been made in the Financial Statements as the Company had negative retained earnings as at 31 March 2011.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

6. OPERATING LOSS

	2011 Rs.	2010 Rs.
The following items have been charged/credited in arriving at the operating loss:		
Depreciation of property, plant and equipment (Note 10)		
– Owned assets	**47,401,585**	–
– Leased assets	**3,938,698**	65,858
Auditor's remuneration	**325,000**	50,000
Staff costs (Note 7)	**35,858,589**	4,859,447
Lease rental	**28,206**	40,574

7. STAFF COSTS

Wages and Salaries	**35,171,133**	4,859,447
Social security costs	**687,456**	–
	35,858,589	4,859,447
	Number	Number
Average number of employees	**135**	13

8. FINANCE COSTS - NET

	2011 Rs.	2010 Rs.
(i) *Finance Income:*		
Net foreign exchange gains/(loss)	**6,061,038**	(2,539)
(ii) *Finance costs:*		
Interest on loans	**(37,003,757)**	(28,407)
Interest on bank overdraft	**(72,131)**	–
	(37,075,888)	(28,407)
Net finance costs	**(31,014,850)**	(30,946)

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

9. INCOME TAX EXPENSE

The Company is liable to income tax at 15% (1210 - 15%) on its chargeable income. At 31 March 2011, the Company had accumulated tax losses of Rs. 83,379,866 (2010 – Rs. 31,602,403) and was therefore not liable to income tax.

In accordance with the Company's accounting policy, deferred tax asset arising on accumulated tax losses of Rs. 83,379,866 (2010 – Rs. 31,602,403) has not been recognised as there is uncertainty that future taxable profits will be available to utilise these accumulated tax losses.

A reconciliation between the actual tax charge of the Company and the theoretical amount that would arise using the applicable income tax rate of 15% (2010 - 15%) follows:

	2011 Rs.	2010 Rs.
Loss before taxation	**(108,708,887)**	(11,711,976)
Theoretical amount of income tax credit calculated at a tax rate of 15% (2010 - 15%)	**(16,306,333)**	(1,756,796)
Impact of:		
Unrecognised deferred tax asset	**15,467,662**	1,756,796
Other permanent differences	**838,671**	–
Actual tax credit	**–**	–

The expiry dates for the accumulated tax losses of the Company are as follows:

Accumulated tax losses relating to the period ended	**Tax losses Rs.**	**Expiry date**
31 March 2008	13,045,568	31 March 2013
31 March 2009	6,844,859	31 March 2014
31 March 2010	11,711,976	31 March 2015
31 March 2011	51,777,463	31 March 2016
Total	83,379,866	

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land Rs.	Furniture, fittings & Other Equipment Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Asset work-in-Progress Rs.	Total Rs.
Cost:						
At 01 April 2009	–	–	–	564,500	31,253,135	31,817,635
Additions	–	–	–	–	496,876,622	496,876,622
At 31 March 2010	–	–	–	564,500	528,129,757	528,694,257
Transfer from WIP	284,905,709	242,705,445	518,603	–	(528,129,757)	–
Capital WIP	–	–	–	–	4,682,918	4,682,918
Additions	46,575,082	80,852,736	3,615,761	32,882,128	–	163,925,707
Allocations	12,833,096	12,278,192	–	–	–	25,111,288
	344,313,887	335,836,373	4,134,364	33,446,628	4,682,918	722,414,170
Accumulated depreciation:						
At 01 April 2009	–	–	–	–	–	–
Charge for the year	–	–	–	(65,858)	–	(65,858)
At 31 March 2010	–	–	–	(65,858)	–	(65,858)
Charge for the year	(8,607,037)	(37,784,712)	(1,009,836)	(3,938,698)	–	(51,340,283)
	(8,607,037)	(37,784,712)	(1,009,836)	(4,004,556)	–	(51,406,141)
Net book value:						
At 31 March 2011	335,706,850	298,051,661	3,124,528	29,442,072	4,682,918	671,008,029
At 31 March 2010	–	–	–	498,642	528,129,757	528,628,399

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

11. INVENTORIES

	2011	2010
	Rs.	Rs.
Food and beverage, at cost	**2,656,431**	–
Other consumables, at cost	**1,612,193**	–
	4,268,624	–

Cost of inventories recognised as expense and included in cost of sales amounted to Rs. 43,321,444 (2010 - Rs. Nil)

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	Rs.	Rs.
Trade receivables	**29,107,989**	–
Other receivables	**6,380,098**	31,405,694
	35,488,087	31,405,694

The carrying amount of trade and other receivables approximate their fair values.

Trade receivables that are less than three months past due are not considered impaired. As of 31 March, 2011, trade receivables of Rs. 29,107,989 (2010 - Rs. Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables are as follows:

	2011	2010
	Rs.	Rs.
Up to 3 months	**28,964,796**	–
3 to 6 months	**134,663**	–
Over 6 months	**8,530**	–
	29,107,989	–

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2011	2010
	Rs.	Rs.
Currency		
Mauritian rupee	**35,197,660**	31,405,694
Euro	**290,427**	–
	35,488,087	31,405,694

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

13 CASH AND CASH EQUIVALENTS

For the prupose of the Statement of Cash Flows, cash and cash equivalents comprise the following statement of financial position amounts:

	2011 Rs.	2010 Rs.
Cash at bank and in hand	**2,870,064**	10,892,506
Bank Overdraft (Note 17)	**(3,588,438)**	–
	(718,374)	10,892,506

14 SHARE CAPITAL

	31 March 2011 Number	31 March 2010 Number	**31 March 2011 Rs.**	31 March 2010 Rs.
Issued:				
Ordinary shares at Rs 10 each	**16,014,721**	5,386,839	**160,147,215**	53,868,390

During the year the Company issued 10,627,883 shares at Rs. 10 each from the conversion of share application monies of Rs 106,278,825 (Note 15). The ordinary shares issued have the same rights as the other shares issued.

15 SHARE APPLICATION MONIES

	2011 Rs.	2010 Rs.
At the beginning of the year	**106,278,825**	–
Application monies received during the year	**–**	106,278,825
Converted into share capital during the year (Note 14)	**(106,278,825)**	–
	–	106,278,825

16 TRADE AND OTHER PAYABLES

	2011 Rs.	2010 Rs.
Trade payables	**22,993,028**	7,804,170
Amount payable to related party (Note 20)	**4,180,547**	–
Other payables	**16,372,996**	11,207,924
	43,546,571	19,012,094

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

17 BORROWINGS

	2011 Rs.	2010 Rs.
Current:		
Bank overdraft (Note 13)	**3,588,438**	–
Bank borrowings (Note 17(a))	**85,148,468**	24,002,731
Finance lease liabilities (Note 17(b))	**93,863**	84,762
	88,830,769	24,087,493
Non-current:		
Bank borrowings (Note 17(a))	**480,248,958**	398,917,769
Finance lease liabilities (Note 17(b))	**270,568**	364,431
Other Loans (Note 20)	**80,902,014**	–
	561,421,540	399,282,200
Total borrowings	**650,252,309**	423,369,693

(a) Bank borrowings

Amounts falling due:		
Less than 1 year	**85,148,468**	24,002,730
Later than 1 year and no later than 5 years	**290,900,000**	211,455,916
Later than 5 years	**189,348,958**	187,461,853
	565,397,426	422,920,499

The bank overdraft and other banking facilities are secured as follows:

Bank Overdraft of MUR 25,000,000 is secured by:

- Floating charge on all assets of the Company; and
- Corporate guarantee of MUR 25,000,000 by EIH Limited, the Company's immediate parent Company.

Short term loans for MUR 38,000,000 are secured by:

- Fixed charge on the Catering Complex; and
- Floating charge on all assets of the Company.

Long term loans equivalent to USD 19,000,000 are secured by:

- Fixed charge on building constructed on the portion of land sub-leased from Airports of Mauritius Limited;
- Floating charge on all assets of the Company;
- Assignment of leasehold rights on the land leased from Airports of Mauritius Limited; and
- Corporate guarantee of USD 19,000,000 by EIH Limited, the Company's immediate parent Company.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

17 BORROWINGS *(Contd.)*

(a) Bank borrowings (Contd.)

At 31 March 2011, the Mauritius Commercial Bank's Prime Lending rate was 7.35%

The carrying amount of the bank borrowings and overdraft approximates to the fair value, as the impact of discounting is not significant.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2011	2010
	Rs.	Rs.
US dollar	**141,278,611**	108,320,000
Indian rupee	**80,902,014**	–
Mauritian rupee	**428,071,684**	315,049,693
	650,252,309	423,369,693

(b) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2011	2010
	Rs	Rs
Gross finance lease liabilities – minimum lease payment		
Less than 1 year	**126,863**	126,863
Later than 1 year and no later than 5 years	**306,585**	433,447
	433,448	560,310
Future finance charges on finance lease	**(69,017)**	(111,117)
Present value of finance lease liabilities	**364,431**	449,193
The present value of finance lease liabilities		
Less than 1 year	**93,863**	84,762
Later than 1 year and no later than 5 years	**270,568**	364,431
	364,431	449,193

18 CONTINGENT LIABILITIES

Bank guarantees

At 31 March 2011, there were contingent liabilities in respect of guarantees given in the ordinary course of business from which it is anticipated that no material liabilities will arise. At 31 March 2011, Expatriate Guarantee and Custom Guarantee amounted to Rs. 170,000 (2010 - Rs. 40,000) and Rs. 6,220,000 (2010 - Rs. Nil) respectively.

Notes to the Financial Statements - 31 March 2011 *(Contd.)*

19 INCORPORATION, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

The Company is incorporated in Mauritius under the Mauritian Companies Act 2001 as a Private Company with Limited Liability. The Company's registered office is at The Oberoi Mauritius, Baie aux Tortues, Pointe aux Piments, Mauritius. Its main business operations are Opposite Airport Police Station, Plaine Magnen, Mauritius.

20 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary and its immediate parent is EIH Limited, a Company incorporated in India. Oberoi Hotels Private Limited is a Company in which key management personnel of immediate parent have significant influence.

The following transactions were carried out with related parties:

(a) Purchases of services

	2011 Rs.	2010 Rs.
Immediate parent: management fees (Note 5)	**3,135,410**	–
Immediate parent: reimbursed expenses	**2,681,995**	–
Oberoi Hotels Private Limited: licence fees (Note 5)	**1,045,138**	–
Total	**6,862,543**	–

(b) Loans from related party

	2011 Rs.	2010 Rs.
Immediate parent		
At 1 April	**–**	–
Loans advanced during year	**79,614,889**	–
Foreign exchange loss for the year	**1,287,125**	–
At 31 March (Note 17)	**80,902,014**	–

The loan due to its immediate parent is unsecured, interest free and repayable on demand.

21 IMMEDIATE AND ULTIMATE PARENT

The Directors consider EIH Limited, a Company incorporated in India, as its immediate and ultimate parent, respectively.