Annual Reports
2011-2012

MUMTAZ HOTELS LIMITED
MERCURY CAR RENTALS LIMITED
MASHOBRA RESORT LIMITED
OBEROI KERALA HOTELS AND RESORTS LIMITED
EIH FLIGHT SERVICES LIMITED
EIH INTERNATIONAL LTD.
EIH HOLDINGS LTD.
EIH MARRAKECH LTD.
J&W HONGKONG LTD.
OBEROI TURTLE BAY LTD.
EIHH CORPORATION LTD.
EIH INVESTMENTS N.V.
EIH MANAGEMENT SERVICES B.V.
PT WIDJA PUTRA KARYA
PT WAKA OBEROI INDONESIA
PT ASTINA GRAHA UBUD

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MUMTAZ HOTELS LIMITED

BOARD

Mr. P. R. S. Oberoi, *Chairman*
Mr. Shivy Bhasin, *Vice Chairman*
Mr. Bharath Bhushan Goyal, *Managing Director*

Mr. T. K. Sibal
Mr. Manish Goyal
Mr. Vikram Oberoi
Mr. Arjun Oberoi

AUDITORS

Virmani & Associates
Chartered Accountants
Suite No. 702
Nilgiri Place
9, Barakhamba Road
New Delhi 110 001

REGISTERED OFFICE

4, Mangoe Lane
Kolkata 700 001

DIRECTORS' REPORT

The Board presents its Twenty-second Annual Report together with the Audited Statement of Accounts and the Auditor's Report in respect of the year ended 31st March, 2012.

The financial highlights are set out below:

	Rupees (in million)	
	2011-2012	2010-2011
Total Revenue	**712.03**	637.29
Earnings before Interest, Depreciation, Taxes, Amortisations and Exceptional items (EBIDTA)	**306.48**	300.06
Interest and Finance Charges	**4.16**	10.71
Depreciation	**37.25**	49.94
Profit before Tax	**265.07**	239.41
Current Tax	**119.56**	75.30
Deferred Tax	**(1.32)**	(5.53)
Profit after Tax	**146.83**	169.74
Profit brought forward	**201.36**	292.02
Dividend	**103.25**	206.50
Dividend Tax	**16.75**	33.90
General Reserve	**15.00**	20.00
Balance carried forward	**213.19**	201.36

The Company, in respect of the year under report, recorded yet another year of satisfactory performance:

- Total Revenue during the Financial Year 2011-2012 was ₹ 712.03 million as compared to ₹ 637.29 million in the previous year, which is an increase of nearly 12%;
- The Operating Profit during the Financial Year 2011-2012 was ₹ 306.48 million as compared to ₹ 300.06 million in the previous year;
- The Profit before Tax during the Financial Year 2011-2012 was ₹ 265.07 million as compared to ₹ 239.41 million in the previous year, an increase of nearly 10%;
- The Profit after Tax was ₹ 146.83 million as compared to ₹ 169.74 million in the previous year.

The Board is pleased to recommend a Dividend of ₹ 5.00 per Equity Share in respect of the Financial Year 2011-2012 at the forthcoming Annual General Meeting.

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 ("the Act") and, based upon representations from the Management, the Board states that:

a) in preparing the Annual Accounts, applicable Accounting Standards have been followed and there are no material departures;

b) the Directors have selected accounting policies, applied them consistently and made judgments and estimates that are reasonable and prudent to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit of the Company for the year;

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

d) the Directors have prepared the Annual Accounts of the Company on a "going concern" basis.

Mr. P.R.S. Oberoi and Mr. Manish Goyal, Directors, retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

The Auditors of the Company, Messrs. Virmani & Associates, Chartered Accountants, retire and are eligible for re-appointment. They have confirmed that, if reappointed, their appointment will be within the limits prescribed under Section 224(1B) of the Act. Directors recommend their re-appointment as Auditors of the Company for the financial year 2012-2013.

Energy conservation measures taken during current year include installation of new capacitor bank in power factor controller, installation of high efficiency motors for water filtration plant, replacement of existing boiler with a better efficiency boiler and up gradation of building management system is in progress.

Some of the activities planned for next year are replacement of existing cooling towers with better efficiency cooling towers and construction of a rain water harvesting structure for water conservation.

Foreign Exchange earnings during the year amounted to ₹ 691.16 million as against ₹ 585.92 million in the previous year. The expenditure in foreign exchange during the year was ₹ 24.59 million as against ₹ 16.88 million in the previous year.

The Oberoi Amarvilās received the following Awards during the Financial Year 2011-2012:

Award	**Awarded by**
Top Resorts in Asia for Service (Ranked 5th)	*Travel + Leisure*, World's Best Service Awards, Readers' Survey 2012
Best Leisure Hotels in Asia & the Indian Subcontinent (Ranked 2nd)	*Condé Nast Traveler*, UK, Readers' Travel Awards 2011
Top 15 Resorts in Asia (Ranked 4th)	*Travel + Leisure*, World's Best Awards, Readers' Poll 2011
Top 100 Hotels in the World (Ranked 14th)	*Travel + Leisure*, World's Best Awards, Readers' Poll 2011

The Company is endeavouring to appoint a suitable Company Secretary.

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed.

The Company expresses its gratitude to the Government of India, Department of Tourism and all other Central and State Departments for their continued co-operation and support.

The Board takes the opportunity to thank all employees for their commitment and dedication.

For and on behalf of the Board

New Delhi
24th May, 2012

P.R.S Oberoi
Chairman

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

A. Employees who were employed throughout the year and were in receipt of remuneration for the year which, in the aggregate, was not less than ₹ 6,000,000 or employed for part of the year and were in receipt of remuneration for any part of the year at a rate which, in the aggregate, was not less than ₹ 500,000 per month.

S.No.	*Name and Age of the Employee*	*Designation/ Nature of Duties*	*Gross Remuneration (₹)*	*Qualifications*	*Experience*	*Date of Commencement of Employment*	*Particulars of previous Employment*
1	2	3	4	5	6	7	8
1.	Nigel Badminton 53 years	General Manager The Oberoi, Amarvilās	15,024,456	Hotel Management, Hotel School of South Africa in Johannesburg	21 years	March, 2010	New York Palace

NOTES :

1. Gross remuneration shown above comprises of salaries, allowances and benefits as per the Company's Rules and contribution to Provident Fund but excludes payments on account of encashment of leave on retirement/resignation.
2. Appointment in respect of the employee marked* is governed by an individual service contract.
3. The above employees are/were wholetime employees of the Company.
4. The employees listed above are not related to any Director of the Company.
5. The above employees have/had adequate experience to discharge their duties.
6. No employee listed above holds by himself or along with his spouse and dependent children 2% or more of the equity shares of the Company.

For and on behalf of the Board

New Delhi
24th May, 2012

P.R.S. Oberoi
Chairman

AUDITOR'S REPORT

To
The Members of
Mumtaz Hotels Limited

We have audited the attached Balance Sheet of Mumtaz Hotels Limited as at 31st March, 2012, the Statement of Profit and Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. 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 Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;

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

iii) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

v) On the basis of the written representation received from the Directors of the Company as at 31st March, 2012, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as at 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

b. in the case of the Statement of Profit and Loss of the Profit for the year ended on that date; and

c. in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For VIRMANI & ASSOCIATES
Chartered Accountants
ICAI Registration No. 000356N

SURESH VIRMANI
Partner
Membership No. 17617

New Delhi
24th May, 2012

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of our report of even date)

1. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

2. The fixed assets are physically verified by the management according to a phased program designed to cover all items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its assets. Pursuant to the program, the management during the year has physically verified a portion of the fixed assets and no material discrepancies were noticed between the book records and the physical inventory.

3. The assets disposed off do not constitute a substantial part of the fixed assets of the company and therefore such disposal of fixed assets does not affect the going concern.

4. The inventory has been physically verified during the year by the management at reasonable intervals.

5. The procedures for 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.

6. The company is maintaining proper records of inventory. Having regard to the size of operation of the company and nature of inventory held, the discrepancies noticed on physical verification as compared to book records were not material and has been properly dealt with in the books of account.

7. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, matters relating to number of parties and amounts involved in the transactions, rate of interest, payment of principal and interest on a regular basis and recovery etc., are not applicable.

8. The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 during the year and accordingly, matters relating to number of parties, amount involved in the transactions, rate of interest, payment of principal and interest on a regular basis and the other terms and conditions etc., are not applicable.

9. According to the information and explanations given to us, we are of the opinion that there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

10. (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register maintained under that section.

    (b) According to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except that for printed materials no comparable quotations are available. We are informed by the management that the charges so paid for printed materials are reasonable having regard to the nature and quality of work involved.

11. The Company has not accepted any deposits from the public. The provisions of Sections 58-A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable.

12. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

13. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the products of the Company.

14. The Company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance dues, income tax, sales tax, service tax, wealth tax, customs duty, excise duty, etc., with the relevant authorities.

15. According to the information and explanations given to us, no undisputed amounts payable by the company in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty, etc., were in arrears as at 31st March, 2012, for a period of six months from the date they became payable.

16. According to the information and explanation given to us, the following dues of sales tax, wealth tax, custom duty, cess, which have not been deposited on account of any dispute other than disputed income tax, wealth tax, VAT and excise duty as detailed below:

S.No.	Name of the Statute	Nature of Dues	Period for which it	Forum where dispute is relates	Amount (₹) pending
1.	UP Trade Tax Act, 1948	Sales Tax	Financial year 2007-2008	Uttar Pradesh Commercial Tax Tribunal, Agra	834,778
2.	Central Excise Act 1944	Excise Duty	Financial year 2003-04 to 2007-08	Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Delhi	302,065
3.	Income Tax Act 1961	Fringe Benefit Tax	Assessment Year 2007-08	Commissioner of Income Tax (Appeals), Kolkata	128,782
4.	Income Tax Act 1961	Income Tax	Assessment Year 2007-08	Chief Commissioner of Income Tax, Kolkata	3,118, 565
5.	Wealth Tax Act 1957	Wealth Tax	Assessment Year 2007-08	Commissioner of Wealth Tax (Appeals), Kolkata	462,300

17. The Company has no accumulated losses as at 31st March, 2012 and has not incurred cash loss during the financial year under report and in the immediately preceding financial year.

18. As per records of the Company and on the basis of the information and explanations given, we are of the opinion that the management has not defaulted in repayment of dues to banks. The company has not issued any debentures.

19. The Company has not given any loans and advances on the basis of security of pledge of shares, debentures etc., and matters specified in sub-paragraph (xii) of paragraph 4 of the Order are not applicable.

20. The matters specified in sub-paragraph (xiii) of paragraph 4 of the Order are not applicable as the company is not a chit fund or a nidhi / mutual benefit fund/society.

21. The matters specified in sub-paragraph (xiv) of paragraph 4 of the Order are not applicable as the company is not dealing or trading in shares, securities, debentures etc.

22. The Company has not given any guarantee for loans taken by others from any bank or financial institutions.

23. In our opinion the term loans were applied for the purpose for which they were raised.

24. According to the information & explanations given to us and on an overall examination of the balance sheet, we report that no funds raised on short-term basis have been used for long-term investment.

25. The matters specified in sub-paragraph (xviii), (xix) and (xx) of paragraph 4 of the Order relating to preferential allotment of shares, creation of security or charge for debentures issued and end use of money raised by public issue respectively are not applicable.

26. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported in the course of our audit.

For VIRMANI & ASSOCIATES
Chartered Accountants
ICAI Registration No. 000356N

SURESH VIRMANI
Partner
Membership No. 17617

New Delhi
24th May, 2012

Balance Sheet as at 31st March, 2012

	Note	As at 31st March 2012 Rupees	2011 Rupees
I. EQUITY AND LIABILITIES			
Shareholders' Funds			
Capital	2	**206,500,000**	206,500,000
Reserves and surplus	3	**541,696,586**	514,863,861
		748,196,586	721,363,861
Non-current Liabilities			
Long Term Borrowings	4	**3,806,459**	3,425,923
Deferred Tax Liabilities (Net)	5	**125,519,362**	126,840,008
Other Long Term Liabilities	6	**4,233,635**	4,233,635
Long Term Provisions	7	**1,242,000**	1,712,000
		134,801,456	136,211,566
Current Liabilities			
Trade Payables	8	**62,004,443**	49,338,857
Other Current Liabilities	9	**15,451,626**	92,229,555
Short-Term Provisions	10	**203,962,252**	201,088,454
		281,418,321	342,656,866
Total		**1,164,416,363**	1,200,232,293
II. ASSETS			
Non-current Assets			
Fixed Assets			
Trangible Assets	11	**779,532,680**	786,175,005
Capital work in progress		**6,791,104**	1,400,921
		786,323,784	787,575,926
Long term loans and advances	12	**3,001,588**	3,636,340
Current Assets			
Inventories	13	**24,027,668**	26,283,221
Trade Receivables	14	**53,912,189**	56,973,730
Cash and Bank Balances	15	**186,761,836**	162,814,623
Short-term Loans and Advances	16	**104,771,626**	157,395,706
Other Current Assets	17	**5,617,672**	5,552,747
		375,090,991	409,020,027
Total		**1,164,416,363**	1,200,232,293
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 33		

As per our report of even date attached

This is the Balance Sheet referred to in our report of even date.

For VIRMANI & ASSOCIATES
Chartered Accountants
ICAI Registration No. 000356N

SURESH VIRMANI
Partner
Membership No. 17617

New Delhi
24th May, 2012

For and on behalf of the Board

P.R.S. OBEROI — *Chairman*
SHIVY BHASIN — *Vice-Chairman*
BHARATH BHUSHAN GOYAL — *Managing Director*
T. K. SIBAL
ARJUN OBEROI
VIKRAM OBEROI
MANISH GOYAL
— *Directors*

Statement of Profit and Loss for the year ended 31st March, 2012

	Note	Year ended 31st March 2012 Rupees	2011 Rupees
INCOME			
Revenue from Operations	18	**704,533,877**	629,714,751
Other Income	19	**7,505,809**	7,584,874
Total Income		**712,039,686**	637,299,625
EXPENSES			
Consumption of Provisions, Stores, Wines and Smokes	20	**42,406,862**	36,038,720
Employee Benefits Expense	21	**83,493,023**	73,036,990
Finance Cost	22	**4,158,029**	10,713,238
Depreciation		**37,253,921**	49,935,248
Other Expenses	23	**279,652,030**	228,165,932
Total Expenses		**446,963,865**	397,890,128
Profit Before Tax		**265,075,821**	239,409,497
Tax Expense	24		
– Current Tax		**119,564,011**	75,195,664
– Deferred Tax		**(1,320,646)**	(5,530,254)
Profit For The Year		**146,832,456**	169,744,087
Earnings Per Share - Basic and Diluted		**7.11**	8.22
Number of Equity Shares		**20,650,000**	20,650,000
Significant Accounting Policies	1		
Notes on Financial Statements	2 To 33		

As per our report of even date attached

For VIRMANI & ASSOCIATES
Chartered Accountants
ICAI Registration No. 000356N

SURESH VIRMANI
Partner
Membership No. 17617

New Delhi
24th May, 2012

For and on behalf of the Board

P.R.S. OBEROI — *Chairman*
SHIVY BHASIN — *Vice-Chairman*
BHARATH BHUSHAN GOYAL — *Managing Director*
T. K. SIBAL
ARJUN OBEROI
VIKRAM OBEROI
MANISH GOYAL
Directors

Cash Flow Statement

		Year ended 31st March 2012 Rupees	2011 Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit before Tax as per statement of profit and loss	**265,075,821**	239,409,497
	Adjustments for:		
	Depreciation	**37,253,921**	49,935,248
	Depreciation written back	**–**	(102,497)
	Profit on Sale of Assets	**(117,155)**	338,810
	Profit on redemption of units of Mutual Funds	**–**	(9,278)
	Dividend Income from Mutual Funds	**(4,135,024)**	(5,515,544)
	Provision for Wealth Tax	**107,039**	102,646
	Interest Income	**(854,663)**	(657,055)
	Interest Expense	**4,158,029**	10,713,238
	Prior period expense	**356,469**	–
	Operating Profit before Working Capital Changes	**301,844,437**	294,215,065
	Adjustments for:		
	Trade & Other Receivables	**441,397**	(7,861,534)
	Inventories	**2,255,553**	(2,771,149)
	Trade Payables	**8,308,872**	(494,869)
	Cash Generated from Operations before Tax & Prior Period Items	**312,850,259**	283,087,513
	Prior Period (expense)/income	**(356,469)**	–
		312,493,790	283,087,513
	Payment of Direct Taxes	**(61,689,277)**	(52,267,481)
	Net Cash from Operating Activities	**250,804,513**	230,820,032
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(32,647,636)**	(19,145,107)
	Increase in capital work in progress	**(5,390,183)**	(1,400,921)
	Decrease in advances made for capital contracts	**613,156**	(2,256,178
	Sale of Fixed Assets	**2,153,195**	463,758
	Interest Received	**789,738**	411,042
	Dividend Income from Mutual Funds	**4,135,024**	5,515,544
	Profit on redemption of units of Mutual Funds	**–**	9,278
	Cash used in Investing Activities	**(30,346,706)**	(16,402,584)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest Paid	**(4,821,549)**	(12,557,094)
	Repayment of Secured Loans	**(72,000,000)**	(129,714,280)
	Increase of Finance Lease liability	**310,686**	1,776,457
	Dividend paid including Corporate Dividend Tax	**(119,999,731)**	(144,478,241)
	Net Cash used in Financing Activities	**(196,510,594)**	(284,973,158)
	Net Increase in Cash and Cash Equivalents (A+B+C)	**23,947,213**	(70,555,710)
	Opening Balance of Cash and Cash Equivalents	**162,814,623**	233,370,333
	Closing Balance of Cash and Cash Equivalents	**186,761,836**	162,814,623

As per our report of even date attached

For and on behalf of the Board

For VIRMANI & ASSOCIATES
Chartered Accountants
ICAI Registration No. 000356N

SURESH VIRMANI
Partner
Membership No. 17617

New Delhi
24th May, 2012

P.R.S. OBEROI *Chairman*
SHIVY BHASIN *Vice-Chairman*
BHARATH BHUSHAN GOYAL *Managing Director*

T. K. SIBAL
ARJUN OBEROI
VIKRAM OBEROI
MANISH GOYAL
Directors

Significant Accounting Policies and Notes on Financial Statements

COMPANY OVERVIEW

Mumtaz Hotels Limited owns The Oberoi, Amarvilas, a leading luxury hotel having 102 rooms. The Oberoi, Amarvilas is located about 600 mts from The Taj Mahal and all rooms, suites, lobby, bar and lounge offer a picturesque view of the monument. Built in a style inspired by the moorish and Mughal architecture, the resort is a splendid display of terraced lawns, fountains, reflection pools and pavilions.

The Company has a long term Management Agreement with EIH Limited, its holding company for running and managing the hotel.

1
SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with the Accounting Standards specified under Section 211(3C) of the Companies Act, 1956.

ACCOUNTING CONVENTION AND REVENUE RECOGNITION

The Financial Statements have been prepared in accordance with historical cost convention. Both Income and Expenditure items are recognised on accrual basis.

USE OF ESTIMATES

In preparing the Financial Statements in conformity with accounting principles generally accepted in India, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of Financial Statements and the amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

PROVISIONS AND CONTINGENT LIABILITY

Provisions are recognised in terms of Accounting Standard (AS-29) on 'Provisions, Contingent Liabilities and Contingent Assets', notified pursuant to the Companies (Accounting Standards) Rules, 2006, when there is a present legal or statutory obligation as a result of past events and where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities are recognised only when there is a possible obligation arising from the past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an on-going basis and only those having a largely probable outflow of resources are provided for.

Contingent Assets are not recognised in the Financial Statements.

TANGIBLE FIXED ASSETS AND CAPITAL WORK IN PROGRESS

Fixed Assets are stated at cost. Expenditure incurred during construction period including interest on borrowed capital used for construction is capitalised. Capital work in progress refers to assets under construction and installation.

DEPRECIATION

Depreciation on fixed assets other than land & leased vehicles is provided on "Straight Line Method" at the rates provided on Schedule XIV of Companies Act, 1956. Leased vehicles are amortised over the life of lease contract.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency including services are converted at the prevailing rate of exchange on the date of transactions. Difference in realisation is accounted as profit/loss on foreign exchange.

Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are translated at the exchange rate prevailing at the year-end.

Significant Accounting Policies and Notes on Financial Statements – *Contd.*

RETIREMENT BENEFITS

a) The Company operates a defined contribution scheme for Provident Fund and makes regular contributions, which are fully funded and administered by Government. Contributions are recognised in the Statement of Profit and Loss on accrual basis.

b) The Company maintains defined benefit plans like Gratuity and Leave Encashment. These plans are not funded and provision is made for Gratuity and Leave Encashment on the basis of actuarial valuation and the charge is recognised in the Statement of Profit and Loss after considering actuarial gains and losses and benefits paid during the year.

FINANCE LEASES

Fixed Assets acquired under finance leases are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Statement of Profit and Loss.

INVENTORIES

Inventories are valued at lower of cost and net realisable value. Cost is determined on first-in-first-out basis. Unserviceable, damaged, discarded stock and shortage are charged in Statement of Profit and Loss.

TAXES ON INCOME

Current tax is determined on the amount of tax payable in respect of taxable income for the year.

The deferred tax charge or credit is recognised using current tax rates. Where there is unabsorbed depreciation or carry forward losses etc., deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets/liabilities are reviewed as at each Balance Sheet date based on developments during the year and available case laws to reassess realisation/ liabilities.

EARNINGS PER SHARE

Basic and Diluted earnings per equity share are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares in issue during the year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and cash on deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a noncash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

Notes on Financial Statements

	As at 31st March	
	2012	2011
2	**Rupees**	Rupees
SHARE CAPITAL		
AUTHORISED		
25,000,000 Equity Shares of ₹ 10 each (2011 - 25,000,000)	**250,000,000**	250,000,000
	250,000,000	250,000,000
ISSUED, SUBSCRIBED AND FULLY PAID UP		
20,650,000 Equity Shares of ₹ 10 each, fully paid up (2011 - 20,650,000)	**206,500,000**	206,500,000
	206,500,000	206,500,000

The Company has only one class of shares referred to as equity shares with the par value of 10 each. All equity shares capital has been issued for consideration received in cash. Each holder of equity share is entitled to one vote per share. Dividends are declared and paid by the Company out of profits after providing depreciation. The Dividends paid do not exceed the amount recommended by the Board of Directors and are subject to the approval of shareholders. In the event of winding up of the Company, the equity shareholders will be entitled to return of capital on a pari passu basis among themselves.

The reconciliation of the number of shares outstanding at the beginning and at the end of the year is setout below:

	31st March 2012		31st March 2011	
	Number	**Amount Rupees**	Number	Amount Rupees
Number of shares at the beginning of the year	**20,650,000**	**206,500,000**	20,650,000	206,500,000
Add: Issued during the year	**–**	**–**	–	–
Number of shares outstanding at the closing of the year	**20,650,000**	**206,500,000**	20,650,000	206,500,000

Details of equity shares held by holding company EIH Limited and shareholders holding more than 5% shares in the paid-up equity capital of the Company.

	31st March 2012		31st March 2011	
	Number	**Percentage**	Number	Percentage
Equity shares held by EIH Limited (Holding Company)	**12,390,000**	**60%**	12,390,000	60%
Names of shareholders holding more than 5% Equity Shares in the Equity Capital of the Company				
Mr. Shivy Bhasin	**1,560,108**	**7.56%**	1,560,108	7.56%
Mrs. Mridu Bhasin	**1,560,107**	**7.55%**	1,560,107	7.55%
Mr. Manav Goyal	**1,068,939**	**5.18%**	1,068,939	5.18%
Mr. Gaurav Goyal	**1,068,940**	**5.18%**	1,068,940	5.18%

Notes on Financial Statements — *Contd.*

	As at 31st March 2012 Rupees	2011 Rupees
3		
RESERVES AND SURPLUS		
(i) Reserves and Surplus		
(a) Securities premium reserve account		
Balance at the beginning of the year	293,500,000	293,500,000
Add: Transfer from Statement of Profit and Loss	–	–
	293,500,000	293,500,000
(b) General Reserve		
Balance at the beginning of the year	20,000,000	–
Add: Transfer from Statement of Profit and Loss	15,000,000	20,000,000
Balance at the end of the year	35,000,000	20,000,000
(ii) Surplus		
Balance at the beginning of the year	201,363,861	292,018,039
Add: Profit for the year transferred from Statement of Profit and Loss	146,832,456	169,744,087
Amount available for appropriations	348,196,317	461,762,126
Appropriations		
Interim Dividend	–	103,250,000
Final Dividend	103,250,000	103,250,000
Corporate Dividend Tax	16,749,731	33,898,265
Transfer to General Reserve	15,000,000	20,000,000
Balance at the end of the year	213,196,586	201,363,861
Total of Reserves and Surplus	541,696,586	514,863,861

	2012	2011
4		
LONG TERM BORROWINGS		
Long term maturities of finance lease obligations (secured)	**3,806,459**	3,425,923
	3,806,459	3,425,923

Finance lease obligation are secured against leased assets being motor vehicles. (refer note 27)

Notes on Financial Statements — *Contd.*

	As at 31st March 2012 Rupees	2011 Rupees
5		
DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liabilities		
Excess of Net Block of Fixed Assets as per Companies Act 1956 over written down value as per the provisions of the Income Tax Act 1961	**126,459,327**	128,141,513
Deferred Tax Assets		
Provision for Gratuity	**(88,575)**	(98,996)
Provision for Leave Encashment	**(409,780)**	(586,001)
Provision for Bonus	**(441,610)**	(616,508)
	125,519,362	126,840,008

Deferred Tax Liability reversed for the current year amounting to ₹ 1,320,646 (2011 - ₹ 5,530,254) has been recognised in the Statement of Profit and Loss under Tax expense (refer note 24)

6		
OTHER LONG TERM LIABILITY		
Amounts payable for purchase of assets	**4,233,635**	4,233,635
	4,233,635	4,233,635
7		
LONG TERM PROVISIONS		
Provision for Employee Benefits		
Leave Encashment	**1,037,000**	1,477,000
Gratuity	**205,000**	235,000
	1,242,000	1,712,000
8		
CURRENT LIABILITIES		
Trade Payables*	**62,004,443**	49,338,857
	62,004,443	49,338,857

* includes amounts due to related parties (refer note 26)

* As identified by the Company on the basis of information available, there are no amounts due to Micro and Small Enterprises required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006.

Notes on Financial Statements — *Contd.*

	At at 31st March	
	2012	2011
	Rupees	Rupees
9		
OTHER CURRENT LIABILITIES		
Salary & Wages and other dues payable	**672,683**	1,183,217
Employee related statutory dues payable	**1,885,793**	2,398,105
Current Maturities of long term debt (secured)*	**–**	72,000,000
Security Deposit from shops	**1,698,000**	1,698,000
Current Maturity of Finance Lease Obligation	**1,400,966**	1,470,816
Indirect Taxes Payable	**3,542,719**	3,687,663
Income Tax deducted at source & payable	**4,906,929**	3,277,741
Advance from customers	**1,344,536**	5,850,493
Interest accrued but not due on term loans	**–**	663,520
	15,451,626	92,229,555

* Current maturities of long term debt comprises of term loan borrowed from State Bank of India ₹ 70,000,000 and Housing loan from ICICI Bank Limited ₹ 2,000,000 repaid during the year. The term loan from SBI was secured by joint mortgage of fixed and movable assets other than residential complex and was additionally secured by corporate guarantee of holding company EIH Limited and personal guarantee of three directors. The housing loan from ICICI Bank Ltd. was secured by joint mortgage of land and building of residential complex and corporate guarantee of holding company EIH Limited and personal guarantee of two directors.

10		
SHORT TERM PROVISIONS		
Provision for employee benefits		
Leave Encashment	**226,000**	287,000
Gratuity	**68,000**	63,000
Compensated absences	**304,520**	90,675
Other Provisions		
Tax	**83,128,180**	80,416,620
Wealth Tax	**107,039**	102,646
Fringe Benefit Tax for earlier years	**128,782**	128,782
Proposed Dividend	**103,250,000**	103,250,000
Corporate Dividend Tax	**16,749,731**	16,749,731
	203,962,252	201,088,454

Notes on Financial Statements — *Contd.*

11
FIXED ASSETS

Name of the Assets	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Original Cost as at 1st April 2011	Additions during the year	Sales/ Adjustments	Total Cost as at 31st March, 2012	As at 1st April, 2011	For the year	Written back on sale or adjustment	Total as at 31st March, 2012	**As at 31st March, 2012**	As at 31st March, 2011
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Freehold Land*	56,985,340	–	–	56,985,340	–	–	–	–	**56,985,340**	56,985,340
Building	697,216,940	1,094,255	–	698,311,195	111,259,169	11,369,809	–	122,628,978	**575,682,217**	585,957,771
Plant & Machinery	443,657,606	26,967,962	3,895,064	466,730,504	318,417,597	16,582,873	3,534,581	331,465,889	**135,264,615**	125,240,009
Furniture & Fixtures	92,794,997	386,335	–	93,181,332	84,888,396	6,953,832	–	91,842,228	**1,339,104**	7,906,601
Vehicles	10,712,134	790,663	406,500	11,096,297	5,223,850	992,299	386,172	5,829,977	**5,266,320**	5,488,284
Office Equipments	1,002,920	–	–	1,002,920	475,654	47,639	–	523,293	**479,627**	527,266
Total (A)	1,302,369,937	29,239,215	4,301,564	1.327,307,588	520,264,666	35,946,452	3,920,753	582,290,365	**775,017,223**	782,105,271
Assets taken on Finance Lease										
Vehicles	9,248,660	3,408,421	2,745,685	9,911,396	5,178,926	1,307,469	1,090,456	5,395,939	**4,515,457**	4,069,734
Total (B)	9,248,660	3,408,421	2,745,685	9,911,396	5,178,926	1,307,469	1,090,456	5,395,939	**4,515,457**	4,069,734
Total (A+B)	1,311,618,597	32,647,636	7,047,249	1,337,218,984	525,443,592	37,253,921	5,011,209	557,686,304	**779,532,680**	786,175,005
Previous Year	1,303,870,283	19,145,107	11,396,793	1,311,618,597	485,350,820	49,935,248	9,842,476	525,443,592	**786,175,005**	818,519,463

* Includes Leasehold Land of the value of ₹ 30,592,639 (2011 - ₹ 30,592,639) in respect of which the registration formalities for conversion into freehold is pending completion with Agra Development Authority.

Notes on Financial Statements — *Contd.*

	As at 31st March 2012 Rupees	2011 Rupees
12		
LONG TERM LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advances for capital contracts	**1,643,022**	2,256,178
Security Deposits with Government Agencies	**1,283,455**	1,283,455
Prepaid Expenses	**75,111**	96,707
	3,001,588	3,636,340
13		
INVENTORIES		
(at lower of cost and net realisable value)		
Provision, stores, wines & smokes	**5,719,354**	5,538,499
Cutlery, crockery, chinaware, glassware, linen etc.	**10,293,177**	12,103,345
Other stores	**8,015,137**	8,641,377
	24,027,668	26,283,221
14		
TRADE RECEIVABLES		
(Unsecured, considered good)		
Debts outstanding over six months	**120,000**	222,965
Other debts*	**53,792,189**	56,750,765
	53,912,189	56,973,730

* includes trade receivables due from related parties (refer note 26)

	As at 31st March 2012 Rupees	2011 Rupees
15		
CASH AND BANK BALANCES		
(a) Cash and Cash Equivalents		
– Cash in hand	**2,565,344**	894,500
– Fixed deposit accounts with banks	**156,550,000**	97,790,000
– Current accounts	**20,540,484**	52,982,601
(b) Other Bank Balances		
– Margin money accounts (for issue of foreign letters of credit)	**–**	576,473
– Fixed deposits	**7,106,008**	10,571,049
	186,761,836	162,814,623

Notes on Financial Statements — *Contd.*

	As at 31st March	
	2012	2011
	Rupees	Rupees
16		
SHORT TERM LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advance to staff	**207,033**	108,668
Advance to suppliers	**2,777,499**	1,654,018
Sales tax recoverable	**4,137,347**	3,318,013
Advance service tax	**174,234**	–
Cenvat Credit Refundable	**166,079**	–
Prepaid expenses	**5,368,338**	5,098,133
Security Deposits	**714,692**	713,042
Fringe Benefit Tax Refundable	**22,889**	34,497
Advance Tax and Tax Deducted at source	**87,254,707**	80,416,620
MAT credit entitlement	**–**	62,284,257
Income Tax Refundable	**3,322,726**	3,142,376
Guarantee commission refundable from Bank	**626,082**	626,082
	104,771,626	157,395,706

17		
OTHER CURRENT ASSETS		
Land compensation claim recoverable*	**5,190,356**	5,190,356
Interest sccrued on fixed deposit	**427,316**	362,391
	5,617,672	5,552,747

* refers to cost of land acquired by Uttar Pradesh Shashan Van Anubhag. The Company's claim for compensation is pending adjudication before the Additional District Judge, Agra, Uttar Pradesh.

Notes on Financial Statements — *Contd.*

	Year ended 31st March 2012 Rupees	2011 Rupees
18		
REVENUE FROM OPERATIONS		
Sale of Services		
Rooms	**488,077,746**	440,520,402
Food & Beverages	**170,274,680**	150,740,128
Other operating services	**46,181,451**	38,454,221
	704,533,877	629,714,751
19		
OTHER INCOME		
Interest [(Gross) (Tax Deducted at Source ₹ 115,458 (2011 - ₹ 93,400))]	**854,663**	657,055
Rent [(Gross) (Tax Deducted at Source ₹ 138,000 (2011 - ₹ 138,000))]	**624,000**	624,000
Dividend (Gross) from Mutual Funds	**4,135,024**	5,515,544
Profit on redemption of units of Mutual Funds	**–**	9,278
Profit on Sale of Assets	**117,155**	(338,810)
Balances, excess depreciation and other provisions written back	**574,543**	142,777
Foreign Currency Incentive	**1,200,424**	975,030
	7,505,809	7,584,874
20		
CONSUMPTION OF PROVISIONS, STORES, WINES & SMOKES		
Opening Stock	**5,538,499**	5,912,857
Add : Purchases	**42,587,717**	35,664,362
	48,126,216	41,577,219
Less : Closing Stock	**5,719,354**	5,538,499
	42,406,862	36,038,720
21		
EMPLOYEE BENEFITS EXPENSE		
Salaries and Wages	**71,356,304**	61,025,293
Company's Contribution to Provident Fund and other funds	**3,186,684**	3,165,827
Workmen & Staff Welfare Expenses	**8,950,035**	8,845,870
	83,493,023	73,036,990

Notes on Financial Statements — *Contd.*

	Year ended 31st March	
	2012	2011
	Rupees	Rupees
22		
FINANCE COST		
Interest	**4,158,029**	10,713,238
	4,158,029	10,713,238
23		
OTHER EXPENSES		
Expenses on apartment & board	**19,494,223**	16,311,768
Contract Services	**9,601,396**	9,612,067
Power & Fuel	**43,411,615**	37,878,479
Repairs		
– Building	**13,238,951**	10,978,593
– Plant & Machinery	**22,184,193**	22,624,881
– Others	**13,164,371**	9,660,734
Royalty	**7,163,264**	6,384,542
Hotel Operating Fees	**39,578,977**	26,506,633
Advertisement, publicity & other promotional expenses	**43,082,043**	39,171,906
Commission to travel agents & on credit cards	**26,052,605**	19,614,191
Rates & Taxes	**21,419,738**	12,284,027
Insurance	**1,649,689**	1,835,952
Auditors Remuneration		
– As Auditor	**775,000**	675,000
– Certification	**5,000**	220,000
– Reimbursement of out of pocket expenses	**17,091**	22,856
Prior period expenses	356,469	–
Miscellaneous	18,457,405	14,384,303
	279,652,030	228,165,932
24		
TAX EXPENSES		
Current Tax	**83,139,788**	80,416,620
Mat Credit Entitlement Reversed	**36,424,223**	–
Mat Credit Entitlement for earlier years	**–**	(5,220,956)
Deferred Tax	(1,320,646)	(5,530,254)
	118,243,365	69,665,410

Notes on Financial Statements — *Contd.*

25
CONTINGENT LIABILITIES AND COMMITMENTS

I. Contingent Liabilities not provided for in respect of:

(a) Claims against the Company not acknowledged as debts ₹ Nil (2011 - ₹ Nil).

(b) Other Contingent Liabilities:

(i) Stamp Duty demand aggregating to ₹ 10,231,992 (2011 - ₹ 10,231,992) under the Indian Stamp Act 1899 against which the Company has preferred appeals.

(ii) Expenditure tax demand of ₹ 96,638 (2011 - ₹ 96,638) for the Assessment Year 2002-2003 pending rectification by Income Tax Department.

(iii) Sales tax demand of ₹ 96,638 (2011 - ₹ 56,85,045) for Assessment years 2007-08 is disputed in appeal before the Uttar Pradesh Commercial Tax Tribunal, Agra. This demand is covered by refunds due to the Company from the Commercial tax department.

(iv) Excise duty demand of ₹ 302,065 for Financial Year 2003-04 to 2007-08 disputed in appeal before the Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Delhi for which stay has been granted.

(v) Charge of interest of ₹ 3,118,565 on Income Tax demand raised for Assessment year 2007-08 due to amendment in law with retrospective effect. The Company's application seeking waiver of interest charged is pending for disposal before the Chief Commissioner of Income Tax, Kolkata.

(vi) Income tax demand of ₹ 128,174 relating to assessment year 2009-10 disputed in appeal before the first appellate authority.

(vii) Wealth Tax demand of ₹ 4,62,300 relating to assessment year 2007-08 disputed in appeal before the first appellate authority.

II. Commitments

(a) The estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for ₹ 42,28,995 (2011 - ₹ 28,96,000).

(b) Other commitments ₹ Nil (2011 - ₹ Nil)

Notes on Financial Statements — *Contd.*

8
RELATED PARTY DISCLOSURES

A. Names of the Related Parties of the Company are as follows:

I. Holding Company
EIH Limited

II. Fellow Subsidiary Companies
(a) Mercury Car Rentals Limited
(b) Mashobra Resort Limited
(c) EIH International Limited
(d) Oberoi Kerala Hotels and Resorts Limited
(e) EIH Flight Services Limited, Mauritius
(f) EIH Holdings Limited
(g) EIH Marrakech Limited
(h) J&W Hongkong Limited
(i) Oberoi Turtle Bay Limited
(j) EIHH Corporation Limited
(k) EIH Investments NV
(l) EIH Management Services BV
(m) PT Widja Putra Karya
(n) PT Waka Oberoi Indonesia
(o) PT Astina Graha Ubud

III. Enterprises in which Key Management Personnel have significant influence
Adyar Gate Hotel Limited

IV. Key Management Personnel
Mr. Bharath Bhushan Goyal - Managing Director

B. Transactions with Related Parties during the Financial Year and outstanding balances as on 31st March, 2012.

Nature of transactions	Holding Company	Fellow Subsidiary	Enterprises in which Key Management Person has significant influence	Key Management Personnel
	₹	₹	₹	₹
Purchases				
Goods & Services	27,715,256	973,485	–	–
Expenses				
Management Contract (inclusive of service tax)	59,457,773	–	–	–
Sales				
Goods & Services	387,488	1,013,231	–	–
Outstanding Balances				
Payables				
For Goods & Services	30,947,298	1,124,125	–	–
Receivables				
For Goods & Services	193,080	114,238	–	–

Notes on Financial Statements — *Contd.*

27. Leases

(A) Finance Lease

As Lessee

Fixed Assets – Leased Vehicles refer to leased assets acquired under finance leases and capitalised at the present value of minimum lease payments. The depreciation charged on such assets amounts to ₹ 1,307,469 (2011 - ₹ 1,635,438). The yearwise break-up of outstanding lease obligations are detailed as under:

The minimum lease payments outstanding as on 31st March, 2012 amount to ₹ 7,048,975 (2011 - ₹ 6,049,860) and the present value of lease liabilities amounts to ₹ 5,207,425 (2011 - ₹ 4,896,739).

		Year ended 31st March	
		2012	2011
		Rupees	Rupees
(i)	**Not later than one year**		
	Minimum Lease Payments	**2,042,045**	2,031,948
	Present value as at 31st March, 2012	**1,400,966**	1,470,816
(ii)	**Later than one year but not later than five years**		
	Minimum Lease Payments	**5.006,930**	4,017,912
	Present value as at 31st March, 2012	**3,806,459**	3,425,923

(B) Operating Leases

(I) As Lessor

Future minimum lease payments recoverable by the Company in respect of operating leases relating to shops and accommodation are as follows:

		Non cancellable Amount Rupees	**Cancellable Amount Rupees**
(i)	**Not later than one year**	**7,404,000**	**–**
		(–)	(–)
(ii)	**Later than one year but not later than five years**	**–**	**–**
(iii)	**Later than five years**	**–**	**–**

Contingent rent recognised as income in Statement of Profit and Loss ₹ 5,672,034 (2011 - ₹ 3,528,036)

(II) As Lessee

Future minimum lease payments payable by the Company in respect of operating leases relating to Employee Housing are as follows :

(i)	**Not later than one year**	**–**	562,810
		–	–
(ii)	**Later than one year but not later than five years**	**–**	**–**
		(–)	(–)
(iii)	**Later than five years**	**–**	**–**
		(–)	(–)

(Figures in brackets represent figures for 2011)

The company has entered into cancellable lease agreements for residential premises for employees. The lease rentals of ₹ 2,903,943 (net of recoveries of ₹ 786,005) (2011 - ₹ 2,628,478) has been shown under the head workmen and staff welfare expenses.

Notes on Financial Statements — *Contd.*

28. Post Retirement Benefits

Long Term Defined Benefit Plans in respect of Gratuity and Leave Encashment on 31st March, 2012 as per Actuarial Valuations using Projected Unit Credit Method and recognised in the Financial Statements in respect of Employee Benefit Schemes:

			2012		2011	
			Gratuity Unfunded	**Leave Encashment Unfunded**	**Gratuity Unfunded**	**Leave Encashment Unfunded**
			₹	₹	₹	₹
I		**Components of Employer Expense**				
	1	Current Service Cost	131,000	108,000	142,000	69,000
	2	Interest Cost	25,000	147,000	21,000	123,000
	3	Expected Return on Plan Assets	–	–	–	–
	4	Curtailment Cost/(Credit)	–	–	–	–
	5	Settlement Cost/(Credit)	–	–	–	–
	6	Past Service Cost	–	–	93,000	–
	7	Actuarial Losses/(Gains)	(181,000)	(756,000)	(211,000)	78,000
	8	**Total expense recognised in the Statement of Profit and Loss**	**(25,000)**	**(501,000)**	**45,000**	**270,000**
II		**Net Asset / (Liability) recognised in Balance Sheet as at March 31, 2012**				
	1	Present Value of Defined Benefit Obligations	273,000	1,263,000	298,000	1,764,000
	2	Fair Value of Plan Assets	–	–	–	–
	3	Status [Surplus/(Deficit)]	–	–	–	–
	4	Unrecognised Past Service Cost	–	–	–	–
	5	**Net Asset / (Liability) recognised in Balance Sheet**	**273,000**	**1,263,000**	**298,000**	**1,764,000**
III		**Change in Defined Benefit Obligations (DBO) during the year ended 31st March 2012**				
	1	Present value of DBO as at beginning of the year	298,000	1,764,000	253,000	1,494,000
	2	Current Service Cost	131,000	108,000	142,000	69,000
	3	Interest Cost	25,000	147,000	21,000	123,000
	4	Curtailment Cost/(Credit)	–	–	–	–
	5	Settlement Cost/(Credit)	–	–	–	–
	6	Plan Amendments	–	–	93,000	–
	7	Acquisitions	–	–	–	–
	8	Actuarial (Gains)/Losses	(181,000)	(756,000)	(211,000)	78,000
	9	Benefits Paid	–	–	–	–
	10	**Present Value of DBO at the end of year***	**273,000**	**1,263,000**	**298,000**	**1,764,000**
		***Comprises of**				
		Current Liability	68,000	226,000	63,000	287,000
		Non-Current Liability	205,000	1,037,000	235,000	1,477,000
IV		**Actuarial Assumptions**				
	1	Discount Rate (%)	8.75%	–	8.35%	–
	2	Expected rate of return	–	–	–	–
	3	Salary Escalation (%)	5.00%	–	5.00%	–
	4	Mortality	LIC (1994-96) mortality tables		LIC (1994-96) mortality tables	

			2012		2011		2010		2009	
V		**Net Asset/(Liability) recognised in Balance Sheet (including experience adjustment impact)**	**Gratuity**	**Leave Encashment**	**Gratuity**	**Leave Encashment**	**Gratuity**	**Leave Encashment**	**Gratuity**	**Leave Encashment**
	1	Present Value of Defined Benefit Obligation	273,000	1,263,000	298,000	1,764,000	253,000	1,494,000	268,000	284,000
	2	Fair Value of Plan Assets	–	–	–	–	–	–	–	–
	3	Status [Surplus/(Deficit)]	(273,000)	(1,263,000)	(298,000)	(1,764,000)	(253,000)	(1,494,000)	(268,000)	(284,000)
	4	Experience Adjustment of Plan Liabilities [(Gain)/Loss]	(181,000)	(756,000)	(211,000)	78,000	(192,000)	1,137,000	(505,000)	(83,000)

Schedules to Accounts — *Contd.*

29. Value of Imports calculated on C.I.F. basis in respect of

		Year ended 31st March	
		2012	2011
		Rupees	Rupees
(i)	Operating supplies, etc.	**1,265,844**	642,183
(ii)	Spares	**3,012,257**	1,940,929
(iii)	Capital Goods	**11,880,172**	7,248,495
		16,158,273	9,831,607

		2012	2011
30.	Expenditure in foreign currency : Marketing, Room Commission & Others (Including amounts provided but not paid)	**8,432,083**	7,054,275
31.	Earnings in foreign exchange : For hotel services (as certified by Management) inclusive of taxes	**691,161,746**	585,918,217

32. The Board of Directors in their meeting held on May 24, 2012 proposed a dividend of ₹ 5 per Equity Share subject to the approval of the Shareholders at the ensuing Annual General Meeting. The dividend appropriation will amount to ₹ 119,999,731 including corporate dividend tax of ₹ 16,749,731.

For the year ended March 31, 2011, the Company paid interim and final dividend of ₹ 10 per share. The Dividend appropriation for the year ended March 31, 2011 amounted to ₹ 240,398,265 including Corporate Dividend Tax of ₹ 33,898,265.

33. The Company has only one business segment - Hotels. Accordingly, disclosure of segmentwise information is not applicable under Accounting Standard (AS-17) relating to Segment Reporting.

For VIRMANI & ASSOCIATES
Chartered Accountants
ICAI Registration No. 000356N

SURESH VIRMANI
Partner
Membership No. 17617

New Delhi
24th May, 2012

For and on behalf of the Board

P.R.S. OBEROI — *Chairman*
SHIVY BHASIN — *Vice-Chairman*
BHARATH BHUSHAN GOYAL — *Managing Director*
T. K. SIBAL
ARJUN OBEROI
VIKRAM OBEROI
MANISH GOYAL
— *Directors*

MERCURY CAR RENTALS LIMITED

BOARD

Mr. P.R.S. Oberoi, *Chairman*
Mr. John William McNicholas
Mr. S.S. Mukherji
Mr. Xavier Gernaey
Mr. T.K. Sibal, *Managing Director*

AUDITORS

Ray & Ray
Chartered Accountants
205, Ansal Bhawan, 2nd Floor
16, Kasturba Gandhi Marg
NEW DELHI 110 001

REGISTERED OFFICE

4, Mangoe Lane
KOLKATA 700 001

CORPORATE OFFICE

L10, Green Park Extension
NEW DELHI 110 016

DIRECTORS' REPORT

The Board presents the 18th Annual Report together with the Audited Statement of Accounts and Auditor's Report in respect of the year ended 31st March, 2012.

The financial highlights are given below:

	Rupees in million **2011-12**	2010-11
Revenue	**1059.66**	800.58
Profit before Tax	**23.03**	(23.66)
Current Tax	**Nil**	Nil
Deferred Tax	**3.74**	(7.28)
Profit after Tax	**19.29**	(16.38)
Balance carried over	**(16.99)**	(36.28)

During the Financial Year under review:

- the Company's Total Revenue was ₹ 1059.66 million as against ₹ 800.58 million in the previous year;
- the Operating Profit was ₹ 209.60 million as against ₹ 122.83 million in the previous year;
- the Profit before Tax was ₹ 23.03 million as against the Loss of ₹ 23.66 million in the previous year.
- the Profit after tax was ₹ 19.29 million as against loss of ₹ 16.38 million in the previous year.

As required under Section 217(2AA) of the Companies Act, 1956, the Board states that:

a) in preparing the Annual Accounts, applicable Accounting Standards have been followed and that there are no material departures;

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

c) the Directors have taken proper and sufficient care to the best of their ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;

d) the Directors have prepared the Annual Accounts on a "going concern" basis.

Energy conservation continues to be a priority area for the Company. The Company's entire fleet of vehicles is Euro 3 compliant. The emphasis while purchasing new vehicles is predominantly on fuel efficiency and use of cleaner fuel. All employees have been made aware of the need for energy conservation.

The Foreign Exchange earnings during the Financial Year amounted to ₹ 48.13 million as against ₹ 33.83 million in the previous year.

Mr. P.R.S. Oberoi, Director and Mr. John McNicholas, Director are due to retire by rotation and are eligible for reappointment.

The information required in accordance with Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is annexed.

The Auditors of the Company, Ray & Ray, retire and are eligible for re-appointment.

The Board takes this opportunity to thank all employees of the Company for their commitment, dedication and co-operation.

For and on behalf of the Board

Gurgaon
28th May, 2012

P.R.S. OBEROI
Chairman

INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012

A. Employed throughout the year and was in receipt of remuneration for the year which, in the aggregate, was not less than ₹ 6,000,000 or for part of the year and were in receipt of remuneration for any part of the year at a rate which, in the aggregate, was not less than Rs. 500,000 per month.

Name and Age of the Employee	Designation/ Nature of Duties	Gross Remuneration (₹)	Qualification(s)	Experience	Date of Commencement of Employment	Particulars of Previous Employment
Sunil Gupta (50)	Chief Executive Officer	11,364,533	B.Tech. PGDM	26 yrs	October, 2009	Kuoni Travel Group

Notes:

1. Gross Remuneration shown above comprises of salaries, allowances and benefits as per the Company's Rules and Contribution to Provident Fund but excludes payment on account of encashment of leave.
2. The above employee is the wholetime employee and is not related to any Director of the Company. Further, he alongwith his spouse and dependent children does not hold any shares in the Company.

For and on behalf of the Board

Gurgaon
28th May, 2012

P.R.S. OBEROI
Chairman

AUDITOR'S REPORT

To
The Members
Mercury Car Rentals Limited

1. We have audited the attached Balance Sheet of **MERCURY CAR RENTALS LIMITED** as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. 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.

2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :

   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (iii) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   (v) on the basis of written representations received from the Directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(vi) in our opinion and to the best of our information and according to the explanations given to us the said accounts read in conjunction with the Notes to the Financial Statement give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

(b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
28th May, 2012

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of the Auditor's Report of Mercury Car Rentals Limited)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) All the assets have not been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification which were not material have been properly dealt with in the books of account.

   (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

2. The Company's nature of operations does not require it to hold inventories. Accordingly, the provisions of clause (ii)(a) to (c) of paragraph 4 of the aforesaid Order are not applicable to the Company.

3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

   (b) In view of our comments in paragraph 3(a) above, the provisions of clauses (iii)(b), (iii)(c) and (iii)(d) of paragraph 4 of the aforesaid Order are not applicable to the Company.

   (c) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

   (d) In view of our comment in paragraph 3(c) above, the provisions of clauses (iii)(f) and (iii)(g) of paragraph 4 of the aforesaid Order are not applicable to the Company.

4. In our opinion, and according to the information and explanations given to us, having regard to the explanation that for some items purchased for which comparable alternative quotations are not available because of specialised nature/quality and delivery schedule of such items and also having regard to sale of certain services which are for the customers specialised requirements for which suitable alternative sources are not available for comparable quotations, there are adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets, inventory and sale of goods/services except operation of vehicles operation & allied matters which requires improvement. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weakness in internal control system.

5. a) On the basis of our examination of books of account and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of ₹ 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except sale/purchase of services/goods of a special nature, for which suitable alternative sources are not available to obtain comparable quotations. However, in our opinion and on the basis of information and explanations provided, the same appear reasonable.

6. The Company has not accepted any deposits from the public and consequently, the directions issued by Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are not applicable to the Company.

7. In our opinion, the Company has an internal audit system which needs to be strengthened in order to be commensurate with the size and nature of its business.

8. The Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section(1) of Section 209 of the Companies Act, 1956 in respect of the services carried out by the Company.

9. a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other statutory dues applicable to it with appropriate authorities except for delays in deposition/non deposition.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

b) According to the information and explanations given to us, *except for VAT of ₹ 17,583,085*, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess which were outstanding as at 31st March, 2012 for a period of more than six months from the date they become payable.

c) According to the information and explanations given to us, there are no dues of sales tax, service tax, customs duty, excise duty, wealth tax and cess which have not been deposited on account of any dispute other than disputed income tax as indicated below:

Name of statute	Nature of dues	Assessment Year	Forum where dispute is pending	Amount (₹)
Income Tax Act, 1961	Income Tax	2006-07, 2007-08 and 2009-10	CIT (Appeals) Kolkata	5,971,359

*Reference is also invited to Note 29 as regards DVAT on Car Rentals Services at Delhi.

10. The accumulated losses at the end of the financial year are less than fifty percent of the net worth. The Company has not incurred any cash loss during the financial year considered for the audit and also in the immediately preceding previous year.

11. On the basis of records examined and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions/banks. The Company does not have any debenture holders.

12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other similar securities. Accordingly, the provisions of clause (xii) of paragraph 4 of the aforesaid Order are not applicable to the Company.

13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the aforesaid Order are not applicable to the Company.

14. In our opinion, the Company is not dealing or trading in shares, security, debentures and other securities. Accordingly, the provisions of clause (xiv) of paragraph 4 of the aforesaid Order are not applicable to the Company.

15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause (xv) of paragraph 4 of the aforesaid Order are not applicable to the Company.

16. According to the information and explanations given to us, the term loans raised by the Company have been applied for the purpose for which they were raised.

17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.

18. The Company has not made any preferential allotment of shares to parties or Companies covered in the Register maintained under Section 301 of the Companies Act, 1961. Based on the consent of Joint Venture Partners, it appears that the price at which shares have been allotted are not *prima facie* prejudicial to the Company.

19. The Company has not issued any debentures. Accordingly, the provisions of clause (xix) of paragraph 4 of the aforesaid Order are not applicable to the Company.

20. The Company has not raised any money by public issue. Accordingly, the provisions of clause (xx) of paragraph 4 of the aforesaid Order are not applicable to the Company.

21. In our opinion and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported by the Management during the year.

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
28th May, 2012

Balance Sheet
as at 31st March, 2012

		Note	Rupees	As at 31st March 2012 Rupees	2011 Rupees
I.	**EQUITY AND LIABILITIES**				
	SHAREHOLDERS' FUNDS				
	SHARE CAPITAL	2	**139,166,650**		49,166,650
	RESERVES AND SURPLUS	3	**40,968,625**		21,677,115
				180,135,275	70,843,765
	NON-CURRENT LIABILITIES				
	LONG-TERM BORROWINGS	4	**369,065,256**		239,048,363
	OTHER LONG-TERM LIABILITIES	5	**12,924,152**		1,803,460
	LONG-TERM PROVISIONS	6	**9,893,069**		8,255,309
				391,882,477	249,107,132
	CURRENT LIABILITIES				
	SHORT-TERM BORROWINGS	7	**30,000,000**		86,130,352
	TRADE PAYABLES	8	**117,769,880**		102,883,126
	OTHER CURRENT LIABILITIES	9	**220,720,406**		160,909,474
	SHORT-TERM PROVISIONS	10	**321,503**		311,861
				368,811,789	350,234,813
				940,829,541	670,185,710
II.	**ASSETS**				
	NON-CURRENT ASSETS				
	FIXED ASSETS				
	(i) Tangible Assets	11	**527,529,619**		366,945,684
	(ii) Intangible Assets	12	**6,728,801**		5,333,325
	DEFERRED TAX ASSETS (NET)	13	**1,599,513**		5,343,022
	LONG-TERM LOANS AND ADVANCES	14	**89,448,946**		67,024,603
	OTHER NON-CURRENT ASSETS	15	**–**		–
				625,306,879	444,646,634
	CURRENT ASSETS				
	TRADE RECEIVABLES	16	**181,655,441**		138,843,652
	Cash and Bank Balances	17	85,793,195		47,997,989
	Short-term Loans and Advances	18	45,516,159		37,818,123
	Other Current Assets	19	2,557,867		879,312
				315,522,662	225,539,076
	TOTAL			**940,829,541**	670,185,710
III.	NOTES FORMING PART OF THE FINANCIAL STATEMENTS	1 to 43			

As per our report of even date

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
28th May, 2012

P.R.S. OBEROI *Chairman*

S.S. MUKHERJI
T.K. SIBAL *Directors*

Statement of Profit and Loss for the year ended 31st March, 2012

	Note	Rupees	Year ended 31st March 2012 Rupees	2011 Rupees
REVENUE FROM OPERATIONS	20		**1,029,526,694**	759,211,823
OTHER INCOME	21		**30,130,996**	41,364,722
TOTAL REVENUE			**1,059,657,690**	800,576,545
EXPENSES				
EMPLOYEE BENEFIT EXPENSES	22		**130,506,516**	116,717,125
FINANCE COSTS	23		**54,010,375**	41,022,484
DEPRECIATION & AMORTISATION EXPENSES	24		**132,556,956**	105,467,422
OPERATIONS AND OTHER EXPENSES	25		**719,548,824**	561,034,004
TOTAL EXPENSES			**1,036,622,671**	824,241,035
PROFIT / (LOSS) BEFORE TAX			**23,035,019**	(23,664,490)
TAX EXPENSES				
CURRENT TAX - INCOME TAX		**4,425,115**	–	
Less: MAT CREDIT ENTITLEMENT (Note 33)		**(4,425,115)**	–	
DEFERRED TAX			**3,743,509**	(7,286,459)
PROFIT/(LOSS) FOR THE PERIOD			**19,291,510**	(16,378,031)
EARNINGS FOR EQUITY SHARE:				
BASIC AND DILUTED	41		**2.05**	(3.33)
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	1 to 43			

As per our report of even date

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
28th May, 2012

P.R.S. OBEROI *Chairman*

S.S. MUKHERJI
T.K. SIBAL
Directors

Cash Flow Statement

		Year ended 31st March 2012 Rupees	2011 Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit/(Loss) before Tax	**23,035,019**	(23,664,490)
	Adjustments for:		
	Depreciation	**132,556,956**	105,467,422
	Liabilities and Provisions Written back	**(3,511,049)**	(2,275,254)
	Provision for doubtful debts and advances	**187,835**	2,787,115
	Advances and debts written off	**861,105**	508,394
	Provision for Leave Encashment	**1,058,542**	418,655
	Provision for Gratuity	**588,860**	605,835
	Profit on Sale of Fixed Assets (Net)	**(14,555,616)**	(28,153,385)
	Interest Earned	**(6,035,645)**	(1,262,313)
	Interest on Borrowings	**53,032,775**	40,403,967
	Operating Profit before Working Capital Changes	**187,218,781**	94,835,946
	Adjustments for:		
	Trade and Other Receivables	**(52,238,994)**	(40,309,083)
	Trade Payables	**27,239,620**	22,267,434
	Cash Generated from Operations	**162,219,407**	76,794,297
	Interest Paid	**(52,400,147)**	(41,006,521)
	Interest Received	**4,357,090**	1,118,934
	Payment of Direct Taxes	**8,322,674**	(11,746,978)
	Net **Cash Flow from Operating Activities**	**122,499,024**	25,159,732
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(353,475,585)**	(196,519,003)
	Sale/Adjustment of Fixed Assets	**43,462,363**	83,493,473
	Advance against Asset Sale	**6,379,152**	–
	Net Cash used in Investing Activities	**(303,634,070)**	(113,025,530)

Cash Flow Statement — *Contd.*

		Year ended 31st March 2012 Rupees	2011 Rupees
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Issue of Share Capital	**90,000,000**	–
	Changes in Margin Money / Long Term Fixed Deposits	**(44,654,068)**	(17,505,281)
	Loan from EIH Ltd. - The Holding Company	**10,000,000**	–
	Proceeds from Secured Loans	**398,641,828**	209,294,255
	Working Capital Demand Loan from Bank	**30,000,000**	69,577,663
	Repayment of		
	Cash Credit from Banks	**(86,130,352)**	–
	Repayment of Loan to EIH Ltd. - The Holding Company	**(10,000,000)**	–
	Repayment of Vehicle Loans	**(214,408,011)**	(154,316,982)
	Finance Lease Liabilities	**826,787**	342,432
	Net Cash from Financing Activities	**174,276,184**	107,392,086
	Net Increase in Cash and Cash Equivalents (A+B+C)	**(6,858,862)**	19,526,288
	Cash and Cash Equivalents at the beginning of the year	**30,492,707**	10,966,419
	Cash and Cash Equivalents at the end of the year	**23,633,845**	30,492,707

Notes :

1. The Cash Flow Statement has been prepared in indirect method.
2. Additions to Fixed Assets are stated inclusive of movements of Capital Work-in-progress between the beginning and end of the period and treated as a part of the investing Activities.

As per our report of even date

For RAY & RAY
Chartered Accountants

A.K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

Gurgaon
28th May, 2012

P.R.S. OBEROI *Chairman*

S.S. MUKHERJI
T.K. SIBAL *Directors*

Notes forming part of the Financial Statements

1
SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared to comply in all material aspects in respect with the Notified Accounting Standards by the Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956.

Financial Statements are based on historical cost and are prepared on accrual basis except where impairment is made.

Accounting policies have been consistently applied by the Company and are consistent with those used in the previous years.

1.2 USE OF ESTIMATES

The preparation of Financial Statements in conformity with generally accepted accounting principles that requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statements and the reported amount of revenue and expenses during the reporting year end. Although, these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

1.3 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured.

Revenue from operations comprises of Transport Income, Fleet Management Fees and Referral Services and Other Income includes Shopping Income. Revenue is recognised when the significant risks and rewards of ownership has passed to the buyer with rendering of services and are disclosed net of discount. Tax deducted at source thereon is treated as Income Tax Payment. Shopping income, Insurance commission and Referral commission are accounted for on accrual basis. Income from interest is credited to revenue in the year of its accrual on time proportion basis taking into account the amount deposited and rate of interest. The income is stated in full and tax deducted thereon is accounted for under Income tax payment/refunds. Turnover excludes the amount of taxes viz. Sales Tax / Value Added Tax, Service Tax, etc.

1.4 FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation/amortisation. Cost comprises the purchase price/cost of acquisition including taxes, duties, freight and other incidental expenses related to acquisition and installation to bring the asset to its working condition for intended use. Cost in respect of vehicles is net of CENVAT input on excise duty or excise refundable. Interest on loans specifically availed is capitalised upto the date on which assets are capitalised. Assets acquired on lease basis are stated at their cash values less depreciation/amortisation.

5. DEPRECIATION

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for:

a) Vehicles acquired under purchase arrangements are amortised over the period of arrangement or sixty months whichever is earlier;

b) Vehicles acquired on lease are depreciated over their respective lease period or forty eight months from date of acquisition whichever is earlier;

c) Trademarks are treated as Intangible Asset and are amortised over a period of one hundred and twenty months being the period of License and Buy/Sell Agreements;

d) Software is treated as Intangible Asset and are amortised over a period of sixty months; and

e) Pre-fabricated/Porta Cabin/Renovation of leased premises – Furniture & Fixture are amortised over lease period;

and the amounts provided for are not less than the amount required as per the Companies Act, 1956.

1.6 LEASES

In respect of assets acquired on or after 1st April, 2001, the same are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the interest charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Interest component is charged to the Statement of Profit and Loss under Interest and Finance charges.

Operating lease payments are recognised as expenditure in the Statement of Profit and Loss on straight line basis, over the lease period.

Notes forming part of the Financial Statements – *Contd.*

1.7 EMPLOYEE BENEFIT

Contributions paid/payable to defined contribution scheme - Provided Fund are recognised in the Statement of Profit and Loss. These contributions are made to government administered funds to which the Company has no further obligations beyond its monthly/ periodic contributions. The Company also provides retirement benefits in the form of gratuity and leave encashment only which are determined using the projected unit credit method as at the balance sheet date by an independent actuary.

Under the Projected Unit Cost method, a projected accrued benefit is calculated at the beginning of the period and again at the end of the period for each benefit that will accrue for all active member of the plan. The projected accrued benefit is based on the plan accrual formula and upon service as of the beginning or end of the period, but using member's final compensation, projected to the age at which the employee is assumed to leave active service. The plan liability is the actuarial present value of the projected accrued benefits as of the beginning and the end of the period for active members. Actuarial gains/losses are immediately taken to Statement of Profit and Loss and not deferred. Terminating benefits are recognised as an expense as and when accrued. The undiscounted amount of short term employee benefits, viz. compensated absence and performance incentives expected to be paid in exchange for the services rendered by the employee is recognised during the period when the employee renders the service.

1.8 TRANSACTIONS IN FOREIGN CURRENCY

a) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction, and non-monetary items which are carried at fair value on the similar valuation denominated in a foreign currency, are reported using the exchange rates that existed when the values were determined.

c) Exchange differences arising on the settlement of monetary or on reporting monetary items at rates different from those at which they were initially recorded during the year or reported in previous financial statement are recognised as income or as expenses in the year in which they arise.

1.9 BORROWING COSTS

Borrowing cost that is attributable to the acquisition/construction of fixed assets are capitalised as part of the cost of the respective assets. Other borrowing costs are recognised as expenses in the year in which they arise.

1.10 TAXES ON INCOME

Income-tax is accounted for in accordance with Accounting Standard on 'Accounting for taxes and income' notified pursuant to the Companies (Accounting Standards) Rules, 2006.

Minimum Alternate Tax (MAT) is accounted for in accordance with tax laws which give rise to future economic benefits in the form of tax credit against which future income tax liability is adjusted and is recognised as an asset in the Balance Sheet.

Deferred tax is provided and recognised on timing differences between taxable income and accounting income subject to prudential consideration. Deferred tax assets on unabsorbed depreciation and carry forward of losses are not recognised unless there is virtual certainty about availability of future taxable income to realise such assets.

1.11 PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when there is a present legal or statutory obligation as a result of past events and where it is probable that there will be outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. Obligations are assessed on an on going basis and only those having a largely probably outflow of resources are provided for.

Contingent Assets are not recognised in the Financial Statements.

1.12 PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND CHANGES IN ACCOUNTING POLICIES

Prior period adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

Notes forming part of the Financial Statements – *Contd.*

	As at 31st March 2012 Rupees	2011 Rupees
1		
SHARE CAPITAL		
1. Authorised		
19,000,000 (2011 - 5,000,000) Equity Shares of ₹ 10 each	**190,000,000**	50,000,000
100,000 (2011 - 100,000) Cumulative Redeemable Preference Shares (6%) of ₹ 100 each	**10,000,000**	10,000,000
	200,000,000	60,000,000
2. Issued, Subscribed and Fully Paid up		
13,916,665 (2011 - 4,916,665) Equity Shares of ₹ 10 each	**139,166,650**	49,166,650
	139,166,650	49,166,650

2.3 The Company's Authorised Capital comprises of two class of shares. The Equity Shares have a par value of ₹ 10 each and Cumulative Redeemable Preference Shares have a par value of ₹ 100 each.

2.4 Reconciliation of Share Capital

	As at 31st March **2012**		2011	
	Number of Shares	**Amount**	Number of Shares	Amount
Equity Shares				
Balance at the beginning of the year	**4,916,665**	**49,166,650**	4,916,665	49,166,650
Add/(Less) : Movement during the year	**9,000,000**	**90,000,000**	–	–
Balance at the end of the year	**13,916,665**	**139,166,650**	4,916,665	49,166,650

2.5 Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at 31st March **2012**		2011	
	Number of Shares	**% holding**	Number of Shares	% hold
EIH Limited - The Holding Company	**9,277,777**	**66.67**	3,277,777	66.67
Avis India Investments Private Limited	**4,638,888**	**33.33**	1,638,888	33.33
Total	**13,916,665**	**100.00**	4,916,665	100.00

2.6 The company has at present one class of shares (Issued, Subscribed and Paid-up). Equity Shares of par value at ₹ 10 per share. Each shareholder is eligible to one vote per share held and is entitled to dividend as proposed by the Board of Directors, subject to the approval of Shareholders in the ensuing Annual General Meeting.

Notes forming part of the Financial Statements – *Contd.*

		As at 31st March	
		2012	2011
	Rupees	**Rupees**	Rupees
3			
RESERVES AND SURPLUS			
Securities Premium Account			
Balance at the beginning of the year		**47,852,965**	47,852,965
General Reserve			
Balance at the beginning of the year	**10,100,000**		10,100,000
Add: Adjustment with debit balance in Statement of Profit & Loss as per contra	**(10,100,000)**		(10,100,000)
		–	–
Debit Balance in Statement of Profit & Loss			
Balance at the beginning of the year	**(36,275,850)**		(19,897,819)
Less: Adjustment with General Reserve as per Contra	**10,100,000**		10,100,000
Add: Profit/(Loss) after tax transferred from Statement of Profit & Loss	**19,291,510**		(16,378,031)
Balance at the close of the year		**(6,884,340)**	(26,175,850)
		40,968,625	21,677,115

Notes forming part of the Financial Statements – *Contd.*

		As at 31st March	
		2012	2011
	Rupees	**Rupees**	Rupees
4			
LONG-TERM BORROWINGS			
Term Loans (Secured)			
(a) From Banks (under Hire Purchase Agreement)			
HDFC Bank Limited	**74,851,841**		133,976,965
ICICI Bank Limited	**75,084,230**		1,564,083
Dhanlaxmi Bank Limited	**22,244,020**		29,246,400
		172,180,091	164,787,448
(b) From Others - Finance Companies (under Hire Purchase Agreement)			
Reliance Capital Limited	**88,373,965**		14,796,752
Tata Capital Limited	**42,302,339**		–
Kotak Mahindra Prime Limited	**63,111,369**		55,260,620
		193,787,673	70,057,372
Long term maturities of Finance lease (Secured)		**3,097,492**	4,203,543
		369,065,256	239,048,363

Notes:

(i) The term loans under (a) and (b) are secured against hypotecation of vehicles whether acquired or to be acquired. The loans are repayable in monthly instalments starting from the following month in which loans are availed and are payable in 36-48 months. The rate of interest varies from 9.5% to 12.5%.

(ii) The finance lease obligations are secured against motor vehicles registered under "The Motor Vehicle Act, 1939". The loans are repayable are monthly payment of equated instalments starting from the month subsequent to taking on finance lease. The monthly instalments are payable in 36-48 months.

5		
OTHER LONG-TERM LIABILITIES		
Security Deposits	**5,003,000**	–
Advances from Customers	**1,542,000**	1,803,460
Advance received against sale of assets (Note 34)	**6,379,152**	–
	12,924,152	1,803,460

Notes forming part of the Financial Statements – *Contd.*

	As at 31st March 2012 Rupees	2011 Rupees
6		
LONG-TERM PROVISIONS		
Gratuity	**3,298,757**	2,688,736
Leave Encashment	**6,594,312**	5,566,573
	9,893,069	8,255,309

	As at 31st March 2012 Rupees	2011 Rupees
7		
SHORT-TERM BORROWINGS		
Secured		
From Banks - HDFC Bank Ltd.		
– Working Capital Demand Loan	**30,000,000**	–
– Cash Credit	**–**	86,130,352
	30,000,000	86,130,352

Notes:

Working Capital demand loan and cash credit is payable on demand and is secured against a Corporation Guarantee of ₹ 60,000,000 given by EIH Ltd., the Holding Company and also book debts.

Notes forming part of the Financial Statements – *Contd.*

	As at 31st March	
	2012	2011
	Rupees	Rupees
8		
TRADE PAYABLES		
Total Outstanding dues of Micro Enterprises and Small Enterprises	**–**	–
Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises (Note 39)	**117,769,880**	102,883,126
	117,769,880	102,883,126
9		
OTHER CURRENT LIABILITIES		
Current maturities of long-term debt	**183,708,281**	130,597,408
Current maturities of Finance Lease Obligations	**1,106,051**	945,136
Interest accrued but not due on borrowings	**3,576,550**	2,943,923
Advance from Customers	**836,903**	386,805
Withholding and other taxes payable	**30,072,042**	26,036,202
Security Deposits	**1,420,579**	–
	220,720,406	160,909,474
10		
SHORT-TERM PROVISIONS		
Gratuity	**75,891**	97,052
Leave Encashment	**245,612**	214,809
	321,503	311,861

Notes forming part of the Financial Statements – *Contd.*

11
FIXED ASSETS - TANGIBLE

	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	Original cost as at 31st March, 2011 ₹	Additions ₹	Sales/ Adjustments ₹	Original cost as at 31st March, 2012 ₹	As at 31st March 2011 ₹	For the Year ₹	Sales/ Adjustments ₹	As at 31st March, 2012 ₹	**As at 31st March, 2012 ₹**	As at 31st March, 2011 ₹
TANGIBLE ASSETS										
Office Equipments	10,305,855	2,174,179	255,595	12,224,439	2,125,736	585,852	138,008	2,573,580	9,650,859	8,180,119
	(8,624,650)	(1,681,205)		(10,305,855)	(2,078,790)	(46,946)		(2,125,736)	(8,180,119)	(3,720,618)
Furniture & Fixtures	18,932,918	1,078,423	1,464,151	18,547,190	6,564,444	1,817,357	1,402,425	6,979,376	**11,567,814**	12,368,474
	(18,094,182)	(838,736)	–	(18,932,918)	(4,346,191)	(2,218,253)	–	(6,564,444)	(12,368,474)	(16,573,233)
Computers	10,492,153	977,475	3,789,162	7,680,466	5,883,824	1,275,442	3,587,716	3,571,550	**4,108,916**	4,608,329
	(8,207,748)	(2,284,405)	–	(10,492,153)	(4,619,140)	(1,264,684)	–	(5,883,824)	(4,608,329)	(3,588,608)
Vehicles	516,500,324	315,699,186	94,514,024	737,685,486	179,585,318	125,497,101	65,988,035	239,094,384	**498,591,102**	336,915,006
	(528,437,490)	(177,780,174)	(189,717,340)	(516,500,324)	(215,349,190)	(99,811,307)	(135,575,179)	(179,585,318)	(336,915,006)	(313,088,300)
Leased Vehicles (Note 35)	5,678,252	1,212,198	1,356,461	5,533,989	804,496	1,648,239	529,674	1,923,061	**3,610,928**	4,873,756
	(–)	(7,094,238)	(1,415,986)	(5,678,252)	–	(1,022,555)	(218,059)	(804,496)	(4,873,756)	–
Total Tangible Assets	561,909,502	321,141,461	101,379,393	781,671,570	194,963,818	130,823,991	71,645,858	254,141,951	**527,529,619**	366,945,684
	(563,364,070)	(189,678,758)	(191,133,326)	(561,909,502)	(226,393,311)	(104,363,745)	(135,793,238)	(194,963,818)	(366,945,684)	(336,970,759)

Figures in brackets indicate figures for previous year.

Note : Gross Block of Vehicles includes ₹ 125,260,724 (2010 - ₹ 462,275,625) acquired under Hire-Purchase Arrangement.

12
FIXED ASSETS - INTANGIBLE

	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	Original cost as at 31st March, 2011 ₹	Additions ₹	Sales/ Adjustments ₹	Original cost as at 31st March, 2012 ₹	As at 31st March 2011 ₹	For the Year ₹	Sales/ Adjustments ₹	As at 31st March, 2012 ₹	**As at 31st March, 2012 ₹**	As at 31st March, 2011 ₹
INTANGIBLE ASSETS										
Trademarks	22,599,500	–	–	22,599,500	22,599,500	–	–	22,599,500	–	–
	(22,599,500)	(–)	(–)	(22,599,500)	(22,599,500)	(–)	(–)	(22,599,500)	(–)	(–)
Computer Software	9,719,604	3,128,441	3,191,044	9,657,001	4,386,279	1,732,965	3,191,044	2,928,200	6,728,801	5,333,325
	(4,200,428)	(5,519,176)	–	(9,719,604)	(3,282,602)	(1,103,677)	–	(4,386,279)	(5,333,325)	(917,826)
Total Tangible Assets	32,319,104	3,128,441	3,191,044	32,256,501	26,985,779	1,732,965	3,191,044	25,527,700	6,728,801	5,333,325
	(26,799,928)	(5,519,176)	–	(32,319,104)	(25,882,102)	(1,103,677)	–	(26,985,779)	(5,333,325)	(917,826)

Figures in brackets indicate figures for previous year.

Notes forming part of the Financial Statements – *Contd.*

		Rupees	As at 31st March **2012** **Rupees**	2011 Rupees
13				
DEFERRED TAX ASSETS				
(a)	Deferred Tax Asset			
	Depreciation		**31,504,597**	29,101,890
	Gratuity		**1,042,766**	860,808
	Leave Encashment		**1,028,457**	701,368
	Doubtful Debts and Advances		**58,041**	884,606
	Tax, Duties, other sums deductible on payment		**5,801,102**	5,015,430
			39,434,963	36,564,102
(b)	Deferred Tax Liability		**(37,835,450)**	(31,221,080)
	Fixed Assets (Excess of net block over Written Down Value as per provision of Income Tax Act, 1961)			
	Deferred Tax Assets (Net) (a - b)		**1,599,513**	5,343,022
14				
LONG - TERM LOANS AND ADVANCES				
(Unsecured, considered good)				
Capital Advances			**34,018,386**	3,271,369
Others				
Income Tax payments / refunds (net of Provisions)			**51,005,445**	63,753,234
MAT credit entitlement (Note 33)			**4,425,115**	–
			89,448,946	67,024,603
15				
OTHER NON-CURRENT ASSETS				
Long-Term Receivables (considered doubtful - unsecured)		**187,835**		964,537
Less : Provisions		**187,835**		964,537
			–	–
			–	–

Notes forming part of the Financial Statements – *Contd.*

		As at 31st March	
		2012	2011
	Rupees	**Rupees**	Rupees
16			
TRADE RECEIVABLES (Considered Good - Unsecured)			
Outstanding for a period of more than six months from the date they are due for Payment		**10,633,694**	8,067,662
Other debts		**171,021,747**	130,775,990
		181,655,441	138,843,652
Note:-			
(i) Amount due from EIH Ltd. - The Holding Company - Other Debts		**8,080,160**	12,176,396
(ii) Amount due from Related Party - Avis Budget Services Limited			
– Outstanding for a period exceeding six months		**9,760,453**	9,200,772
– Other Debts		**962,839**	957,490
17			
CASH & BANK BALANCES			
Cheque and Cash Equipments			
Cash on hand	**667,550**		1,056,858
Cheques on hand	**5,247,018**		9,622,560
Balances with banks in Current Accounts	**17,639,277**		19,813,289
Short-term Bank Deposits with less than 3 months maturity	**80,000**	**23,633,845**	30,492,707
Other Bank Balances			
Balance with banks held as margin money	**439,983**		432,929
Bank deposits having more than 3 months but less than 12 months maturity	**50,904,167**		5,275,402
Bank deposits with more than 12 months maturity	**10,815,200**		11,796,951
		62,159,350	17,505,282
		85,793,195	47,997,989
18			
SHORT-TERM LOANS AND ADVANCES			
Unsecured - Considered Good			
Advances recoverable in cash or in kind or for value to be received		**2,591,075**	6,198,740
Prepaid Expenses		**11,847,625**	6,890,229
Security Deposits		**12,000,480**	9,284,532
Cenvat Credit entitlements		**19,076,979**	15,444,622
Unsecured - Considered Doubtful			
Other loans and advances		**–**	1,898,265
Less: Provision for doubtful loans and advances		**–**	(1,898,265)
		–	–
		45,516,159	37,818,123
19			
OTHER CURRENT ASSETS			
Interest Accrued on Bank Deposits		**2,557,867**	879,312
		2,557,867	879,312

Notes forming part of the Financial Statements – *Contd.*

		Year ended 31st March 2012 Rupees	2011 Rupees
20			
REVENUE FROM OPERATIONS			
Transport Income		**1,016,688,285**	747,562,236
Other Operating revenues			
– Fleet Management Fees		**11,320,250**	9,736,693
– Referral Services		**1,518,159**	1,912,894
		1,029,526,694	759,211,823
21			
OTHER INCOME			
Interest (Gross)			
– Banks (Tax at source ₹ 369,385, 2011 - ₹ 100,827)	**3,562,848**		1,262,313
– Income-tax	**2,472,798**	**6,035,646**	–
Service Charges		**246,300**	196,056
Liabilities and Provisions Written Back		**3,511,049**	2,536,774
Shopping Commission		**2,397,320**	2,620,090
Profit on Sale of Assets (Net)		**14,555,616**	28,153,385
Miscellaneous Income		**3,385,065**	6,596,104
		30,130,996	41,364,722
22			
EMPLOYEE BENEFIT EXPENSES			
Salaries & Wages		**102,874,910**	89,684,141
Contribution to Provident Fund		**3,946,869**	3,686,601
Gratuity		**588,860**	605,835
Leave Encashment		**1,058,542**	418,655
Staff Welfare Expenses		**22,037,335**	22,321,893
		130,506,516	116,717,125

Notes forming part of the Financial Statements – *Contd.*

	Year ended 31st March **2012** **Rupees**	2011 Rupees
23		
FINANCE COSTS		
Interest Expense (Includes interest paid to EIH Ltd. - The Holding Company - ₹ 684,658 (2011 - ₹ Nil)	**53,032,775**	41,022,484
Other Borrowing Costs	**977,600**	–
	54,010,375	41,022,484

Note:

Interest debited to Statement of Profit and Loss is net of interest capitalised against purchase of vehicle amounting to ₹ 8,94,062 (2011 - ₹ 31,208)

	2012 Rupees	2011 Rupees
24		
DEPRECIATION & AMORTISATIONS		
Tangible Assets	**130,823,991**	104,363,745
Intangible Assets	**1,732,965**	1,103,677
	132,556,956	105,467,422

Notes forming part of the Financial Statements – *Contd.*

		Year ended 31st March	
		2012	2011
	Rupees	**Rupees**	Rupees
25			
OPERATIONS AND OTHER EXPENSES			
Rates and Taxes (includes ₹ 700,000 paid for increase in Authorised Capital (2011 - ₹ Nil)		**1,440,978**	259,465
Travelling and Conveyance		**11,130,376**	7,650,458
Postage, Telephone etc.		**12,589,845**	11,477,681
Printing & Stationery		**5,933,101**	4,655,117
Sales Commission		**11,557,582**	12,060,063
Insurance		**10,834,538**	8,716,717
Legal & Professional Charges		**4,270,879**	3,166,656
Power & Fuel		**3,132,446**	2,787,243
Auditor's Remuneration (Note 32)		**592,000**	610,250
Contractors Services		**114,379,625**	114,122,990
Associate Contract Charges		**29,781,478**	–
Provision/Write off : Debts & Advances		**1,048,940**	3,295,509
Royalty		**38,097,535**	25,103,883
Net Loss on foreign currency transactions and translations		**5,178,789**	–
Bank Charges		**12,085,334**	7,014,815
Hire Charges		**3,058,907**	2,123,707
Repairs :			
– Plant & Machinery	**2,165,871**		2,208,450
– Others	**5,310,145**	**7,476,016**	4,076,633
Rent		**19,808,838**	25,232,055
Car Hire Expenses		**276,818,719**	184,458,977
Vehicle Running and Maintenance		**148,810,443**	139,109,854
Other Miscellaneous Expenses		**1,353,507**	2,903,481
Prior Period Expenses		**168,948**	–
		719,548,824	561,034,004

Notes forming part of the Financial Statements – *Contd.*

26. Contingent Liabilities and Commitments (to the extent not provided)

A. Contingent Liability not provided for in respect of:

1. Claims against the Company pending appellate/judicial decisions

   Income Tax ₹ 5,971,359 (2011 - ₹ 3,286,365)

2. The estimated amount of contracts remaining to be executed on capital account and not provided for ₹ 577,000 (2011 - ₹ 6,193,098).

3. Guarantee given by EIH Limited – The Holding Company to HDFC Bank Limited ₹ 60,000,000 (2011 - ₹ 60,000,000)

4. The Company has given Bank Guarantee of ₹ 9,832,000 (2011 - ₹ 10,724,500) to various Government Authorities.

B. Commitments – NIL.

27. Balance with banks held as Margin Money ₹ 439, 983 (2011 - ₹ 432,929) and Bank Deposits for ₹ 61,799,367 (2011 - ₹ 11,796,950) have been lodged with the bank for obtaining guarantees or as deposits.

28. In the opinion of the Board, the assets of the Company other than fixed assets have a value on realization in the ordinary course of business atleast equal to the amount at which they are stated. All known liabilities are accounted for and all Contingent liabilities are disclosed.

29. Based on the decision of Hon'ble High Court of Delhi, Car Rental Services in Delhi are not subject to Delhi Value Added Tax (DVAT). The department has gone into appeal against this decision to Hon'ble Supreme Court. Pending final decision from Hon'ble Supreme Court, the Company has not collected/deposited DVAT from some customers at Delhi.

30. General Description of the Company's operating lease arrangement under Accounting Standard (AS-19) "Leases".

a) The Company has entered into operating lease arrangements for office premises, airport services and residential premises for its employees. Some of the significant terms & conditions of the arrangements are:-

- Agreements may generally be terminated by either party by serving notice period.
- The lease arrangements are generally renewable on expiry subject to mutual agreements.
- The Company shall not sublet, assign or part with possession of premises without prior written consent of lessor.

b) Rent in respect of above has been charged to the Profit and Loss Account under Rent.

c) The year-wise break up of the future minimum lease payments in respect of the leased premises is as under:

Total Future Lease payments as at 31.03.2012	**42,557,994** (37,614,232)
Not Later than one year	**19,025,718** (14,848,338)
Later than 1 year but less than 5 years	**23,532,276** (22,765,894)
Later than 5 years	**Nil** (Nil)

Figures in brackets represent figures for 2011

Notes forming part of the Financial Statements – *Contd.*

31. Depreciation has been provided for in the Accounts on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for:-

a) Vehicles acquired under purchase arrangements with suppliers are amortised over the period of arrangement or sixty months whichever is earlier;

b) Vehicles acquired on lease are depreciated over their respective lease period or forty eight months from date of acquisition whichever is earlier;

c) Trademarks are treated as Intangible Asset and are amortised over a period of one hundred and twenty months being the period of License and Buy/Sell Agreement;

d) Software is treated as Intangible Asset and are amortised over a period of sixty months; and

e) Pre-fabricated/Porta Cabin/renovation of leased premises – Furniture & Fixture are amortised over their lease period.

and the amounts provided are not less than the amount required as per the Companies Act, 1956.

32. Auditor's Remuneration excluding Service Tax include Audit Fees ₹ 362,000 (2011 - ₹ 362,000), Tax Audit Fee ₹ 80,000 (2011 - ₹ 80,000), other matters – certification ₹ 150,000 (2011 - ₹ 163,000), Reimbursement of Expenses ₹ Nil (2011 - ₹ 5,250).

33. The Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). This has resulted in an additional expense as MAT is to be set off against future tax liability, if any and accordingly MAT credit entitlement has been stated under Long-Term Loans & Advances.

34. Other Long-Term Liabilities inter alia include advances received against the residual value of the vehicles in fixed sums which would be adjusted when the vehicle will be transferred/solid to parties.

Notes forming part of the Financial Statements – *Contd.*

35. Gross Block of Fixed Assets includes Assets acquired on financial lease as at 31st March, 2012 aggregating to ₹ 5,533,989 (2011 - ₹ 5,678,252). This includes an amount of ₹ 1,212,198 (2011 - ₹ 7,094,238) being the Assets acquired during the year under finance lease and capitalised in line with the requirement of Accounting Standard (AS-19) 'Leases'. Depreciation for the year includes an amount of ₹ 1,648,239 (2011 - ₹ 1,022,555) being depreciation charged on these Assets.

The year-wise break-up of the outstanding lease obligations in respect of Assets capitalised during the Year are as under:

Description	**(Rupees)**
Vehicles taken on lease	
Total Minimum Lease Payments at the year end.	**4,959,409** (6,211,263)
Present value of Minimum Lease Payments.	**4,203,543** (5,148,679)
Not later than one year	
Minimum Lease Payments.	**1,486,140** (1,503,204)
Present value as on 31st March, 2012	**1,405,872** (1,428,210)
Later than one year but not later than five years	
Minimum Lease Payments.	**3,473,269** (4,708,059)
Present value as on 31st March, 2012	**2,797,671** (3,720,269)
Later than five years	
Minimum Lease Payments.	**Nil** (Nil)
Present value as on 31st March, 2012	**Nil** (Nil)
(a) Contingent rents recognised as expense in the Statement of Profit and Loss for the year.	Nil
(b) The total of future minimum sublease payments expected to be received under non-cancellable subleases at the Balance Sheet date.	Nil

Figures in brackets represent figures for 2011

36. Defined Benefit Plan

36.1 Defined Benefit Plans / Long term compensated absence as on 31st March 2012 as per actuarial valuation using protected unit credit method and recognised in Financial Statements in respect of Employees Benefit Schemes

Sl. No.	**Description**	**Gratuity (Non Funded)**	**Leave Encashment (Non Funded)**
1.	Expense recognised in the Statement of Profit and Loss for the year ended 31st March, 2012		
a.	Current Service cost	**720,982** (626,287)	**1,791,811** (1,727,065)
b.	Interest Cost	**236,792** (174,396)	**491,417** (429,018)
c.	Employee Contributions	–	–
d.	Expected return on plan assets	–	–
e.	Net Actuarial (Gains)/Losses	**65,119** (393,432)	**2,080,819** (1,394,699)
f.	Benefits Paid (net)	**(434,033)** (-595,305)	**(3,305,505)** (-3,132,127)
g.	Past service cost	–	–
h.	Settlement cost	–	–
i.	Total Expense	**588,860** (598,810)	**1,058,542** (418,655)

Notes forming part of the Financial Statements – *Contd.*

Sl. No.	Description	Gratuity (Non Funded)	Leave Encashment (Non Funded)
2.	Net Asset/(Liability) recognised in the Balance Sheet as at 31st March, 2012		
a.	Present value of Defined Benefit Obligation as at 31st March, 2012	**(3,374,648)** (-2,785,788)	**(6,839,924)** (-5,781,382)
b.	Fair Value of plan assets as at 31st March, 2012	–	–
c.	Funded status {Surplus/(Deficit)}	–	–
d.	Net Asset /(Liability) as at 31st March, 2012	**(3,374,648)** (-2,785,788)	**(6,839,924)** (-5,781,382)
3.	Changes in obligation during the year ended 31st March, 2012		
a.	Present value of Defined Benefit Obligation at the beginning of the year	**2,785,788** (2,179,953)	**5,781,382** (5,362,727)
b.	Service Cost	**720,982** (626,287)	**1,791,811** (1,727,065)
c.	Interest Cost	**236,792** (174,396)	**491,417** (429,018)
d.	Settlement Cost	–	–
e.	Past Service Cost	–	–
f.	Employee Contributions	–	–
g.	Actuarial (Gains)/Losses	**(65,119)** (393,432)	**2,080,819** (1,394,699)
h.	Benefit Payments	**434,033** (595,305)	**(3,305,505)** (-3,132,127)
i.	Present value of Defined Benefit Obligation at the end of the year	**3,374,648** (2,785,788)	**6,839,924** (5,781,382)
4.	Change in Assets during the year ended 31st March, 2012		
a.	Plan assets at the beginning of the year	–	–
b.	Assets acquired on amalgamation in the previous year	–	–
c.	Settlements	–	–
d.	Expected return on plan assets	–	–
e.	Contributions by Employer	–	–
f.	Actual benefits paid	–	–
g.	Actuarial Gains/(Losses)	–	–
h.	Plan assets at the end of the year	–	–
i.	Actual return on plan assets	–	–
5.	Major categories of plan assets as a percentage of total plan	Nil	Nil
	Qualifying Insurance Policy	Nil	Nil
6.	Actuarial Assumptions	31st March, 2012	31st March, 2011
a.	Discount rate	8.50%	8.50%
b.	Expected rate of return on plan assets	–	–
c.	Mortality Pre-retirement	As per mortality table of LIC	
d.	Mortality Post-retirement	(1994-96) duly modified	
e.	Turnover rate - up to 30 years of age - up to 44 years of age - above 44 years of age	3.00% 2.00% 1.00%	3.00% 2.00% 1.00%
f.	Future salary increase	6.00%	6.00%

Figures in brackets represent figures for 2011

Notes forming part of the Financial Statements – *Contd.*

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

	Year ended 31st March, 2012		Year ended 31st March, 2011		Year ended 31st March, 2010		Year ended 31st March, 2009	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)	(Unfunded)
	₹	₹	₹	₹	₹	₹	₹	₹
Net Asset/ (Liability) recognised in Balance Sheet (including experience adjustment impact)								
1. Present Value of Defined Benefit Obligation	3,374,648	6,839,924	2,785,788	5,781,382	2,179,953	5,362,727	1,969,409	5,880,212
2. Fair Value of Plan Assets	–	–	–	–	–	–	–	–
3. Status [Surplus/(Deficit)]	(3,374,648)	(6,839,924)	(2,785,788)	(5,781,382)	(2,179,953)	(5,362,727)	(1,969,409)	(5,880,212)
4. Experience Adjustments on Plan Liabilities [Loss/(Gain)]	(75,006)	(2,101,844)	(541,367)	(1,688,513)	218,941	(1,480,126)	49,645	(275,408)
5. Experience Adjustments on Plan Assets [Gain/(Loss)]	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

36.2 Defined Contribution Plans:
The Company makes contribution towards Provident Fund to a defined contribution benefit for qualifying employees. The Provident Fund plans are operated by Regional Provident Fund Commissioner. The Company is required to contribute a specified percentage of payroll cost to retirement benefit schemes to fund the benefits.

37. The primary reporting of the Company has been prepared on the basis of Business Segments. The Company has only one business segment which is Transport/Car Rental related services and as such operates in a single business segment based on its nature of products, the risks and return, the organisation structure and internal financing reporting system. Accordingly, the figures in the Financial Statement relate to the Company's single business segment.

Secondly, segment reporting is prepared on the basis of geographical location of its operations. The operating interests of the Company are confined to India in terms of its operations. Accordingly, the figures in the Financial Statements relate to the reflecting Company's single geographical segment being operations in India.

Notes forming part of the Financial Statements – *Contd.*

38. The details of transactions entered into with related parties during the period are as follows:

(A) Related Parties

a. Holding Company
   EIH Limited

b. Investing party in respect of which the reporting enterprise is an Associate or a Joint Venture
   - i. Avis India Investment Private Limited
   - ii. Avis Asia Limited, UK
   - iii. Avis Budget Services Limited (Formerly Avis Management Services Limited)

c. Fellow Subsidiaries
   - i. Mashobra Resort Limited
   - ii. Mumtaz Hotels Limited
   - iii. Oberoi Kerala Hotels and Resorts Limited
   - iv. EIH Flight Services Limited, Mauritius
   - v. EIH International Limited
   - vi. EIH Holdings Ltd
   - vii. EIH Marrakech Ltd
   - viii. J&W Hongkong Ltd
   - ix. Oberoi Turtle Bay Ltd
   - x. EIHH Corporation Ltd
   - xi. EIH Investments NV
   - xii. EIH Management Services BV
   - xiii. PT Widja Putra Karya
   - xiv. PT Waka Oberoi Indonesia
   - xv. PT Astina Graha Ubud

d. Enterprises over which Key Management Personnel have significant influence
   - i. Island Hotel Maharaj Limited

e. Key Management Personnel
   - i. Mr. T.K. Sibal

Notes forming part of the Financial Statements – *Contd.*

(B) Transactions with Related Parties during the financial year and outstanding balance as on 31st March, 2012:

Nature of Transaction	Holding Company	Investing Party in respect of which reporting enterprise is an associate or a Joint Venture	Fellow Subsidiaries	Enterprise over which Key Management Personnel have Significant Influence
Purchases				
Goods & Services	**Nil** (Nil)			
Fixed Assets	**1,672,650** (Nil)			
Expenses				
Rent and Service Charges				
EIH Ltd.	**5,256,432** (2,377,399)			
Island Hotel Maharaj Ltd.				**252,230** (232,653)
Others - Amount written off				
Avis Budget Services Limited		**407,898** (Nil)		
Royalty				
Avis Budget Services Limited		38,097,535 (25,283,219)		
Interest				
EIH Limited	**684,658** (Nil)			
Sales				
Goods and Services (including Paidout)				
EIH Ltd.	**87,689,916** (47,041,560)			
Island Hotel Maharaj Ltd.				**255,411** (475,655)
Mumtaz Hotels Limited			**401,811** (1,358)	
Mashobra Resorts Limited			**657,531** (356,938)	
Other Income				
Marketing Contribution				
Avis Budget Services Limited	**Nil** (Nil)	**Nil** (362,900)		
Referral Services				
Avis Budget Services Limited		**1,518,159** (1,912,894)		
Outstanding				
– Payables				
For Goods and Services				
– EIH Ltd.	(Nil)			
– Island Hotel Maharaj Ltd.				**22,743** (Nil)
– Avis Budget Services Limited		**17,282,414** (30,528,867)		
Receivables				
For Goods and Services				
– EIH Ltd.	**8,080,160** (13,123,790)			
– Avis Budget Services Limited		**10,723,292** (10,158,262)		
– Island Hotel Maharaj Ltd.				**472,751** (120,230)
– Mashobra Resorts Limited			**684,186** (616,903)	
– Mumtaz Hotels Limited			**1,124,125** (1,126,235)	
Others				
– Guarantees	**60,000,000** (60,000,000)			
Loans taken / repaid				
– Loans taken	10,000,000			
– Loans repaid	10,000,000			
Share Capital raised				
– EIH Limited	**60,000,000** (Nil)			
– Avis India Investments Pvt. Limited		**30,000,000** (Nil)		

Figures in brackets represent figures for 2011

Notes forming part of the Financial Statements – *Contd.*

39. The Company has not received from parties any information/memorandum (as required to be filed by suppliers/vendors with notified authority under Micro, Small and Medium Enterprises Act, 2006) claiming their status as Micro, Small or Medium Enterprises. As such, the Company does not owe any dues on account of principal amount together with interest and, accordingly, no additional disclosures are made. This has been relied upon by the auditors.

40. Foreign exchange exposure not hedged by derivative instrument or otherwise:

	Year ended 31st March **2012**	Year ended 31st March 2011
Sundry Debtors	Rs. **10,723,292** (GBP 131,671)	Rs. 10,158,262 (GBP 139,940)
Sundry Creditors	Rs. **17,282,414** (GBP 212,210)	Rs. 30,258,867 (GBP 416,846)

41. Earnings per Equity Share

	Year ended 31st March **2012** **Rupees**	Year ended 31st March 2011 Rupees
Net Profit/(Loss) as per Profit and Loss Account	**19,291,510**	(16,318,031)
Number of Equity Shares (Weighted Average)	**9,416,665**	4,916,665
Basic and Diluted Earnings per Equity Share in Rupees of face value of ₹ 10	**2.05**	(3.33)

42.1 Earnings in Foreign Currency

	Year ended 31st March **2012** **Rupees**	Year ended 31st March 2011 Rupees
Sales (as certified by the Management)	**48,133,826**	33,832,135

42.2 Expenditure in Foreign Currency (accrual basis)

	Year ended 31st March **2012** **Rupees**	Year ended 31st March 2011 Rupees
Royalty	**38,097,535**	25,103,883
Other Matters	**746,135**	873,276

42.3 CIF Value of Imports

	Year ended 31st March **2012** **Rupees**	Year ended 31st March 2011 Rupees
CIF Value of Imports under EPCG Licence	**Nil**	Nil
CIF Value of Imports – Capital Goods (Capitalised)	**236,698**	4,959,971

43. The previous year figures have been regrouped, rearranged, recast and reclassified wherever necessary to make them comparable to those of current year presentations.

P.R.S. OBEROI *Chairman*

S.S. MUKHERJI
T.K. SIBAL *Directors*

Gurgaon
28th May, 2012

MASHOBRA RESORT LIMITED

BOARD

Mr. Sudripta Roy, *Chairman* Mr. S.K. Dash Dr. Shrikant Baldi	*Nominees of the Government of Himachal Pradesh*

Mr. P.R.S. Oberoi
(Mr. Vikram Oberoi
alternate to Mr. P.R.S. Oberoi)
Mr. S.S. Mukherji
(Mr. S.N. Sridhar
alternate to Mr. S.S. Mukherji)
Mr. T.K. Sibal

Mr. Arjun Oberoi, *Managing Director*

AUDITORS

Ray & Ray, Chartered Accountants
205, Ansal Bhawan, 2nd Floor
16, Kasturba Gandhi Marg
New Delhi 110 001

REGISTERED OFFICE

Hotel Wildflower Hall
Chharabra
Shimla - 171 012

DIRECTORS' REPORT

To

The Members
Mashobra Resort Limited

The Board presents its Seventeenth Annual Report together with the Audited Statement of Accounts and the Auditor's Report in respect of the year ended 31st March, 2012.

The financial highlights of the year under review as compared to the previous year are given below:

	(Rupees in Million)	
	2011-2012	2010-2011
Total Revenue	**217.43**	193.55
Operating Profit before Interest, Depreciation, Taxes, Amortisations and Exceptional Items (EBIDTA)	**67.02**	54.15
Interest	**7.56**	17.20
Depreciation	**25.66**	26.45
Profit/(Loss) before Tax	**33.80**	10.51
Miscellaneous Expenditure Amortised	**0.00**	0.08
Taxation	**1.17**	1.75
Profit/(Loss) after Tax	**32.63**	8.68
Profit/(Loss) Brought Forward from earlier year	**(866.50)**	(875.18)
Profit/(Loss) Carried Over	**(833.87)**	(866.50)

In view of the carry forward loss, no dividend is recommended for the year.

During the Financial Year under review, the Company's Total Revenue was ₹ 217.43 million as compared to ₹ 193.55 million in the previous year. This represents an increase of 12% when compared to the previous year. The Profit for the year before Interest, Depreciation, Taxes and Amortisations was ₹ 67.02 million as compared to ₹ 54.15 million in the previous year.

The various disputes relating to the Company's hotel, Wildflower Hall, between the Joint Venture Partners are now pending in the High Court of Himachal Pradesh under Section 34 of the Arbitration and Conciliation Act, 1996. All rooms of Wildflower Hall are operational and the Orders of the High Court of Himachal Pradesh dated 17th December, 2003, are being complied with.

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, ("the Act"), and based on representations from the Management, the Board states that:

a) in preparing the Annual Accounts, it has followed applicable Accounting Standards and that there are no material departures;

b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at the end of the Financial Year and of the Profit of the Company for that period;

c) the Directors have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the Annual Accounts of the Company on a "going concern" basis.

During the year, Mr. Vikram Oberoi continued as Alternate Director to Mr. P.R.S. Oberoi. In place of Mr. Gautam Ganguli (who had resigned) Mr. S.N. Sridhar has been appointed as Alternate Director to Mr. S.S. Mukherji.

Mr. S.S. Mukherji retires by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

Mr. Sudripta Roy has been appointed by the Board in the casual vacancy caused due to retirement of Ms. Harinder Hira. He shall hold office upto the date of the forthcoming Annual General Meeting in which Ms. Harinder Hira would have retired. Relevant notice and payment of ₹ 500 from a shareholder proposing the appointment of Mr. Sudripta Roy as a Director has been received. The Board recommends appointment of Mr. Sudripta Roy as a regular Director on the Board, liable to retire by rotation.

Energy conservation measures taken during current year include upgrading the Building Management System for energy savings and better monitoring and performance of Heating & Ventilating Air Conditioning System which is under progress and operational control on equipment and lighting so as to save power.

Measures planned for next year include replacement of old boiler with energy efficient boiler.

Foreign Exchange earnings during the year amounted to ₹ 31.52 million as compared to ₹ 30.74 million in the previous year. The outflow of Foreign exchange during the year was ₹ 5.54 million as compared to ₹ 5.33 million in the previous year.

The Auditor's Observations in their report have been fully explained in Note numbers 25(a), 25(f) and 25(n) of the Statement of Accounts and do not call for any further comments.

The Auditors, Ray & Ray, Chartered Accountants, retire at the conclusion of the Seventeenth Annual General Meeting and offer themselves for re-appointment.

Awards won by Wildflower Hall, Shimla are as under:

Award	**Awarded by**
India's Leading Spa Resort	World Travel Awards 2010
Best Leisure Hotels in Asia and the Indian Subcontinent (Ranked 2nd)	*Condé Nast Traveler,* UK, Readers' Travel Awards 2010
Favourite Overseas Hotel Spa: Asia & the Indian Subcontinent (Ranked 2nd)	*Condé Nast Traveler,* UK, Readers' Spa Awards 2010
Favourite Spas in the World (Ranked 6th)	*Condé Nast Traveler,* UK, Readers' Spa Awards, 2010

As the Company continues to have carried forward losses, the Company has not appointed a whole time Secretary.

There are no employees covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

The Board takes this opportunity to thank all employees for their commitment and dedication.

For and on behalf of the Board

ARJUN OBEROI *Managing Director*

T. K. SIBAL *Director*

Shimla
8th May, 2012

AUDITOR'S REPORT

To
The Members of
Mashobra Resort Limited

1. We have audited the attached Balance Sheet of Mashobra Resort Limited as at 31st March, 2012, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. 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.

2. We conducted our audit in accordance with the 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 Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. *Attention is invited to Note 25(a) and Note 25(f) as regards the dispute between Joint Venture Partners and the Company which has been suitably explained therein.*

5. Further to our comments in the Annexure referred to in paragraphs 3 and 4 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 purposes of our audit;

   b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from the examination of such books of account;

   c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account;

   d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   e) on the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Notes thereon and *subject to Note No. 25(o) as regards accounts being approved by the Board & Audit Committee by majority*, 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, 2012;

   ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date;

   iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAY & RAY
Chartered Accountants

ANIL P. VERMA
Partner
Membership Number 90408
Firm Registration No. 301072E

Shimla
8th May, 2012

ANNEXURE TO THE AUDITOR'S REPORT OF MASHOBRA RESORT LIMITED
(Referred to in paragraph 3 of our report of even date)

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased programme of verification of the fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.

   c) During the year no substantial part of the fixed assets have been disposed off by the Company. Therefore, the provisions of clause (i)(c) of paragraph 4 of the aforesaid Order, in our opinion, are not applicable to the Company.

2. a) The inventory has been physically verified during the year by the Management at reasonable intervals.

   b) The procedures for 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.

   c) The Company is maintaining proper records of inventory. Having regard to the size of operation of the Company and nature of inventory held, the discrepancies noticed on physical verification as compared to book records were not material and has been properly dealt with in the books of account.

3. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, clauses (iii)(a) to (d) of paragraph 4 of the aforesaid Order are not applicable to the Company.

   b) The Company had taken unsecured loan from EIH Limited - the Holding Company, a company listed in the Register maintained under Section 301 of the Companies Act, 1956. All such loans have been converted to Advance towards Shares. As such stipulation as regards repayment of Loan & Interest does not arise. The outstanding loan from the Holding Company as at 31st March, 2012 amounts to ₹ Nil (maximum balance during the year ₹ 68,900,000).

   c) In view of our comments in paragraph 3(b) above, the requirements of clause 4 (iii) (f) & (g) of paragraph 4 of the aforesaid Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. Further, during the course of our audit, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system which would require corrective action.

5. a) Based on the audit procedures applied by us and according to the information and explanations provided by the Management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the Register maintained under Section 301 have been so entered/are being entered.

   b) According to the information and explanations given to us, the transactions of purchase of printing material, food & delicatessen items, etc. made in pursuance of contracts or arrangements entered into the Register maintained under Section 301 of the Companies Act, 1956, during the year cannot be compared in absence of market quotations for similar items. It is stated that the goods are made to order according to specification and are/or of specialised nature.

6. The Company has not accepted any deposits from the public. As such requirement of clause (vi) of paragraph 4(vi) of the aforesaid Order is not applicable.

7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.

8. The Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956.

9. a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Service Tax, Excise Duty and Cess were outstanding as at 31.03.2012 for a period of more than six months from the date they became payable.

   b) According to the information and explanations given to us, there are no dues of Income Tax, Wealth Tax and Cess which have not been deposited on account of any dispute. However, according to information and explanations given to us, the following dues of Service Tax and Sales Tax have not been deposited by the Company on account of disputes:

Name of the Statute	**Nature of dues**	**Amount (in ₹)**	**Period to which the amount relates**	**Forum where the dispute is pending**
Service Tax	Service Tax Demanded	5,163,974	Financial year 2004-05 to 2008-09	Customs, Excise & Service Tax Appellate Tribunal
HP VAT	Sales Tax Demanded	3,547,522	Financial year 2007-08 & 2008-09	Additional Excise & Taxation Commissioner

10. The accumulated losses of the Company are more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit. The Company incurred cash losses in the immediately preceding financial year.

11. Based on our audit procedures and on the information and explanations given by the Management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution/bank.

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities. Therefore, the provisions of clause (xii) of paragraph 4 of the aforesaid Order are not applicable to the Company.

13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the aforesaid Order are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the aforesaid Order are not applicable to the Company.

15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.

16. On the basis of review of utilisation of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company were applied for the purposes for which they were obtained.

17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments except permanent working capital and for financing cash losses.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year. Therefore, the provisions of clause (xviii) of paragraph 4 of the aforesaid Order are not applicable to the Company.

19. The Company has not issued any debentures during the year under audit. Accordingly, the provisions of clause (xix) of paragraph 4 of the aforesaid Order are not applicable to the Company.

20. The Company has not raised any money by way of public issue during the year. Therefore, the provisions of clause (xx) of paragraph 4 of the aforesaid Order are not applicable to the Company.

21. During the course of our examination of the books of accounts carried out in accordance with Generally Accepted Auditing Practices, we have neither come across any instance of fraud on or by the Company nor have we been informed of any such case by the Management.

For RAY & RAY
Chartered Accountants
Firm Registration No. 301072E

ANIL P. VERMA
Partner
Membership Number 90408

Shimla
8th May, 2012

Balance Sheet as at 31st March, 2012

			As at 31st March		
			2012		2011
I EQUITY AND LIABILITIES	Notes	**Rupees**	**Rupees**	Rupees	Rupees
1. SHAREHOLDERS' FUNDS					
a) Share Capital	2	**330,000,000**		330,000,000	
b) Reserves and Surplus	3	**(833,869,750)**		(866,498,486)	
			(503,869,750)		(536,498,486)
2. ADVANCE TOWARDS SHARES (Note 25(a))			**1,361,925,454**		1,293,025,454
3. NON CURRENT LIABILITIES					
a) Long Term Borrowings	4	**6,006,596**		25,571,704	
b) Other Long Term Liabilities	5	**155,006**		80,848	
c) Long Term Provisions	6	**772,540**		1,056,618	
			6,934,142		26,709,170
4. Current Liabilities					
a) Trade Payables	7	**5,867,932**		5,512,558	
b) Other Current Liabilities	8	**36,310,577**		95,727,702	
c) Short Term Provisions	9	**197,325**		204,138	
			42,375,835		101,444,398
Total			**907,365,680**		884,680,536
II ASSETS					
1. NON CURRENT ASSETS					
a) Fixed Assets	10				
i) Tangible Assets					
Gross Block		**886,748,218**		886,381,068	
Less : Depreciation		**279,201,948**		256,632,286	
Net Block		**607,546,271**		629,748,781	
ii) Intangible Assets		**–**		14,572	
iii) Capital Work-in-Progress		**346,007**		346,007	
		607,892,278		630,109,361	
b) Deferred Tax Asset (Net)	11	**74,342,627**		75,512,574	
c) Long Term Loans and Advances	12	**1,371,788**		578,114	
d) Other Non-Current Assets	13	**–**		6,435,000	
			683,606,692		712,635,048
2. CURRENT ASSETS					
a) Inventories	14		**12,815,088**		11,688,766
b) Trade Receivables	15		**6,480,343**		5,262,071
c) Cash and Bank Balances	16		**191,302,601**		143,830,983
d) Short Term Loans and Advances	17		**3,456,082**		5,611,457
e) Other Current Assets	18		**9,704,873**		5,652,211
Total			**907,365,680**		884,680,536
Significant Accounting Policies	1				

The notes are an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date.

For RAY & RAY
Chartered Accountants
Firm's Registration No. 301072E

ANIL P. VERMA
Partner
Membership Number 90408

Shimla
8th May, 2012

ARJUN OBEROI — *Managing Director*

T.K. SIBAL — *Directors*

Profit and Loss Account for the year ended 31st March, 2012

		Notes	Year ended 31st March 2012 Rupees	2011 Rupees
INCOME				
I	Revenue from Operations	19	**201,501,528**	183,602,072
II	Other Income	20	**15,929,863**	9,948,028
III	**Total Revenue (I+II)**		**217,431,391**	193,550,099
IV	Expenses			
	Cost of Materials Consumed	21	**19,800,473**	17,385,965
	Employee Benefits Expenses	22	**38,915,048**	38,514,369
	Finance Costs	23	**7,559,296**	17,195,741
	Depreciation and Amortisation Expenses		**25,662,172**	26,447,099
	Other Expenses	24	**91,695,720**	83,574,979
	Total Expenses		**183,632,708**	183,118,152
V	**Profit before Exceptional and Extraordinary Items & Taxation (III-IV)**		**33,798,683**	10,431,947
VI	Exceptional Items		**–**	–
VII	Profit before Extraordinary Items & Taxation (V-VI)		**33,798,683**	10,431,947
VIII	Extraordinary Items		**–**	–
IX	Profit before Taxation (VI-VIII)		**33,798,683**	10,431,947
X	Tax Expense			
	(1) Current Tax		**–**	–
	(2) Deferred Tax		**(1,169,947)**	(1,750,404)
XI	Profit for the period (IX-X)		**32,628,736**	8,681,543
XII	Earnings per Equity Share			
	(1) Basic		0.99	0.26
	(2) Diluted		0.99	0.26

The notes are an integral part of these Financial Statements.

This is the Profit & Loss Account referred
to in our report of even date.

For RAY & RAY
Chartered Accountantss
Firm's Registration No. 301072E

ANIL P. VERMA
Partner
Membership Number 90408

Shimla
8th May, 2012

ARJUN OBEROI *Managing Director*

T.K. SIBAL *Directors*

Cash Flow Statement

		Year ended 31st March 2012 Rupees	2011 Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit/(Loss) before Tax	**33,798,683**	10,431,947
	Depreciation	**25,662,172**	26,447,099
	Liabilities and provisions written back	**(434,896)**	(211,372)
	Loss on Sale/Discard of Fixed Assets (Net)	**1,080,937**	–
	Profit on Sale of Fixed Assets (Net)	**–**	(23,367)
	Interest Received	**(14,739,948)**	(9,240,125)
	Preliminary Expenditure	**–**	79,545
	Interest Paid	**7,559,296**	17,195,741
	Prior Period Expenses	**–**	112,315
	Operating Profit before Working Capital Changes	**52,926,243**	44,791,783
	Trade & Other Receivables	**(1,071,137)**	(28,726)
	Inventories	**(1,126,322)**	1,374,553
	Trade Payables	**1,510,226**	(3,181,954)
	Cash Generated from Operations	**52,239,011**	42,955,656
	Interest Paid	**(9,560,667)**	(19,203,717)
	Payment of Direct Taxes	1,200,697	(374,995)
	Cash Flow before Extraordinary Items	**43,879,041**	23,376,944
	Net cash from Operating Activities	**43,879,041**	23,376,944
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(5,608,923)**	(3,965,261)
	Sale/Adjustment of Fixed Assets	**1,736,770**	12,500
	Interest Received	**10,701,154**	3,649,587
	Net cash used in Investing Activities	**6,829,001**	(303,174)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Advance towards shares	**68,900,000**	79,396,597
	Term Loans	**(78,571,424)**	(78,571,424)
	Net Cash used in Financing Activities	**(9,671,424)**	825,173
	Net Increase in Cash & Cash Equivalents (A+B+C)	**41,036,618**	23,898,943
	Cash and Cash Equivalents at beginning of year	**150,265,983**	126,367,040
	Cash and Cash Equivalents at end of year	**191,302,601**	150,265,983

Notes :

1. The Cash Flow Statement has been prepared in indirect method.
2. Cash and Cash Equivalents represent Cash and Bank Balances. Cash & Bank Balances include ₹ 154,785,467 [excluding interest] (2011 - ₹ 127,359,436) deposited in a separate Bank Account in terms of Hon'ble Himachal Pradesh High Court Order.
3. Cash and Cash Equivalents of 2011 include ` 6,435,000 representing non current fixed deposits disclosed as 'Other Non Current Assets' in the Balance Sheet.
3. Additions to Fixed Assets are stated inclusive of movements of Capital Work-in-Progress between the beginning and the end of the period and treated as a part of the Investing Activities.

This is the Cash Flow Statement referred to in our report of even date.

For RAY & RAY
Chartered Accountants
Firm's Registration No. 301072E

ANIL P. VERMA
Partner
Membership Number 90408

Shimla
8th May, 2012

ARJUN OBEROI *Managing Director*

T.K. SIBAL *Directors*

Notes to the Account

1
SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared to comply in all material aspects with the Companies Accounting Standard Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standard and the relevant provisions of the Companies Act, 1956.

The presentation of Financial Statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the Financial Statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual and estimates are recognised in the period in which the results are known/materialised.

USE OF ESTIMATES

In preparing the Financial Statements in conformity with accounting principles generally accepted in India, Management is required tomake estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the Financial Statements and the amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to such estimates is recognised in the period the same is determined.

ACCOUNTING CONVENTION AND REVENUE RECOGNITION

The Financial Statements have been prepared under the Historical Cost Convention. Both income and expenditure items are recognised on accrual basis.

PRIOR PERIOD ADJUSTMENTS, EXTRA ORDINARY ITEMS & CHANGES IN ACCOUNTING POLICIES

Prior period adjustments, extra ordinary items & changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

FIXED ASSETS

Fixed Assets are stated at cost of acquisition and subsequent improvement thereto inclusive of tax, duties, freight and other incidental expenses relating to acquisition, improvement and installation. Interest during construction period on borrowings to finance Fixed Assets is capitalised.

FINANCE LEASES

In respect of assets acquired on or after 1st April, 2001, the same are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the interest charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Interest component is charged to the Profit and Loss Account.

DEPRECIATION

Depreciation on Fixed Assets other than leased vehicles is provided for on Straight Line Method and at the rates which are in conformity with Schedule XIV of the Companies Act, 1956. Vehicles acquired on lease are depreciated over their respective lease period. Computer Software are being amortised over a period of Thirty six months.

INTANGIBLE ASSETS

Intangible assets are stated at cost of acquisition less accumulated depreciation. Computer Software is amortised over a period of Thirty six months. Amortisation is done on the straight line method.

INVENTORIES

Inventories are valued at cost which is based on First-in-First-out method or net realisable value, whichever is lower. Unserviceable/ damaged/discarded stocks and shortages are charged to the Profit and Loss Account. Goods-in-transit are valued at cost.

TRANSACTIONS IN FOREIGN CURRENCY

a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.

b) Monetary items outstanding at the Balance Sheet date are translated at the exchange rate prevailing at the Balance Sheet date and the difference is recognised as income or expenses.

Notes to the Account — *Contd.*

EMPLOYEE BENEFITS

Employee benefits are provided for in the accounts on accrual basis in the following manner:

(i) Gratuity – Maintained as a defined benefit retirement plan and contribution is made to the Life Insurance Corporation of India, as per the company's scheme in respect of executives. For other employees, as per actuarial valuation on the Projected Unit Credit method.

(ii) Leave Encashment on retirement/separation - As per actuarial valuation on Projected Unit Credit method.

(iii) Provident Fund – Liability on account of Provident Fund is a Defined Contribution Scheme where the contribution is made to a fund administered by the Government Provident Fund Authority.

BORROWING COST

Borrowing costs that are attributable to the acquisition/construction of Fixed Assets are capitalised as part of the cost of the respective Assets. Other borrowing costs are recognised as expenses in the year in which they arise.

SALES / INCOME

Sales/Income are exclusive of taxes *viz.* Sales tax, Service tax, Luxury tax, etc.

TAXES ON INCOME

Current tax is determined on the amount of tax payable in respect of taxable income for the year.

The Deferred tax charge or credit is accounted in accordance with Accounting Standard (AS-22) - "Accounting for Taxes on Income" notified pursuant to the Companies (Accounting Standard) Rules, 2006. Where there is unabsorbed depreciation or carry forward losses deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred Tax assets/liabilities are reviewed at each Balance Sheet date based on developments during the year and available case laws, to reassess realisation/liabilities.

MISCELLANEOUS EXPENDITURE

Deferred Revenue Expenditure (Pre-opening Expenses) incurred prior to the date of Accounting Standard on Intangible Assets (AS-26) issued by the Institute of Chartered Accountants of India becoming mandatory, are being amortised over a period of sixty months.

Preliminary Expenses incurred prior to the date of Accounting Standard on Intangible Assets (AS-26) issued by the Institute of Chartered Accountants of India becoming mandatory, are amortised over a period of one hundred and twenty months from the date of commencement of operations.

CONTINGENT LIABILITIES

Contingencies are disclosed. Loss/Contingencies arising from claims, litigation, assessment, etc. are recorded when it is probable that liability has been incurred and the amount can be reasonably estimated.

Notes to the Account — *Contd.*

	Rupees	As at 31st March **2012** **Rupees**	2011 Rupees
2			
SHARE CAPITAL			
AUTHORISED			
50,000,000 Equity Shares of ₹ 10 each		**500,000,000**	500,000,000
		500,000,000	500,000,000
ISSUED, SUBSCRIBED, CALLED & PAID UP			
33,000,000 Equity Shares of ₹ 10 each fully paid up		**330,000,000**	330,000,000
		330,000,000	330,000,000

(a) Reconciliation of number of shares

	As at 31st March 2012		As at 31st March, 2011	
	No. of shares	**Amount**	No. of shares	Amount
Balance at the beginning of the year	**33,000,000**	**330,000,000**	33,000,000	330,000,000
Add/Less: Movement during the year	**–**	**–**	–	–
Balance at the end of the year	**33,000,000**	**330,000,000**	33,000,000	330,000,000

(b) Rights, preferences and restrictions attached to the shares

The Company has one class of equity shares having face value of ₹ 10 per share ith equal voting rights.

(c) Shares held by the Holding Company

	As at 31st March, 2012	As at 31st March, 2011
25,999,995 Equity Shares (2011 - 25,999,995 Equity Shares) are held by the holding Company, EIH Limited	**259,999,950**	259,999,950

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares of the Company

	As at 31st March, 2012		As at 31st March 2011	
	Number of Shares	**Holding %**	Number of Shares	Holding %
EIH Limited	**25,999,995**	**78.79%**	25,999,995	78.79%
Government of Himachal Pradesh	**7,000,000**	**21.21%**	7,000,000	21.21%

(e) 6,999,997 Equity Shares were allotted as fully paid up pursuant to a contract without payment being received in cash on 22nd March, 1997.

	As at 31st March **2012** **Rupees**	2011 Rupees
3		
RESERVES & SURPLUS		
Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	**(866,498,486)**	(875,180,029)
Profit for the year	**32,628,736**	8,681,543
Less: Appropriations	–	–
Balance at the end of the year	**(833,869,750)**	(866,498,486)

Notes to the Account — *Contd.*

	As at 31st March 2012 Rupees	As at 31st March 2011 Rupees
4		
LONG TERM BORROWINGS		
(i) SECURED (Note 4a)		
Term Loan from ICICI Bank Limited	**–**	19,642,856
Long Term maturities of finance lease obligation	**1,006,596**	928,848
	1,006,596	20,571,704
(ii) Unsecured (Note 4b)		
Government of Himachal Pradesh	**5,000,000**	5,000,000
	5,000,000	5,000,000
Total	**6,006,596**	25,571,704

(a) Particulars of security and terms of repayment for secured borrowing

Name of the Lender		Nature of security	Terms of repayment
(i)	Term loan from ICICI Bank Limited	Secured by a first charge on all immovable, movable properties and current assets (including book-debts) of the Company, both present and future. Further secured by way of an unconditional and irrevocable Corporate Guarantee aggregating to ₹ 550,000,000 by EIH Limited, the holding Company.	The loan is repayable in 28 equal quarterly instalments. The last instalment is due on 15th April, 2012.
(ii)	Finance lease obligations	The motor vehicles registered under the Motor Vehicles Act, 1989 with L&T Finance Limited and OAIS Auto Financial Services Limited.	Monthly equated lease rentals over the respective period of lease of 36, 48 or 60 months.
(b)	Terms of repayment of unsecured borrowings	Unsecured	Repayable at the option of the Company.

	As at 31st March 2012 Rupees	As at 31st March 2011 Rupees
5		
OTHER LONG TERM LIABILITIES		
(i) TRADE PAYABLES (UNSECURED)		
Total Outstanding Dues of Micro Enterprises & Small Enterprises	**–**	–
Total Outstanding Dues of Creditors other than Micro Enterprises & Small Enterprises	**–**	–
	–	–
(ii) Other Payables (Unsecured)		
Liability for Capital Expenditure	**155,006**	80,848
Security Deposit	**–**	–
	155,006	80,848

Notes to the Account — *Contd.*

	As at 31st March 2012 Rupees	2011 Rupees
6		
LONG TERM PROVISIONS		
A Provision for Employee Benefits		
(i) Leave Encashment	**642,098**	555,977
(ii) Gratuity	**130,442**	500,641
B Other Provisions	**–**	–
	772,540	1,056,618

	2012 Rupees	2011 Rupees
7		
TRADE PAYABLES (Unsecured)		
(i) Total Outstanding Dues of Micro Enterprises & Small Enterprises	**–**	–
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises & Small Enterprises	**5,867,932**	5,512,558
	5,867,932	5,512,558

There are no Micro, Small and Medium Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006 to whom the Company owes dues.

	2012 Rupees	2011 Rupees
8		
OTHER CURRENT LIABILITIES		
A Current maturities of Long Term Debt		
Term Loan from ICICI Bank Limited (Refer Note 4 above)	**19,642,888**	78,571,456
B Current maturities of Finance Lease Obligations (Refer Note 4 above)	**421,420**	376,969
C Interest Accrued but not due on borrowings	**508,600**	2,509,971
D Advance from customers	**1,659,488**	1,544,193
E Other Payables		
Retention Money	5,432,879	4,700,623
Statutory Liabilities	**1,764,383**	1,645,270
Other Liabilities	**6,652,078**	6,188,412
Book overdraft	**228,841**	190,808
	36,310,577	95,727,702

	2012 Rupees	2011 Rupees
9		
SHORT TERM PROVISIONS		
A Provision for Employee Benefits		
(i) Leave Encashment	**163,687**	105,803
(ii) Gratuity	**33,638**	98,335
B Other Provisions	**–**	–
	197,325	204,138

Notes to the Account — *Contd.*

19
FIXED ASSETS

	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Cost as at 31st March, 2011	Additions	Sales/ Adjustments	Cost as at 31st March, 2012	As at 31st March, 2011	For the period	Sales/ Adjustments	As at 31st March, 2012	**As at 31st March, 2012**	As at 31st March, 2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	**Rupees**	Rupees
TANGIBLE ASSETS										
Freehold Land	74,405,229	–	–	74,405,229	–	–	–	–	**74,405,229**	74,405,229
Building	449,953,071	–	–	449,953,071	72,534,415	7,333,559	–	79,867,974	**370,085,097**	**377,418,656**
Sanitary Installation	32,732,859	–	–	32,732,859	5,167,671	533,251	–	5,700,922	**27,031,937**	27,565,187
Plant & Machinery	258,230,727	3,667,311	2,113,571	259,784,467	118,532,658	13,158,480	1,108,494	130,582,644	**129,201,823**	139,698,068
Office Equipment	1,089,452	–	–	1,089,452	497,993	51,557	–	549,550	**539,903**	591,460
Computers	11,636,078	1,032,255	98,452	12,569,881	9,579,753	763,314	98,451	10,244,616	**2,325,265**	2,056,324
Furniture, Fixtures & Fittings	51,614,937	983,515	–	52,598,452	47,795,342	3,003,724	–	50,799,066	**1,799,385**	3,819,595
Vehicles given on operating lease	2,602,888	–	2,602,888	–	609,952	151,912	761,864	–	**–**	1,992,936
Vehicles Others	1,635,918	–	–	1,635,918	684,499	130,150	–	814,649	**821,269**	951,419
Tangible Assets-Own (A)	883,901,159	5,683,081	4,814,911	884,769,329	255,402,283	25,125,947	1,968,809	278,559,421	**606,209,908**	628,498,875
Assets taken on Finance Lease Leased Vehicles (Note 25(4))	2,479,909	1,140,000	1,641,020	1,978,889	1,230,004	521,652	1,109,129	642,526	**1,336,363**	1,249,906
Tangible Assets Leased (B)	2,479,909	1,140,000	1,641,020	1,978,889	1,230,004	521,652	1,109,129	642,526	**1,336,363**	1,249,906
INTANGIBLE ASSETS - OWN										
Computer Software	797,552	–	–	797,552	782,980	14,572	–	797,552	**–**	14,572
Intangible Assets-own (C)	797,552	–	–	797,552	782,980	14,572	–	797,552	**–**	14,572
Grand Total (A+B+C)	887,178,620	6,823,081	6,455,931	887,545,770	257,415,266	25,662,172	3,077,938	279,999,500	**607,546,271**	629,763,352
Capital Work-in-Progress (at cost) Including Uninstalled Machinery	346,007	–	–	346,007	–	–	–	–	**346,007**	346,007
Total	887,524,627	6,823,081	6,455,931	887,891,777	257,415,266	25,662,172	3,077,938	279,999,500	**607,892,278**	630,109,349
Previous Year	883,660,348	4,687,936	823,657	887,524,627	231,485,587	26,447,099	517,418	257,415,268	**630,109,359**	

1) The Company has taken over Wildflower Hall premises comprising land, trees, building and other structures at a value of ₹ 75,005,229. The value of Wildflower Hall has been allocated to the building at ₹ 600,000 on a fair basis as determined by a competent valuer and the balance of ₹ 74,405,229 has been taken as residual value of the land.

2) Depreciation has been provided in the accounts on "Straight Line Method" at the rate prescribed Schedule XIV to the Companies Act, 1956 except for specific Asset stated below, where different rates are applied which are not less than those prescribed under the Companies Act, 1956 Leased Vehicle over their respective lease period of 36,48 or 60 months.

Notes to the Account — *Contd.*

	As at 31st March 2012 Rupees	2011 Rupees
11		
DEFERRED TAX ASSETS		
Deferrd Tax Assets		
Unabsorbed Depreciation	**183,014,209**	187,371,690
Provisionfor gratuity and leave encashment	**314,673**	418,792
	183,328,882	187,790,482
Deferred Tax Liabilities		
Depreciation	**108,986,255**	112,277,908
	108,986,255	112,277,908
Total	**74,342,627**	75,512,574

The Company expects further Profit in future years based on current trends and improvement in travel and tourism industry. Accordingly the Company expects that sufficient future taxable income will be available against which deferred tax assets on account of unabsorbed depreciation amounting to ₹ 183,014,209 will be realised in future. As a matter of prudence, the Company on the basis of conservative business estimates has not recognised Deferred Tax Asset of ₹ 126,266,049 (2011 - ₹ 196,339,010) relating to carry forward of Business Losses incurred as at 31st March, 2012.

	2012	2011
12		
LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
(i) Capital Advances	**326,892**	46,680
(ii) Security Deposits	**792,049**	487,930
(iii) Prepaid Expenses	**252,847**	43,504
	1,371,788	578,114
13		
OTHER NON CURRENT ASSETS		
Long term deposits with banks having maturity period more than 12 months		
Fixed Deposits with Banks (Note 25(f))	–	6,435,000
	–	6,435,000
14		
INVENTORIES		
(a) Inventories		
(i) Provisions, Stores, Wines & Smokes	**4,310,228**	3,428,411
(ii) Crockery, Cutlery, Chinaware, Glassware, Linen etc.	**5,048,093**	4,934,965
(iii) Other Stores	**3,456,767**	3,325,391
	12,815,088	11,688,766

(b) Inventories are valued at cost which is based on First-in-First-out method or net realisable value, whichever is lower. Unserviceable/damaged/discarded stocks and shortages are charged to the Profit and Loss Account. Goods-in-transit are valued at cost.

Notes to the Account — *Contd.*

		As at 31st March	
		2012	2011
		Rupees	Rupees
15			
TRADE RECEIVABLES (Unsecured)			
A.	Considered Good		
	Outstanding for a period of more than 6 months from the date they are due for payment	**–**	–
	Other Debts	**6,480,343**	5,262,071
B.	Considered Doubtful		
	Less: Provision for Doubtful Debts	**–**	–
		6,480,343	5,262,071
16			
CASH & BANK BALANCES			
(i)	Cash on hand	**208,673**	173,500
(ii)	Cheques on hand	**653,926**	152,840
(iii)	Bank Balances		
	In Current Accounts	**1,379,049**	752,801
	In fixed deposits with less than 3 months maturity*	**59,041,472**	40,561,854
	In margin money	**489,600**	–
(iv)	Other Bank Balances		
	Balance in Fixed Deposit Accounts having more than 3 months but less than 12 months maturity (Note 25(f))	**129,529,881**	102,189,988
		191,302,601	143,830,983

*Includes ₹ 54,993,612 (2011 - ₹ 38,083,739) kept in fixed deposits with a nationalised bank in accordance with High Court order dated 17th December, 2003 with a nationalised bank 9Refer note 25(f)).

17			
SHORT TERM LOANS AND ADVANCES			
A	Advance recoverable in cash or in kind or for value to be received		
	(i) From Related Parties	**5,692**	–
	(ii) From Others	**256,635**	814,086
B	Prepaid Expenses	**1,703,337**	2,129,424
C	Income Tax Refundable	**1,481,990**	2,659,518
D	Sundry Deposits - Considered Good	**8,428**	8,428
		3,456,082	5,611,457
18			
OTHER CURRENT ASSETS			
(i)	Other Receivables	**85,212**	48,176
(ii)	Interest Accrued	**9,619,660**	5,604,035
		9,704,873	5,652,211

Notes to the Account — *Contd.*

	Year ended 31st March 2012 Rupees	2011 Rupees
19		
REVENUE FROM OPERATIONS		
Income from Guest Accommodation, Restaurants, Bars & Banquets etc.		
Rooms	**113,571,521**	108,287,243
Food & Beverages	**64,635,159**	53,468,562
Other Services	**23,294,848**	21,846,267
	201,501,528	183,602,072
20		
OTHER INCOME		
Interest from banks (Tax deducted at source - ₹ 23,169 (2011 - ₹ 2,544)	**14,739,948**	9,240,125
Interest from others	**191,784**	–
Others	**563,235**	473,163
Profit on Sale of Fixed Assets (Net)	**–**	23,367
Liabilities and provisions written back (includes ₹ 395,354 for prior period adjustment in provision for gratuity)	**434,896**	211,372
	15,929,863	9,948,028
21		
COST OF MATERIALS CONSUMED		
Opening Stock	**3,428,411**	3,211,752
Add : Purchases	**20,682,290**	17,602,624
	24,110,701	20,814,376
Less : Closing Stock	**4,310,228**	3,428,411
Consumption	**19,800,473**	17,385,965
22		
EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages & Bonus	**35,300,240**	34,822,431
Company's Contribution towards Provident Fund	**1,620,811**	1,468,974
Provision for Leave Encashment	**438,815**	510,542
Provision for Gratuity	**–**	281,059
Workmen and Staff Welfare Expenses	**1,555,182**	1,431,364
	38,915,048	38,514,369
23		
FINANCE COSTS		
Interest on borrowing		
– From Banks	**7,238,639**	16,763,290
– From others	**320,657**	432,451
	7,559,296	17,195,741

Notes to the Account — *Contd.*

	Year ended 31st March 2012 Rupees	2011 Rupees
24		
OTHER EXPENSES		
A. UPKEEP & SERVICE COST		
Linen, Uniform Washing & Laundry Expenses	**594,005**	589,256
Expenses on Apartment & Board	**6,001,959**	5,189,311
Power & Fuel	**24,800,399**	22,384,896
Renewals & Replacements	**2,858,313**	2,428,806
Repair & Maintenance - Building	**14,531,706**	3,937,779
- Plant & Machinery	**4,331,133**	6,007,926
- Others	**3,773,176**	5,645,721
	56,890,692	46,183,695
B. ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Expenses for contractual services	5,106,132	4,516,730
Rent	**1,199,115**	1,183,409
Advertisement, Publicity & Other Promotional Expenses	**2,971,178**	7,156,694
Printing & Stationery	**840,482**	756,868
Insurance	**782,570**	983,989
Passage & Travelling	**4,138,759**	3,873,918
Postage, Telephone & Telex	**962,407**	965,733
Subscriptions	**717,249**	949,743
Water Charges	**5,865,297**	5,229,015
Commission to Travel Agents and others	**5,736,213**	4,849,192
Auditor's Remuneration		
– Audit Fees	**21,000**	21,000
– For taxation matters	**15,000**	15,000
– For reimbursement of expenses	**13,972**	12,472
Loss on Sale/Discard of Assets (Net)	**1,080,937**	–
Loss on exchange (Net)	**73**	12,277
Legal & Professional	**763,088**	3,148,721
Donation	**–**	18,000
Rates & Taxes	**1,871,084**	1,342,416
Musical, Banquet & Kitchen Expenses	**1,672,170**	1,386,224
Provision/write off, debts & advances	–	–
Prior Period Expenses	**–**	112,315
Other Expenses	**1,048,302**	857,569
	34,805,028	37,391,284
	91,695,720	83,574,979

Notes to the Account — *Contd.*

25
NOTES TO THE ACCOUNT

a) All advances received from EIH Limited, its holding Company, have been shown as "Advance towards Shares" as the Company intends to issue shares against the said advances without allotment, pending settlement of inter se legal issues between Government of Himachal Pradesh and EIH Limited in relation to the Company.

Accordingly the Company has disclosed a further sum of ₹ 68,900,000 (2011 - ₹ 157,396,604) during the year as "Advance towards Shares".

b) The estimated amount of contracts remaining to be executed on Capital Account and not provided for ₹ 1,263,086 (2011 - ₹ 1,193,030).

c) Contingent Liabilities not provided for in respect of :

Claims against the Company not acknowledged as debts ₹ 5,163,974 in respect of a service tax case which is pending before Customs, Excise & Service Tax Appellate Tribunal and ₹ 3,547,522) in respect of a sales tax case pending before Additional Excise & Taxation Commissioner (2011 - ₹ Nil).

d) **Leases**

Fixed Assets acquired on Finance Lease amounted to ₹ 1,978,889 (2011 - ₹ 2,479,909), being the Assets acquired between 1st April, 2001 to 31st March 2012. This includes an amount of ₹ 1,140,000 (2011 - ₹ 650,750) being the Assets acquired during the year under Finance Lease and capitalised in line with the requirements of Accounting Standard (AS-19). Depreciation for the year includes an amount of ₹ 521,652 (2011 - ₹ 549,643) being depreciation charged on the Assets.

The year-wise break up of outstanding lease obligations as on 31.03.2012 in respect of these Assets capitalised during the year are as under:-

	(Rupees)
Vehicles taken on Lease	
Total Minimum Lease Payments as at 31.03.2012	**2,067,738** (1,882,991)
Present value of Minimum Lease Payments as at 31.03.2012	**1,428,016** (1,305,817)
Not later than one year	
Minimum Lease Payments	**668,211** (600,719)
Present value as on 31.03.2012	**421,419** (376,968)
Later than one year but not later than 5 years	
Minimum Lease Payments	**1,399,527** (1,282,272)
Present value as on 31.03.2012	**1,006,597** (928,849)
Later than 5 Years	
Minimum Lease Payments	**Nil**
Present value as on 31.03.2012	**Nil**
Contingent Rent recognised as expenses in the Statement of Profit and Loss for the period	**Nil**
The total future minimum sublease payments expected to be received under non-cancellable sublease at the Balance Sheet	**Nil**

(Figures in brackets represent figures for 2011)

Notes to the Account — *Contd.*

e) Long Term Defined Benefit Plans in respect of Gratuity and Compensated Absences on 31st March, 2012 as per Actuarial Valuation using Projected Unit Credit Method and recognised in the Financial Statements in respect of Employee Benefit Schemes:

		Gratuity	Year ended 31st March, 2012	Year ended 31st March 2011
I		**Components of Employer Expense**		
	(a)	Current Service Cost	98,487	144,303
	(b)	Interest Cost	12,693	35,866
	(c)	Expected Return on Plan Assets	-	-
	(d)	Curtailment Cost / (Credit)	-	-
	(e)	Settlement Cost / (Credit)	-	-
	(f)	Past Service Cost	-	-
	(g)	Actuarial (Gains) / Losses	(47,510)	100,890
	(h)	Liability no longer required	(63,670)	
	(i)	Total expense/(gain) recognised in the Profit & Loss Account	–	281,059
II		**Net Asset / (Liability) recognised in Balance Sheet as at 31st March, 2012**		
	(a)	Present Value of Defined Benefit Obligation	164,080	598,976
	(b)	Fair Value of Plan Assets	-	-
	(c)	Status [Surplus/(Deficit)]	(164,080)	(598,976)
	(d)	Unrecognised Past Service Cost	-	-
	(e)	Net Asset / (Liability) recognised in Balance Sheet	164,080	598,976
III		**Changes in Defined Benefit Obligations (DBO) during the year ended on 31st March, 2012**		
	(a)	Present value of DBO as at 31st March 2011	598,976	551,571
	(b)	Current Service Cost	98,487	144,303
	(c)	Interest Cost	12,693	35,866
	(d)	Curtailment Cost/(Credit)	-	-
	(e)	Settlement Cost/(Credit)	-	-
	(f)	Plan Amendments	-	-
	(g)	Acquisitions	-	-
	(h)	Actuarial (Gains)/Losses	(47,510)	100,890
	(i)	Benefits Paid	(103,212)	(233,654)
	(j)	Liability no longer required	(395,354)	–
	(k)	Present Value of DBO as at 31st March, 2012	164,080	598,976
IV		**Changes in Fair Value of Assets during the year ended 31st March, 2012**		
	(a)	Plan Assets as at 31st March, 2011	-	-
	(b)	Acquisition Adjustment	-	-
	(c)	Actuarial Return on Plan Assets	-	-
	(d)	Actuarial Gains/(Losses)	-	-
	(e)	Actual Company Contribution	103,212	233,654
	(f)	Benefits Paid	(103,212)	(233,654)
	(g)	Plan Assets as at 31st March, 2012	-	-
V		**Investments Details**		
		Invested with LIC Group Gratuity Scheme		
VI		**Actuarial Assumptions**		
	(a)	Discounting Rate (%)	8.75%	8.35%
	(b)	Expected rate of return	–	–
	(c)	Salary Escalation (%)	5.50%	5.50%
	(d)	Mortality	IIndian assured lives mortality (1994-96) (modified) Ultimate	

Notes to the Account — *Contd.*

(VII)	Net Asset/(Liability) recognised in Balance Sheet (including experience adjustment impact)	Year ended 31st March 2012	Year ended 31st March 2011	Year ended 31st March 2010	Year ended 31st March 2009
(a)	Present Value of Defined Benefit Obligation	164,080	598,976	551,571	641,384
(b)	Fair Value of Plan Assets	–	–	–	–
(c)	Status [Surplus/(Defecit)]	(164,080)	(598,976)	(551,571)	(641,384)
(d)	Experience Adjustments on Plan Liabilities Loss/(gains)	(32,274)	113,701	(269,705)	153,652
(e)	Experience adjustments on plan assets gain/(Loss)	–	–	–	–
(f)	Actuarial (gain)/loss on plan liabilities due to change of assumptions	(14,968)	(12,811)	(32,863)	

	Leave Encashment	Year ended 31st March, 2012	Year ended 31st March, 2011
I	**Components of Employer Expense**		
(a)	Current Service Cost	114,085	45,823
(b)	Interest Cost	42,950	24,119
(c)	Expected Return on Plan Assets	-	-
(d)	Curtailment Cost / (Credit)	-	-
(e)	Settlement Cost / (Credit)	-	-
(f)	Past Service Cost	-	-
(g)	Actuarial (Gains)/Losses	281,780	440,598
(h)	Liability no longer required		
(i)	Total expense/(gain) recognised in the Profit & Loss Account	438,815	510,542
II	**Net Asset / (Liability) recognised in Balance Sheet as at 31st March, 2012**		
(a)	Present Value of Defined Benefit Obligation	805,785	661,780
(b)	Fair Value of Plan Assets	-	-
(c)	Status [Surplus/(Deficit)]	(805,785)	(661,780)
(d)	Unrecognised Past Service Cost	-	-
(e)	Net Asset / (Liability) recognised in Balance Sheet	805,785	661,780
III	**Change in Defined Benefit Obligations (DBO) during the year ended on 31st March, 2012**		
(a)	Present value of DBO as at 31st March, 2011	661,780	433,459
(b)	Current Service Cost	224,085	53,381
(c)	Interest Cost	42,950	24,119
(d)	Curtailment Cost/(Credit)	-	-
(e)	Settlement Cost/(Credit)	-	-
(f)	Plan Amendments	-	-
(g)	Acquisitions	-	-
(h)	Actuarial (Gains)/Losses	281,780	440,598
(i)	Benefits Paid	(294,810)	(282,221)
(j)	Liability no longer required	–	–
(k)	Present Value of DBO as at 31st March 2012	805,785	661,780
IV	**Changes in Fair Value of Assets during the year ended 31st March, 2012**		
(a)	Plan Assets as at 31st March, 2011	-	-
(b)	Acquisition Adjustment	-	-
(c)	Actuarial Return on Plan Assets	-	-
(d)	Actuarial Gains/(Losses)	-	-
(e)	Actual Company Contribution	294,810	281,221
(f)	Benefits Paid	(294,810)	(281,221)
(g)	Plan Assets as at 31st March, 2012	-	-

Notes to the Account — *Contd.*

V	**Investments Details**		
	Invested with LIC Group Gratuity Scheme	-	-
VI	**Actuarial Assumptions**		
	(a) Discounting Rate (%)	8.75%	8.35%
	(b) Expected rate of return	-	-
	(c) Salary Escalation (%)	5.50%	5.50%
	(d) Mortality	Indian assured lives mortality (1994-96) (modified) Ultimate	

VII	**Net Aaset/(Liability) recognised in Balance Sheet (including experience adjustment impact)**	**Year ended 31st March 2012**	**Year ended 31st March 2011**	**Year ended 31st March 2010**	**Year ended 31st March 2009**
(a)	Present Value of Defined Benefit Obligation	805,785	661,780	433,459	937,634
(b)	Fair Value of Plan Assets	–	–	–	–
(c)	Status [Surplus/(Defecit)]	(805,785)	(661,780)	(433,459)	(937,634)
(d)	Experience Adjustments on Plan Liabilities Loss/(gains)	349,566	454,947	(359,023)	30,749
(e)	Experience adjustments on plan assets gain/(Loss)	–	–	–	–
(f)	Actuarial (gain)/loss on plan liabilities due to change of assumptions	(67,786)	(14,349)	(23,878)	

f) The Company was incorporated consequent upon a Joint Venture Agreement between EIH Limited and the Government of Himachal Pradesh. Disputes inter se between the two Joint Venture Partners as well as between the Company and the Government of Himachal Pradesh were referred by the High Court of Himachal Pradesh by an Order dated 17th December, 2003 to an Arbitral Tribunal consisting of a single Arbitrator.

The Arbitrator's Award dated 23rd July, 2005 has been challenged, both by the Company and EIH Limited, amongst others, before the High Court of Himachal Pradesh. The operation of the Award stands stayed pending substantive hearing and disposal of the Application by the High Court. As a result, the status of the matter stood restored to the same position as it was on 17th December, 2003, when the disputes were referred by the High Court to arbitration. The Company's hotel unit, Wildflower Hall continues to be operated accordingly.

In view of the foregoing, the effect of the Award has not been recognised in these Accounts. However, pending the final outcome of the above proceedings, the Company continues to keep 30% of the Room Revenue in respect of the balance 57 Rooms, being operated as per the directions of the High Court, deposited with a Nationalised Bank, in accordance with the 17th December, 2003 Order above referred to. Accordingly, till 31st March, 2012, the Company has deposited ₹ 154,785,467 (2011 - ₹ 127,359,436) in a separate bank account.

Appropriate intimation of such deposit has been given to the Himachal Pradesh Government. This deposit has been disclosed in these Accounts under "Cash and Bank Balances".

As there is no Company Secretary, the Accounts could not be authenticated under Section 215 of the Companies Act, 1956 read with Section 383A of the Companies Act, 1956.

Notes to the Account — *Contd.*

g) The details of transactions entered into with Related Parties during the year are as follows:

A. (I) Holding Company - EIH Limited

(II) Fellow Subsidiary Companies

1. Mercury Car Rentals Limited
2. Mumtaz Hotels Limited
3. EIH International Limited
4. Oberoi Kerala Hotels & Resorts Limited
5. EIH Flight Services Limited, Mauritius
6. EIH Holdings Limited
7. EIH Marrakech Limited
8. J&W Hongkong Limited
9. Oberoi Turtle Bay Limited
10. EIHH Corporation Limited
11. EIH Investments NV
12. EIH Management Services BV
13. PT Widja Putra Karya
14. PT Waka Oberoi Indonesia
15. PT Astina Graha Ubud

(III) Enterprises in which Key Management Personnel have significant influence:

1. Oberoi Properties Private Limited
2. Oberoi Holdings Private Limited
3. Oberoi Investments Private Limited
4. Oberoi Buildings and Investments Private Limited
5. Oberoi Plaza Private Limited
6. Bombay Plaza Private Limited
7. Oberoi Leasing & Finance Company Private Limited
8. Aravali Polymers LLP

(IV) Key Management Personnel

1. Mr. Arjun Oberoi

Notes to the Account — *Contd.*

B. Transactions with Related Parties during the financial year and outstanding balances as on 31.03.2012:

	Holding Company	Fellow Subsidiary Companies	Enterprises in Which Key Management Personnel have significant influence	Key Management Personnel
Purchases	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Goods & Services	3,995,971 (3,821,570)	704,231 (713,244)	Nil (Nil)	Nil (Nil)
Fixed Assets	4,500 (166,350)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Expenses				
Rent & Service Charges	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Sales				
Goods & Services	796,416 (848,062)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Fixed Assets	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Finance				
Advance against equity shares application received (net)	68,900,000 (157,396,604)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Loan Received (Net)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Interest Paid/Provided (Net)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Outstanding balances				
Payables				
For Goods & Services	1,157,294 (473,100)	Nil (629,923)	Nil (Nil)	Nil (Nil)
Receivables				
For Goods & Services	695,286 (973,554)	95,285 (86,514)	Nil (Nil)	Nil (Nil)
Others				
Loans Payable (including interest accrued & due)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
Advance towards Equity Shares	1,361,925,454 (1,293,025,454)	Nil (Nil)	Nil (Nil)	Nil (Nil)

(Figures in brackets represent figures for 2011)

		Year ended 31st March	
		2012	2011
		Rupees	Rupees
h)	Expenditure in Foreign Currency:		
	Other matters	**1,025,375**	1,143,615
i)	Earnings in Foreign Currency: On sales as reported by the Company to the Department of Tourism, Government of India	**31,524,736**	30,746,267
j)	Value of Imports calculated on C.I.F. basis in respect of:		
	Capital Goods	**3,185,913**	1,653,406
	Provisions, Stores & Wines	**1,331,523**	2,539,369

Notes to the Account — *Contd.*

k) Foreign currency exposure not hedged by any derivative instrument or otherwise:

	2012		2011	
	Foreign Currency	Rupee Equivalent	Foreign Currency	Rupee Equivalent
Trade Payables	$ 2,295	₹ 116,586	$ 319	₹ 14,251
	–	–	£ 1,357	₹ 98,304
	€ 728	₹ 49,734	€ 226	₹ 14,301
Trade Receivables	$ 1,767	₹ 90,386	$ 480	₹ 21,450

l) Based on the guiding principles given in Accounting Standard (AS-17) 'Segment Reporting', the Company's primary business is hoteliering. The business incorporates related activities such as revenue from rooms, restaurants, banquets, health club, etc., which mainly have similar risks and returns. As such there is nothing to report on segment results.

	As at 31st March	
	2012 Rupees	2011 Rupees
m) Earnings per Equity Share :		
Computation of both Basic and Diluted Earnings per share of ₹ 10		
Profit/(Loss) as per the Profit and Loss Account	**32,628,736**	8,681,543
No. of Equity Shares	**33,000,000**	33,000,000
Basic Earnings per share	**0.99**	0.26
No. of Equity Shares resulting from conversion of Share Application Money	**136,192,545**	129,302,545
No. of Equity Shares used to compute Diluted Earnings per Share	**169,192,545**	162,302,545
Diluted Earnings per share	**0.19**	0.05

n) As mentioned in the earlier Accounts also, the Accounts of the Company were not approved by the Nominee Directors of the Himachal Pradesh Government – the Joint Venture Partner. As such the Accounts were approved by the Audit Committee and the Board of Directors by majority.

o) The figures for the previous year have been regrouped/recast as far as practicable

a. to make them comparable to those of the current year.

b. to comply with the disclosure, requirements of Revised Schedule VI to the Companies Act, 1956.

Shimla
8th May, 2012

ARJUN OBEROI *Managing Director*

T.K. SIBAL *Directors*

OBEROI KERALA HOTELS AND RESORTS LIMITED

BOARD

Mr. P. R. S. Oberoi Mr. S. S. Mukherji Mr. T. K. Sibal	*Nominees of EIH Limited*
Mr. T.K. Manoj Kumar Mr. Sanjay Garg Mr. K.G. Mohanlal	*Nominees of the Government of Kerala*

AUDITORS

Ray & Ray, Chartered Accountants
205, Ansal Bhawan, 2nd Floor
16, Kasturba Gandhi Marg
New Delhi 110 001

REGISTERED OFFICE

C-46-452 (H)
Bristow Road
Willingdon Island
Cochin 682 003
Kerala

DIRECTORS' REPORT

The Board presents the Eighteenth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2012, together with the Auditor's Report thereon.

The Company incurred a loss of ₹ 95,602 during the Financial Year 2011-12 as against ₹ 57,640 during the previous year. The accumulated losses as on 31st March, 2012 amounted to ₹ 8,471,245. This is being carried forward.

Dr. V. Venu and Mr. Ashwani Kumar Rai ceased to be Directors of the Company effective November, 2011 and February, 2012 respectively. Mr. T.K. Manojkumar was appointed in the casual vacancy caused due to the vacation of Dr. V. Venu. During the year, Mr. Sanjay Garg was nominated on the Board by the Tourist Resort (Kerala) Ltd, as their nominee. The Board wishes to place on record its appreciation for the valuable services rendered by Dr. V. Venu and Mr. Ashwani Kumar Rai.

Dr. V. Venu would have retired at the forthcoming Annual General Meeting, had he not vacated the office of Director. Therefore, Mr. T.K. Manojkumar who was appointed in his place holds office upto the forthcoming Annual General Meeting in which he is eligible to be appointed as a recular Director. Mr. Sanjay Garg also holds office upto the forthcoming Annual General Meeting and is eligible for appointment as a regular Director. Notice and the requisite fee has been received from a shareholder proposing their appointment as a regular Director. The Board recommends the appointments of Mr. T.K. Manojkumar and Mr. Sanjay Garg.

Mr. T.K. Sibal, Director of the Company, retires by rotation at the forthcoming Eighteenth Annual General Meeting and is eligible for re-appointment.

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Board states that :

a) in preparing the Annual Accounts, applicable Accounting Standards have been followed and that there are no material departures;

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

c) the Directors have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Act and for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the Annual Accounts of the Company on a "going concern" basis.

As regards the Auditor's observations, Note 15 of the Accounts is self-explanatory.

Measures for energy conservation will be taken when the project commences commercial operations.

There were no employees who were in receipt of remuneration in excess of the amount prescribed in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

There has been no foreign exchange earnings and outgo during the year required to be reported under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, as the Company is yet to commence operations.

The Auditors, Ray & Ray, Chartered Accountants, retire and are eligible for re-appointment. The Board recommends that they be re-appointed as Auditors of the Company for the year 2012-13, until conclusion of the next Annual General Meeting.

The Board places on record the valuable support and co-operation of all those concerned in carrying on the affairs of the Company.

For and on behalf of the Board

New Delhi
16th May, 2012

T. K. SIBAL
T. K. MANOJ KUMAR
Directors

COMPLIANCE CERTIFICATE

[See Rule 3 of The Companies (Compliance Certificate) Rules, 2001]

Registration No.	: 09-007951 of 1994
CIN	: U55101KL1994PLC007951
Nominal capital	: ₹ 10 Crores

The Members,
M/s OBEROI KERALA HOTELS AND RESORTS LIMITED
C-46-452 (H), Bristow Road, W. Island
Cochin, Ernakulam
Kerala-682 003

I have examined the registers, records, books and papers of M/s Oberoi Kerala Hotels and Resorts Limited, (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2012. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in *Annexure 'A'* to this certificate, as per the provisions in the Act and the rules made thereunder and all entries therein have been duly recorded.

2. The Company has duly filed the forms and returns as stated in *Annexure 'B'* to this certificate, with the Registrar of Companies, Kerala, within the time prescribed under the Act and the rules made thereunder.

3. The Company, being a Public Company limited by shares has more than the minimum prescribed Paid-up Capital of ₹ 5 Lakh during the year.

4. The Board of Directors duly met 5 times on 10.05.2011, 21.07.2011, 26.11.2011, 09.02.2012 and 28.02.2012 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed, including the circular resolutions passed in the Minutes Book maintained for the purpose.

5. The Company was not required to close its Register of Members. It has no Debentureholders.

6. The 17th Annual General Meeting for the financial year-ended on 31.03.2011 was held on 15.06.2011 and was adjourned to 22.06.2011 for want of quorum after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

7. No Extra-Ordinary General Meeting was held.

8. The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in Section 295 of the Act.

9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.

10. The Company was not required to make any entry in the Register maintained under Section 301 of the Act.

11. The Company was not required to obtain any approval from the Board of Directors, Members or previous approval of the Central Government pursuant to Section 314 of the Act.

12. The Company has not issued any duplicate share certificate.

13. The Company has:

    i) no allotment/transmission of securities during the financial year and delivered the share certificate after effecting share transfer on 21.07.2011.

    ii) not deposited any amount in a separate bank account as no dividend was declared;

    iii) not paid/posted warrants for dividend to any Member of the Company as no dividend was declared;

    iv) not transferred any amount from the unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon to Investor Education and Protection Fund, as there were no balances in those accounts for such transfer;

    v) duly complied with the requirements of Section 217 of the Act.

14. The Board of Directors of the Company is duly constituted. The appointment of Director and Casual Director has been duly made. There was no appointment of Alternate Director.

15. The Company has no Managing Director/Whole Time Director/Manager during the financial year.

16. The Company has not appointed any sole-selling agent.

17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.

18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

19. The Company has not issued any share/debenture/other securities.

20. The Company has not bought back any share.

21. The Company has no preference shares/debentures to be redeemed.

22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, right shares and bonus shares pending registration of transfer of shares.

23. The Company has not invited or accepted any deposits under Sections 58A and 58AA of the Act and the rules made thereunder.

24. The Company has not borrowed any amount from Directors, Members, Public, Financial Institutions, Banks and others.

25. The Company has not made loans and investments, or given guarantees or provided securities to other bodies corporate.

26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's Registered Office from one state to another.

27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company.

28. The Company has not altered the provisions of the Memorandum with respect to Name of the Company.

29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the Company.

30. The Company has not altered its Articles of Association.

31. There was no prosecution initiated against or show cause notice received by the Company for alleged offences under the Act and also no fines and penalties or any other punishment is seen imposed on the Company.

32. The Company has not received any amount as security from its employees.

33. No Provident Fund scheme is implemented for the employees as there are no employee on the roll of the Company.

G. RAMAN PILLAI
Company Secretary
C.P. No. 1596 (FCS 2421)

Thiruvananthapuram
16th May, 2012

Annexure 'A'

Registers as maintained by the Company

1. Register of Members u/s. 150.
2. Minutes Book of Board Meetings u/s. 193
3. Minutes Book of General Meetings u/s. 193
4. Books of Account u/s. 209.
5. Register of Directors, Managing Directors, Secretary u/s. 303.
6. Register of Fixed Assets.
7. Register of Directors Attendance.
8. Register of Shareholders Attendance.
9. Register of Directors Shareholding u/s. 307(1).
10. Register of Transfers.
11. Register of Application and Allotment.
12. Register of Companies/firms in which Directors are interested.

Annexure 'B'

Forms and Returns as filed by the Company with the Registrar of Companies, Kerala, during the financial year ended on 31st March, 2012;

1. Form 66, Compliance Certificate for the year ended 31.03.2011, filed on 28.06.2011, vide Challan No. P68050459.
2. Annual Return made upto 22.06.2011 the date of the 17th Adjourned Annual General Meeting filed on 20.09.2011, vide Challan No. P70654470.
3. Form 23AC, 23ACA, the audited Annual Accounts for the year ended 31.03.2011, filed on30.11.2011, vide Challan No. P81873630.
4. a) Form 32 dt 11.01.2012 for the appointment of Mr. T.K. Manoj Kumar, Vide Challan No. SRN B29288438, as Director and

   b) Form 32 dt. 10.03.2012 for the appointment of Mr. Sanjay Garg, vide Challan No. SRN B34028860, as Director

G. Raman Pillai
Company Secretary
C.P. No. 1596 (FCS 2421)

AUDITOR'S REPORT

To
The Members of
Oberoi Kerala Hotels and Resorts Limited

1. We have audited the attached Balance Sheet of Oberoi Kerala Hotels and Resorts Limited as at 31st March, 2012, the Statement of Profit and Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Attention is invited to Note 15 as regards freehold land at Thekkady, having a cost of ₹ 17,179,831, is held by the Company for disposal. Necessary approvals are still awaited. The Company has not commenced any construction/operations of the Hotel.
5. Further to our comments in the Annexure referred to in paragraph 3 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 purposes of our audit;
   b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from the examination of such books of account;
   c) the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report, are in agreement with the books of account;
   d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e) on the basis of the written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the Notes to the Accounts and subject to our comments in para 4 above 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, 2012;
      ii) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
      iii) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For RAY & RAY
Chartered Accountants

A. K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

New Delhi
16th May, 2012

ANNEXURE TO THE AUDITOR'S REPORT OF OBEROI KERALA HOTELS AND RESORTS LIMITED

(Referred to in paragraph 3 of our report of even date)

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   b) The Fixed Assets of the Company have been physically verified by the Management during the year, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

   c) During the year no substantial part of the fixed assets have been disposed off by the Company. Therefore, the provisions of clause (i)(c) of paragraph 4 of the aforesaid Order, in our opinion, are not applicable to the Company.

2. The Company did not have any inventory during the year. In view of this, clauses (ii)(a), (ii)(b) and (ii)(c) of paragraph 4 of the aforesaid Order are not applicable.

3. a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, clauses (iii)(a) to (d) of paragraph 4 of the aforesaid Order are not applicable.

   b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore, clauses (iii)(e) to (g) of paragraph 4 of the aforesaid Order are not applicable.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets and purchase/sale of services. There was no purchase of inventory and sale of goods. Further during the course of our audit, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control system which would require corrective action.

5. a) Based on the audit procedures applied by us and according to the information and explanations provided by the Management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the Register maintained under Section 301 have been so entered.

   b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Act have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.

6. The Company has not accepted any deposits from the public. As such requirement of clause 4(vi) of paragraph 4 of the aforesaid Order is not applicable.

7. In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.

8. The Central Government has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Companies Act, 1956.

9. a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of

income tax, wealth tax, sales tax, customs duty, service tax, excise duty and cess were outstanding as at 31.03.2012, for a period of more than six months from the date they became payable.

Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

b) According to the records of the Company, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.

10. The Company's accumulated losses at the end of the financial year are not more than fifty percent of its net worth. The Company has incurred cash losses during the financial period covered by our report and also incurred cash losses in the immediately preceding financial period.

11. The Company has not taken any loans from financial institution or bank or debenture holders. As such requirements of clause (xi) and (xvi) of paragraph 4 of the aforesaid Order are not applicable to the Company.

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.

13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the aforesaid Order are not applicable to the Company.

14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the aforesaid Order are not applicable to the Company.

15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.

16. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long term investments.

17. The Company has not raised any money by issue of shares during the year. Therefore, the provisions of clause (xviii) of paragraph 4 of the aforesaid Order are not applicable to the Company.

18. The Company has not issued any debentures during the year under audit. Accordingly, the provisions of clause (xix) of paragraph 4 of the aforesaid Order are not applicable to the Company.

19. The Company has not raised any money by way of public issue during the year. Therefore, the provisions of clause (xx) of paragraph 4 of the aforesaid Order are not applicable to the Company.

20. During the course of our examination of the books of account carried out in accordance with Generally Accepted Auditing Practices, we have neither come across any instance of fraud on or by the Company nor have we been informed of any such case by the Management.

For RAY & RAY
Chartered Accountants

A. K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

New Delhi
16th May, 2012

Balance Sheet as at 31st March, 2012

	Note	Rupees	As at 31st March 2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
SHARE CAPITAL	2	**27,200,070**		27,200,070
RESERVES AND SURPLUS	3	**(8,471,245)**		(8,375,643)
			18,728,825	18,824,427
SHARE APPLICATION MONEY AGAINST ISSUE OF EQUITY SHARES PENDING ALLOTMENT	4		**1,600,000**	1,600,000
CURRENT LIABILITIES				
TRADE PAYABLES	5	**192,043**		232,280
SHORT TERM PROVISIONS	6	**11,187**		90,442
			203,230	322,722
			20,532,055	20,747,149
ASSETS				
NON-CURRENT ASSETS				
FIXED ASSETS				
TANGIBLE ASSETS	7	**20,331,258**		20,331,258
LONG TERM LOANS & LOANS AND ADVANCES	8	**181,350**		181,350
			20,512,608	20,512,608
CURRENT ASSETS				
TRADE RECEIVABLES	9	**–**		75,000
CASH AND CASH EQUIVALENTS	10	**19,447**		159,541
			19,447	234,541
			20,532,055	20,747,149

NOTES TO THE ACCOUNTS
form an integral part of the Balance Sheet

This is the Balance Sheet referred
to in our report of even date.

FOR RAY & RAY
Chartered Accountants

A. K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

New Delhi
16th May, 2012

For and on behalf of the Board

T. K. SIBAL
T. K. MANOJ KUMAR
Directors

Statement of Profit and Loss for the year ended 31st March, 2012

	Note	Year ended 31st March 2012 Rupees	2011 Rupees
INCOME			
REVENUE FROM OPERATIONS		**–**	–
OTHER INCOME	11	**367,989**	363,388
		367,989	363,388
EXPENSES			
DEPRECIATION AND AMARTISATION EXPENSE		**–**	–
OTHER EXPENSES	12	**373,981**	305,728
		373,981	305,728
PROFIT / (LOSS) BEFORE TAX		**(5,992)**	57,660
CURRENT TAX	13	**89,610**	115,300
DEFERRED TAX		**–**	–
LOSS FOR THE PERIOD		**(95,602)**	(57,640)
BASIC AND DILUTED EARNINGS PER SHARE (in Rupees) Face Value ₹ 10	16	**(0.035)**	(0.021)

NOTES TO THE ACCOUNTS

form an integral part of the Statement of Profit & Loss

This is the Profit and Loss referred to in our report of even date.

For RAY & RAY
Chartered Accountants

A. K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

New Delhi
16th May, 2012

For and on behalf of the Board

T. K. SIBAL
T. K. MANOJ KUMAR — *Directors*

Cash Flow Statement
for the year ended 31st March, 2012

		Year ended 31st March	
		2012	2011
		Rupees	Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	PROFIT/(LOSS) BEFORE TAX	**(5,992)**	57,660
	Adjustments for:		
	Rent Received	**(367,643)**	(363,388)
		(373,635)	(305,728)
	Operating Profit before Working Capital Changes		
	Adjustments for:		
	Trade & Other Receivables	**75,000**	(75,000)
	Trade Payables & others	**(40,237)**	187,232
	Cash Generated from Operations	**(338,872))**	(193,496)
	Direct Taxes (Net)	**(168,865)**	(42,045)
	Net Cash from Operating Activities	**(507,737)**	(235,541)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**–**	–
	Rent Received	**367,643**	363,388
	Cash from Investing Activities	**367,643**	363,388
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Net Cash used in Financing Activities	**–**	–
	Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	**(140,094)**	127,847
	Cash and Cash Equivalents at the beginning of period	**159,541**	31,694
	Cash and Cash Equivalents at the end of period	**19,447**	159,541

Notes :

1. The Cash Flow Statement has been prepared in indirect method except for purchase of fixed assets and Capital Work-in-Progress. Rent received is treated as a part of Investing Activities.

2. Cash and Cash Equivalents represent Cash and Bank Balances.

This is the Cash Flow Statement referred to in our report of even date.

For RAY & RAY
Chartered Accountants

A. K. SHARMA
Partner
Membership No. 80085
Firm Registration No. 301072E

New Delhi
16th May, 2012

For and on behalf of the Board

T. K. SIBAL
T. K. MANOJ KUMAR
Directors

Notes to Accounts

1
SIGNIFICANT ACCOUNTING POLICIES

1.1 The Financial Statements are prepared in accordance with the Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006, issued by the Central Government in consultation with the National Advisory Committee on Accounting Standard and relevant provisions of the Companies Act, 1956.

1.2 The Financial Statements are prepared under the historical cost convention and on the basis of "going concern" concept. Both Income and Expenditure are recognised on accrual basis. Revenue is recognised when consideration can be measured. Income from rentals is recognised over the period of contract on an equitable straight line basis.

1.3 The presentation of Financial Statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the Financial Statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual and estimates are recognised in the period in which results are known/materialised.

1.4.1 Fixed Assets are stated at cost less depreciation. The cost is inclusive of freight, duties, levies and any directly attributable cost of bringing the assets to their working conditions. Interest during construction period to finance fixed assets would be capitalised.

1.4.2 The carrying value of Fixed Assets which are in excess of the higher of its value in use or net realisable value is recognised as an impairment loss.

1.4.3 Capital Work-in-Progress is stated at cost. Capital Work-in-Progress would be allocated to relevant fixed assets on *pro-rata* basis depending on the prime cost of the assets. Other incidental expenditure directly attributable to construction is accumulated as Capital Work-in-Progress.

1.5 Depreciation on fixed assets is provided on "Straight Line Method" at the rates which are in conformity with the requirements of the Companies Act, 1956. Freehold land is not amortised.

1.6 Payments made in foreign currency are converted at applicable rates prevailing on the date of remittance. Current Assets and Liabilities at the year end are converted at the rates prevailing at the close of the year.

1.7 Preliminary Expenses are written off.

1.8 Current tax is determined on the amount of tax payable in respect of taxable income for the year. Fringe Benefit tax is determined on the Fringe Benefits provided or deemed to have been provided in accordance with the provisions of the Income Tax Act, 1961.

The deferred tax is provided and recognised on timing differences between taxable income and accounting income subject to prudential consideration. Deferred tax assets on unabsorbed depreciation and carry forward of losses is not recognised unless there is virtual certainty about availability of future taxable income to realise such assets.

1.9 Prior period adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the Company are disclosed.

1.10 No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that an asset has been impaired or a liability incurred as at the Balance Sheet date and a reasonable estimate of the resulting loss can be made. However, all known and material contingent liabilities are disclosed by way of separate notes.

Notes to Accounts — *Contd.*

	As at 31st March **2012** **Rupees**	2011 Rupees
2		
SHARE CAPITAL		
AUTHORISED		
10,000,000 (2011 - 10,000,000) Equity Shares of ₹ 10 each	**100,000,000**	100,000,000
	100,000,000	100,000,000
ISSUED		
2,920,007 (2011 - 2,920,000) Equity Shares of ₹ 10 each	**29,200,070**	29,200,070
	29,200,070	27,200,070
SUBSCRIBED & FULLY PAID UP		
2,720,007 (2011 - 2,720,007) Equity Shares of ₹ 10 each	**27,200,070**	27,200,070
	27,200,070	27,200,070

Reconciliation of number of shares

	As at 31st March **2012** **Number of shares**	2011 Number of shares
Balance of the beginning of the year	2,720,007	2,720,007
Movement during the year	–	–
Balance at the end of the year	2,720,007	2,720,007

Details of Shares held by Shareholders holding more than 5 percent of the aggregate shares in the Company

	As at 31st March **2012**		2011	
	Number of Shares	**% holding**	Number of Shares	% holding
(1) EIH Limited	**2,176,000**	**80**	2,176,000	80
(2) Tourist Resorts (Kerala) Limited	**544,000**	**20**	544,000	20

Shares held by the Holding-Company

	As at 31st March **2012** **Number of shares**	2011 Number of shares
EIH Limited	**2176000**	2176000

The Company has one class of equity shares having a par value of Rs. 10 each. Each Shareholder is eligible for one vote per share held and such dividend as proposed by the Board of Director, subject to the approval of the shareholders in the ensuing Annual General Meeting.

Notes to Accounts — *Contd.*

		As at 31st March	
		2012	2011
	Rupees	**Rupees**	Rupees
3			
RESERVES AND SURPLUS			
DEBIT BALANCE IN STATEMENT OF PROFIT & LOSS			
Balance at the beginning of the year	**(8,375,643)**		(8,318,003)
Add: Profit/(Loss) after tax as per Statement of Profit & Loss	**(95,602)**		(57,640)
		(8,471,245)	(8,375,643)
		(8,471,245)	(8,375,643)
Share Application Money against issue of shares pending allotment		**1,600,000**	1,600,000
		1,600,000	1,600,000

200,000 Equity Shares were to be alloted at per value by the Company in 2003. The allotment of shares is pending as one of the Joint Venture partner viz Tourist resorts 9Kerala) Limited is yet to make payment of the application money.

5		
TRADE PAYABLES - CURRENT		
Total Outstanding dues of Micro Enterprises and Small Enterprises	**–**	–
Total Outstanding dues of Creditors other than Micro & Small Enterprises (Note 14)	**192,043**	232,280
	192,043	232,280

6		
SHORT TERM PROVISIONS		
Taxation (Net of advances)	**11,187**	90,442
	11,187	90,442

Notes to Accounts — *Contd.*

7

FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 31st March, 2011 ₹	Additions ₹	Original Cost as at 31st March 2012 ₹	As at 31st March, 2011 ₹	For the year ₹	As at 31st March, 2012 ₹	**As at 31st March, 2012 ₹**	As at 31st March, 2011 ₹
I) TANGIBLE ASSETS								
Freehold Land	3,151,427	–	3,151,427	–	–	–	3,181,427	3,151,427
Freehold Land (held for disposal) Note 15	17,179,831		17,179,831	–	–	–	17,179,831	17,179,831
Total	20,331,258	–	20,331,258	–	–	–	20,331,258	20,331,258
Previous Year	20,331,258	–	20,331,258	–	–		20,331,258	

	As at 31st March 2012 Rupees	As at 31st March 2011 Rupees
8		
LONG TERM LOANS AND ADVANCES (Unsecured)		
Security Deposits	**181,350**	181,350
	181,350	181,350
9		
TRADE RECEIVABLES (Unsecured)		
Other Debts		
Considered good	**–**	75,000
	–	75,000
Other Debts includes dues from Holding Company Nil (₹ 75,000)		
10		
CASH AND CASH EQUIVALENTS		
Balances with Banks in Current Account	**19,447**	159,541
	19,447	159,541
11		
OTHER INCOME		
Rental Income	**367,643**	363,388
Liabilities Written Back	**346**	–
	367,989	363,388

Notes to Accounts — *Contd.*

		As at 31st March	
		2012	2011
	Rupees	**Rupees**	Rupees
12			
OTHER EXPENSES			
Electricity & Water		**728**	–
Lease Rental		**77,643**	73,388
Rates & Taxes		**831**	–
Legal & Professional		**63,000**	48,000
Security Charges		**190,307**	147,832
Bank Charges		**308**	60
Travelling & Conveyance		**3,639**	1,545
Telephone & Postage		**2,628**	1,753
Auditors' Remuneration			
Audit Fees	**17,000**		17,000
Certification	**–**		8,500
Service Tax	**2,101**		2,628
		19,101	28,128
Miscellaneous Expenses (Including Filing Fees)		**15,796**	5,022
		373,981	305,728
13			
CURRENT TAX			
Income Tax		**89,610**	115,300
		89,610	115,300

14. The Company has not received from parties any information/memorandum as required to be filed by suppliers/vendors with notified authority under Micro, Small & Medium Enterprises (2006) claiming their status as Micro, Small & Medium Enterprises. As such, the Company does not owe any dues on account of principal amount together with interest and accordingly no addtional disclosures are made. This has been relied upon by the Auditors.

15. Freehold land at Thekkady, having a cost of ₹ 17,179,831, is held by the Company for disposal. Necessary approvals are still awaited. The Company has not commenced any construction/operations of the Hotel.

16. Earnings per share :

Particulars	As at 31st March	
	2012 **Rupees**	2011 Rupees
Loss computation for both Basic and Diluted earnings per share of ₹ 10 each		
Loss available for Equity Shareholders	**95,602**	57,640
Weighted average number of Equity Shares outstanding	**2,720,007**	2,720,007
Basic & Diluted earnings per Equity Share in Rupees of face value of ₹ 10	**(0.035)**	(0.021)

17. The Company is yet to commence commercial operations. As such there is nothing to report on segment results as required by Accounting Standard (AS-17) "Segment Report".

Notes to Accounts — *Contd.*

18. The details of transactions entered into with Related Parties during the year are as follows :

A. 1. Holding Company
EIH Limited

2. Fellow Subsidiaries
i) Mashobra Resort Limited
ii) Mumtaz Hotels Limited
iii) Mercury Car Rentals Limited
iv) EIH Flight Services Limited, Mauritius
v) EIH International Ltd.
vi) EIH Holdings Ltd.
vii) EIH Marrakech Ltd.
vii) J&W Hongkong Ltd.
ix) Oberoi Turtle Bay Ltd.
x) EIHH Corporation Ltd.
xi) EIH Investments NV
xii) EIH Management Services BV
xiii) PT Widja Putra Karya
xiv) PT Waka Oberoi Indonesia
xv) PT Astina Graha Ubud

3. Enterprises in which Key Management Personnel have significant influence
i) Oberoi Hotels Private Limited
ii) Oberoi Properties Private Limited
iii) Oberoi Holdings Private Limited
iv) Oberoi Investments Private Limited
v) Oberoi Buildings and Investments Private Limited
vi) Oberoi Plaza Private Limited
vii) Bombay Plaza Private Limited
viii) Oberoi Leasing & Finance Company Private Limited
ix) Aravali Polymers Private Limited
x) EIH Associated Hotels Limited
xi) Island Hotel Maharaj Limited

4. Key Management Personnel
i) Mr. P.R.S. Oberoi
ii) Mr. S.S. Mukherji

B. Transactions with Related Parties during the financial year and outstanding balances as on 31.3.2012.

Nature of transactions	Holding Company	Enterprise in which Key Management Personnel have significant influence Associates*	Key Management Personnel
	Rupees	Rupees	Rupees
Purchases			
Goods & Services	111,870 (75,000)	196,091 (151,130)	– (-)
Sale			
Rental Income	367,643 (363,388)	– (-)	– (-)
Outstanding balances			
Payable for Goods & Services	5,860 (Nil)	83,244 (151,130)	– (-)
Receivables for Goods & Services	Nil (75,000)		

(Figures in brackets indicate figures for 2011)

*Island Hotel Maharaj Limited

Notes to Accounts — *Contd.*

19. Consequent to the adoption of the provisions of Accounting Standard (AS-22) "Accounting for Taxes on Income", the Company would have a net deferred tax asset, primarily consisting of accumulated losses. However, as the Management is not virtually certain of subsequent realisation of the asset, no deferred tax asset has been computed or recognised in the accounts.

20. Disclosures in respect of Company's operating lease arrangements, entered on or after 1st April, 2001, under Accounting Standard (AS-19) on Leases, issued by the Institute of Chartered Accountants of India:

a) General description of the Company's operating lease arrangements:

The Company has entered into operating lease arrangement primarily for the Jetty site. Some of the significant terms and conditions of the arrangements are:

- agreements may generally be terminated by either party by serving a notice;
- the lease arrangements are generally renewable on the expiry of the lease period subject to mutual agreement;
- the Company shall not sublet, assign or part with the possession of the premises without prior written consent of the lessor.

b) Lease rent in respect of the above are charged to the Profit and Loss Account.

c) The year-wise future minimum lease payments in respect of above is as under:

	Rupees
Total future minimum lease payment as at 31st March, 2012	**99,810** (75,000)
Not later than 1 year	**99,810** (75,000)

(Figures in bracket represent figures for 2011)

21. a) The Company has entered into operating lease relating to land. Lease rent has been recognised in the Profit and Loss Account.

b) Future minimum lease payments recoverable by the Company in respect of above are as follows:

	Rupees
Not later than one year	**290,000** (290,000)
Later than one year but not later than five years	**1,574,642** (1,242,621)
Later than five years	**2,356,798** (2,688,819)

(Figures in bracket represent figures for 2011)

22. The figures for the previous year have been regrouped/recast as far as practicable to make them comparable to the current year presentation.

For and on behalf of the Board

T. K. SIBAL
T. K. MANOJ KUMAR — *Directors*

New Delhi
16th May, 2012

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 2012.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS

The Company's loss for the year is Rs. 112,080,007 (2010 - Rs. 108,708,887).

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 2012 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 2012 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 2012 (2011 - Rs. Nil).

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:

	2012	2011
	Rs.	Rs.
Audit	**175,000**	150,000
Other services	**36,300**	175,000
	211,300	325,000

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 2012

and signed on its behalf by:

S.S. Mukherji
Zafar Siamwala
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 2012, 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 2012

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 2012 and the statements of 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, and for such internal control as the directors determine necessary to enable the presentation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with 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 2012 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 capacities as auditor and tax advisor;

(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 shareholder 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 by FRC 17 May 2012

Statement of Comprehensive Income for the year ended 31 March 2012

	2012 Rupees	2011 Rupees
Revenue	**179,806,195**	104,513,649
Cost of Sales	**(98,412,173)**	(63,371,281)
Gross Profit	**81,394,022**	41,142,368
Management expenses (Note 5)	**(7,811,935)**	(4,180,548)
Administrative expenses	**(149,334,747)**	(114,655,857)
Operating Loss (Note 6)	**(75,752,660)**	(77,694,037)
Finance costs - Net (Note 8)	**(36,327,347)**	(31,014,850)
Loss before Income Tax	**(112,080,007)**	(108,708,887)
Income Tax Expense (Note 9)	**–**	–
Total Comprehensive Loss for the year	**(112,080,007)**	(108,708,887)

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 2012

	2012 Rupees	2011 Rupees
ASSETS		
Non Current Assets		
Property, plant and equipment (Note 10)	**600,489,917**	671,008,029
Current Assets		
Inventories (Note 11)	**4,382,551**	4,268,624
Trade and other receivables (Note 12)	**26,309,749**	35,488,087
Cash and cash equivalents (Note 13)	**2,069,663**	2,870,064
	32,761,963	42,626,775
Total Assets	**633,251,880**	713,634,804
EQUITY AND LIABILITIES		
Capital and Reserves		
Share Capital (Note 14)	**160,147,215**	160,147,215
Retained Earnings	**(252,391,298)**	(140,311,291)
Total Equity	**(92,244,083)**	19,835,924
Non-current Liabilities		
Borrowings (Note 18)	**613,461,465**	561,421,540
Current Liabilities		
Trade and other payables (Note 15)	**34,951,102**	43,546,571
Borrowings (Note 18)	**77,083,396**	88,830,769
	112,034,498	132,377,340
Total Liabilities	**725,495,963**	693,798,880
Total Equity and Liabilities	**633,251,880**	713,634,804

Authorised for issue by the Board of Directors on 17 May 2012
and signed on its behalf by:

S.S. Mukherji
Zafar Siamwala
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 2012

	Share Capital Rupees	Share Application Monies Rupees	Retained Earnings Rupees	Total Rupees
At 01 April 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
Total comprehensive loss for the year	–	–	(112,080,007)	(112,080,007)
At 31 March 2012	160,147,215	–	(252,391,298)	(92,244,083)

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 2012

	2012 Rupees	2011 Rupees
Cash flow from operating activities		
Loss before income tax	**(112,080,007)**	(108,708,887)
Adjustments for:		
Depreciation on property, plant and equipment (Note 10)	**70,848,975**	51,340,283
Net unrealised exchange (gain)/loss	**(9,570,983)**	(6,061,038)
Interest expense (Note 8)	**45,877,254**	37,075,888
Operating loss before working capital changes	**(4,924,761)**	(26,353,754)
Increase in inventories	**(113,927)**	(4,268,624)
Decrease/(increase) in trade and other receivables	**9,230,194**	(4,082,393)
(Decrease)/increase in trade and other payables	**(8,595,469)**	21,752,982
Cash used in operations	**(4,403,963)**	(12,951,789)
Interest paid (Note 8)	**(45,877,254)**	(36,543,419)
Net cash used in operating activities	**(50,281,217)**	(49,495,208)
Cash flow from Investing activities		
Payments for purchases of property, plant and equipment	**(330,863)**	(193,719,914)
Net cash used in investing activities	**(330,863)**	(193,719,914)
Cash flow from financing activities		
Payments for capital element on finance lease	**(93,864)**	(84,762)
Loan from immediate parent (note 19)	**133,290,826**	79,614,889
Proceeds from new bank loans	**–**	209,267,600
Repayment of bank loans	**(84,802,710)**	(57,193,485)
Net cash (used in)/from financing activities	**48,394,252**	231,604,242
Net (decrease)/increase in cash and cash equivalents	**(2,217,828)**	(11,610,880)
Effects of exchange difference on bank	**782,660**	–
Cash and cash equivalents at beginning of year	**(718,374)**	10,892,506
Cash and cash equivalents at end of year (Note 13)	**(2,153,542)**	(718,374)

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 2012

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 Magnien, 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.

Going concern

During the year, the Company made losses of Rs. 112,080,007 (2011 - Rs. 108,708,887) and at the Statement of Financial position date, its Current Liabilities exceeded its Current Assets by Rs. 79,272,535. In view of the financial difficulties, the Company obtained loans from its parent company, which are interest free with no fixed terms of repayment.

The Financial Statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of the parent company. The directors are of the opinion that this support will be forthcoming over the next twelve months. They therefore believe that it is appropriate for the Financial Statements to the prepared on the going concern basis.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 01 April 2011 that would be expected to have a material impact on the Company.

(b) New standards, amendments and interpretation issued but not effective for financial year beginning 1 April 2011 and not early adopted.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

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

IAS 19, 'Employees benefits', was amended in June 2011. The impact on the Company will be as follows: to eliminate the corridor approach and recognised all actuarial gain and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is yet to assess the full impact of the amendments.

IAS 1, Presentation of Financial Statements addresses the changes in disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is not expected to have a significant impact on the Company's financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 will have no impact on the Company's financial statements.

IFRS 12, 'Disclosures and interests in other entities' includes the disclosure requirements for all forms on interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess IFRS13's full impact and intends to adopt IFRS 13 not later than the accounting period beginning on or after 1 January 2012.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

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

Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation rates

The Company depreciates its assets over their estimated useful lives. The estimation of useful lives is based on historical performance and expectation about future use and requires significant degree of judgement.

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%

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

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

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.

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.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

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

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

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

Current and deferred income tax *(Contd.)*

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.

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.

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 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.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

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

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.

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, borrowings 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.

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.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

3. FINANCIAL RISK MANAGEMENT *(Contd.)*

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 loss of a 1% shift in interest rates would be an increase/(decrease) of Rs. 4,804,547 (2011 - Rs. 5,653,974).

- *Credit risk*

Credit risk arises 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.

- *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. 211,489 (2011 - Rs. 306,801 and financial liabilities would have been higher by Rs. 32,718,234 (2011 - Rs. 22,612,186).

- *Currency profile*

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

	Financial assets 2012 Rs.	**Financial Liabilities 2012 Rs.**	Financial assets 2011 Rs.	Financial Liabilities 2011 Rs.
US dollar	**1,928,100**	**121,585,938**	2,777,578	141,278,611
Euro	**186,787**	**–**	290,427	140,054
Singapore dollar	**–**	**–**	–	1,119,188
Indian dollar	**–**	**205,596,401**	–	83,584,006
Mauritian rupee	**25,711,117**	**398,313,624**	34,941,028	467,677,022
	27,826,004	**725,495,963**	38,009,033	693,798,880

Prepayments of Rs. 553,408 (2011 - Rs. 349,118) have not been included in financial assets.

Notes to the Financial Statements - 31 March 2012 *(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 2012				
Trade and other payables	34,951,102	–	–	–
Bank Loans	109,617,730	103,680,577	354,686,510	45,122,671
Finance lease liabilities	126,863	126,863	53,219	–
Bank overdraft	4,223,205	–	–	–
Loan from immediate parent	–	–	–	205,596,401
	148,918,900	103,807,440	354,739,729	250,719,072
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	–	–	–
Loan from immediate parent	–	–	–	80,902,014
	175,572,640	109,705,120	293,132,802	291,242,956

- *Fair values*

  The carrying amounts of trade and other receivables, cash and cash equivalents, borrowings and trade and other payables approximate their fair values.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

- Financial instruments by category

	2012 Loans and receivables Rs.	2011 Loans and receivables Rs.
31 March 2012		
Assets as per the statement of financial position		
Cash and cash equivalents	**2,069,663**	2,870,064
Trade and other receivables	**25,756,341**	35,138,969
	27,826,004	38,009,033

Liabilities as per statement of financial position	**At amortised cost Rs.**	At amortised cost Rs.
Financial Liabilities		
Borrowings	**690,544,861**	650,252,309
Trade and other payables	**34,951,102**	43,546,571
	725,495,963	693,798,880

- *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 monitors its capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' shown in the statement of financial position plus net debt. The gearing ratios at 31 March 2012 and 2011 were as follows:

	2012 Rs.	2011 Rs.
Total borrowings	**690,544,861**	650,252,309
Less: Cash and cash equivalents	**(2,069,663)**	(2,870,064)
Net debt	**688,475,198**	647,382,245
Total Equity	**(92,244,083)**	19,835,924
Total Capital	**596,231,115**	667,218,169
Gearing ratio	**115%**	97%

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

4 REVENUE

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

5 MANAGEMENT EXPENSES

	2012 Rs.	2011 Rs.
Management and licence fees		
Basic management fees	**5,394,186**	3,135,410
Inventive fees	**619,687**	–
Licence fees	**1,798,062**	1,045,138
Total management expenses	**7,811,935**	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. 3,596,124 (2011 - Rs. 2,090,273) and Rs. 449,515 (2011 - Rs. 261,284) 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 2012.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

6. OPERATING LOSS

	2012	2011
	Rs.	Rs.
The following items have been charged in arriving at the operating loss:		
Depreciation of property, plant and equipment (Note 10)		
– Owned assets	**70,736,075**	51,227,383
– Leased assets	**112,900**	112,900
Auditor's remuneration	**175,000**	150,000
Lease rental	**5,248,496**	3,609,303
Cost of inventories expensed	**70,936,141**	43,321,444
Staff costs (Note 7)	**47,977,903**	35,858,589

7. STAFF COSTS

Wages and Salaries	**46,799,361**	35,171,133
Social security costs	**1,178,542**	687,456
	47,977,903	35,858,589
	Number	Number
Average number of employees	**134**	135

8. FINANCE INCOME AND COSTS

	2012	2011
	Rs.	Rs.
(i) *Finance Income:*		
Foreign exchange gains	**9,549,907**	6,061,038
(ii) *Finance costs:*		
Interest on loans	**(45,393,588)**	(37,003,757)
Interest on bank overdraft	**(483,666)**	(72,131)
	(45,877,254)	(37,075,888)
Net finance costs	**(36,327,347)**	(31,014,850)

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

9. INCOME TAX EXPENSE

The Company is liable to income tax at 15% (1211 - 15%) on its chargeable income. At 31 March 2012, the Company had accumulated tax losses of Rs. 133,903,340 (2011 – Rs. 83,379,866) and was therefore not liable to income tax.

In accordance with the Company's accounting policy, deferred tax asset has not been recognised as there is uncertainty that future taxable profits will be available to utilise these accumulated tax losses. The unrecognised deferred tax asset at 31 March 2012, which is attributable to tax losses, exchange differences and accelerated capital allowances amounted to Rs. 18,080,689 (2011 - Rs. 15,467,662).

The unrecognised deferred tax is attributable to the following items:

	2012 Rs.	2011 Rs.
Tax loss unutilised	**7,578,520**	7,766,619
Exchange differences	**(125,177)**	–
Accelerated capital allowance	**10,627,346**	7,701,042
	18,080,689	15,467,662

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% (2011 - 15%) follows:

	2012 Rs.	2011 Rs.
Loss before income tax	**(112,080,007)**	(108,708,887)
Theoretical amount of income tax credit calculated at a tax rate of 15% (2011 - 15%)	**(16,812,001)**	(16,306,333)
Impact of:		
Unrecognised deferred tax asset	**18,080,689**	15,467,662
Other permanent differences	**40,640**	838,671
Non allowable expenses		
Income not subject to tax	**(1,309,328)**	–
Actual tax credit	**–**	–

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

	Tax losses Rs.
31 March 2013	13,045,568
31 March 2014	6,844,859
31 March 2015	11,711,976
31 March 2016	51,777,463
31 March 2017	50,523,474
Total	133,903,340

Notes to the Financial Statements - 31 March 2012 *(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 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
At 31 March 2011	344,313,887	335,836,373	4,134,364	33,446,628	4,682,918	722,414,170
Transfer from WIP	–	–	62,500	4,620,418	(4,682,918)	–
Additions	–	21,680	23,550	285,633	–	330,863
At 31 March 2012	344,313,887	335,858,053	4,220,414	38,352,679	–	722,745,033
Accumulated depreciation:						
At 01 April 2010	–	–	–	(65,858)	–	(65,858)
Charge for the year	(8,607,037)	(37,784,712)	(1,009,836)	(3,938,698)	–	(51,340,283)
At 31 March 2011	(8,507,037)	(37,784,712)	(1,009,836)	(4,004,556)	–	(51,406,141)
Charge for the year	(11,465,652)	(50,378,339)	(1,386,841)	(7,618,143)	–	(70,848,975)
At 31 March 2012	(20,072,689)	(88,163,051)	(2,396,677)	(11,622,699)	–	(122,255,116)
Net book value:						
At 31 March 2012	324,241,198	247,695,002	1,823,737	26,729,980	–	600,489,917
At 31 March 2011	335,706,850	298,051,661	3,124,528	29,442,072	4,682,918	671,008,029

The net book values of property, plant and equipment held under finance leases were as follows:

	2012 Rs.	2011 Rs.
Motor vehicles	**272,718**	385,618

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

11. INVENTORIES

	2012 Rs.	2011 Rs.
Food and beverage, at cost	**2,948,203**	2,656,431
Other consumables, at cost	**1,434,348**	1,612,193
	4,382,551	4,268,624

Cost of inventories recognised as expense and included in cost of sales amounted to Rs. 70,936,141 (2011 - Rs. 43,321,444)

12. TRADE AND OTHER RECEIVABLES

	2012 Rs.	2011 Rs.
Trade receivables	**21,206,693**	29,107,989
Other receivables	**5,103,056**	6,380,098
	26,309,749	35,488,087

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, 2012, trade receivables of Rs. 21,206,693 (2011 - Rs. 29,107,989) were past due but not impaired. These relate to a airline operators for whom there is no recent history of default. The ageing analysis of these trade receivables are as follows:

	2012 Rs.	2011 Rs.
Up to 3 months	**21,017,392**	28,964,796
3 to 6 months	**149,253**	134,663
Over 6 months	**40,048**	8,530
	21,206,693	29,107,989

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

	2012 Rs.	2011 Rs.
Currency		
Mauritian rupee	**26,122,962**	35,197,660
Euro	**186,787**	290,427
	26,309,749	35,488,087

The other classes within trade and other receivables do not contain impaired assets.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

13 CASH AND CASH EQUIVALENTS

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

	2012 Rs.	2011 Rs.
Cash at bank and in hand	**2,069,663**	2,870,064
Bank Overdraft (Note 16)	**(4,223,205)**	(3,588,438)
	(2,153,542)	(718,374)

14 SHARE CAPITAL

	31 March 2012 Number	31 March 2011 Number	**31 March 2012 Rs.**	31 March 2011 Rs.
Issued:				
Ordinary shares at Rs 10 each	**16,014,721**	16,014,721	**160,147,215**	160,147,215

15 TRADE AND OTHER PAYABLES

	2012 Rs.	2011 Rs.
Trade payables	**16,868,804**	22,993,028
Amount payable to related party (Note 19(b))	**5,929,987**	4,180,547
Other payables	**12,155,311**	16,372,996
	34,951,102	43,546,571

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

16 BORROWINGS

	2012 **Rs.**	2011 Rs.
Current:		
Bank overdraft (Note 13)	**4,223,205**	3,588,438
Bank borrowings (Note 16(a))	**72,756,250**	85,148,468
Finance lease liabilities (Note 16(b))	**103,941**	93,863
	77,083,396	88,830,769
Non-current:		
Bank borrowings (Note 16(a))	**407,698,438**	480,248,958
Finance lease liabilities (Note 16(b))	**166,626**	270,568
Loan from immediate parent (Note 19(b))	**205,596,401**	80,902,014
	613,461,465	561,421,540
Total borrowings	**690,544,861**	650,252,309

(a) Bank borrowings

Amounts falling due:		
Less than 1 year	**72,756,250**	85,148,468
Later than 1 year and no later than 5 years	**363,781,250**	290,900,000
Later than 5 years	**43,917,188**	189,348,958
	407,698,438	480,248,958
	480,454,688	565,397,426

The bank overdraft and other banking facilities are secured by fixed and floating charges on the Company's assets.

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:

	2012 **Rs.**	2011 Rs.
US dollar	**121,585,938**	141,278,611
Indian rupee	**205,596,401**	80,902,014
Mauritian rupee	**363,362,522**	428,071,684
	690,544,861	650,252,309

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

(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.

	2012 Rs	2011 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	**179,722**	306,585
	306,585	433,448
Future finance charges on finance lease	**(36,018)**	(69,017)
Present value of finance lease liabilities	**270,567**	364,431

The present value of finance lease liabilities are broken down as follows:

Less than 1 year	**103,941**	93,863
Later than 1 year and no later than 5 years	**166,626**	270,568
	270,567	364,431

17 CONTINGENT LIABILITIES

Bank guarantees

At 31 March 2012, 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 2012, Expatriate Guarantee and Custom Guarantee amounted to Rs. 230,000 (2011 - Rs. 170,000) and Rs. 4,000,000 (2011 - Rs. 6,220,000) respectively.

18 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.

19 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.

Notes to the Financial Statements - 31 March 2012 *(Contd.)*

The following transactions were carried out with related parties:

(a) Purchases of services

	2012 Rs.	2011 Rs.
Immediate parent: management fees (Note 5)	**6,013,873**	3,135,410
Oberoi Hotels Private Limited: licence fees (Note 5)	**1,798,062**	1,045,138
	7,811,935	4,180,548
Immediate parent (reimbursed expenses)	**841,205**	2,681,995
Total	**8,653,140**	6,862,543

(b) Payable to related party

	2012 Rs.	2011 Rs.
Amount due to related party	**5,926,987**	4,180,547

(c) Loans from related party

	2012 Rs.	2011 Rs.
Immediate parent		
At 1 April	**80,902,014**	–
Loans advanced during year	**133,290,826**	79,631,237
Foreign exchange (gain)/loss for the year	**(8,596,439)**	1,270,777
At 31 March (Note 16)	**205,596,401**	80,902,014

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

20 IMMEDIATE AND ULTIMATE PARENT

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

21 COMMITMENTS

Operating lease commitments

The future aggregate minimum lease payments under operating leases are as follows:

	2012 Rs.	2011 Rs.
Not later than 1 year	**5,248,496**	5,248,496
Later than 1 year and not later than 5 years	**24,248,052**	23,145,867
Later than 5 years	**120,174,296**	126,524,976
	149,670,844	154,919,339

EIH INTERNATIONAL LTD

BOARD

Mr. P. R. S. Oberoi
Mr. S. S. Mukherji
Mr. Deepak Madhok

AUDITORS

Ernst & Young
Ernst & Young Building
121, King William Street
Adelaide SA 5000
Australia

REGISTERED OFFICE

Romasco Place, Wickhams Cay 1,
Road Town, Tortola,
British Virgin Islands

DIRECTORS' REPORT

DIRECTORS

The Directors have pleasure in submitting the Statement of Financial Position of EIH International Ltd and its controlled entities (the 'Group') as at 31 March 2012, and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended and report as follows :

The names of the Directors in office at the date of this report are :

P R S Oberoi

S S Mukherji

Deepak Madhok

PRINCIPAL ACTIVITY

The principal activity of the Company during the course of the year was investment and management. There were no significant changes in activities of the Company during the year.

RESULTS

The net profit for the year was $349,891 (2011 : $25,085,965) for the Group and a pofit of $103,288 (2011 : $10,594,553) for the Company, after provision for income tax expense of $646,144 (2011 : $734,224) for the Group and $Nil (2011 : $Nil) the Company.

EVENTS AFTER THE BALANCE SHEET DATE

No material matters or circumstances have arisen since the end of the year that require disclosure in the Financial Statements.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group's operations are not regulated by any significant environmental regulation.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There are no significant changes in state of affairs.

The results of the Company operations during the year have not, in the opinion of the Directors, been affected by any item, transaction or event of a material or unusual nature.

DIVIDENDS

During the year a dividend totalling $Nil (2011 : $19,000,000) was declared and paid.

DIRECTORS' REMUNERATION

No Director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements or the fixed salary of a full-time employee of the Group or a related body corporate, by reason of a contract made by the Group or a related body corporate with the Director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

SHARE OPTIONS

No options over issued shares or interests in the Company were granted during or since the end of the year and there were no options outstanding at the date of this report.

AUDITORS INDEPENDENCE

A copy of the Auditor's Independence declaration is attached to this financial report.

This report has been made in accordance with a resolution of Directors.

DEEPAK MADHOK

9 May, 2012 *Director*

Statement of Comprehensive Income for the year ended 31 March 2012

(Expressed in United States dollars)

		Consolidated		Standalone	
		31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	Note	**$**	$	**$**	$
Continuing Operaions					
Turnover	3	**17,636,522**	14,873,502	**257,960**	11,758,669
Cost of Sales		**(1,688,220)**	(1,676,390)	**–**	–
Gross Profit		**15,948,302**	13,197,112	**257,960**	11,758,669
Operating Expenses					
Other operating expenses		**2,113,389**	1,268,897	**–**	–
Payroll and related expenses		**2,455,605**	1,808,592	**–**	–
Administration and General Expenses		**2,975,157**	4,446,636	**154,127**	1,246,919
Marketing expenses		**853,124**	1,028,376	**–**	–
Upkeep and service cost		**2,806,803**	2,194,192	**–**	–
Project development expenses		**411,971**	129,381	**–**	–
Provision for furniture, fixture and equipment		**375,294**	280,662	**–**	–
Other Expenses		**142,088**	186,098	**545**	9,770
Depreciation and amortisation		**1,866,500**	640,861	**–**	–
Total Operating Expenses		**13,999,931**	11,983,696	**154,672**	1,256,689
Other Income/(Expense)					
Interest expense		**(292,427)**	(265,720)	–	–
Share of associates net profit/(loss)		**–**	(163,388)	–	–
Loan forgiveness		**–**	906,699	–	–
Gain on remeasurement of pre-existing interest on consolidation		**–**	21,604,391		
Gain/(loss) on disposal of fixed assets		**9,495**	(3,253)	–	–
Other Income/(expense)		**(669,404)**	2,528,043	–	92,573
Total Other Income/(Expense)		**(952,336)**	24,606,772	–	92,573
Profit before taxation		**996,035**	25,820,189	103,288	10,594,553
Taxation	5	**(646,144)**	(734,224)	–	–
Profit after taxation		**349,891**	25,085,965	**103,288**	10,594,553
Profit/(Loss) for the year is attributable to:					
Owners of the parents		**(82,111)**	24,873,714	**103,288**	10,594,553
Non-controlling Interest		**432,002**	212,251	–	–
		349,891	25,085,965	**103,288**	10,594,553

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 March 2012

(Expressed in United States dollars)

		Consolidated		Standalone	
		31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	Note	**$**	$	**$**	$
Non-Current Assets					
Amount due from related parties	10	**4,263,527**	4,587,502	**4,554,614**	4,882,355
Investments	7	**7,620,536**	7,620,536	**77,675,314**	77,675,314
Property, plant and equipment	8	**15,225,791**	15,649,149	–	–
Intangibles assets	9	**72,174,451**	73,084,451	–	–
Deferred tax assets		**292,953**	371,455	–	–
Other assets		**701,815**	745,420	–	–
Total Non-Current Assets		**100,279,073**	102,058,513	**82,229,928**	82,557,669
Current Assets					
Cash and cash equivalents	11	**11,970,195**	10,719,575	**1,031,451**	588,024
Receivable	12	**1,127,838**	989,037	**–**	–
Inventories		**1,231,823**	1,417,106	**–**	–
Other assets		**377,110**	425,435	**–**	–
Total Current Assets		**14,706,966**	13,551,153	**1,031,451**	588,024
Total Assets		**114,986,039**	115,609,666	**83,261,379**	83,145,693
Current Liabilities					
Trade and other payables	13	**2,924,656**	3,049,709	**87,400**	75,000
Long-term loan - current portion	14	**773,591**	721,412	–	–
Provision for taxation		**265,510**	521,027	–	–
Total Current Liabilities		**3,963,757**	4,292,148	**87,400**	75,000
Non-Current Liabilities					
Amounts due to related parties		**7,128,880**	7,376,716	**181,087**	181,089
Long term bank loan	14	**269,672**	1,041,873	–	–
Deferred tax liabilities		**445,331**	491,145	–	–
Employee benefits liabilities		**691,063**	699,634	–	–
Total Non-Current Liabilities		**8,534,946**	9,609,368	**181,087**	181,089
Total Liabilities		**12,498,703**	13,901,516	**268,487**	256,089
Net Assets		**102,487,336**	101,708,150	**82,992,892**	82,889,604
Equity					
Share Capital	15	**89,607,800**	89,607,800	**89,607,800**	89,607,800
Retained Earnings		**13,104,904**	13,187,015	**(6,614,908)**	(6,718,196)
Translation reserve		**(1,044,441)**	(1,528,919)	**–**	–
Minority Interest	16	**819,073**	442,254	**–**	–
Total Equity		**102,487,336**	101,708,150	**82,992,892**	82,889,604

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 March 2012

(Expressed in United States dollars)

		Consolidated				
	Note	Share Capital $	Translation Reserve $	Retained earnings $	Non-Controlling Interest $	Total Equity $
As at 1 April 2011	15	89,607,800	(1,528,919)	13,187,015	442,254	101,708,150
Issued during the year		–	–	–	–	–
Share of other equity		–	–	–	–	–
Translation reserve		–	484,478	–	(55,183)	429,295
Profit for year		–	–	(82,111)	432,002	349,891
Other Comprehensive Income		–	–	–	–	–
Dividend paid		–	–	–	–	–
As at 31 March 2012	15	**89,607,800**	**(1,044,441)**	**13,104,904**	**819,073**	**102,487,336**
As at 1 April 2010	15	44,607,800	309,360	7,313,301	–	52,230,461
Issued during the year		45,000,000	–	–	–	45,000,000
Share of other equity		–	–	–	230,003	230,003
Translation reserve		–	(1,838,279)	–	–	(1,838,279)
Profit for year		–	–	24,873,714	212,251	25,085,965
Other Comprehensive Income		–	–	–	–	–
Dividend paid		–	–	(19,000,000)	–	(19,000,000)
As at 31 March 2011	15	**89,607,800**	**(1,528,919)**	**13,187,015**	**442,254**	**101,708,150**

Statement of Changes in Equity – *(Contd.)* for the year ended 31 March 2012

(Expressed in United States dollars)

		Standalone		
	Note	**Share Capital $**	**Retained Earnings $**	**Total Equity $**
As at 1 April 2011	15	89,607,800	(6,718,196)	82,889,604
Issued during the year		–	–	–
Profit for year		–	103,288	103,288
Other Comprehensive Income		–	–	–
Dividend paid		–	–	–
As at 31 March 2012	15	**89,607,800**	**(6,614,908)**	**82,992,892**
As at 1 April 2010	15	44,607,800	1,687,251	46,295,051
Issued during the year		45,000,000	–	45,000,000
Profit for year		–	10,594,553	10,594,553
Other Comprehensive Income		–	–	–
Dividend paid		–	(19,000,000)	(19,000,000)
As at 31 March 2011	15	**89,607,800**	**(6,718,196)**	**82,889,604**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 31 March 2012

(Expressed in United States dollars)

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Cash Flows from Operating Activities				
Profit before taxation	**996,035**	25,820,189	**103,288**	10,594,553
Adjustment for:				
Depreciation	**1,866,500**	640,861	**–**	–
Share of Associates' net profit	**–**	163,388	**–**	–
Loan forgiveness	**–**	(906,699)	**–**	–
Interest income	**(250,934)**	(288,520)	**(257,960)**	(276,529)
Dividend received	**–**	(125,455)	**–**	(11,482,140)
Interest expense	**292,427**	265,720	**–**	–
Loss on disposal of fixed assets	**(9,495)**	3,253	**–**	–
Gain on remeasurement of pre-existing interest	**–**	(21,604,391)	**–**	–
Impact on foreign currency translation	**684,079**	(2,515,004)	**–**	(92,573)
(Increase)/Decrease in assets:				
Decrease in receivables	**58,861**	726,708	**–**	181,087
Decrease in Inventories	**178,589**	(103,169)	**–**	–
Decrease in prepayments	**105,546**	201,750	**–**	–
(Decrease)/Increase in Liabilities:				
(Decrease)/Increase in payables	**(346,263)**	(72,879)	**12,400**	75,000
Increase in provision	**294,009**	46,582	**–**	–
Cash generated from/(used by) operations	**3,869,354**	2,252,334	**(142,272)**	(1,000,602)
Interest paid	**(97,149)**	(106,466)	**–**	–
Taxes paid	**(876,186)**	(440,336)	**–**	
Net Cash Flows used by operating activities	**2,896,019**	1,705,532	**(142,272)**	(1,000,602)
Cash Flows from Investing Activities				
Dividend received	**–**	125,455	**–**	11,482,140
Acquisition of fixed assets	**(772,218)**	(678,540)	**–**	–
Purchase of furniture, fixtures and equipment from	**(287,737)**	–	**–**	–
provision for furniture, fixtures and equipment	**–**	(252,427)	**–**	–
Proceeds from sale of property, plant and equipments	**15,419**	19,197	**–**	–
Repayment of advance to related party	**–**	18,977,051	**–**	–
Payment for acquisition of investments	**–**	(45,000,000)	**–**	(45,000,000)
Interest received	**26,020**	17,243	**152**	169
Dividend paid	**–**	(19,000,000)	**–**	(19,000,000)
Net Cash Flows (used by)/from investing activities	**(1,018,516)**	(45,792,021)	**152**	(52,517,691)
Cash Flows from financing activities				
Proceeds from issuance of shares	**–**	45,000,000	**–**	45,000,000
Proceeds from related party borrowings	**93,140**	–	**585,547**	7,571,244
Repayment of bank loans	**(720,023)**	(507,603)	**–**	–
Net Cash Flows from financing activities	**(626,883)**	44,492,397	**585,547**	52,571,244
Net (decrease)/increase in cash and cash equivalents	**1,250,620**	405,908	**443,427**	(947,049)
Cash and cash equivalents at beginning of year	**10,719,575**	4,585,073	**588,024**	1,535,073
Adjustment on account of inclusion of Subsidiaries	**–**	5,728,594	**–**	–
Cash and cash equivalents at end of year (Note 11)	**11,970,195**	10,719,575	**1,031,451**	588,024

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 March 2012

1. **Corporate Information**

The financial report of EIH International Ltd and its controlled entities (the "Group") for the year ended 31 March 2012 was authorised for issue on 9 May 2012.

EIH International Ltd and its controlled entities is a company limited by shares and incorporated in British Virgin Island. The principal activity of the Group during the course of the year was investment and management.

2. **Summary of Significant Accounting Policies**

(a) Basis of Presentation
The financial report has been prepared in accordance with the requirements of the International Financial Reporting Standards ('IFRS').

The financial report has also been prepared on a historical cost basis.

The financial report is presented in United States dollars and all values are rounded to the nearest dollars unless otherwise stated.

(b) Compliance with IFRS
The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year.

(d) Basis of consolidation
The consolidated financial statements comprise the financial statements of EIH International Ltd (the "Company") and its controlled entities as at 31 March 2012 (the "Group"). The financial information of the controlled entities is prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries are stated at cost less provisions for any permanent diminution in value, with income from subsidiaries being recognised to the extent of dividends received and receivable.

(e) Business Combinations
Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets, Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Notes to the Financial Statements *(Contd...)*

2. Summary of Significant Accounting Policies (Contd…)

(f) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(g) Foreign Currencies Translation

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into United States dollars at the exchange rates ruling at the balance date.

Non-monetary items measured at fair value in a foreign currency in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange gains and losses on foreign currency translation are dealt with in the Statement of Comprehensive Income account.

On consolidation, exchange differences arising from the translation of the net investment in subsidiaries are taken to the foreign currency translation reserve.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Receivables

Receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Investments

Other investments are carried at cost, less provision for any permanent diminution in value. Investments in subsidiaries are recorded at cost less provision for any permanent diminution in value.

(l) Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the

Notes to the Financial Statements *(Contd...)*

2. Summary of Significant Accounting Policies (Contd…)

Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not rested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies to those used by the Group for like transactions and events in similar circumstances.

(m) Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Land - not depreciated
- Buildings - over 20 years
- Plant and equipment - over 5 to 15 years
- Leased equipment - over 8 to 10 years
- Motor vehicles - over 4 years

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

Revaluations of land an buildings
Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Notes to the Financial Statements *(Contd...)*

2. Summary of Significant Accounting Policies (Contd...)

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(n) Intangible assets

Goodwill
Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates.

Management contracts
Management contracts are measured at cost. After initial recognition, management contracts are measured at cost less any accumulated amortisation and impairment losses.

Amortisation of the various management contracts commenced from 1 April 2011 and was calculated based on the remaining terms of the respective contracts.

(o) Payables
Payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provision and employee benefits
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(q) Taxation
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

– When deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

– When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

Notes to the Financial Statements *(Contd...)*

2. Summary of Significant Accounting Policies (Contd…)

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(k) Contributed Equity
Ordinary share are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

(i) Rendering of Services
Revenue from management and service fees received as hotel operators and managers for services rendered to hotel is recognised by reference to the billing to the customers.

(ii) Sale of Goods
Revenue is recognised when the significant risk and rewards of ownership have passed to the buyer, the amount can be reliably measured and collectibility of the related receivables is reasonably assured. Risks and rewards are considered passed to the buyer at the time of despatch or at the time of delivery of the goods to the customer.

(iii) Interest Income
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Notes to the Financial Statements *(Contd...)*

3. Turnover

Turnover represents income from hotel operations management and service fees received as hotel operators and managers for services rendered to hotels, royalty, dividend and interest income.

(Expressed in United States dollars)

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Hotel revenues	**16,821,309**	12,995,417	**–**	–
Hotel management fees	**303,335**	695,019	**–**	–
Sales & Marketing	**223,415**	684,075	**–**	–
Royalty	**37,529**	85,016	**–**	–
Dividends	**–**	125,455	**–**	11,482,140
Interest	**250,934**	288,520	**257,960**	276,529
	17,636,522	14,873,502	**257,960**	11,758,669

4. Profit Before Taxation

Profit before taxation is arrived at after charging and crediting :

After charging:	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Audit remuneration:				
– audit of financial report	**213,814**	296,790	**71,588**	99,953
– accounting advice	**–**	270,000	**–**	135,000
	213,814	566,790	**71,588**	234,953

5. Taxation

A reconciliation of the tax expense applicable to the profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Profit before tax	**996,035**	25,820,189	**103,288**	10,594,553
Tax at the statutory tax rate of Nil% (2011 : Nil%)	–	–	**–**	–
Tax rate differential in foreign countries	**(646,144)**	(734,224)	**–**	–
Tax expense	**(646,144)**	(734,224)	**–**	–

6. Directors' Remuneration

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Fees	**–**	–	**–**	–
Other emoluments	–	–	**–**	–
	–	–	**–**	–

Notes to the Financial Statements *(Contd...)*

7. Investments

Investments in Subsidiaries

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Unlisted shares, at cost	**–**	–	55,243,814	55,243,814

Details of the subsidiaries are as follows:

Name	Place of Incorporation	Percentage of equity attributable to the Company: Directly	Percentage of equity attributable to the Company: Indirectly	Principal Activities	Directors
EIH Holdings Ltd	British Virgin Islands	93.57	6.43	Hotel Investment and Management	Mr. P.R.S. Oberoi Mr. D. Madhok
EIH Marrakech Limited	British Virgin Islands	100	–	Investment	Mr. P.R.S. Oberoi Mr. S.S. Mukherji Mr. D. Madhok
PT Widja Putra Karya	Indonesia	21.11	48.89	Hotel owner	I Wayan Pasek I Ketut Siandana Kamal K. Kaul
PT Waka Oberoi Indonesia	Indonesia	26.2	57.13	Hotel owner	I Wayan Pasek I Ketut Siandana Kamal K. Kaul
J&W Hongkong Limited	Hongkong	100	–	Investment	Mr. P.R.S. Oberoi Mr. D. Madhok
EIHH Corporation Ltd.	Hongkong	–	100	Investment	Mr. P.R.S. Oberoi Mr. D. Madhok
EIH Investment N.V.	Netherlands Antilles	–	100	Investment and Management	ATC Trustees (Curacao) NV
EIH Management Services B.V.	Netherlands Antilles	–	100	Hotel Management and Investment	TMF Management B.V.
Oberoi Turtle Bay	Mauritius	–	100	Hotel Management	Mrs. P. Koenig Ms. Veronique Magny-Antoine
PT Astina Graha Ubud	Indonesia	–	60	Hotel Development	Kamal K. Kaul I Wayan Pasek Tjokorda Raka Kerthayasa

Other Investments

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Other Investments	**7,620,536**	7,620,536	**22,431,500**	22,431,500

Notes to the Financial Statements *(Contd...)*

Other investments represent investments in Oberoi Mauritius Limited and Tourism Investment Company at Sahl Hasheesh. (In the prior year, other investments also included EIH Holdings Ltd, PT Widja Putra Karya, PT Waka Oberoi Indonesia and J&W Hongkong Limited, which became subsidiaries in the current year)

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Total Investments	**7,620,536**	7,620,536	**77,675,314**	77,675,314

8. Property, Plant and Equipment

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Freehold Land				
At Cost	**5,677,814**	5,710,602	**–**	–
Accumulated depreciation	**–**	–	**–**	–
	5,677,814	5,710,602	**–**	–
Freehold Buildings				
At Cost	**14,517,044**	14,742,254	**–**	–
Accumulated depreciation	**(7,309,326)**	(7,031,684)	**–**	–
	7,207,718	7,710,570	**–**	–
Plant and Equipment				
At Cost	**4,405,556**	4,357,529	**–**	–
Accumulated depreciation	**(3,956,620)**	(3,958,288)	**–**	–
	448,936	399,241	**–**	–
Furniture & Fittings				
At Cost	**5,128,031**	5,043,736	**–**	–
Accumulated depreciation	**(4,532,230)**	(4,437,412)	**–**	–
	595,801	606,324	**–**	–
Motor Vehicles				
At Cost	**191,487**	222,776	**–**	–
Accumulated depreciation	**(166,656)**	(177,310)	**–**	–
	24,831	45,466	**–**	–
Project Expenses	**1,270,691**	1,176,946	**–**	–
Total property, plant and equipment, net	**15,225,791**	15,649,149	**–**	–
At cost	**31,190,623**	31,253,843	**–**	–
Accumulated depreciation	**(15,964,832)**	(15,604,694)	**–**	–
Written Down Value	**15,225,791**	15,649,149	**–**	–

Notes to the Financial Statements *(Contd...)*

9. Intangible Assets

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Goodwill	**36,684,451**	36,684,451	**–**	–
Management contracts	**36,400,000**	36,400,000	**–**	–
Less: Accumulated Amortisation	**(910,000)**	–	**–**	–
Management contracts, net	**35,490,000**	36,400,000	**–**	–
	72,174,451	73,084,451	**–**	–

10. Amounts Due to Related Parties

The amounts due to the related parties are unsecured, non-interest bearing and without predetermined repayment terms.

11. Cash and Cash Equivalents

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Cash at Bank	**11,951,728**	10,697,583	**1,031,451**	588,024
Cash on hand	**18,467**	21,992	**–**	–
	11,970,195	10,719,575	**1,031,451**	588,024

12. Receivables

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Trade receivables	**1,025,674**	860,825	**–**	–
Other receivables	**102,164**	128,212	**–**	–
	1,127,838	989,037	**–**	–

13. Payables

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Third parties	**2,924,656**	3,049,709	**87,400**	75,000
Related parties	**–**	–	**–**	–
	2,924,656	3,049,709	**87,400**	75,000

Notes to the Financial Statements *(Contd...)*

14. Long-Term Bank Loans

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Current portion	**773,591**	721,412	**–**	–
Non-current portion	**269,672**	1,041,873	**–**	–
	1,043,263	1,763,285	**–**	–

On 6 April 2010, the Company entered into a credit agreement with PT Bank International Indonesia Tbk wih a maximum credit of $2,380,000. The proceeds of the loan were used for the early repayment of the long-term loan payable to PT Bank CIMB Niaga TbK amounting to $2,383,957 which bore interest at annual rates ranging from 7.01% to 7.11% in 2010.

The terms of the loan agreement with PT Bank International Indonesia Tbk are as follows:

– Amount of facility	:	$2,380,000
– Final maturity date	:	6 July 2013
– Interest	:	7% per annum, based on one-month SIBOR plus 6.7574% per annum (reviewed every 3 months)
– Repayment	:	The loan will be repaid in 39 monthly instalments starting May 2010 until July 2013
– Collateral	:	Land and buildings in the form of hotel located at Jl. Kayu Aya, Seminyak, Kuta, Bali.

On 8 April 2010, the Company entered into a credit agreement with PT Bank Internasional Indonesia Tbk with a maximum credit of $2,380,000. The proceeds of the loan were used for the early repayment of the long-term loan payable to PT Bank CIMB Niaga Tbk amounting to $2,383,957 which bore Interest at annual rates ranging from 7.01% to 7.11% in 2010.

The terms of the loan agreement with PT Bank Internasional Indonesia Tbk are as follows:

– Amount of facility	:	$2,380,000
– Final maturity date	:	6 July 2013
– Interest	:	7% per annum, based on one-month SIBOR plus 6.7574% per annum (reviewed every 3 months)
– Repayment	:	The loan will be repaid in 39 monthly instalments starting May 2010 until July 2013.
– Collateral	:	Land and buildings in the form of hotel located at Jl. Kayu Aya, Seminyak, Kuta, Bali.

Notes to the Financial Statements *(Contd...)*

15. Contributed Equity

Share Capital

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Issued and fully paid: 89,607,800 (2011 : 89,607,800) ordinary shares	**89,607,800**	89,607,800	89,607,800	89,607,800

	Consolidated		Standalone	
	Number of Shares	**$**	**Number of Shares**	**$**
As st 1 March 2009	**44,607,800**	89,607,800	**89,607,800**	89,607,800
Shares Issued	**–**	–	**–**	–
As at 31 March 2010	**44,607,800**	89,607,800	**89,607,800**	89,607,800
Shares Issued	**45,000,000**	45,000,000	**45,000,000**	45,000,000
As at 31 March 2011	**89,507,800**	89,607,800	**89,607,800**	89,607,800
Share Issued	**–**	–	**–**	–
As at 31 March 2012	**89,507,800**	89,607,800	**89,607,800**	89,607,800

16. Non-controlling Interest

	Consolidated		Standalone	
	31 March 2012 $	31 March 2011 $	**31 March 2012 $**	31 March 2011 $
Contributed equity	**3,158,046**	3,158,046	**–**	–
Translation reserve	**(422,693)**	(367,510)	**–**	–
Retained earnings	**(2,348,282)**	(2,560,533)	**–**	–
Current year profit	**432,002**	212,251	**–**	–
	819,073	442,254	**–**	–

17. Events After Statement of Financial Position Date

No material subsequent events or transactions have been identified.

Notes to the Financial Statements *(Contd...)*

18. Commitments and Contingencies

EIH Holdings Ltd (subsidiary company)

In Mauritius, the Mauritius Revenue Authority (MRA) in its tax assessment determined the Basic Management Fee as Royalty derived by a subsidiary company, EIH Holdings Ltd ("EIHH"), to be taxable without any deductions and 50% of the Incentive Management Fee taxable, after allowance for an expense deduction of 55% of the Incentive Management Fee. The applicable tax rate is 15%. As at 31 March 2012, the assessed tax for the years ended 30 June 2001 to 30 June 2007 is US$472,767 and penalties of US$306,513.

Based on the advice received from Pricewaterhouse Coopers, EIHH has claimed that only 20% of both the Basic and Incentive Management fees should be taxed and 80% of such taxable income should be allowed as an expense deduction. EIHH does not accept the treatment adopted by the MRA. The total tax payable under EIHH's formula from 30 June 2001 to 31 March 2012 is US$34,238. EIHH has paid $31,485 as at 31 March 2012.

The MRA does not agree with EIHH and the matter is under review with the Assessment Review Committee (ARC). EIHH has made an on-account payment of US$236,435 until the date for the matter to be reviewed by the ARC.

If successful, the amount of US$236,435 will be refunded. If not, the liability of EIHH will be the US$472,767 and US$306,513 already assessed by the MRA as at 31 March 2012, plus US$257,779 (applying the same basis of calculation for the years ended 30 June 2006 to 31 March 2012) and any applicable penalties. The total tax liability will therefore be US$1,037,059, plus penalties on tax for the years ended 30 June 2008 to 31 March 2012.

Oberoi Mauritius Ltd (jointly controlled entity)

In Mauritius, the Mauritius Revenue Authority (MRA) assessed a jointly controlled entity, Oberoi Mauritius Ltd ("OML"), for payment of tax on interest income commencing from the year ended 30 June 2003 to 30 June 2007. The MRA in its tax assessments determined the interest on the loan receivable from Island Resort Limited as taxable, without deducting interest payable on the loan from shareholders. The assessed tax and penalty as per the MRA is US$880,020 and US$851,219 respectively for the years ended 30 June 2003 to 30 June 2007.

OML, has claimed that the interest on shareholders loans should be allowed as an expense deduction. OML does not accept the method of taxation of interest income without deduction of interest expense, OML has paid tax of US$30,660 up to the year ended 31 March 2011 on this basis.

The matter went for review by the Assessment Review Committee (ARC) and OML made an on-account payment of US$458,400 as part of the review process. In April 2012, the ARC decided that the interest expense is not allowable as a deduction, but it is still reviewing whether the MRA used its discretion property in determining that the deduction of interest expense was disallowable. Notwithstanding, the company has decided to lodge an appeal in the Supreme Court, as it believes that interest expense should be allowed as deduction.

If the appeal is unsuccessful, OML will be required to pay the US$880,020 and US$651,219 as above, less the US$458,400 and US$30,660 already paid for the years ended 30 June 2003 to 30 June 2007 i.e. US$1,042,179. Further, the estimated tax liability for the years ended 30 June 2008 to 31 March 2012 is US$$586,797 plus applicable penalties. In all, the outstanding tax liability will be US$1,628,977 plus penalties for years ended 30 June 2008 to 31 March 2012.

There are no other outstanding commitments and contingencies at your end.

Directors' Statement

In the opinion of the Directors :

(a) the Statement of Comprehensive Income and Statement of Changes in Equity is drawn up so as to give a true and fair view of the results of the Group for the year ended 31 March 2012;

(b) the Statement of Financial position is drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2012; and

(c) at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

This statement has been made in accordance with a resolution of Directors.

Melbourne
9 May 2012

DEEPAK MADHOK
Director

Independent Auditor's Report

To the Members of
EIH International Ltd

We have audited the accompanying financial report of EIH International Ltd (the company) and the consolidated entity, comprising both the company and the entities its controlled during the year ended 31 March 2012. The financial report comprises the Balance Sheet as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Statement.

Directors' Responsibility for the Financial Report
The Directors of the Company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet their financial reporting requirements and meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

We conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also

Independent Auditor's Report *(Contd...)*

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 report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the Directors' financial reporting requirements. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence
In conducting our audit we have met the independence requirements of the professional accounting bodies.

Auditor's Opinion
In our opinion, the financial report presents fairly, in all material respects, the financial position of EIH International Ltd and the consolidated entity as on 31 March 2012 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

ERNST & YOUNG

Adelaide
9 May 2012

DAVID SANDERS
Partner

EIH HOLDINGS LTD

BOARD

Mr. P. R. S. Oberoi
Mr. Deepak Madhok

AUDITORS

Ernst & Young
Ernst & Young Building
121, King William Street
Adelaide SA 5000
Australia

REGISTERED OFFICE

Romasco Place, Wickhams Cay 1,
Road Town, Tortola,
British Virgin Islands

DIRECTORS' REPORT

DIRECTORS

The directors have pleasure in submitting the Statement of Financial Position of EIH Holdings Ltd (the 'Company') as at 31 March 2012, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended and report as follows:

The names of the directors in office at the date of this report are:

P R S Oberoi

Deepak Madhok

PRINCIPAL ACTIVITY

The principal activity of the Company during the course of the year was investment and management.

RESULTS

The net profit for the year was $954,829 (2011: $2,173,047) after provision for income tax expense of $111,022 (2011: $218,446).

EVENTS AFTER THE BALANCE DATE

No material matters or circumstances have arisen since the end of the year that require disclosure in the financial statements.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Company's operations are not regulated by any significant environmental regulation.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There are no significant changes in state of affairs.

The results of the Company operations during the year have not, in the opinion of the Directors, been affected by any item, transaction or event of a material or unusual nature.

DIVIDENDS

During the year, no dividends were declared or paid (2011: $11,428,756).

DIRECTORS' REMUNERATION

No director has received or become entitled to receive a benefit, other than benefits disclosed in the financial statements or the fixed salary of a full-time employee of the Company or a related body corporate, by reason of a contract made by the Company or a related body corporate with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the date of this report.

AUDITORS INDEPENDENCE

A copy of the auditor's independence declaration is attached to this financial report.

This report has been made in accordance with a resolution of directors

9 May, 2012	DEEPAK MADHOK *Director*

Statement of Comprehensive Income for the year ended 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012 $**	31 March 2011 $
Continuing Operaions			
Turnover	3	**1,649,274**	2,579,272
Cost of Sales		**–**	–
Gross Profit		**1,649,274**	2,579,272
Operating Expenses			
Administration and General Expenses		**172,738**	919,230
Project Development Expenses		**411,971**	129,381
Total Operating Expenses		**584,709**	1,048,611
Other Income/(Expense)			
Loan forgiveness		**–**	906,699
Other Income/(Expense)		**1,286**	(45,867)
Total Other Income		**1,286**	860,832
Profit before taxation	4	**1,065,851**	2,391,493
Taxation	5	**(111,022)**	(218,446)
Profit after taxation		**954,829**	2,173,047
Other Comprehensive Income			
Other Comprehensive Income		**–**	–
Total Comprehensive Income		**954,829**	2,173,047

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 March 2012

(Expressed in United States dollars)

	Note	31 March 2012 $	31 March 2011 $
Non-Current Assets			
Investments	7	**8,484,270**	8,484,270
Amount due from related parties	8	**19,037,622**	19,177,034
		27,521,892	27,661,304
Current Assets			
Cash and cash equivalents	9	**8,262,402**	6,652,333
Receivables	10	**741,570**	1,544,916
Total Current Assets		**9,003,972**	8,197,249
Total Assets		**36,525,864**	35,858,553
Current Liabilities			
Payables	11	**422,606**	710,124
Total Current Liabilities		**422,606**	710,124
Non-Current Liabilities			
Amounts due to related parties	12	**744**	744
Total Non-Current Liabilities		**744**	744
Total Liabilities		**423,350**	710,868
Total Net Assets		**36,102,514**	35,147,685
Equity			
Share Capital	13	**30,085,714**	30,085,714
Retained Earnings		**6,016,800**	5,061,971
Total Equity		**36,102,514**	35,147,685

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 March 2012

(Expressed in United States dollars)

	Note	Share Capital $	Retained Earnings $	Total Equity $
As at 1 April 2011	13	30,085,714	5,061,971	35,147,685
Profit for year		–	954,829	954,829
Other Comprehensive Income		–	–	–
Dividend paid		–	–	–
As at 31 March 2012	13	30,085,714	6,016,800	36,102,514
As at 1 April 2010	13	30,085,714	14,317,680	44,403,394
Profit for year		–	2,173,047	2,173,047
Other Comprehensive Income		–	–	–
Dividend paid		–	(11,428,756)	(11,428,756)
As at 31 March 2011	13	30,085,714	5,061,971	35,147,685

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 31 March 2012

(Expressed in United States dollars)

	31 March 2012	31 March 2011
	$	$
Cash Flows from Operating Activities		
Profit before taxation	**1,065,851**	2,391,493
Adjustment for:		
Loan forgiveness	**–**	(906,699)
Interest income	**(133,587)**	(142,897)
Dividend received	**–**	(141,315)
Other	**(1,286)**	45,867
(Increase)/Decrease in assets:		
Decrease/(Increase) in receivables	**803,346**	(183,960)
(Decrease)/Increase in Liabilities:		
(Decrease)/Increase in payables	**(287,517)**	230,034
Cash generated from operations	**1,446,807**	1,292,523
Tax paid	**(111,931)**	(218,446)
Net Cash Flows used by operating activities	**1,334,876**	1,074,077
Cash Flows from Investing Activities		
Dividend paid	**–**	(11,428,756)
Repayment of advance to related party	**–**	18,977,051
Dividend received	**–**	141,315
Interest received	**840**	590
Net Cash Flows from/(used by) investing activities	**840**	7,690,200
Cash Flows from financing activities		
Repayment of related party loan	**–**	(7,571,243)
Repayment of loans provided to related parties	**301,646**	–
(Repayment)/Proceeds from related party borrowings	**(27,293)**	(104,032)
Net Cash Flows used by financing activities	**274,353**	(7,675,275)
Net increase in cash and cash equivalents	**1,610,069**	1,089,002
Cash and cash equivalents at beginning of year	**6,652,333**	5,563,331
Effect of exchange rate changes on cash balances	**–**	–
Cash and cash equivalents at end of year (Note 9)	**8,262,402**	6,652,333

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 March 2012

(Expressed in United States dollars)

1. Corporate Information

The financial report of EIH Holdings Ltd (the "Company") for the year ended 31 March 2012 was authorised for issue on May 2012.

EIH Holdings Ltd is a company limited by shares and incorporated in British Virgin Island. The principal activity of the Company during the course of the year was investment and management.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation
The financial report has been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS'), except as outlined below.

The financial report has also been prepared on a historical cost basis.

The financial report is presented in United States dollars and all values are rounded to the nearest dollars unless otherwise stated.

(b) Compliance with IFRS
The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board, with the following exceptions:

- IFRS 27 "Consolidated and Separate Financial Statements", as consolidated financial statements have not been prepared.

(c) Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year.

(d) Foreign Currencies Translation
Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into United States dollars at the exchange rates ruling at the balance date.

Non-monetary items measured at fair value in a foreign currency in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange gains and losses on foreign currency translation are dealt with in the Statement of Comprehensive Income account.

(e) Cash and Cash Equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Receivables
Receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

(g) Investments
Other investments are carried at cost, less provision for any permanent diminution in value. Investments in subsidiaries are recorded at cost less provision for any permanent diminution in value.

(h) Payables
Payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Provision
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(j) Taxation
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences between profit as computed for taxation purposes and profit as stated in the financial statements which are expected with reasonable probability to crystallise in the foreseeable future.

(k) Contributed Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

(i) Rendering of Services
Revenue from management and service fees received as hotel operators and managers for services rendered to hotel is recognised by reference to the billing to the customers.

(ii) Interest Income
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Notes to the Financial Statements *(Contd...)*

3. Revenue

Revenue represents income from management and service fees received as hotel operators and managers for services rendered to hotels, royalty, dividend and interest income.

(Expressed in United States dollars)

	31 March 2012	31 March 2011
	$	$
Hotel Management Fees	**794,743**	1,281,678
Sales and Marketing	**683,415**	770,205
Royalty	**37,529**	93,727
Dividends	**–**	141,315
Interest	**133,587**	142,897
Other Income	**–**	149,450
	1,649,274	2,579,272

4. Profit Before Taxation

Profit before taxation is arrived at after charging and crediting :

	31 March 2012	31 March 2011
	$	$
Interest Income (Note 3)	**133,587**	142,897
Auditor remuneration:		
– audit of financial report	**61,615**	98,052
– accounting advice	**–**	135,000
	61,615	233,052

5. Taxation

A reconciliation of the tax expense applicable to the profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows :

	31 March 2012	31 March 2011
	$	$
Profit before tax	**1,065,851**	2,391,493
Tax at the statutory tax rate of Nil % (2010 : Nil %)	–	–
Tax rate differential in Foreign Countries	**111,022**	218,446
Tax Expense	**111,022**	218,446

Notes to the Financial Statements *(Contd...)*

6. Directors' Remuneration	**31 March 2012**	31 March 2011
	$	$
Fees	–	–
Other emoluments	–	–
	–	–

7. Investments

Investments in Subsidiaries	**31 March 2012**	31 March 2011
	$	$
Unlisted shares, at cost	**1,566,744**	1,566,744

Details of the subsidiaries are as follows:

Name	Place of Incorporation	Percentage of equity attributable to the Company Directly	Indirectly	Principal Activities	Directors
PT Astina Graha Ubud	Indonesia	60	–	Hotel owner	Mr. Kamal K. Kaul Mr. I Wayan Pasek Mr. Tjokorda Raka Kerthayasa
PT Waka Oberoi Indonesia	Indonesia	–	57	Hotel owner	Mr. I Katut Siandana Mr. Kamal K. Kaul Mr. I Wayan Pasek
EIH Investment N.V.	Netherlands Antilles	100	–	Investment and Management	ATC Trustees (Curacao) NV
EIH Management Services B.V.	Netherlands Antilles	–	100	Hotel Management and Investment	TMF Management B.V.
EIHH Corporation Ltd.	Hongkong	100	–	Investment	Mr. P.R.S. Oberoi Mr. D. Madhok
Oberoi Turtle Bay	Mauritius	100	–	Hotel Management	Mrs. P. Koenig Ms. Veronique Magny-Antoine

Other Investments	**31 March 2012**	31 March 2011
	$	$
Other Investment at cost	**6,917,526**	6,917,526
	6,917,526	6,917,526

Other investments represent interests in joint ventures and are carried at cost, less provision for any permanent diminution in value.

	31 March 2012	31 March 2011
	$	$
Total Investments	**8,484,270**	8,484,270

Notes to the Financial Statements *(Contd...)*

8. Amount Due from Related Companies

The amounts due from related companies are unsecured, non-interest bearing and without predetermined repayment terms.

9. Cash and Cash Equivalents

	31 March 2012 $	31 March 2011 $
Cash at Bank	**8,262,402**	6,652,333

10. Receivables

Trade receivables	**741,570**	1,544,916
Other receivables	–	–
	741,570	1,544,916

11. Payables

Third parties	**422,606**	710,124
Related parties	**744**	744
	423,350	710,868

12. Amounts Due to Related Parties

The amounts due to the related parties are unsecured, non-interest bearing and without predetermined repayment terms.

13. Share Capital

	31 March 2012 $	31 March 2011 $
Issued and fully paid :		
30,085,714 ordinary shares	**30,085,714**	30,085,714

	Number of Shares	$
As at 1 April 2009	30,085,714	30,085,714
Shares issued	–	–
As at 31 March 2010	30,085,714	30,085,714
Shares issued	–	–
As at 31 March 2011	30,085,714	30,085,714
Shares issued	–	–
As at 31 March 2012	30,085,714	30,085,714

14. Events After Statement of Financial Position Date

No material subsequent events or transactions have been identified.

Notes to the Financial Statements *(Contd...)*

15. Commitments and Contingencies

In Mauritius, the Mauritius Revenue Authority (MRA) in its tax assessment determined the Basic Management Fee as Royalty derived by EIH Holdings Ltd to be taxable without any deductions and 50% of the Incentive Management Fee taxable, after allowance for an expense deduction of 65% of the Incentive Management Fee. The applicable tax rate is 15%. as at 31 March 2012, the assessed tax for the years ended 30 June 2001 to 30 June 2007 is US$472,767 and panalties of US$306,513.

Based on the advice received from Pricewaterhouse Coopers the company has claimed that only 20% of both Basic and Incentive Management fees should be taxed and 80% of such taxable income should be allowed as an expense deduction. The company does not accept the treatment adopted by the MRA. The total tax payable under the company's formula from 30 June 2001 to 31 March 2012 is US$34,238. The company has paid $31,485 as at 31 March 2012.

The MRA does not agree with the company and the matter is under review with the Assessment Review Committee (ARC). The company has made an on account payment of US$236,435 iuntil the date for the matter to be reviewed by the ARC.

If successful this amount of US$236,435 will be refunded. If not, the liability of the Company will be the US$472,767 and US$306,513 already assessed by the MRA as at 31 March 2012, plus US$257,779 (applying the same basis of calculation for the years ended 30 June 2008 to 31 March 2012) and any applicable penalties. The total tax liability will therefore be US$1,037,059, plus penalties on tax for the years ended 30 June 2008 to 31 March 2012.

There are no other outstanding commitments and contingencies at year end.

Directors' Statement

In the opinion of the Directors :

(a) the Statement of Comprehensive Income and Statement of Changes in Equity is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 March 2012;

(b) the Balance Sheet is drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2012; and

(c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

This statement has been made in accordance with a resolution of Directors.

DEEPAK MADHOK
Director

9 May 2012

Independent Auditor's Report

To the Members of
EIH Holdings Ltd

We have audited the accompanying financial report of EIH Holdings Ltd, which comprises the balance sheet as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' statement.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet their financial reporting requirements and meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

We conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence
In conducting our audit we have met the independence requirements of the professional accounting bodies.

Independent Auditor's Report *(Contd...)*

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of EIH Holdings Ltd as on 31 March 2012 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

ERNST & YOUNG

Adelaide
9 May 2012

DAVID SANDERS
Partner

EIH MARRAKECH LTD

BOARD

Mr. P. R. S. Oberoi
Mr. S. S. Mukherji
Mr. Deepak Madhok

AUDITORS

Ernst & Young
Ernst & Young Building
121, King William Street
Adelaide SA 5000
Australia

REGISTERED OFFICE

Romasco Place, Wickhams Cay 1,
Road Town, Tortola,
British Virgin Islands

DIRECTORS' REPORT

DIRECTORS

The Directors present their report on the Company for the year ended 31 March 2012.

The name of the Company's Directors in office during the year and until the date of this report are as follows.

P R S Oberoi
S S Mukherji
Deepak Madhok

The Directors were in office for the entire year unless otherwise stated.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was investment.

OPERATING AND FINANCIAL REVIEW

The net profit of the Company for the year was $Nil (2011: $Nil) after providing for income tax of $Nil (2011: $NiI).

No significant change in the nature of these activities occurred during the year.

EVENTS AFTER THE BALANCE DATE

No material matters or circumstances have arisen since the end of the year that require disclosure in the financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There are no significant changes in state of affairs.

The results of the Company operations during the year have not, in the opinion of the Directors, been affected by any item, transaction or event of a material or unusual nature.

DIVIDENDS

No dividends have been paid, declared or recommended during the preceding year ended 31 March 2012.

SHARE OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the date of this report.

AUDITORS INDEPENDENCE

A copy of the auditor's independence declaration is attached to this financial report.

Signed in accordance with a resolution of the Director:

Melbourne	DEEPAK MADHOK
9 May, 2012	*Director*

Statement of Comprehensive Income for the year ended 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** **$**	31 March 2011 $
Turnover	3	–	–
Profit before taxation	4	–	–
Taxation expense	5	–	–
Profit after taxation		–	–
Other Comprehensive Income			
Total Comprehensive Income		–	–

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** $	31 March 2011 $
Current Assets			
Cash and cash equivalents		**100**	100
Total Current Assets		**100**	100
Total Assets		**100**	100
Current Liabilities			
Amount due to related parties		**–**	–
Total Current Liabilities		**–**	–
Non-Current Liabilities			
Amount due to shareholder		**–**	–
Total Non-Current Liabilities		**–**	–
Total Liabilities		**–**	–
Net Assets		**100**	100
Equity			
Share Capital	7	**100**	100
Retained Earnings		**–**	–
Total Equity		**100**	100

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 March 2012

(Expressed in United States dollars)

	Share Capital $	Retained earnings $	Total Equity $
As at 1 April 2011	100	–	100
Profit for year	–	–	–
Other Comprehensive Income	–	–	–
As at 31 March 2012	100	–	100
As at 1 April 2010	100	–	100
Profit for year	–	–	–
Other Comprehensive Income	–	–	–
As at 31 March 2011	100	–	100

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 March 2012

1. Corporate Information

The financial report of EIH Marrakech Ltd. (the "Company") for the year ended 31 March 2012 was authorised for issue on April 2012.

EIH Marrakech Ltd. is a company limited by shares and incorporated in the British Virgin Islands. The nature of the operations and principal activity of the Company is described in the Directors' report.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial report has been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS').

The financial report has also been prepared on a historical cost basis.

The financial report is presented in United States Dollars and all values are rounded to the nearest dollars unless otherwise stated.

A statement of cash flows has not been prepared given that there were no cash transactions during the current year.

(b) Compliance with IFRS

The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

(d) Foreign Currencies Translation

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into United States dollars at the exchange rates ruling at the balance date.

Non-monetary items measured at fair value in a foreign currency in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange gains and losses on foreign currency translation are dealt with in the Statement of Comprehensive Income account.

(e) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and which are subject to an insignificant risk of changes in value.

(f) Deferred Taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences between profit as computed for taxation purposes and profit as stated in the financial statements which are expected with reasonable probability to crystallise in the foreseeable future.

Notes to the Financial Statements *(Contd...)*

(g) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Turnover

Turnover represents dividends from investments.

4. Profit Before Taxation

Profit before taxation is arrived at after charging and crediting :

After charging :	**31 March 2012**	31 March 2011
	$	$
Auditors' remuneration	–	–

The audit fee has been met by a related company.

5. Taxation

(a) No provision has been made for income tax as the Company did not earn income subject to tax.

(b) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

6. Directors' Remuneration

	31 March 2012	31 March 2011
	$	$
Fees	–	–
Other emoluments	–	–
	–	–

7. Share Capital

	31 March 2012	31 March 2011
	$	$
Issued and fully paid :		
100 ordinary shares of $1.00 each	**100**	100

8. Events After Statement of Financial Position Date

No material subsequent events or transactions have been identified.

9. Commitments and Contingencies

There are no outstanding commitments and contingencies at your end.

Directors' Statement

In the opinion of the Directors:

(a) the statement of comprehensive income and statement of changes in equity is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 March 2012;

(b) the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2012; and

(c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

This statement has been made in accordance with a resolution of Directors.

Melbourne	DEEPAK MADHOK
9 May 2012	*Director*

Independent Auditor's Report

To the Members of
EIH Marrakech Ltd

We have audited the accompanying financial report of EIH Marrakech Ltd, which comprises the balance sheet as at 31 March 2012, the statement of comprehensive income and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' statement.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report. are appropriate to meet their financial reporting requirements and meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

We conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for

Independent Auditor's Report *(Contd...)*

the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence

In conducting our audit we have met the independence requirements of the professional accounting bodies.

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of EIH Marrakech Ltd as of 31 March 2012 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

ERNST & YOUNG

Adelaide
9 May 2012

DAVID SANDERS
Partner

J&W HONG KONG LIMITED

BOARD

Mr. P. R. S. Oberoi
Mr. Deepak Madhok

AUDITORS

Ernst & Young
22/F, CITIC Tower
Tin Mei Avenue, Central
Hong Kong

REGISTERED OFFICE

16-19F, Prince's Building
10, Chater Road
Hongkong

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2012.

PRINCIPAL ACTIVITY
The Company's principal activity is investments holding.

RESULTS
The Company's result for the year ended 31 March 2012 and its state of affairs at 31 March 2012 are set out in the financial statements on pages 4 to 11.

DIRECTORS
The Directors of the Company during the period were:

Mr. Prithvi Raj Singh Oberoi
Mr. Deepak Madhok

There being no provision in the Company's articles of association for the retirement of Directors by rotation, all existing Directors will continue in office.

DIRECTORS' INTERESTS
At no time during the year was the Company or any of its holding company and fellow subsidiaries a party to any arrangement to enable the Company's Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

DIRECTORS' INTEREST IN CONTRACTS
No Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Company to which the Company, or any of its holding company and fellow subsidiaries was a party during the year.

AUDITORS
Ernst & Young were appointed by the Directors as the Auditors of the Company. Ernst & Young retire and a resolution for their reappointment as Auditors of the Company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

P.R.S. OBEROI
Chairman

Independent Auditors' Report

To the shareholders of J&W Hong Kong Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of J&W Hong Kong Limited set out on pages 4 to 11 which comprise the balance sheet as at 31 March 2012, the statement of comprehensive income and the statement of changes in equity for the year ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation of financial statement that gives a view true and fair in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statement that gives a true and fair view 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 Director, 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 give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the results for the year ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Hong Kong
9 May 2012

Ernst & Young
Certified Public Accountants

Statement of Comprehensive Income
year ended 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** **$**	31 March 2011 $
Revenue	3	**–**	734,869
Profit before tax		**–**	734,869
Tax	6	**–**	–
Profit for the year		**–**	734,869
Other Comprehensive Income		–	–
Total Comprehensive Income for the year		**–**	734,869

Balance Sheet
31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** $	31 March 2011 $
Non-Current Assets			
Available-for-sale financial assets	7	**10,000,000**	10,000,000
Net Assets		**10,000,000**	10,000,000
Equity			
Issued Capital	8	**10,000,000**	10,000,000
Retained Profit		**–**	–
Total Equity		**10,000,000**	10,000,000

P.R.S. OBEROI Chairman

9 May 2012 DEEPAK MADHOK Director

Statement of Changes in Equity
year ended 31 March 2012

(Expressed in United States dollars)

	Issued Capital $	Retained profit $	Total $
At 1 April 2010	10,000,000	–	10,000,000
Profit for the year	–	734,869	734,869
Other Comprehensive Income	–	–	–
Dividend paid	–	(734,869)	(734,869)
At 31 March 2011	10,000,000	–	10,000,000
Profit for the year	–	–	–
Other Comprehensive Income	–	–	–
Dividend paid	–	–	–
At 31 March 2012	10,000,000	–	10,000,000

Notes to the Financial Statements
31 March 2012

1. CORPORATE INFORMATION

J&W Hong Kong Limited is a limited liability company incorporated in Hong Kong. Its registered office is located at 16-19/F, Prince's Building, 10 Chater Road Central, Hong Kong.

During the year the Company was involved in investments holding. In the opinion of Directors, the Company's ultimate holding Company is EIH International Ltd. Its registered office is Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, and these financial statements are presented in United States dollars ("US$"). A cash flow statement has not been presented as the Company dose not operate a bank or cash account or hold any cash equivalents and has no cash transitions during the year. Accordingly, in the opinion of Directors, the presentation of a cash flow statement would provide no additional useful information to the users of the financial statements.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

For the year ended 31 March 2012, the Company adopted, for the first time, the following new and revised HKFRSs:

HKAS 24 (Revised)	Related Party Disclosures
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no material effect on the financial position or performance of the Company.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2010, in these financial statements. Among the new and revised HKFRSs, the following are expected to be relevant to the Company's financial statements upon becoming effective:

HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instrument Disclosures - Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[5]
HKAS 1 Amendments	*Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 27 (2011)	*Separate Financial Statements*[4]

Notes to the Financial Statements *(Contd...)*

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these amendments upon initial application. So far, it has concluded that these amendments are unlikely to have a significant impact on the financial position or performance of the Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Financial instruments

The Company classifies its financial instruments into the following category at inception, depending on the purpose for which the assets were acquired. Purchases and sales of the financial assets are recognised using trade date accounting.

Available-for-sale financial investments
Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

Available-for-sale financial investments are initially measured at fair value plus directly attributable transaction costs. Subsequently, they are remeasured at fair value with changes in fair value recognised as other comprehensive income in the available-for-sale investment valuation reserve until the securities are either sold or impaired. On disposal of available-for-sale securities, cumulative gains or losses are recognised in the income statement and removed from the available-for-sale investment valuation reserve.

Notes to the Financial Statements *(Contd...)*

If an available-for-sale financial asset measured at fair value is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair values after impairment are recognised directly in other comprehensive income. Impairment losses on debt instruments are reversed through the income statement, if the increase in the fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

When the fair value of unquoted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value, such securities are stated at cost less any impairment losses.

If there is objective evidence that an impairment loss has been incurred on such unquoted equity securities, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis, and other valuation models.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current period is measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

Notes to the Financial Statements *(Contd...)*

The carrying amount to deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Dividend income is recognised when the right to receive payment has been established.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

(a) Impairment of available-for-sale financial investments
For available-for-sale financial investments, a significant or prolonged decline in fair value below cost is considered to be an objective evidence of impairment. Significant judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Company also considers other factors, such as industry and sector performance and financial information regarding the investee. The directors consider that at the reporting date there was no evidence that the available-for-sale financial investments were impaired.

(b) Income taxes
Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

3. REVENUE

Turnover represents dividends from investments. The Company had no revenue during the year (2011: $734,869).

4. AUDITORS' REMUNERATION

Auditors' remuneration for the period was borne by a related company.

Notes to the Financial Statements *(Contd...)*

5. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the period (2011: Nil).

6. TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the period (2010: Nil).

There was no unprovided deferred tax in respect of the period and as at the balance sheet date (2011: Nil).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
	US$	US$
Unlisted equity investment, at cost	**10,000,000**	10,000,000
Impairment	**–**	–
	10,000,000	10,000,000

The investment represents 1,935,500 shares in EIH Holdings Limited, a Company incorporated in the British Virgin Islands.

8. SHARE CAPITAL

	2012	2011
	US$	US$
Authorised, issued and fully paid:		
100 ordinary shares of $HK 1.00 each	**10,000,000**	10,000,000

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risk arising from the Company's financial instruments is credit risk. The credit risk of the Company's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements are approved and authorised for issue by the board of directors on 9 May 2012.

OBEROI TURTLE BAY LTD

BOARD

Mrs. P Koenig
Ms. Véronique Magny-Antoine

SECRETARY

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

AUDITORS

PricewaterhouseCoopers
18 CyberCity
Ebène
Republic of Mauritius

REGISTERED OFFICE

6th Floor, Tower A,
1 Cybercity, Ebène,
Mauritius

All figures in Mauritian Rupees unless otherwise stated.

Directors' Reports

DIRECTORS' REPORT

The Directors present their report and the financial summary of the Company for the period ended 31 March 2012.

REVIEW OF THE BUSINESS

The main activity of the Company is to provide technical and management services to hotels. The Company has not yet started its operations.

RESULTS

The Company made a net loss of Rs 37,050 for the period ended 31 March 2012. (2011 - Net loss of Rs 44,400.)

The Directors do not recommend the payment of a dividend.

By Order of the Board

MARTINE CUNDASAWMY
FOR
ABAX CORPORATE ADMINISTRATORS LTD.
Secretary

30 April 2012

Secretary's Certificate of Oberoi Turtle Bay 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 period ended 31 March 2012, all such returns as are required of the Company under the Companies Act 2001.

MARTINE CUNDASAWMY

FOR

ABAX CORPORATE
ADMINISTRATORS LTD.
Corporate Secretary

30 April 2012

Independent Auditor's Report

To the Shareholder of
Oberoi Tertle Bay Ltd

We have audited the accompanying statement of financial position of Oberoi Turtle Bay Ltd (the "Company") as at 31 March 2012 and the related statement of comprehensive income for the period then ended, and a summary of significant accounting policies and other explanatory information (together "the financial summary").

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial summary in accordance with those requirements of the basis of accounting set out in Note 1 relevant to preparing such a financial summary, and for such internal control relevant to the preparation of the financial summary that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial summary 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 about whether the financial summary is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial summary. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial summary, 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 summary 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, if any, made by management, as well as evaluating the overall presentation of the financial summary.

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 summary presents fairly, in all material respects, the financial position of Oberoi Turtle Bay Ltd as at 31 March 2012 and of its financial performance for the period then ended in accordance with the basis set out in Note 1 relevant to preparing such a financial summary.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the financial summary, which describes the basis of accounting. As a result, the financial summary may not be suitable for another purpose. Our report is intended solely for Oberoi Turtle Bay Ltd and should not be distributed to parties other than Oberoi Turtle Bay Ltd.

PricewaterhouseCoopers

Mushtaq Oosman, licensed by FRC   30 April 2012

Statement of Financial Position at 31 March 2012

	2012 Rs	2011 Rs
ASSETS		
Current assets		
Unpaid share capital	**25,000**	25,000
Total Assets	**25,000**	25,000
EQUITY AND LIABILITIES		
Capital and Reserves		
Share Capital	**25,000**	25,000
Accumulated losses	**(921,931)**	(884,881)
	(896,931)	(859,881)
Current liabilities		
Accounts Payables (Note 3)	**921,931**	884,881
Total Equity and Liabilities	**25,000**	25,000

P KOENIG
VÉRONIQUE MAGNY-ANTOINE } *Directors*

30 April 2012

Statement of Comprehensive Income for the period ended 31 March 2012

	Year ended 31 March 2012 Rs	For the period from 01 July 2010 to 31 March 2011 Rs
Administrative Expenses (Note 2)	**37,050**	44,000
Loss for the year/period	**(37,050)**	(44,000)

Notes to the Financial Summary 31 March 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this financial summary of the Company are set out below.

Accounting convention

The financial summary is prepared under the historical cost convention.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial summary 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 the income statement.

Operating expenses

Expenses are charged to the income statement in the period which it occurred.

Notes to the Financial Summary *(Contd...)*

2. LOSS FOR THE YEAR/PERIOD

	Year ended 31 March 2012 Rs	Period ended 31 March 2011 Rs
License Fee	**2,550**	2,000
Professional Fees	**34,500**	42,400
Total	**37,050**	44,400

3. ACCOUNTS PAYABLE

Amount Payable to a related party		
Opening Balance	**884,881**	840,481
Accruals	**–**	–
Other Payables	**37,050**	44,400
Total	**921,931**	884,881

EIHH CORPORATION LIMITED

BOARD

Mr. P. R. S. Oberoi
Mr. Deepak Madhok

AUDITORS

Ernst & Young
22/F, CITIC Tower
Tin Mei Avenue, Central
Hong Kong

REGISTERED OFFICE

Level 28, Three Pacific Place
1 Queens Road East
Hongkong

Report of the Directors

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2012.

PRINCIPAL ACTIVITY
Since the date of incorporation, the Company's principal activity is investments holding and was dormant during the year.

RESULTS
The Company's result for the year ended 31 March 2012 and its state of affairs at 31 March 2012 are set out in the financial statements on pages 4 to 11.

DIRECTORS
The directors of the Company during the period were:

Mr. Prithvi Raj Singh Oberoi

Mr. Deepak Madhok

There being no provision in the Company's articles of association for the retirement of directors by rotation, all existing directors will continue in office.

DIRECTORS' INTERESTS
At no time during the period was the Company or any of its holding company and fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

DIRECTORS' INTEREST IN CONTRACTS
No director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Company to which the Company, or any of its holding company and fellow subsidiaries was a party during the period.

AUDITORS
Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

P.R.S. OBEROI
Chairman

Independent Auditors' Report

To the shareholder of EIHH Corporation Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of EIHH Corporation Limited set out on pages 4 to 11 which comprise the balance sheet as at 31 March 2012 and the statement of comprehensive income and the statement of changes in equity for the year ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statement that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance and for such internal controls as the directors is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of financial statement that gives a true and fair view 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 director, 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 give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the results for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Hong Kong
9 May 2012

Ernst & Young
Certified Public Accountants

Statement of Comprehensive Income year ended 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** **$**	31 March 2011 $
Revenue	3	**–**	–
Profit before tax		**–**	–
Tax	6	**–**	–
Profit for the year		**–**	–
Other Comprehensive Income		–	–
Total Comprehensive Income for the year		**–**	–

Balance Sheet
31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2011** $	31 March 2010 $
Non-Current Asset			
Due from a Shareholder	7	**13**	13
Current Liabilities			
Amount due to related parties		**–**	–
Net Asset		**13**	13
Equity			
Issued Capital	8	**13**	13
Retained Profit		**–**	–
Total Equity		**13**	13

P.R.S. OBEROI Chairman

9 May 2012 DEEPAK MADHOK Director

Statement of Changes in Equity
year ended 31 March 2012

(Expressed in United States dollars)

	Issued Capital $	Retained profit $	Total $
At 1 April 2010	13	–	13
Profit for the year	–	–	–
Other Comprehensive Income	–	–	–
As at 31 March 2011	13	–	13
Profit for the year	–	–	–
Other Comprehensive Income	–	–	–
Dividend paid	–	–	–
As at 31 March 2012	13	–	13

Notes to the Financial Statements
31 March 2012

1. CORPORATE INFORMATION

EIHH Corporation Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.

The Company was incorporated on 19 January 2007.

During the year ended 31 March 2012, the Company was dormant.

The Company is a wholly-owned subsidiary of EIH Holdings Limited, a company incorporated in the British Virgin Islands.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, and these financial statements are presented in United States dollars ("US$"). A cash flow statement has not been presented as the Company does not operate a bank or cash account or hold any cash equivalents and has no cash transactions during the year. Accordingly, in the opinion of directors, the presentation of a cash flow statement would provide no additional useful information to the users of the financial statements.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

For the year ended 31 March 2012, the Company adopted, for the first time, the following new and revised HKFRSs:

HKAS 24 (Revised)	Related Party Disclosures
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no material effect on the financial position or performance of the Company.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective, in these financial statements. Among the new and revised HKFRSs, the following are expected to be relevant to the Company's financial statements upon becoming effective:

HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instrument Disclosures - Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[5]
HKAS 1 Amendments	*Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 27 (2011)	*Separate Financial Statements*[4]

Notes to the Financial Statements *(Contd...)*

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these amendments upon initial application. So far, it has concluded that these amendments are unlikely to have a significant impact on the financial position or performance of the Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Financial instruments

The Company classifies its financial instruments into the following categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. Purchases and sales of the financial assets are recognised using trade date accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment allowances.

The Company recognises losses for impaired loans promptly where there is objective evidence that impairment of a loan or a portfolio of loans has occurred. Impairment allowances are assessed either individually for individually significant loans or collectively for loan portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

Notes to the Financial Statements *(Contd...)*

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis, and other valuation models.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current period is measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount to deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements *(Contd...)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts..

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

(a) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

3. REVENUE

The Company had no revenue during the year.

4. AUDITORS' REMUNERATION

Auditors' remuneration for the period was borne by a related party.

5. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the period.

6. TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the period.

There was no unprovided deferred tax in respect of the period and as at the balance sheet date.

7. DUE FROM A SHAREHOLDER

The amount is unsecured, interest-free, and not repayable within the next twelve months.

Notes to the Financial Statements *(Contd...)*

8. SHARE CAPITAL

	2012	2011
	US$	US$
Authorised, issued and fully paid:		
100 ordinary shares of $HK 1.00 each	**13**	13

On incorporation, the Company's authorised share capital was HK$10,000 divided into 10,000 ordinary shares of HK$1 each and one ordinary share was issued at par as a subscriber's share. Pursuant to ordinary resolutions passed on 19 January 2007, ninety-nine ordinary shares of HK$1 each (equivalent to US$13) were issued at par to an existing shareholder of the Company.

9. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Company as at the balance sheet date are as follows:

Financial assets

	2012	2011
	US$	US$
Due from a shareholder	**13**	13

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risk arising from the Company's financial instruments is credit risk. The credit risk of the Company's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management
The Company's primary objective for its own capital management is to safeguard its ability to continue as a going concern, and the Company may adjust dividend payment or issue new shares to maintain or adjust its capital structure.

The Company is not subject to any externally imposed capital requirements and there were no changes in the objectives, policies or processes during the period. Capital of the Company comprises all components of shareholder's equity.

11. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements are approved and authorised for issue by the board of directors on 9 May 2012.

EIH INVESTMENT N.V.

BOARD

ATC Corporate Services (Curacao) N.V.

AUDITORS

Ernst & Young
Ernst & Young Building
121, King William Street
Adelaide SA 5000
Australia

REGISTERED OFFICE

Chuchubiweg 17,
Curacao
Netherlands Antilles

DIRECTORS' REPORT

DIRECTORS

The Director presents their report on the Company for the year ended 31 March 2012.

The name of the Company's Director in office during the year and until the date of this report is as follows:

ATC Corporate Services (Curacao) N.V.
Schottegatweg Oost 10, Unit 1A1
Curaçao

The Director was in office for the entire year unless otherwise stated.

PRINCIPAL ACTIVITIES

The Company's principal activities are to act as a holding and finance company. It is expected that the activities of the Company will remain unchanged.

OPERATING AND FINANCIAL REVIEW

The net loss of the Company for the year was $9,446 (2011: loss of $345,992) after providing for income tax of $4,660 (2011: $4,690).

No significant change in the nature of these activities occurred during the year.

EVENTS AFTER THE BALANCE DATE

No material matters or circumstances have arisen since the end of the year that require disclosure in the financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There are no significant changes in state of affairs.

The results of the Company's operations during the year have not, in the opinion of the Director, been affected by any item, transaction or event of a material or unusual nature.

DIVIDENDS

The Director does not recommend the payment of a final dividend for the year ended 31 March 2012.

SHARE OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the date of this report.

AUDITORS INDEPENDENCE

A copy of the auditor's independence declaration is attached to this financial report.

Signed in accordance with a resolution of Directors.

Curaçao
8 May, 2012

ATC Corporate Services (Curaçao) N.V.
Director

Statement of Comprehensive Income for the year ended 31 March 2012

(Expressed in United States dollars)

	31 March 2012	31 March 2011
	$	$
Revenue		
Royalty Income	**371,893**	321,542
Expenses		
Royalty Expenses	**345,860**	299,034
Professional Expenses	–	–
Administration and general expenses	**11,927**	6,679
Other Expenses	**–**	357,131
Total Expenses	**357,787**	662,844
Other Income/(Expense)		
Other Income	–	–
Total Other Income	–	–
Profit before taxation	14,106	(341,302)
Taxation (expense)/benefit	(4,660)	(4,690)
Profit after taxation	9,446	(345,992)
Other Comprehensive Income	–	–
Total Comprehensive Income	9,446	(345,992)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** $	31 March 2011 $
Non-Current Assets			
Investment in subsidiary	3	**408,612**	408,612
Amount due from related Company	4	**15,749,365**	15,749,365
Total Non-Current Assets		**16,157,977**	16,157,977
Current Assets			
Amounts due from related Company		**490,657**	472,986
Total Current Assets		**490,657**	472,986
Total Assets		**16,648,634**	16,630,963
Current Liabilities			
Amount due to shareholder		**368,229**	360,004
Total Current Liabilities		**368,229**	360,004
Non-Current Liabilities			
Amounts due to shareholder	5	**16,157,977**	16,157,977
Total Non-Current Liabilities		**16,157,977**	16,157,977
Total Liabilities		**16,526,206**	16,517,981
Net Assets		**122,428**	112,982
Shareholders' Equity			
Share Capital	1	**6,000**	6,000
Retained Earnings		**116,428**	106,982
		122,428	112,982

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 March 2012

(Expressed in United States dollars)

	Note	Share Capital $	Retained earnings $	Total Equity $
As at 1 April 2011	1	6,000	106,982	112,982
Profit for year		–	9,446	9,446
Other Comprehensive Income		–	–	–
As at 31 March 2012	1	6,000	116,428	122,428
As at 1 April 2010	1	6,000	452,974	458,974
Profit for the year		–	(345,992)	(345,992)
Other Comprehensive Income		–	–	–
As at 31 March 2011	1	6,000	106,982	112,982

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 March 2012

(Expressed in United States dollars)

1. Corporate Information

The financial report of EIH Investment N.V. (the "Company") for the year ended 31 March 2012 was authorised for issue on 8 May 2012.

EIH Investment N.V. is a company limited by shares and was incorporated in the Netherlands Antilles on 22 May 1997. The authorised share capital of the Company consists of 30,000 common shares with a par value of USD 1 each (US$30,000). At Statement of Financial Position date, 6,000 shares were issued and fully paid.

The nature of the operations and principal activity of the Company is described in the Director's report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report has been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS'), with the following exceptions:

- IFRS 27 "Consolidated and Separate Financial Statements", as consolidated financial statements have not been prepared.
- IFRS 28 "Investments in Associates", as investments in associates held by the company are recorded at cost.

The financial report has also been prepared on a historical cost basis.

The financial report is presented in United States dollars and all values are rounded to the nearest dollars unless otherwise stated.

The Director has opted not to prepare consolidated financial statements.

A statement of cash flows has not been prepared given that there were no cash transactions during the year.

(b) Compliance with IFRS

The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board, to the extent outlined above.

(c) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

(d) Foreign Currencies Translation

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into United States dollars at the exchange rates ruling at the balance date.

Non-monetary items measured at fair value in a foreign currency in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange gains and losses on foreign currency translation are dealt with in the Statement of Comprehensive Income account.

Notes to the Financial Statements *(Contd...)*

(e) Cash and Cash Equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Receivables
Receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Investments and financial assets are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

(g) Investments
Investment in subsidiaries are recorded at cost, less provision for any permanent diminution in value.

(h) Deferred Taxation
Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences between profit as computed for taxation purposes and profit as stated in the financial statements which are expected with reasonable probability to crystallise in the foreseeable future.

(i) Contributed Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from management and service fees received as hotel operators and managers for services rendered is recognised by reference to the billing to the customers.

3. Investment in Subsidiary

Represents a 100% investment in EIH Management Services B.V. Participation is accounted for on a cost basis.

4. Amount Due From Related Company

The amount represents US$15,749,365 in loans granted to EIH Management Services BV which are unsecured. The loan of US$10,674,233 bears interest at a rate of 5% per annum and the loan of US$4,882,823 bears interest at LIBOR + 2% per annum . The interest on these loans for the year 2011/12 was waived.

Notes to the Financial Statements *(Contd...)*

5. Amount Due to Shareholder

The Company received loans amounting to US$16,157,977 from EIH Holdings Ltd which are unsecured. The loan of US$11,275,154 bears interest at a rate of 5% per annum and the loan of US$4,882,823 bears interest at LIBOR + 2% per annum. The interest on these loans for the year 2011/12 was waived.

6. Events After Statement of Financial Position Date

No material subsequent events or transactions have been identified.

7. Commitments and Contingencies

There are no outstanding commitments and contingencies at year end.

8. Auditor's Remuneration

	31 March 2012	31 March 2011
	$	$
Amounts received or due and receivable for:		
– an audit or review of the financial report of the Company and any other entity in the Company	–	–
– other services in relation to the Company and any other entity in the Company	–	–
	–	–

Directors' Statement

In the opinion of the Director:

(a) the statement of comprehensive income and statement of changes in equity is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 March 2012;

(b) the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2012; and

(c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

This statement has been made in accordance with a resolution of the Director.

Curaçao
8 May, 2012

ATC Corporate Services (Curaçao) N.V.
Director

Independent Auditor's Report

To the Members of
EIH Investment N.V.

We have audited the accompanying financial report of EIH Investment N.V., which comprises the balance sheet as at 31 March 2012, the statement of comprehensive income and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the director's statement.

Director's Responsibility for the Financial Report

The director of the company is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet their financial reporting requirements and meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

We conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also

Independent Auditor's Report *(Contd...)*

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 report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the director's financial reporting requirements. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence

In conducting our audit we have met the independence requirements of the professional accounting bodies.

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of EIH Investment N.V. as of 31 March 2012 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

ERNST & YOUNG

Adelaide
9 May 2012

DAVID SANDERS
Partner

EIH MANAGEMENT SERVICES B.V.

BOARD

TMF Management B.V.

AUDITORS

Ernst & Young
Ernst & Young Building
121, King William Street
Adelaide SA 5000
Australia

REGISTERED OFFICE

Locatellikade 1
Parnassustoren
1076 AZ Amsterdam
The Netherlands

DIRECTORS' REPORT

DIRECTORS

The Director presents their report on the Company for the year ended 31 March 2012.

The name of the Company's Director in office during the year and until the date of this report is as follows.

TMF Management BV
Herikerbergweg 238
Luna Arena
1101 CM Amsterdam
The Netherlands

The Director was in office for the entire year unless otherwise stated.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was investment and management.

OPERATING AND FINANCIAL REVIEW

The net loss of the Company for the year was €487,395 (2011: profit of €413,030) after providing for income tax of €Nil (2011: €Nil).

No significant change in the nature of these activities occurred during the year.

EVENTS AFTER THE BALANCE DATE

No material matters or circumstances have arisen since the end of the year that require disclosure in the financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There are no significant changes in state of affairs.

The results of the Company operations during the year have not, in the opinion of the Director, been affected by any item, transaction or event of a material or unusual nature.

RISK MANAGEMENT

The Company takes a proactive approach to risk management. The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

DIVIDENDS

No dividends have been paid, declared or recommended during the preceding year ended 31 March 2012.

SHARE OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the date of this report.

AUDITORS INDEPENDENCE

A copy of the auditor's independence declaration is attached to this financial report.

DIRECTOR'S STATEMENT

In the opinion of the Director:

(a) the statement of comprehensive income and statement of changes in equity is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 March 2012;

(b) the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2012; and

(c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Amsterdam TMF Management B.V.
8 May, 2012

Statement of Comprehensive Income for the year ended 31 March 2012

(Expressed in Euros)

	Note	**31 March 2012** €	31 March 2011 €
Turnover	3	**356,420**	301,411
Interest Income		**304**	9
Total Income		**356,724**	301,420
Expenses			
Management fee expenses		**269,703**	228,078
Administration and other expenses		**99,999**	51,388
Unrealised foreign exchange gain		**474,417**	(391,076)
Total (income)/expenses		**844,119**	(111,610)
(Loss)/Profit before taxation		**(487,395)**	413,030
Taxation expense		**–**	–
(Loss)/Profit after taxation		**(487,395)**	413,030
Other Comprehensive Income		**–**	–
Total Comprehensive Income		**(487,395)**	413,030

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 March 2012

(Expressed in Euros)

	Note	31 March 2012 €	31 March 2011 €
Non-Current Assets			
Investment in subsidiary	4	**2,549,683**	2,549,683
Investment in associate	4	**7,632,706**	7,632,706
Amount due from related parties	5	**3,403,350**	3,219,858
Total Non-Current Assets		**13,585,739**	13,402,247
Current Assets			
Cash and cash equivalents		**12,058**	89
Other receivables and prepayments		**20,013**	29,865
Total Current Assets		**32,071**	29,954
Total Assets		**13,617,810**	13,432,201
Current Liabilities			
Accruals		**18,185**	14,191
Amount due to related parties	6	**367,869**	335,501
Total Current Liabilities		**386,054**	349,692
Non-Current Liabilities			
Amounts due to shareholder	6	**11,808,068**	11,171,426
Total Non-Current Liabilities		**11,808,068**	11,171,426
Total Liabilities		**12,194,122**	11,521,118
Net Assets		**1,423,688**	1,911,083
Equity			
Issued Share Capital		**18,200**	18,200
Share Premium		**375,000**	375,000
Retained Earnings		**1,030,488**	1,517,883
Total Equity		**1,423,688**	1,911,083

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 March 2012

(Expressed in Euros)

	Share Capital €	Retained earnings €	Total Equity €
As at 1 April 2010	393,200	1,104,853	1,498,053
Profit/(Loss) for year	–	413,030	413,030
Other Comprehensive Income	–	–	–
As at 31 March 2011	393,200	1,517,883	1,911,083
As at 1 April 2011	393,200	1,517,883	1,911,083
Profit for year	–	(487,395)	(487,395)
Other Comprehensive Income	–	–	–
As at 31 March 2012	393,200	1,030,488	1,423,688

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 31 March 2012

(Expressed in Euros)

	31 March 2012 €	31 March 2011 €
Cash Flows from Operating Activities		
(Loss)/Profit before taxation	**(487,395)**	413,030
Adjustment for:		
Interest income	**(304)**	–
Unrealised foreign currency (gain)/loss	**474,417**	(391,076)
(Increase)/Decrease in assets:		
Decrease in receivables and prepayments	**9,852**	(18,841)
(Decrease)/Increase in Liabilities:		
Increase/(Decrease) in accruals	**15,095**	(13,920)
Cash generated from operations	**11,665**	(10,807)
Interest paid	**–**	–
VAT refund/(paid)	**–**	4,222
Net Cash Flows used in operating activities	**–**	(6,585)
Cash Flows from Investing Activities		
Interest received	**304**	9
Net cash flows from investing activities	**304**	9
Cash flows from financing activities	**–**	–
Net decrease in cash and cash equivalents	**11,969**	(6,576)
Cash and cash equivalents at beginning of year	**89**	6,665
Cash and cash equivalents at end of year	**12,058**	89

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 March 2012
(Expressed in Euro)

1. Corporate Information

The financial report of EIH Management Services B.V. (the "Company") for the year ended 31 March 2012 was authorised for issue in May, 2012.

The Company was incorporated on 11 September 1997.

The authorised share capital of the Company consists of 1,820 shares with a par value of Euros 50 each (Euros 91,000). At 31 March 2012, 364 shares were issued and fully paid.

The nature of the operations and principal activity of the Company is described in the Director's report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation
These Financial Statements are prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code and are prepared solely for management purposes enabling consolidation with the (ultimate) parent company.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Euros and all values are rounded to the nearest Euros unless otherwise stated.

The financial statements are not consolidated with those of its subsidiary, as a result of Article 407 exemption.

(b) Fair Value
The fair value of the financial assets and liabilities are not disclosed as management is of the opinion that the carrying amount of these financial assets and liabilities approximate the fair value.

(c) Financial risk management
Risk is an inherent part of the Company's business activity. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its activities, in accordance with defined policies and procedures.

(d) Foreign Currencies Translation
Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Euros at the exchange rates ruling at the balance date.

Non-monetary items measured at fair value in a foreign currency in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange gains and losses on foreign currency translation are dealt with in the Statement of Comprehensive Income account.

(e) Cash and Cash Equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements *(Contd...)*

(f) Receivables
Receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

(g) Investments
Investments in subsidiaries and associates are recorded at cost, less provision for any permanent diminution in value.

(h) Deferred Taxation
Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences between profit as computed for taxation purposes and profit as stated in the financial statements which are expected with reasonable probability to crystallise in the foreseeable future.

(i) Contributed Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from management and service fees received as hotel operators and managers for services rendered is recognised by reference to the billing to the customers.

3. Management Fee Income

Turnover represents management fee income.

4. Investments

Investments represent equity interests and advances to related companies. Investments are as follows:

Name	Place of Incorporation	Percentage of equity attributable to the Company	€
PT Waka Oberoi Indonesia	Indonesia	57.03%	2,549,683
PT Widja Putra Karya	Indonesia	48.89%	7,632,706

5. Amount Due from Related Party

The amount due from related party is comprised an amount due from PT Waka Oberoi Indonesia amount of Euros 3,403,352 (US$ 4,539,323).

The above amount represents loan to PT Waka Oberoi Indonesia for a nominal amount of US$26,016,500 and is non-interest bearing. The terms of the loan as per Settlement Agreement dated 1 May 2009 (amended March 31, 2012) grants the Company the right to convert the Loan into the capital of PT Waka Oberoi Indonesia and it is the Company's intention to convert the Loan into the capital of PT Waka Oberoi Indonesia. The terms of the Settlement Agreement also states that the loan will bear interest of 11.5% per annum starting April 1 2013.

Notes to the Financial Statements *(Contd...)*

6. Amount Due To Related Party

The amounts represent US$15,557,056 loans due to EIH Investments NV are unsecured. The loans of US$10,674,233 bear an interest of 5% per annum and loans of US$4,882,823 bear interest at LIBOR + 2% per annum. The interest on these loans for the year 2011/12 is waived.

7. Staff numbers and employment costs

During the year under review, the Company did not employ any personnel and, consequently, no payments for wages, salaries or social security were made. The Board of Directors consisted of one member, who served without remuneration. The Company does not have a Supervisory Board of Directors.

8. Appropriation of results

Management proposes to accumulate the net result for the year to the retained earnings.

9. Events after Statement of Financial Position Date

No material subsequent events or transactions have been identified.

10. Commitments and Contingencies

There are no other outstanding commitments and contingencies at year end.

11. Auditor's Remuneration

	31 March 2012	31 March 2011
	€	**€**
Amounts received or due and receivable for:		
– an audit or review of the financial report of the Company and any other entity in the Company	–	–
– other services in relation to the Company and any other entity in the Company	–	–
	–	–

Auditors' remuneration for the year was borne by a related party

Independent Auditor’s Report

To the Members of
EIH Management Services B.V.

We have audited the accompanying financial report of EIH Management Services B.V., which comprises the balance sheet as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the director’s statement.

Director’s Responsibility for the Financial Report

The director of the company is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet their financial reporting requirements and meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

We conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity’s preparation and fair presentation of the financial report 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 controls. 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 report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the director’s financial reporting requirements. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independent Auditor's Report *(Contd...)*

Independence

In conducting our audit we have met the independence requirements of the professional accounting bodies.

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of EIH Management Services B.V. as of 31 March 2012 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

ERNST & YOUNG
Chartered Accountants

DAVID SANDERS
Partner

Adelaide
9 May 2012

PT WIDJA PUTRA KARYA

BOARD

Mr. I Wayan Pasek
Mr. I Ketut Siandana
Mr. Kamal K. Kaul

AUDITORS

Purwantono, Suherman & Surja
A member firm of Ernst & Young Global Limited
Indonesia Stock Exchange Building
Tower 2, 7th Floor,
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190,
Indonesia

REGISTERED OFFICE

Jl. Kayu Aya – Seminyak Beach,
Kuta , Denpasar 80033,
Bali,
Indonesia

Independent Auditor's Report

The Stockholders, and the Boards of Commissioners and Directors PT Widja Putra Karya
Report No. RPC-2429/PSS/2012

We have audited the accompanying statements of financial position of PT Widja Putra Karya (the "Company") as of March 31, 2012 and 2011, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, all expressed in Indonesian rupiah. 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 audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Widja Putra Karya as of March 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with Indonesian Financial Accounting Standards.

Our audits were conducted for the purpose of forming an opinion on the basic Indonesian rupiah financial statements taken as a whole. The translations of the Indonesian rupiah amounts into United States dollars have been made on the basis set forth in Note 21 and are presented for purposes of additional analysis only and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we do not express an opinion thereon.

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant Registration No. AP.0684

April 26, 2012

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdiction other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

Statement of Financial Position
March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah 2012	Indonesian Rupiah 2011	Translations into U.S. Dollars (Note 2l) 2012	Translations into U.S. Dollars (Note 2l) 2011
ASSETS					
CURRENT ASSETS					
Cash on hand and in banks	2m,4,17	5,856,042,608	6,044,234,370	637,913	694,022
Trade receivables	2m,5,17	3,200,744,787	2,311,408,609	348,665	265,404
Other receivables	17	187,126,317	213,844,993	9,491	24,555
Inventories - net	2c,7	4,611,137,071	5,785,324,451	502,303	664,293
Prepayments and advances	2d,8	1,748,456,696	1,813,609,699	190,464	208,245
Other current financial assets	2m,17	315,223,203	199,062,529	34,338	22,857
TOTAL CURRENT ASSETS		**15,818,730,682**	**16,367,484,651**	**1,723,174**	**1,879,376**
NON-CURRENT ASSETS					
Due from related parties	2b,2m,6a,17	5,363,351,097	7,266,187,538	584,243	834,331
Deferred tax assets - net	2k,12e	1,221,696,047	1,197,720,973	133,082	137,527
Fixed assets - net of accumulated depreciation	2e,9,15	11,231,868,406	8,886,819,636	1,223,515	1,020,418
Other non-current financial assets	2m,17	73,649,117	75,649,117	8,023	8,686
Other non-current assets	2d	6,242,401,415	6,289,596,676	680,000	722,195
TOTAL NON-CURRENT ASSETS		**24,132,966,082**	**23,715,973,940**	**2,628,863**	**2,723,157**
TOTAL ASSETS		**39,951,696,764**	**40,083,458,591**	**4,352,037**	**4,602,533**

The accompanying notes form an integral part of these Financial Staments.

Statement of Financial Position *(Contd...)* March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah 2012	Indonesian Rupiah 2011	Translations into U.S. Dollars (Note 2l) 2012	Translations into U.S. Dollars (Note 2l) 2011
LIABILITIES AND CAPITAL DEFICIENCY					
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	2m,10,17	2,385,905,016	1,624,889,643	259,903	186,576
Other payables	2m,11,17	1,144,709,324	1, 079,385,306	124,696	123,939
Taxes payable	2k,12	2,268,178,607	4,359,268,270	247,078	500,548
Accrued expenses	2m,17	1,954,150,152	2,143,314,713	212,870	246,103
Due to Hotel operator	2m,13,17	593,646,975	2,409,661,477	64,667	276,686
Due to related parties	2b,2m,6b,17	6,262,182,900	10,295,387,895	682,155	1,182,155
Reserve for replacement of furniture, fixtures and equipment	2g,14	373,318,804	246,802,108	40,667	28,339
Current portion of long-term bank loan	2m,15,17	7,101,561,039	6,282,776,578	773,591	721,412
Other current financial liabilities	2m,17	1,972,662,802	1,680,798,749	214,887	192,996
TOTAL CURRENT LIABILITIES		24,056,315,619	30,122,284,739	2,620,514	3,458,754
NON-CURRENT LIABILITIES					
Long-term bank loan - net of current portion	2m,15,17	2,475,586,782	9,073,675,970	269,672	1,041,874
Employee benefits liability	2h,16	4,404,189,107	4,368,158,970	479,759	501,568
TOTAL NON-CURRENT LIABILITIES		6,879,775,889	13,441,834,940	749,431	1,543,442
TOTAL LIABILITIES		30,936,091,508	43,564,119,679	3,369,945	5,002,196
EQUITY					
Capital stock - Rp100,000 par value per share Authorized, issued and fully paid - 11,070 shares	18	1,107,000,000	1,107,000,000	659,603	659,603
Translation adjustment	2l	–	–	(1,657,856)	(1,504,309)
Retained eamings (Deficit)		7,908,605,256	(4,587,661,088)	1,980,345	445,043
NET EQUITY		9,015,605,256	(3,480,661,088)	982,092	(399,663)
TOTAL LIABILITIES AND EQUITY		39,951,696,764	40,083,458,591	4,352,037	4,602,533

The accompanying notes form an integral part of these Financial Staments.

Statement of Comprehensive Income
years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah 2012	Indonesian Rupiah 2011	Translations into U.S. Dollars (Note 2l) 2012	Translations into U.S. Dollars (Note 2l) 2011
DEPARTMENTAL REVENUES	2i				
Rooms	19	54,375,590,928	49,730,073,462	6,222,443	5,554,947
Food and beverages	20	20,010,993,076	18,896,341,432	2,290,237	2,110,714
Other operating departments	21	4,018,957,680	3,880,990,429	459,418	433,726
Others		531,332,878	720,299,565	60,635	80,501
Total Departmental Revenue		78,936,874,562	73,227,704,888	9,032,733	8,179,888
DEPARTMENTAL COSTS AND EXPENSES	2i				
Cost of sales					
Food and beverages	20	5,798,638,815	5,302,585,881	663,537	592,204
Other operating departments	21	1,296,358,010	1,403,878,621	148,259	156,907
Total Cost of Sales		7,094,996,825	6,706,464,502	811,796	749,111
Payroll and related expenses	19,20,21	8,141,549,807	8,081,525,640	929,074	903,644
Others	19,20,21	9,971,131,684	9,577,834,057	1,138,493	1,070,845
Total Departmental Costs and Expenses		25,207,678,316	24,365,824,199	2,879,363	2,723,600
DEPARTMENTAL PROFIT		53,729,196,246	48,861,880,689	6,153,370	5,456,288
HOTEL OPERATING EXPENSES	2i,22				
Property operations, maintenance and energy		9,849,799,933	9,795,879,179	1,124,138	1,094,873
General and administrative		5,796,357,081	4,789,172,725	659,713	534,864
Marketing		3,610,050,131	3,876,951,529	411,720	433,899
Provision for replacement of furniture, fixtures and equipment	2g,14,22	2,368,106,237	2,196,831,147	270,982	245,397
Marketing and sales promotion expenses	22,24	2,368,106,237	2,196,831,147	270,982	245,397
Insurance		258,805,053	212,448,408	29,560	23,631
Total Hotel Operating Expenses		24,251,224,672	23,068,114,135	2,767,095	2,578,061
HOTEL GROSS OPERATING PROFIT		29,477,971,575	25,793,766,554	3,386,275	2,878,227

The accompanying notes form an integral part of these Financial Staments.

Statement of Comprehensive Income *(Contd...)* years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

		Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	Notes	2012	2011	2012	2011
OWNER'S OPERATING EXPENSES	2i				
General and administrative	23	(3,865,974,949)	(4,581,439,188)	(441,377)	(508,261)
Operating fees	13,23	(3,684,746,447)	(3,224,220,819)	(423,285)	(359,778)
Depreciation and amortization	2e,2f,9	(2,677,865,863)	(1,574,239,322)	(300,448)	(175,403)
Finance costs		(861,742,559)	(1,357,521,850)	(97,982)	(151,060)
Finance income		7,341,145	7,219,143	833	804
Other operating expenses		(1,337,470,881)	(1,290,262,589)	(91,847)	(146,168)
Other operating income		-	522,164,207	-	789
INCOME BEFORE INCOME TAX		17,057,512,020	14,295,466,136	2,032,169	1,539,149
Income Tax Expense - Net	12b	(4,561,245,676)	(4,405,326,822)	(496,867)	(505,836)
INCOME FOR THE YEAR		12,496,266,344	9,890,139,314	1,535,302	1,033,313
Other comprehensive Income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		12,496,266,344	9,890,139,314	1,535,302	1,033,313

The accompanying notes form an integral part of these Financial Staments.

Statement of Changes in Equity
years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Indonesian Rupiah		
	Capital Stock	Retained Earnings (Deficit)	Net Equity
Balance as of March 31, 2010	1,107,000,000	(14,477,800,402)	(13,370,800,402)
Comprehensive income for the year	–	9,890,139,314	9,890,139,314
Balance as of March 31, 2011	1,107,000,000	(4,587,661,088)	(3,480,661,088)
Comprehensive income for the year	–	12,496,266,344	12,496,266,344
Balance as of March 31, 2012	1,107,000,000	(7,908,605,256)	(9,015,605,256)

	Translations Into U.S. Dollars - (Note 2l)			
	Capital Stock	Translation Adjustment	Retained Earning Deficit	Net Equity
Balance as of March 31, 2010	659,603	(1,538,234)	(588,270)	(1,466,901)
Comprehensive income for the year	-	-	1,033,313	1,033,313
Translation adjustment	-	33,925	-	33,925
Balance as of March 31, 2011	659,603	(1,504,309)	445,043	(399,663)
Comprehensive income for the year	-	-	1,535,302	1,535,302
Translation adjustment	-	(153,547)	-	(153,547)
Balance as of March 31, 2012	659,603	(1,657,856)	1,980,345	982,092

The accompanying notes form an integral part of these Financial Staments.

Statements of Cash Flows
years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah 2012	Indonesian Rupiah 2011	Translations into U.S. Dollars (Note 2l) 2012	Translations into U.S. Dollars (Note 2l) 2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Comprehensive income		12,496,266,344	9,890,139,314	1,535,302	1,033,313
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	23	2,677,865,863	1,574,239,322	300,448	175,403
Provision for replacement of furniture, fixtures and equipment	14,22	2,368,106,237	2,196,831,147	270,982	245,397
Provision for employee benefits	16	978,049,044	1,019,922,380	110,764	113,628
Deferred income tax benefit	12	(23,975,074)	(56,663,845)	(2,612)	(6,506)
Unrealised loss (gain) on foreign exchange		681,055,218	(1,332,965,159)	-	-
Translation adjustment		-	-	(115,063)	6,281
Changes in operating assets and liabilities:					
Trade receivables		(889,336,178)	89,887,161	(83,261)	(1,960)
Other receivables		126,718,676	540,400,824	16,995	58,193
Inventories		1,174,187,380	(1,500,188,685)	161,990	(194,174)
Prepayments and advances		65,153,003	(69,609,510)	17,781	(16,912)
Other current financial assets		(116,160,674)	(18,969,293)	(13,412)	(3,099)
Due from related parties		1,902,836,441	123.549,743	250,088	(28,326)
Other non-current financial assets		2,000,000	-	663	-
Other non-current assets		9,666,665	9,666,665	36,393	(29,620)
Trade payables		761,015,373	(369,257,950)	73,327	(32,201)
Other payables		65,324,018	456,465,381	757	56,093
Taxes payable		(2,091,089,663)	(1,462,303,653)	(253,470)	(138,132)
Accrued expenses		(189,164,561)	322,777,466	(33,233)	46,374
Due to Hotel operator		(1,816,014,502)	2,024,598,302	(212,019)	234,441
Other current financial liabilities		291,864,053	452,039,055	21,891	58,274
Payments of employee benefits	16	(942,018,907)	(595,363,409)	(106,684)	(66,121)
Net Cash Provided by Operating Activities		17,532,348,756	13,295,195,256	1,977,627	1,510,346

The accompanying notes form an integral part of these Financial Staments.

Statements of Cash Flows *(Contd...)* years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	Notes	2012	2011	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	9	(4,985386,037)	(4,211,728,764)	(563,397)	(472,063)
Utilization of reserve for replacement of furniture, fixtures and equipment	14	(2,241,589,541)	(1,998,798,870)	(250,316)	(222,314)
Net Cash Used in Investing Activities		(7,226,975,578)	(6,210,527,634)	(813,713)	(694,377)
CASH FLOWS FROM FINANCING ACTIVITY					
Payment of long-term bank loan		(6,332,174,940)	(5,550,243,440)	(720,023)	(616,715)
Payment of due to related parties		(4,161,390,000)	-	(500,000)	-
Net Cash Used in Financing Activities		(10,493,564,940)	(5,550,243,440)	(1,220,023)	(616,715)
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS		(188,191,762	1,534,424,182	(56,109)	199,254
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	4	6,044,234,370	4,509,810,188	694,022	494,768
CASH ON HAND AND IN BANKS AT END OF YEAR	4	5,856,042,608	6,044,234,370	637,913	694,022
Supplemental cash flow information					
Cash paid during the year for interest		896,931,440	1,239,306,487	102,363	137,605
Income taxes paid		6,676,310,413	5,924,294,320	752,949	650,474

The accompanying notes form an integral part of these Financial Staments.

Notes to the Financial Statements years ended March 31, 2012 and 2011

1. GENERAL

PT Widja Putra Karya (the Company) was established based on notarial deed No. 42 dated April 20, 1977 of Amir Sjarifuddin, S.H. The deed of establishment was approved by the Ministry of Justice in its decision letter No. Y.A.5/413/2 dated October 5, 1977. The Company subsequently changed its status to become a foreign capital investment company under the framework of the Foreign Capital Investment Law No. 1 of 1967 as amended by Law No. 11 of 1970 based on approval letter No. 64/V/PMA/1995 dated December 4, 1995 of the State Minister for Mobilization of Investment Fund/the Chairman of the Capital investment Coordinating Board.

The Company's articles of association has been amended several times, the latest amendment of which was to comply with the current Limited Liability Company Law No. 40 issued in 2007. The latest amendment was covered by notarial deed No. 23 dated December 12, 2007 of Gamal Wahidin, S.H., regarding the change in accounting year end from December 31 to March 31. The latest amendment was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its decision letter No. AHU~13090.AH.01.02 dated March 17, 2008.

According to Article 3 of the Company's articles of association, the Company shall engage in activities related to the tourism industry. Currently, the Company is the owner of The Oberoi Bali (the Hotel), located at Jalan Kayu Aya, Seminyak Beach, Bali. The Hotel is managed and operated by EIH Management Services, B.V. (the Operator) upto 2032 with option to extend for 10 or 20 years (Note-23).

As of March 31, 2012 and 2011, the composition of the Company's boards of commissioners and directors is as follows:

President Commissioner	I Made Sutarjana
Commissioner	Deepak Madhok
President Director	I Wayan Pasek
Directors	Kamal K. Kaul
	I Ketut Siandana

The Company employed a total of 182 and 186 permanent employees as of March 31, 2012 and 2011, respectively (unaudited).

EIH Management Services B.V. is the immediate and ultimate parent company of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation of the Financial Statements

The financial statements are prepared in accordance with Indonesian Statements of Financial Accounting Standards (''PSAK'') No.1 (Revised 2009), ''Presentation of Financial Statements'', which was adopted on April 1, 2011.

PSAK No. 1 (Revised 2009) regulates the presentation of financial statements as to, among others, the objective, components of financial statements, fair presentation, materiality and aggregation, offsetting, distinction between current and non-current assets and liabilities, comparative information and consistency, and introduces new disclosures, such as key estimations and judgments, capital management, other comprehensive income, departures from accounting standards and statement of compliance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements have been prepared on the accrual basis using the historical cost concept of accounting except for inventories which are valued at the lower of cost of net realizable value.

The statements of cash flows present cash receipts and payments classified into operating, investing and financing activities. Cash flows from operating activities are presented using the indirect method.

b. Transactions with Related Parties

Effective April 1, 2011 the Company applied PSAK NO. 7 (Revised 2010). "Related Party Disclosures". The revised PSAK requires disclosure of related party relationships, transactions and outstanding balances, including commitments in the financial statements and also to individual financial statements. The adoption of PSAK No. 7 (Revised 2010) did not have a significant impact on the related disclosures in the financial statements.

All significant transactions with related parties, whether or not made under terms and conditions similar to those granted to thired parties, are disclosed in the related notes.

c. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale.

Allowance for inventory losses is provided to reduce the carrying value of inventories to thier net realizable value.

d. Payments

Prepayments are amortized over their beneficial periods using the straight-line method. Prepaid land rent which has a beneficial period of more than one year is presented as other non-current assets.

e. Fixed Assets

Fixed assets, except land which is stated at cost and not depreciated, are stated at cost less accumulated depreciation and impairment loss, if any. Such cost includes the cost of replacing part of the fixed assets when the cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the statements of comprehensive income as incurred.

Notes to the Financial Statements *(Contd...)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Fixed Assets (continued)

Depreciation commences once the assets are available for their intened use and is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	20
Structures and improvements	10
Machinery and equipment	8
Furniture, fixtures and equipment	5
Motor vehicles	5

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of income in the year the asset is derecognized.

Expenditures relating to construction are capitalized to the construction in progress account. The accumulated costs are reclassified to the appropriate fixed asset account when the construction is substantially completed and the asset is ready for its intended use.

The fixed assets' residual values, useful lives and methods of depreciation are reviewed and adjusted prospectively, if appropriate, at each financial year end.

f. Impairment of assets value

Effective April 1, 2011 the Company prospectively adopted PSAK No. 48 (Revised 2009), ''Impairment of Asset''. PSAK No. 48 (Revised 2009) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is considered impaired and PSAK No. 48 (Revised 2009) requires the entity to recognize an impairment loss. PSAK No. 48 (Revised 2009) also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Company assesses at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's revoverable amount.

An asset's recoverable amount is the higher of the asset's or its cash generating unit (CGU)'s fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment loses of continuing operations are recognized in the statement of comprehensive income as ''impairment losses''. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. Impairment losses of continuing operations. If any, are recognized in the statements of comprehensive income under expense categories that are consistent with the functions of the impaired assets.

An assessment is made at each annual reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net depreciation, had no impairment loss been recognized for the asset in prior year. Reversal of an impairment loss is recognized in the statement of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

g. Reserve for Replacement of Furniture, Fixtures and Equipment

Provisions are made in the accounts for replacement of and additions to furniture, fixtures and equipment of the Hotel at 3% of the Hotel revenues in accordance with the Hotel Operation Agreement. Actual replacements and additions are charged against this account.

Effective April 1, 2011, the Company adopted PSAK No. 57 (Revised 2009), ''Provisions, Coningent Liabilities, and Contingent Assets''. PSAK No. 57 (Revised 2009) is to be applied prospectively and provide that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets, and sufficient information is disclosed in the notes to enable users to understand the nature, timing, and amount related to the information. The adoption of PSAK No. 57 (Revised 2009) has no significant impact on the financial statements.

h. Employee Benefits Liability

The Company recognizes its unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("the Law") and PSAK No. 24 (Revised 2004), "Employee Benefits".

Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under the Law is determined using the projected-unit-credit actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, if any. These gains or losses in excess of the 10% threshold are recognized on a straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

Notes to the Financial Statements *(Contd...)*

i. Revenue and Expense Recognition

Effective April 1, 2011, the Company adopted PSAK 23 (Revised 2010), ''Revenue''. This revised PSAK Identifies the circumstances in which the criteria on revenue recognition are met and, therefore, revenue may be rocognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes (''VAT'').

Expenses are recognized when these are incurred.

j. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in rupiah amounts using the Company's standard booking rates, which approximate the prevailing rates of exchange at the time the transactions are made. At statements of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing rates of exchange last quoted by Bank Indonesia at such date. The resulting gains or losses are credited or charged to current operations.

As of March 31, 2012 and 2011, the rates of exchange used were Rp9,180 and Rp8,709, respectively, to US$1.

k. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rate are credited or charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

Amendment to a tax obligation is recorded when an assessment is received and the Company has incurred an obligation or, if appealed against by the Company, when the result of the appeal is determined.

l. Translations of Indonesian Rupiah Amounts into United States (U.S.) Dollars

The financial statements are stated in Indonesian rupiah, the currency of the country in which the Company operates. The translations of Indonesian rupiah amounts into U.S. dollars were made at the following rates:

Assets and liabilities	-	Middle rate as of balance sheet date (Rp9,180 to US$1 and Rp8,709 to US$1 as last quoted by Bank Indonesia as of March 31, 2012 and 2011, respectively)

Capital stock	-	Historical rates
Revenue and expense accounts	-	Transaction date exchange rates

The resulting difference arising from the translations of the statements of financial position and statements of comprehensive income accounts is presented as "Translation adjustment" under the equity section of the statements of financial position.

m. Financial instruments

Effective April 1, 2010, the Company has applied PSAK 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures", and PSAK 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", which superseded PSAK 50, "Accounting for Certain Investments in Securities" and PSAK 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities".

PSAK 50 (Revised 2006) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

PSAK 55 (Revised 2006) establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This PSAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

m1. Financial assets

Initial recognition

Financial assets within the scope of PSAK 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation of such assets at each financial year end.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the assets.

As of March 31, 2012 and 2011, the Company's financial assets include cash on hand and in banks, trade receivables, other receivables, due from related parties, other current financial assets (employee receivables), and other non-current financial assets (security deposit). The company has determined that all of these financial assets are classified as loan and receivables.

Notes to the Financial Statements *(Contd...)*

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

m2. Financial liabilities

Initial recognition
Financial liabilities within the scope of PSAK 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, include of directly attributable transaction costs.

As of March 31, 2012 and 2011, the Company's financial liabilities include trade payables, accured expenses, due to hotel operator, due to related parties, long-term bank loan and other current financial liabilities. The Company has determined that all of these financial liabilities are classified as loans and borrowings.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

m3. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

m4. Fair value of financial instruments
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting year. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Credit risk adjustment
The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's owns credit risk associated with the instrument is taken into account.

m5. Amortized cost of financial instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

m6. Impairment of financial assets

The Company assesses at the end of each reporting year whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan or receivable financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current 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 recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

m7. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgments
The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

The following judgments are made by management in the process of applying the Company's accounting policies that have the most significant effects on the amounts recognized in the financial statements:

Classification of Financial Assets and Financial Liabilities

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2006).

Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting polices disclosed in Note 2m.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainly at the reporting date that a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period/year are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developements may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Employee Benefits Liability
The determination of the Company's employee benefits liability is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include discount rates, future annual salary increases, annual employee turn-over rate, disability rate, retirement age and mortality rate. While the Company believes that its assumptions are reasonable and appropriate, due to the long-term nature of these obligations, such estimates are subject to significant uncertainly. The carrying amount of the Company's estimated employee benefits liabilities as March 31, 2012 and 2011 are Rp4,404,189,107 and Rp4,368,158,970, respectively. Further details are disclosed in Note 16.

Notes to the Financial Statements *(Contd...)*

Direction of Fixed Assets

The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 5 to 20 years. These are common expectancies applied in the industries where the Company conducts its business. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company's fixed assets as of March 31, 2012 and 2011 are RP11,231,868,406 and Rp8,886,819,636, respectively. Further details are disclosed in Note 9.

Deferred Tax Assets

The Company reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future with future tax planning strategies. The company has deferred tax asset amounting to Rp1,221,696,047 and Rp1,197,720,973, arising from the years 2012 and 2011, respectively.

Income Tax

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected corporate income tax issued based on estimates of whether additional corporate income tax will be due.

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars)

4. CASH ON HAND AND IN BANKS

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
Cash on hand				
Rupiah	21,218,064	34,127,400	2,311	3,919
Cash in banks				
Rupiah	1,049,643,240	3,740,359,696	114,340	429,482
U.S. dollars	4,785,181,304	2,269,747,274	521,262	260,621
Total	5,856,042,608	6,044,234,370	637,913	694,022

5. TRADE RECEIVABLES

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
City ledger	2,591,417,233	1,766,858,599	282,289	202,877
Guest ledger	609,327,554	544,550,010	66,376	62,527
Total	3,200,744,787	2,311,408,609	348,665	265,404

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)		Percentage to Total (%)	
	2012	2011	2012	2011	2012	2011
Current	3,026,584,617	1,788,347,928	329,693	205,115	94.6	77.2
Past due						
1-30 days	112,799,966	389,603,004	12,288	44,736	3.5	16.9
31-60 days	54,296,741	61,363,900	5,915	7,046	1.7	2.7
Over 60 days	7,063,463	74,093,779	769	8,508	0.2	3.2
Total	3,200,744,787	2,311,408,609	348,665	265,404	100.00	100.00

Based on the review of the status of the individual receivable accounts at the end of the year, the Company's management believes that no allowance for doubtful accounts was necessary as of March 31, 2012 and 2011 since all the receivables can be collected in full.

(Expressed in Rupiah, with Translations into United States Dollars)

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company entered into transactions with related parties consisting of the sale of vacation packages by The Oberoi Lombok, owned by PT Waka Oberoi Indonesia, wherein the Company is entitled to its share in the proceeds, and inter-company advances. Related parties comprise of companies which have the same management as the Company and associated entities. The details of account balances with such related parties are as follows:

a. Due from related parties

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
PT Waka Gae Selaras	2,249,100,000	2,133,705,000	245,000	245,000
EIH International Limited	1,662,378,660	1,577,086,683	181,087	181,087
EIH Management Services B.V.	977,871,960	927,700,098	106,522	106,522
PT Waka Oberoi Indonesia	474,000,477	2,627,695,757	51,634	301,722
Total	5,363,351,097	7,266,187,538	584,243	834,331

b. Due to related parties

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
EIH Holdings Limited	3,763,800,000	7,925,190,000	410,000	910,000
PT Waka Gae Selaras	2,498,382,900	2,370,197,895	272,155	272,155
Total	6,262,182,900	10,295,387,895	682,155	1,182,155

7. INVENTORIES

Inventories consist of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
Materials and supplies	1,168,250,879	1,367,502,407	127,260	157,022
Beverages	1,086,842,400	742,460,789	118,392	85,252
Food	789,261,095	806,874,423	85,976	92,648
Tobacco	8,300,934	13,041,341	905	1,498
Operating supplies	2,536,771292	3,833,735,020	276,337	440,204
Total	5,589,426,600	6,763,613,980	608,870	776,624
Allowance for inventory obsolescence	(978,289,529)	(978,289,529)	(106,567)	(112,331)
Net	4,611,137,071	5,785,324,451	502,303	664,293

(Expressed in Rupiah, with Translations into United States Dollars)

8. PREPAYMENTS AND ADVANCES

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars Note 2l)	
	2012	2011	2012	2011
Insurance	479,805,496	439,860,219	52,266	50,506
Advances for purchases of equipment	428,775,963	636,313,322	46,708	73,064
Rent	9,666,667	9,666,667	1,053	1,110
Others	830,208,570	727,769,491	90,437	83,565
Total	1,748,456,696	1,813,609,699	190,464	208,245

9. FIXED ASSETS

The details of fixed assets are as follows:

	Indonesian Rupiah			
	Balance as of March 31, 2011	**Additions**	**Reclassification**	**Balance as of March 31, 2012**
2011-2012 Movements				
Cost				
Land	94,854,375	–	–	94,854,375
Buildings	7,874,839,032	1,514,226,135	13,595,500	9,402,660,667
Structures and improvements	5,518,663,626	–	–	5,518,663,626
Machinery and equipment	3,576,892,604	872,463,779	–	4,449,356,383
Furniture, fixtures and equipment	14,234,860,520	1,881,695,081	25,669,000	16,142,224,601
Motor vehicles	1,198,375,280	–	–	1,198,375,280
Construction in progress	-	717.001,042	(39,264,500)	677,736,542
Total Cost	32,498,485,437	4,985,386,037	–	37,483,871,474
Accumulated Depreciation				
Buildings	3,465,859,066	365,929,948	–	3,831,789,014
Structures and improvements	4,731,115,763	179,925,124	–	4,911,040,887
Machinery and equipment	2,867,410,535	146,426,659	–	3,013,837,194
Furniture, fixtures and equipment	11,614,018,832	1,833,406,086	–	13,447,424,918
Motor vehicles	933,261,605	114,649,450	–	1,047,911,055
Total Accumulated Depreciation	23,611,665,801	2,640,337,267	–	26,252,003,068
Net Book Value	8,886,819,636			11,231,868,406

	Indonesian Rupiah			
	Balance as of March 31, 2010	**Additions**	**Reclassification**	**Balance as of March 31, 2011**
2010-2011 Movements				
Cost				
Land	94,854,375	–	–	94,854,375
Buildings	5,267,010,957	2,607,828,075	–	7,874,839,032
Structures and improvements	5,518,663,626	-	–	5,518,663.626
Machinery and equipment	3,430,162,904	146,729,700	–	3,576,892,604
Furniture, fixtures and equipment	12,777,689,531	1,457,170,989	–	14,234,860,520
Motor vehicles	1,198,375,280	–	–	1,198,375,280
Total Cost	28,286,756,673	4,211,728,764	–	32,498,485,437

(Expressed in Rupiah, with Translations into United States Dollars)

8. FIXED ASSETS *(Contd...)*

	Indonesian Rupiah			
	Balance as of March 31, 2011	**Additions**	**Reclassification**	**Balance as of March 31, 2012**
Accumulated Depreciation				
Buildings	3,193,414,720	272,444,346	–	3,465,859,066
Structures and improvements	4,550,636,471	180,479,292	–	4,731,115,763
Machinery and equipment	2,755,598,670	111,811,865	–	2,867,410,535
Furniture, fixtures and equipment	10,765,162,640	848,856,192	–	11,614,018,832
Motor vehicles	810,142,573	123,119,032	–	933,261,605
Total Accumulated Depreciation	22,074,955,074	1,536,710,727	–	23,611,665,801
Net Book Value	6,211,801,599			8,886,819,636

	Translations into U.S. Dollars - (Note 2l)				
	Balance as of March 31, 2011	**Additions**	**Reclassification**	**Adjustment**	**Balance as of March 31, 2012**
2011-2012 Movements					
Cost					
Land	10,892	-	-	(559)	10,333
Buildings	904,219	168,619	1,597	(50,179)	1,024,256
Structures and improvements	633,674	-	-	(32,512)	601,162
Machinery and equipment	410,712	97,312	-	(23,345)	484.679
Furniture, fixtures and equipment	1,634,500	215,438	3,028	(94,554)	1,758,412
Motor vehicles	137,601	-	-	(7,060)	130,541
Construction in progress	-	82,028	(4,625)	(3,576)	73,827
Total Cost	3,731,598	563,397	-	(211,785)	4,083,210
Accumulated Depreciation					
Buildings	397,963	41,462	-	(22,019)	417,406
Structures and improvements	543,244	20,397	-	(28,669)	534,972
Machinery and equipment	329,247	16,569	-	(17,512)	328,304
Furniture, fixtures and equipment	1,333,565	204,774	-	(73,478)	1,464,861
Motor vehicles	107,161	12,995	-	(6,004)	114,152
Total Accumulated Depreciation	2,711,180	296,197	-	(147,682)	2,859,695
Net Book Value	1,020,418				1,223,515

	Translations into U.S. Dollars - (Note 2l)				
	Balance as of March 31, 2010	**Additions**	**Reclassification**	**Translation Adjustment**	**Balance as of March 31, 2011**
2010-2011 Movements					
Cost					
Land	10,406	-	-	486	10,892
Buildings	577,840	292,331	-	34,048	904,219
Structures and improvements	605,449	-	-	28,225	633,674
Machinery and equipment	376,321	16,575	-	17,816	410,712
Furniture, fixtures and equipment	1,401,831	163,157	-	69,512	1,634,500
Motor vehicles	131,473	-	-	6,128	137,601
Total Cost	3,103,320	472,063	-	156,215	3,731,598

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars)

8. FIXED ASSETS *(Contd...)*

	Translations into U.S. Dollars - (Note 2l)				
	Balance as of March 31, 2010	**Additions**	**Reclassification**	**Translation Adjustment**	**Balance as of March 31, 2011**
2009-2010 Movements					
Accumulated Depreciation					
Buildings	350,347	30,389	-	17,227	397,963
Structures and improvements	499,247	20,110	-	23,887	543,244
Machinery and equipment	302,315	12,463	-	14,469	329,247
Furniture, fixtures and equipment	1,181,038	94,549	-	57,978	1,333,565
Motor vehicles	88,881	13,711	-	4,569	107,161
Total Accumulated Depreciation	2,421,828	171,222	-	118,130	2,711,180
Net Book Value	681,492				1,020,418

Depreciation charged to operations amounted to Rp2,640,337,267 (US$296,197) and Rp1,536,710,727 (US$171,222) for the years ended March 31, 2012 and 2011, respectively.

Land and buildings are pledged as collateral to the long-term bank loan obtained from PT Bank Internasional Indonesia Tbk, (Note 15).

Fixed assets are covered by insurance against losses from fire and other risks under blanket policies for US$53,300,000 as of March 31, 2012. The Company's management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As of March 31, 2012 and 2011, the Company's management believes that there is no impairment in the value of its fixed assets.

10. TRADE PAYABLES

This account consists mainly of liabilities to the Hotel's suppliers of goods and services.

11. OTHER PAYABLES

This account consists of the following:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2012	2011	2012	2011
Marketing and sales promotion expenses	510,352,715	755,624,649	55,594	86,764
Others	634,356,609	323,760,657	69,102	37,175
Total	1,144,709,324	1,079,385,306	124,696	123,939

(Expressed in Rupiah, with Translations into United States Dollars)

12. TAXATION

a. Taxes payable consists of the following:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2012	2011	2012	2011
Development tax I	1,253,399,761	1,791,352,720	136,536	205,690
Corporate income tax	464,428,436	1,467,387,841	50,591	168,491
Income tax				
Article 4 (2)	5,982,056	7,413,260	652	851
Article 21	52,260,907	141,933,146	5,693	16,297
Article 23	16,899,850	69,333,729	1,841	7,961
Article 26	-	101,309,869	-	11,633
Article 25	360,954,292	453,051,328	39,319	52,021
Value added tax	114,253,305	327,486,377	12,446	37,604
Total	2,268,178,607	4,359,268,270	247,078	500,548

b. The reconciliation between income before income tax multiplied by the applicable tax rate and income tax expense - net as shown in the statements of income is as follows:

	Indonesian Rupiah	
	2012	**2011**
Income before income tax	17,057,512,020	14,295,466,136
Tax expenses at the applicable rate	4,264,378,005	3,573,866,534
Tax effect on permanent differences:		
Interest income already subjected to final tax	(19,034,249)	(17,350,625)
Non-deductible expenses		
Salaries, wages and employee benefits	67,259,480	354,838,304
Taxes	-	241,960,127
Others	248,642,440	252,012,482
Income tax expense - net	4,561,245,676	4,405,326,822

c. Computation of estimated current income tax expense and estimated income tax payable:

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2012	2011	2012	2011
Current income tax expense	4,585,220,750	4,461,990,667	499,479	512,342
Prepayments of				
Income tax article 25	4,120,792,314	2,994,602,826	448,888	343,851
Estimated corporate income tax payable	464,428,436	1,467,387,841	50,591	168,491

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars)

12. TAXATION *(Contd...)*

d. Deferred income tax benefit (expense) consists of:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Provision for replacement of furniture, fixtures and equipment - net	31,629,174	49,508,069	5,167	5,771
Provision for employee benefits - net	9,007,534	106,139,743	1,020	11,877
Depreciation and amortization - net	(16,661,634)	(95,880,397)	(3,575)	(10,231)
Provision for inventory losses	-	(3,103,570)	-	(911)
Net	23,975,074	56,663,845	2,612	6,506

e. Deferred tax assets (liability) consist of:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Deferred tax assets				
Employee benefits liability	1,101,047,276	1,092,039,742	121,059	120,039
Reserve for replacement of furniture, fixtures and equipment	93,329,701	61,700,527	12,276	7,109
Allowance for inventory obsolescence	244,572,382	244,572,382	26,261	26,261
Total deferred tax assets	1,438,949,359	1,398,312,651	159,596	153,409
Deferred tax liability				
Depreciation and amortization - net	(217,253,312)	(200,591,678)	(30,634)	(27,059)
Translation adjustment	–	–	4,120	11,177
Net deferred tax assets	1,221,696,047	1,197,720,973	133,082	137,527

(Expressed in Rupiah, with Translations into United States Dollars)

13. DUE TO HOTEL OPERATOR

The details of this account are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Balance at beginning of year	2,409,661,477	385,063,175	276,686	42,245
Operating fees -12.5% of Hotel gross operating profit (Notes 1 and 23)	3,684,746,447	3,224,220,819	423,285	359,778
Payments	(5,503,574,972)	(1,082,089,139)	(635,304)	(125,337)
Unrealized gain on foreign exchange - net	2,814,023	(117,533,378)	–	–
Balance at end of year	593,646,975	2,409,661,477	64,667	276,686

14. RESERVE FOR REPLACEMENT OF FURNITURE, FIXTURES AND EQUIPMENT

The details of this account are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Balance at beginning of year	246,802,108	48,769,831	28,339	5,350
Provisions during the year (Note 22)	2,368,106,237	2,196,831,147	270,982	245,397
Utilization of reserve	(2,241,589,541)	(1,998,798,870)	(250,316)	(222,314)
Translation adjustment	-	-	(8,338)	(94)
Balance at end of year	373,318,804	246,802,108	40,667	28,339

15. LONG-TERM BANK LOAN

On April 6, 2010, the Company entered into a credit agreement with PT Bank Internasional Indonesia Tbk with a maximum credit of US$2,380,000. The proceeds of the loan were used for the early repayment of the long-term loan payable to PT Bank CIMB Niaga Tbk amounting to US$2,383,957 which bore interest at annual rates ranging from 6.5% to 7.35% in 2012.

The terms of the loan agreement with PT Bank Internasional Indonesia Tbk are as follows:

– Amount of facility : US$2,380,000
– Final maturity date : July 6, 2013
– Interest : 7% per annum, based on one-month SIBOR plus 6.7574% per annum (reviewed every 3 months)
– Repayment : The loan will be repaid in 39 monthly installments starting May 2010 until July 2013.
– Collateral : Land and buildings, in the form of the Hotel, located at Jl. Kayu Aya, Seminyak, Kuta-Bali

As of March 31, 2012 and March 31, 2011, the outstanding balance of the loan amounted to US$1,043,263 (equivalent to Rp9,577,147,821) and US$1,763,286 (equivalent to Rp15,356,452,548), respectively.

Notes to the Financial Statements *(Contd...)*

16. EMPLOYEE BENEFITS LIABILITY

The Company provides benefits for its employees who achieve the retirement age at 55 years based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are unfunded.

The following tables summarize the components of employee benefits expense recognized in the statements of comprehensive income and amounts recognized in the statements of financial position as employee benefits liability as of March 31, 2012 and 2011 as determined by PT Quattro Asia Consulting and PT adi Langgeng Rahayu, an independent actuary, in its reports dated April 5, 2012 and April 5, 2011, respectively.

a. Employee benefits expense

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2012	2011	2012	2011
Current service cost	356,050,565	364,003,917	40,323	40,553
Interest cost	329,996,964	385,767,360	37,372	42,978
Amortization of unrecognized actuarial gain	-	(21,850,412)	-	(2,434)
Amortization of unrecognized past service cost - unvested	292,001,515	292,001,515	33,069	32,531
Employee benefits expense	978,049,044	1,019,922,380	110,764	113,628

b. Employee benefits liability

	Indonesian Rupiah		**Translations into U.S. Dollars - (Note 2l)**	
	2012	2011	2012	2011
Present value of employee benefits obligation	4,634,760,592	4,608,651,843	504,875	529,183
Unrecognized past service cost - unvested	(331,954,862)	(623,956,377)	(36,160)	(71,645)
Unrecognized actuarial gain	101,383,377	383,463,504	11,044	44,030
Employee benefits liability	4,404,189,107	4,368,158,970	479,759	501,568

Movements in the employee benefits liability are as follows:

	Indonesian Rupiah		**Translations into U.S. Dollars (Note 2l)**	
	2012	2011	2012	2011
Beginning balance	4,368,158,970	3,943,599,999	501,568	432,650
Provision during the year	978,049,044	1,019,922,380	110,764	113,628
Payments during the year	(942,018,907)	(595,363,409)	(106,684)	(66,121)
Translation adjustment	–	–	(25,889)	21,411
Ending balance	4,404,189,107	4,368,158,970	479,759	501,568

The principal assumptions used in determining the employee benefits liability are as follows:

Discount rate	: 7% in 2012 and 9% in 2011
Annual salary increase	: 8% in 2012 and in 2011
Mortality	: CSO-1980
Retirement age	: 55 years
Disability rate	: 10% of CSO-1980

(Expressed in Rupiah, with Translations into United States Dollars)

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company has various financial assets which arise directly from the Company's operations. The Company's principal financial liabilities, consisting mainly of long-term bank loan, are used to finance the Company's operations.

The following table sets forth the carrying values, which are also the fair values of the Company's financial instruments that are carried in the balance sheet as of March 31, 2012.

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
Current Financial Assets				
Cash on hand and in banks	5,856,042,608	6,044,234,370	637,913	694,022
Trade receivables	3,200,744,787	2,311,408,609	348,665	265,404
Other receivables	87,126,317	213,844,993	9,491	24,555
Other current financial assets	315,223,203	199,062,529	34,338	22,857
Total current financial assets	**9,459,136,915**	**8,768,550,501**	**1,030,407**	**1,006,838**
Non-current Financial Assets				
Other non-current financial assets	73,649,117	75,649,117	8,023	8,686
Due from related parties	5,363,351,097	7,266,187,538	584,243	834,331
Total Financial Assets	**14,896,137,129**	**16,110,387,156**	**1,622,673**	**1,849,855**

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
Current Financial Liabilities				
Trade payables	2,385,905,016	1,624,889,643	259,903	186,576
Other payables	1,144,709,324	1,079,385,306	124,696	123,939
Accrued expenses	1,954,150,152	2,143,314,713	212,870	246,103
Due to Hotel Operator	593,646,975	2,409,661,477	64,667	276,686
Due to related parties	6,262,182,900	10,295,387,895	682,155	1,182,155
Current portion of long-term bank loan	7,101,561,039	6,282,776,578	773,591	721,412
Other current financial liabilities	1,972,662,802	1,680,798,749	214,887	192,996
Total current financial liabilities	**21,414,818,208**	**25,516,214,361**	**2,332,769**	**2,929,867**
Non-current Financial Liabilities				
Long-term bank loan - net of current portion	2,475,586,782	9,073,675,970	269,672	1,041,874
Total Financial Liabilities	**23,890,404,990**	**34,589,890,331**	**2,602,441**	**3,971,741**

The fair values of the financial assets and liabilities are stated at the amounts at which the instruments could be exchanged in current transactions between willing parties.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities:

- Current financial instruments with remaining maturities of one year or less (cash on hand and in banks, trade receivables, other current financial assets, current portion of long-term bank loan, trade payables, accrued expenses and other current financial liabilities).

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars)

17. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Contd...)*

The carrying values of the Company's current financial assets and liabilities approximate their fair value due to the current maturity of these financial assets and liabilities.

Long-term financial assets and liability:

- Long-term variable-rate financial liability (unquoted long-term bank loan)
  The fair value of this financial liability is determined by discounting future cash flows using applicable rates from observable current market transactions for instruments with similar terms, credit risk and remaining maturities.
- Other long-term financial assets (due from related parties and other non-current financial assets)
  The fair values of other non-current financial asset are assumed to be the same as the cash amount that will be received due to the fact the maturity of such financial asset is not stated in related contract and the management is not yet able to determine when the financial asset will be realized.

18. CAPITAL STOCK

The share ownership details as of March 31, 2012 and 2011are as follows:

Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount	Translations into U.S. Dollars - (Note 2l)
PT Waka Gae Selaras	3.321	30.00	332,100,000	252,064
EIH International Limited	2,337	21.11	233,700,000	139,250
EIH Management Services B.V.	5,412	48.89	541,200,000	268,289
Total	11,070	100.00	1,107,000,000	659,603

19. ROOMS

The details of rooms departmental revenues and expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Room Revenues	54,375,590,928	49,730,073,462	6,222,443	5,554,947
Payroll and Related Expenses				
Employee benefits	2,142,751,915	2,069,072,546	244,398	231,383
Salaries and wages	1,261,583,232	1,257,787,424	144,406	140,591
	3,404,335,147	3,326,859,970	388,804	371,974
Other Expenses				
Cleaning and guest supplies	1,400,316,968	1,234,443,883	159,820	138,008
Linens and uniforms	763,627,719	808,583,762	87,351	90,524
Laundry	708,924,175	622,420,103	81,086	69,554
Welcome drinks, fruit baskets and amenities	693,816,823	696,321,879	79,423	77,813
Travel agents	618,470,415	649,505,650	70.765	72,710

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars)

19. ROOMS *(Contd...)*

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2011	2010	2011	2010
Security	504,849,259	476,361,600	57,597	53,259
Transportation and travel	329,976,775	305,471,686	37,703	34,125
Printing and stationery	285,256,294	291,024,197	32,583	32,517
Decoration	255,601,490	276,519,827	29,147	30,916
Telephone and facsimile	120,713,531	125.007.242	13,785	13,960
Guest newspaper	189,321,593	248,104.726	21,643	27,763
Cable television and music	162,610,496	151,769,776	18,488	16,978
Others	182,080,321	208,926,413	20,772	23,385
	6,215,565,859	6,094,460,744	710,163	681,512
Total Departmental Expenses	9,619,901,006	9,421,320,714	1,098,967	1,053,486
Departmental Profit	44,755,689,922	40,308,752,748	5,123,476	4,501,461

In 2012 and 2011, the average Hotel room occupancy rates were 76.62% and 71.88%, respectively (unaudited).

20. FOOD AND BEVERAGES

The details of food and beverages departmental revenues and expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Net Sales	20,010,993,076	18,896,341,432	2,290,237	2,110,714
Cost of Sales	5,798,638,815	5,302,585,881	663,537	592,204
Payroll and Related Expenses				
Salaries and wages	2,071,784,330	2,056,979,386	236,121	229,944
Employee benefits	2,183,165,700	2,253,805,481	249,163	252,038
	4,254,950,030	4,310,784,867	485,284	481,982
Other Expenses				
Cultural music and shows	643,695,106	558,310,740	73,401	62,422
Cleaning and guest supplies	540,590,087	519,969,538	61,608	58,091
Laundry	449,732,827	396.865,975	51,429	44,353
Linens, uniforms and housewares	385,939,645	445,324,143	44,138	49,807
Kitchen fuel	238,908,309	270,665,300	27,323	30,222
Mineral water and ice	116,425,132	170,396,816	13,310	19,023
Others	658.401,075	576,569,076	74,849	64,437
	3,033,692,181	2,938,101,588	346,058	328,355
Total Departmental Cost and Expenses	13,087,281,026	12,551,472,336	1,494,879	1,402,542
Departmental Profit	6,923,712,050	6,344,869,096	795,358	708,172

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars)

21. OTHER OPERATING DEPARTMENTS

The details of other operating departmental revenues, cost and expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Revenues				
Health club	1,857,104,092	1,550,247,358	212,052	173,276
Boutique	1,349,733,337	1,499,545,950	154,280	167,602
Laundry	311,510,106	316,281,434	35,618	35,326
Beauty salon	266,097,474	227,942,018	30,423	25.436
Telephone and communication	196,017,671	262,518.669	22,680	29,351
Cigar and cigarettes	38,495,000	24,455,000	4,365	2,735
	4,018,957,680	3,880,990,429	459,418	433,726
Cost of Sales				
Boutique	886,443,822	965,116,954	101,391	107,888
Laundry	229,971,864	219,623,358	26,297	24,528
Telephone and communication	60,077,747	88,230,895	6,870	9,879
Health club	56,138,515	60,020,689	6,420	6,702
Beauty salon	34,819,135	47,791,986	3,994	5,327
Cigar and cigarettes	28,906,927	23,094,739	3,287	2,582
	1,296,358,010	1,403,878,621	148,259	156,906
Payroll and Related Expenses				
Salaries and wages	298,662,067	241,325,645	34,088	27,002
Employee benefits	183,602,563	202,555,158	20,898	22,686
	482,264,630	443,880,803	54,986	49,688
Other Expenses				
Consultant fees	202,205,747	211,863,761	23,088	23,682
Others	519,667,897	333,407,965	59,184	37,295
	721,873,644	545,271,726	82,272	60,977
Total Departmental Cost and Expenses	2,500,496,284	2,393,031,150	285,517	267,571
Other Departmental Profit	1,518,461,396	1,487,959,279	173,901	166,155

(Expressed in Rupiah, with Translations into United States Dollars)

22. HOTEL OPERATING EXPENSES

The details of hotel operating expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Property Operations, Maintenance and Energy				
Electricity, energy and water				
Electricity	2,233,154,015	2,206,811,298	255,052	246,796
Water	1,769,446,418	1,635,030,051	202,761	182,704
Light bulbs	186,768,253	193,020,855	21,255	21,576
Gas	76,345,000	44,235,000	8,658	4,961
Fuel	15,700,268	18,090,481	1,779	2,032
	4,281,413,954	4,097,187,685	489,505	458,069
Repairs and maintenance	4,390,578.294	4,671,321,679	500,576	521,824
Salaries and wages	641,583,602	625,745,446	73,095	70,017
Cleaning supplies	350,878,500	258,957,311	39,957	29,022
Laundry	35,808,233	32,809,388	4,088	3,664
Uniforms	21,264,297	23,901,861	2,432	2,671
Telephone	15,454,504	16,781,594	1,762	1,871
Others	112,818,549	69,174,215	12,723	7,735
	5,568,385,979	5,698,691,494	634,633	636,804
Total	9,849,799,933	9,795,879,179	1,124,138	1,094,873
General and Administrative Expenses				
Salaries and wages	1,505,439,046	1,421,016,431	171,370	158,871
Professional fees	1,283,568,408	662,271,609	146,333	73,144
Commission on credit cards	1,143,484,485	1,197,810,856	130,451	133,888
Telephone and communication	211,929,499	339,164,524	24,203	37,874
Bank charges	130,582,398	107,003,759	14,934	11,975
Transportation and travelling	105,091,897	106,860,845	24,424	11,928
Printing and stationery	40,202,461	43,090,574	4,585	4,827
Others	1,376,058,887	911,954,127	143,413	102,358
Total	5,796,357,081	4,789,172,725	659,713	534,864
Marketing Expenses				
Advertising and promotion	1,260,685,547	1,314,752,500	144,094	146,875
Public relations	960,602,374	1,002,179,829	109,170	112,467
Sales representation	606,782,424	656,770,683	69,399	73,390
Transportation and travel	364,793,215	385,733,164	41,327	43,277
Salaries and wages	291,647,845	321,499,073	33,351	35,943
Telephone and communication	78,760,091	109,826,567	9,009	12,272
Printing and stationery	46,348,635	74,772,478	5,320	8,398
Others	430,000	11,417,235	50	1,277
Total	3,610,050,131	3,876,951,529	411,720	433,899

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars)

22. HOTEL OPERATING EXPENSES *(Contd...)*

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
Provision for Replacement of Furniture, Fixtures and Equipment (Notes 2g and 14)	2,368,106,237	2,196,831,147	270,982	245,397
Marketing and Sales Promotion Expenses (Note 24)	2,368,106,237	2,196,831,147	270,982	245,397
Insurance	258,805,053	212,448,408	29,560	23,631
Total Hotel Operating Expenses	24,251,224,672	23,068,114,135	2,767,095	2,578,061

23. OWNER'S OPERATING EXPENSES

The details of this account are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2l)	
	2012	2011	2012	2011
General and administrative				
Professional fees	1,265,446,765	1,725,022,185	149,162	191,328
Salaries and wages	993,039,062	916,889,636	110,662	101,852
Rental	700,480,175	714,459,743	79,341	79,599
Insurance	501,218,487	506,753,131	55,201	55,294
Miscellaneous	405,790,460	718,314,493	47,011	80,188
Total	3,865,974,949	4,581,439,188	441,377	508,261
Operating fees (Notes 13)	3,684,746,447	3,224,220,819	423,285	359,778
Depreciation and amortization	2,677,865,863	1,574,239,322	300,448	175,403
Total Owner's Operating Expenses	10,228,587,259	9,379,899,329	1,165,110	1,043,442

24. SIGNIFICANT AGREEMENTS

The Company entered into a Hotel Operation Agreement with EIH Management Services B.V. {the Operator) to manage and operate the Hotel effective December 31, 1998. On July 22, 2000, the Company signed a Renewal Agreement whereby the original term was extended until February 1, 2032. The Operator has automatic and irrevocable options to extend the Agreement for another 10 or 20 years. Under the agreement, the Hotel Operator is entitled for a fee of 12.5% of the total gross operating profit. Also, under the agreement, the Hotel Operator is entitled to pay out of the gross operating revenue and as part of gross operating expenses, an amount equal to 3% of the Hotel gross operating revenue for marketing and sales promotion expenses. Any loss incurred by the Hotel in any financial year shall be borne exclusively by the Company.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

RISK MANAGEMENT

The main risks arising from the Company's financial instruments are interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The Company's Board of Directors reviews and approves the policies for managing these risks which are summarized below.

A. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term bank loan.

The Company manages the interest rate risk through monitoring of the fluctuation of market interest rates and placing limits on the maximum interest rate charged. The Company also regularly evaluates the movement of interest rates on the financial markets and re-negotiates with its creditors if the interest rate increases significantly.

B. Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to exchange rate fluctuations results primarily from its U.S. dollar-denominated cash in banks and long-term bank loan.

The Company's policies are to minimize the risk arising from the foreign exchange rate by monitoring its fluctuations and maintaining an adequate level of cash in banks and long-term bank loan in U.S. dollar. To the extent the Indonesian rupiah depreciates further from the exchange rates in effect at March 31, 2012, the Company's long-term bank loan increases in Indonesian rupiah terms. However, the increase in this obligation will be offset in part by the increase in the value of its U.S. dollar-denominated cash in banks.

C. Credit Risk

Credit risk is the risk that the Company will incur loss arising from its customers or counterparties that fail to discharge their contractual obligations. There are no significant concentrations of credit risk. The Company manages and controls this credit risk by setting limits on the amount of risk it is willing to accept for individual customers and by monitoring exposures in relation to such limits. The maximum exposure of the financial instruments is equal to the carrying values as disclosed in Note 17.

D. Liquidity Risk

The liquidity risk is defined as the risk when the cash flow position of the Company indicates that the short-term revenue is not enough to cover the short-term expenditure.

In the management of liquidity risk, the Company monitors and maintains a level of cash on hand and in banks deemed adequate to finance its operations and to mitigate the effects of fluctuation in cash flows. The Company also regularly evaluates the projected and actual cash flows, including its loan maturity profiles, and continuously

Notes to the Financial Statements *(Contd...)*

assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives, such as obtaining bank loan.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Below 1 year	Over 1 Year	Total	Carrying Values as of March 31, 2012
Trade payables	2,385,905,016	-	2,385,905,016	2,385,905,016
Other payables	1,144,709,324	-	1,144,709,324	1,144,709,324
Accrued expenses	1,954,150,152	-	1,954,150,152	1,954,150,152
Due to Hotel Operator	593,646,975	-	593,646,975	593,646,975
Due to a related parties	6,262,182,900	-	6,262,182,900	6,262,182,900
Long-term bank loan	7,101,561,039	2,475,586,782	9,577,147,821	9,577,147,821
Other current financial liabilities	1,972,662,802	-	2,972,662,802	1,972,662,802
Total	21,414,818,208	2,475,586,782	23,890,404,990	23,890,404,990

26. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS AND INTERPRETATIONS

Accounting Standards and interpretations issued by the Indonesian Accounting Standards Board (DSAK) up to the date of completion of the Company's financial statements which are relevant to the Company but are not yet effective as of March 31, 2012 are summarized below:

- PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates"
  This revised PSAK prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.
- PSAK No. 16 (Revised 2011) "Property, Plan and Equipment"
  This revised PSAK prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.
- PSAK No. 18 (Revised 2010), "Accounting and Reporting by Retirement Benefit Plans"
  This revised PSAK is concerned with the determination of the cost of retirement benefits in the financial statements of employers having plans. Hence, this Standard complements PSAK No. 24 (Revised 2010).
- PSAK No. 24 (Revised 2010), "Employee Benefits"
  This revised PSAK establishes the accounting and disclosures for employee benefits and requires the recognition of liability and expense when an employee has provided service and the entity consumes economic benefit arising from the service.
- PSAK No. 46 (Revised 2010), "Accounting for Income Taxes"
  This revised PSAK prescribes the accounting treatment for income taxes to account for the current ad future tax consequences of the future recovery/(settlement) of the carrying amount of assets/(liabilities) that are recognized in the statements of financial position; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation"
  This revised PSAK establishes the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.
- PSAK No. 55 (Revised 2011) "Financial Instruments: Recognition and Measurement"
  This revised PSAK establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in PSAK No. 50 (Revised 2010: Financial Instruments: Presentation. Requirements for disclosing information about financial instruments are in PSAK No.60: Financial Instruments: Disclosures.
- PSAK No. 60, "Financial Instruments: Disclosures"
  This PSAK requires disclosures in financial statements that enable users to evaluate the significance of financial instruments to financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period and how the entity manages those risks.
- ISAK No. 15, PSAK No. 24, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Inferaction"
  This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined scheme that cat be recognized as an asset under PSAK No. 24 (Revised 2010), "Employee Benefits".
- ISAK No. 20, "Income Taxes - Changes in the Tax Status of an Entity or its Shareholders"
  This Interpretation identifies how an entity should account for the current and deferred tax consequences of a change in tax status of an entity or its shareholders.

The Company is presently evaluating and has not determined the effects of these revised standards and interpretations on its financial statements.

27. ECONOMIC ENVIRONMENT

The past and current global economic crisis has caused volatility in foreign exchange rates and interest rates, unstable stock markets, tight liquidity, reduced economic activity and lack of investors' confidence across the globe, including Indonesia. Such global economic conditions have significantly affected all sectors of the economy, including the Company's markets and industries, which adversely affected business travel and the number of tourists visiting Indonesia, and resulted in unfavorable financial and operating impact, and exposure to other risks.

Indonesia's ability to minimize the impact of the global economic crisis on the country's economy is largely dependent on the monetary, fiscal and economic stimulus programs and other measures that are being taken and will be undertaken by the Government, actions of which are beyond the Company's control.

28. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the accompanying financial statements that were completed on April 26, 2012.

PT WAKA OBEROI INDONESIA

BOARD

Mr. I Wayan Pasek
Mr. I Ketut Siandana
Mr. Kamal K. Kaul

AUDITORS

Purwantono, Suherman & Surja
A member firm of Ernst & Young Global Limited
Indonesia Stock Exchange Building
Tower 2, 7th Floor,
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190,
Indonesia

REGISTERED OFFICE

Patai Medana, Tanjung 83352
Lombok Utara-Nusa
Tenggara Barat (NTB)
Indonesia

Independent Auditor's Report

Report No. RPC-2430/PSS/2012

The Stockholders and the Boards of Commissioners and Directors
PT Waka Oberoi Indonesia

We have audited the accompanying statements of financial position of PT Waka Oberoi Indonesia (the "Company") as of March 31, 2012 and 2011, and the related statements of comprehensive income, changes in capital deficiency and cash flows for the years then ended, all expressed in Indonesian rupiah. 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 audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Pubiic Accountants. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Waka Oberoi Indonesia as of March 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with Indonesia Financial Accounting Standards.

The accompanying financial statements have been prepared assuming that the Company will continue to operate as a going concern. Note 26 to the financial statements summarizes the effects of the economic conditions in Indonesia on the Company, as well as the measures the Company has implemented in response to these economic conditions. The operations of the Company have been affected, and will continue to be affected for the foreseeable future, by the country's economic conditions. These economic conditions have contributed to recurring losses up to 2006, in 2009 and in 2012, and capital deficiency and negative working capital as of March 31, 2012 and 2011. These matters raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audits were conducted for the purpose of forming an opinion on the basic Indonesian rupiah financial statements taken as a whole. The translations of the Indonesian rupiah amounts into United States dollar have been made on the basis set forth in Note 2k and are presented for purposes of additional analysis only and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion thereon.

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant Registration No. AP.0684

April 26, 2012

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

Statements of Financial Position
March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	Notes	2012	2011	2012	2011
ASSETS					
CURRENT ASSETS					
Cash on hand and in banks	2l,4,16	3,320,320,537	3,380,333,248	361,691	388,143
Trade receivables - net of allowance for impairment of Rp20,001,654 (US$2,179) in 2012 and Rp25,734,200 (US$2,955) in 2011	2l,5,16	775,551,754	1,230,781,591	84,483	141,323
Other receivables	2l,16	34,381,000	63,126,299	3,745	7,248
Inventories - net	2c,6,13	1,644,412,780	1,633,723,292	179,130	187,590
Prepayments and advances		797,020,359	868,977,313	86,821	99,779
Other current financial assets	2l,16	60,704,738	53,916,644	6,613	6,191
TOTAL CURRENT ASSETS		6,632,391,168	7,230,858,387	722,483	830,274
NON-CURRENT ASSETS					
Fixed assets - net	2d, 2e, 7,13	16,786,718,619	18,647,198,128	1,828,619	2,141,141
Deferred tax assets	2j,9d	1,467,620,311	2,037,281,625	159,871	233,928
Other non-current financial assets	2l,16	126,615,000	126,615,000	13,792	14,539
TOTAL NON-CURRENT ASSETS		18,380,953,930	20,811,094,753	2,002,282	2,389,608
TOTAL ASSETS		25,013,345,098	28,041,953,140	2,724,765	3,219,882

The accompanying notes form an integral part of these Financial Statements.

Statements of Financial Position *(Contd...)*
March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah 2012	Indonesian Rupiah 2011	Translations into U.S. Dollars (Note 2k) 2012	Translations into U.S. Dollars (Note 2k) 2011
LIABILITIES AND CAPITAL DEFICIENCY					
LIABILITIES					
CURRENT LIABILITIES					
Trade payables	2l,16	292,818,518	528,857,173	31,897	60,725
Other payables	2l,8,16	1,191,891,476	1,243,653,300	129,836	142,800
Taxes payable	2j,9a	169,207,131	113,326,893	18,432	13,013
Accrued expenses	2l,10,16	1,919,924,943	1,366,404,210	209,142	156,896
Due to Hotel Operator	2b,2l,11,12,16	131,129,144	497,109,271	14,284	57,080
Due to related party	2b,2l,11,16	474,000,477	2,627,695,760	51,634	301,722
Reserve for replacement of furniture, fixtures and equipment	2f,14	5,142,891,801	4,564,409,555	560,228	524,103
Loan payable	2b,2l,11, 13,16	238,831470,000	226,577,698,500	26,016,500	26,016,500
Other current financial liabilities	2l,16	1,101,761,217	1,297,946,029	120,018	149,035
TOTAL CURRENT LIABILITIES		249,255,094,707	238,817,100,691	27,151,971	27,421,874
NON-CURRENT LIABILITY					
Employee benefits liability	2g,15	1,042,487,063	992,189,446	113,561	113,927
TOTAL LIABILITIES		250,297,581,770	239,809,290,137	27,265,532	27,535,801
CAPITAL DEFICIENCY					
Capital Stock - Rp1,017,000 (US$500) par value per share Authorized, issued and fully paid - 22,900 shares	17	23,289,300,000	23,289,300,000	11,450,000	11,450,000
Translation adjustment	2k	-	-	(5,730,419)	(5,676,060)
Deficit		(248,573,536,672)	(235,056,636,997)	(30,260,348)	(30,089,859)
Net Capital Deficiency		(225,284,236,672)	(211,767,336,997)	(24,540,767)	(24,315,919)
TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY		25,013,345,098	28,041,953,140	2,724,765	3,219,882

The accompanying notes form an integral part of these Financial Statements.

Statements of Comprehensive Income years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	Notes	2012	2011	2012	2011
DEPARTMENTAL REVENUES	2h				
Rooms	18	18,389,919,067	18,694,666,218	2,121,261	2,084,558
Food and beverages	19	9,373,794,470	9,441,903,338	1,080,911	1,053,419
Other operating departments	20	2,048,888,420	2,078,074,419	235,923	232,223
Others		336,472,894	316,764,313	38,949	35,346
Total Departmental Revenues		30,149,074,851	30,531,408,288	3,477,044	3,405,546
DEPARTMENTAL COSTS AND EXPENSES	2h				
Cost of sales					
Food and beverages	19	2,806,975,818	2,822,761,166	323,551	315,012
Other operating departments	19	557,023,248	567,973,447	64,041	63,482
Total Cost of Sales		3,363,999,066	3,390,734,613	387,592	378,494
Payroll and related expenses	18,19,20	3,323,332,483	3,282,018,557	378,932	367,511
Others	18,19,20	3,895,675,097	4,367,460,589	451,098	487,596
Total Departmental Costs and Expenses		10,583,006,646	11,040,213,759	1,217,622	1,233,601
DEPARTMENTAL PROFIT		19,566,068,205	19,491,194,529	2,259,422	2,171,945
HOTEL OPERATING EXPENSES	2h,21				
Property operations, maintenance and energy		7,488,028,793	7,419,422,381	855,809	829,365
General and administrative		3,592,557,265	2,949,497,956	410,813	328,450
Marketing		1,984,464,795	2,483,515,134	229,063	277,744
Provision for replacement of furniture, fixtures and equipment	2f,14	904,472,246	915,854,619	104,312	102,157
Marketing and sales promotion expenses	21,23	904,472,246	915,854,619	104,312	102,157
Insurance		84,650,503	97,220,560	9,655	10,890
Total Hotel Operating Expenses		14,958,645,848	14,781,365,269	1,713,964	1,650,763
HOTEL GROSS OPERATING PROFIT		4,607,422,357	4,709,829,260	545,458	521,182

The accompanying notes form an integral part of these Financial Statements.

Statements of Comprehensive Income *(Contd...)* years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah 2012	Indonesian Rupiah 2011	Translations into U.S. Dollars (Note 2k) 2012	Translations into U.S. Dollars (Note 2k) 2011
OWNER'S OPERATING EXPENSES	2h				
Depreciation	22	(2,549,086,004)	(2,442,256,319)	(287,739)	(270,898)
General and administrative	2d,7	(2,464,017,803)	(2,513,526,854)	(279,336)	(280,045)
Operating fees	12,23	(575,927,795)	(588,728,657)	(68,182)	(65,148)
Finance Income		955,690	1,565,555	108	175
Other operating expenses		(11,966,584,806)	(58,872,865)	(6,741)	(6,552)
Other operating income		–	10,548,182,701	–	94
INCOME (LOSS) BEFORE INCOME TAX		(12,947,238,361)	9,656,192,820	(96,432)	(101,193)
Income tax benefit (expense)	2j,9c	(569,661,314)	205,230,844	(74,057)	23,565
INCOME (LOSS) FOR THE YEAR		(13,516,899,675)	9,861,423,664	(170,489)	(77,628)
Other comprehensive income		–	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)		(13,516,899,675)	9,861,423,664	(170,489)	(77,628)

The accompanying notes form an integral part of these Financial Statements.

Statements of Changes in Capital Deficiency years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Indonesian Rupiah		
	Capital Stock	Deficit	Net Capital Deficiency
Balance as of March 31, 2010	23,289,300,000	(244,918,060,661)	(221,628,760,661)
Comprehensive income for the year	–	9,861,423,664	9,861,423,664
Balance as of March 31, 2011	23,289,300,000	(235,056,636,997)	(211,767,336,997)
Comprehensive loss for the year	–	(13,516,899,675)	(13,516,899,675)
Balance as of March 31, 2012	23,289,300,000	(248,573,536,672)	(225,284,236,672)

	Translations Into U.S. Dollars (Note 2k)			
	Capital Stock	Translation Adjustment	Deficit	Net Capital Deficiency
Balance as of March 31, 2010	11,450,000	(5,752,499)	(30,012,231)	(24,314,730)
Comprehensive loss for the year	-	-	(77,628)	(77,628)
Translation adjustment	-	76,439	-	76,439
Balance as of March 31, 2011	11,450,000	(5,676,060)	(30,089,859)	(24,315,919)
Comprehensive loss for the year	-	-	(170,489)	(170,489)
Translation adjustment	-	(54,359)	-	(54,359)
Balance as of March 31, 2012	11,450,000	(5,730,419)	(30,260,348)	(24,540,767)

The accompanying notes form an integral part of these Financial Statements.

Statements of Cash Flows
years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

	Notes	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
		2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Comprehensive income (loss)		(13,516,899,675)	9,861,423,664	(170,489)	(77,628)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Unrealized loss (gain) on foreign exchange		12,253,770,500	(10,626,681,770)	-	-
Depreciation	7	2,464,017,803	2,513,526,854	279,336	280,045
Provision for replacement of furniture, fixtures and equipment	14	904,472,246	915,854,619	104,312	102,157
Provision for loss (written-off) on operating equipment	6	(1,241,318,114)	374,751,876	(142,533)	47,463
Provision for employee benefits	15	258,000,001	254,221,051	29,219	29,191
Provision of impairment of trade receivable		35,664,903	25,734,200	4,078	2,955
Reversal of allowance for impairment of trade receivable		(41,397,449)	(525,955,713)	(4,854)	(57,702)
Deferred income tax benefit	9	569,661,314	(205,230,844)	74,057	(23,565)
Translation adjustment		–	–	10,641	(5,177)
Changes in operating assets and liabilities:					
Trade receivables		460,963,383	(671,540,502)	57,616	(80,101)
Other receivables		28,745,299	(7,390,922)	3,503	(1,133)
Inventories		1,230,628,626	(225,069,433)	150,993	(39,397)
Prepayments and advances		71,956,954	(98,816,513)	12,958	(15,285)
Other current financial assets		(6,788,094)	(34,293,337)	(422)	(4,038)
Trade payables		(236,038,655)	192,749,179	(28,828)	23,851
Other payables		(51,761,824)	(336,384,095)	(12,964)	(31,302)
Taxes payable		55,880,238	6,908,507	5,419	1,338
Accrued expenses		553,520,733	17,193,808	52,246	8,875
Due to Hotel Operator		(365,980,127)	(1,195,271,342)	(42,796)	(134,852)
Due to a related party		(2,153,695,283)	135,689,519	(250,088)	28,326
Other current financial liabilities		(196,184,812)	282,373,017	(29,017)	37,617
Payments of employee benefits	15	(207,702,384)	(44,463,166)	(23,522)	(5,105)
Net Cash Provided by (Used in) Operating Activities		869,515,583	609,328,657	78,865	86,533

Statements of Cash Flows *(Contd...)* years ended March 31, 2012 and 2011

(Expressed in Rupiah, with Translations into United States Dollars)

		Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	Notes	2012	2011	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of fixed assets	7	(603,538,294)	(678,017,320)	(67,896)	(76,173)
Utilisation of reserve for replacement of furniture, fixtures and equipment	14	(325,990,000)	(268,951,850)	(37,421)	(30,113)
Net Cash Used in Investing Activities		(929,528,294)	(946,969,170)	(105,317)	(106,286)
NET DECREASE IN CASH ON HAND AND IN BANKS		(60,012,711)	(337,640,513)	(26,452)	(19,753)
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	4	3,380,333,248	3,717,973,761	388,143	407,896
CASH ON HAND AND IN BANKS AT END OF YEAR	4	3,320,320,537	3,380,333,248	361,691	388,143

The accompanying notes form an integral part of these Financial Statements.

Notes to the Financial Statements
years ended March 31, 2012 and 2011

1. GENERAL

PT Waka Oberoi Indonesia (the "Company") was established within the framework of the Foreign Capital Investment Law No. 1 of 1967 as amended by Law No. 11 of 1970 based on notarial deed No. 225 dated November 26, 1992 of Siti Pertiwi Henny Shidki, S.H. The deed of establishment was approved by the Ministry of Justice in its decision letter No. C2-1631.HT.01.01.TH.93 dated March 13, 1993 and was published in Supplement No. 2313 of State Gazette No. 42 dated May 25, 1993.

The Company's articles of association has been amended several times, the latest amendment of which was to comply with the current Limited Liability Company Law No. 40 issued in 2007.The latest amendment was covered by notarial deed No. 22 dated December 12, 2007 of Gamal Wahidin, S.H., regarding the change in the accounting year end from December 31 to March 31. The latest amendment was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its decision letter No. AHU-13930.AH.01.02. dated March 19, 2008.

According to Article 3 of the Company's articles of association, the Company's scope of activities mainly comprises establishing, developing, operating and managing resort hotels. The Company is domiciled in West Lombok Regency, West Nusa Tenggara and owns The Oberoi Lombok Hotel (the "Hotel") located in West Nusa Tenggara, which started commercial operations on April 14, 1997. The Hotel is currently being managed and operated by EIH Management Services B.V. up to 2034 with option to extend for 20 years (Note 23).

As of March 31, 2012 and 2011, the composition of the Company's Boards of Commissioners and Directors is as follows:

Board of Commissioners	
Commissioners	: Deepak Madhok
	: Sudarshan Rao
	: Ida Bagus Gede Yudana
Board of Directors	
President Director	: I Ketut Siandana
Directors	: Kamal K. Kaul
	: I Wayan Pasek

The Company employed a total of 112 and 126 permanent employees as of March 31, 2012 and 2011, respectively (unaudited).

EIH Management Services B.V. is the immediate and ultimate parent company of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation of the Financial Statements

The financial statements are prepared in accordance with Indonesia Statements of Financial Accounting Standards ("PSAK") No. 1 (Revised 2009), "Presentation of Financial Statements", which was adopted on April 1, 2011.

PSAK No. 1 (Revised 2009) regulates the presentation of financial statements as to, among others, the objective, components of financial statements, fair presentation, materiality and aggregation, offsetting, distinction between current and non-current assets and liabilities, comparative information and consistency, and introduces new disclosures, such as key estimations and judgments, capital management, other comprehensive income, departures from accounting standards and statement of compliance.

b. **Transactions with Related Parties**

Effective April 1, 2011 the company applied PSAK No. 7, (Revised 2010), "Related Party Disclosures", The revised PSAK requires disclosure of related party relationships, transactions, and outstanding balances, including commitments in the financial statements and also to individual financial statements. The adoption of PSAK NO. 7 (Revised 2010) did not have a significant impact on the related disclosures in the financial statements.

All significant transactions with related parties as defined under PSAK No. 7, "Related Party Disclosures", whether or not made under terms and conditions similar to those granted to/by third parties, are disclosed in the related notes.

c. **Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Not realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated cost necessary to make the sale. Allowance for inventory losses is provided to reduce the carrying value of inventories to their net realizable value.

d. **Fixed Assets**

Fixed assets, except land which is stated at cost and not depreciated, are stated at cost less accumulated depreciation and impairment loss, if any. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the statements of income as incurred.

Depreciation commences once the assets are available for their intended use and is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	20
Structures and improvements	10
Machinery and equipment	8
Furniture, fixtures and equipment	5
Motor vehicles	5

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income in the year the asset is derecognized.

Expenditures relating to construction are capitalized to the construction in progress account. The accumulated costs will be reclassified to the appropriate fixed asset account when the construction is substantially completed and the asset is ready for its intended use.

e. **Impairment of Assets Value**

Effective April 1, 2011, the Company prospectively adopted PSAK No. 48 (Revised 2009),"Impairment of Assets", PSAK No. 48 (Revised 2009) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable

Notes to the Financial Statements *(Contd...)*

amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is considered impaired and PSAK No. 48 (Revised 2009) requires the entity to recognize an impairment loss. PSAK No. 48 (Revised 2009) also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Company assesses at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or its cash generating unit (CGU)'s fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the statement of comprehensive income as "impairment losses". In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the assets. These calculations are corroborated by valuation multiples or other available fair value indicators.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. Impairment losses of continuing operations, if any, are recognized in the statement of comprehensive income under expense categories that are consistent with the functions of the impaired assets.

An assessment is made at each annual reporting period as to whether there is any indication that previously recognized impairment losses recognized for as asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in the statement of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

f. Reserve for Replacement of Furniture, Fixtures and Equipment

Provisions are made for replacement of and addition to furniture, fixtures and equipment of the Hotel at 3% of the Hotel revenues in accordance with the Hotel Operation Agreement and Management Agreement. Actual replacement and addition are charged against this account.

g. Employee Benefits Liability

The Company recognizes its unfunded employee benefits liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 (the "Law") and PSAK No. 24 (Revised 2004), "Employee Benefits".

Under Revised PSAK No. 24, the cost of providing employee benefits under the Law is determined using the projected-unit-credit actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of the plan assets, if any. These gains or losses in excess of the 10% threshold are recognized on a straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefits payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

h. Revenue and Expense Recognition

Effective April 1, 2011, the Company adopted PSAK 23 (Revised 2010), "Revenue". This revised PSAK identifies the circumstances in which the criteria on revenue recognition are met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes ("VAT")

Expenses are recognized when these are incurred.

i. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in rupiah amounts, using the Company's standard booking rates which approximate the prevailing rates of exchange at the time the transactions are made. At the reporting date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing rates of exchange last quoted by Bank Indonesia at such date. The resulting gains or losses are credited or charged to current operations.

As of March 31, 2012 and 2011, the rates of exchange used were Rp 9,180 and Rp 8,709, respectively, to US$1.

k. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statements of financial position date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rate are credited or charged to current year operations, except to the extent that they relate to items previously charged or credited to equity.

Amendment to a tax obligation is recorded when an assessment is received and the Company has incurred an obligation or, if appealed against by the Company, when the result of the appeal is determined.

Notes to the Financial Statements *(Contd...)*

k. **Translations of Indonesian Rupiah Amounts into United States (U.S.) Dollar**

The financial statements are stated in Indonesian rupiah, the currency of the country in which the Company operates. The translations of Indonesian rupiah amounts into U.S. dollar were made at the following rates:

Assets and liabilities	-	Middle rate as of statement of financial position date (Rp 9,180 to US$1 and Rp 8,709 to US$1 as published by Bank Indonesia as of March 31, 2012 and 2011, respectively)
Capital stock	-	Historical rates
Revenue and expense accounts	-	Transaction date exchange rates

The resulting difference arising from the translations of the statement of financial position and statement of comprehensive income account is presented as "Translation adjustment" under the equity section of the statements of financial position.

l. **Financial Instruments**

Effective April 1, 2010, the Company has applied PSAK 50 {Revised 2006), "Financial Instruments: Presentation and Disclosures", and PSAK 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", which superseded PSAK 50, "Accounting for Certain Investments in Securities" and PSAK 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities".

PSAK 50 (Revised 2006) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

PSAK 55 (Revised 2006) establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This PSAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

l1. Financial assets

Initial recognition

Financial assets within the scope of PSAK 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held~to-maturity investments, or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation of such assets at each financial period-end.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the assets.

As of march 31, 2012 and 2011, the Company's financial assets include cash on hand and in banks, trade receivables, other receivables due from related parties, other current financial assets and other non-current financial assets. The Company has determined that all of these financial assets are classified as loans and receivables.

Subsequent measurement
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

l2. Financial liabilities

Initial recognition
Financial liabilities within the scope of PSAK 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

As of March 31, 2012 the Company's financial liabilities include trade payable, other payable, accrued expenses, loan payable, due to hotel operator, due to related parties and other current financial liabilities. The Company has determined that all of these financial liabilities are classified as loans and borrowings.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

l3. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

l4. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting year. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Notes to the Financial Statements *(Contd...)*

Credit risk adjustment
The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's owns credit risk associated with the instrument is taken into account.

l5. Amortized cost of financial instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

l6. Impairment of financial assets

The Company assesses at the end of each reporting year whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan or receivable financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current 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 recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

l7. Derecognition of financial assets and liabilities

Financial assets
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Company has transferred its rights to receive cash flows from the asset or

has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments
The preparation of the Company's financial statements requires management to make judgments estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

The following judgments are made by management in the process of applying the Company's accounting policies that have the most significant effects on the amounts recognized in the financial statements:

<u>Classification of Financial Assets and Financial Liabilities</u>
The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2006).

Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2l.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with in the next financial period/year are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statement were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Employee Benefits Liability
The determination of the Company's employee benefits liability is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include discount rates, future annual salary increases, annual employee turn-over rate, disability rate, retirement age and mortality rate. While the Company believes that its assumptions are reasonable and appropriate, due to the long-term nature of these obligations, such estimates are subject to significant uncertainty. The carrying amount of the Company estimated employee benefits liabilities as of

Notes to the Financial Statements *(Contd...)*

March 31, 2012 and 2012 are Rp 1,042,487,063 and Rp 992,189,446, respectively. Further details are disclosed in Note 15.

Depreciation of Fixed Assets
The costs of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 5 to 20 years. These are common expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amounts of the Company fixed assets as of March 31, 2012 and 2011 are Rp 16,786,718,619 and 18,647,198,128, respectively. Further details are disclosed in Note 7.

Deferred Tax Assets
The Company reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has deferred tax asset amounting to Rp 1,467,620,311 and Rp 2,037,281,625 arising from the years 2012 and 2011, respectively.

Income Tax
Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for except corporate tax issues based on estimates of whether additional corporate income tax will due.

4. CASH ON HAND AND IN BANKS

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	**2011**	**2012**	**2011**
Cash on hand				
Rupiah	75,500,000	87,500,000	8,224	10,047
Cash in banks				
U.S. dollars	2,213,241,943	1,965,533,309	241,094	225,690
Rupiah	1,031,578,594	1,327,299,939	112,373	152,406
Total	3,320,320,537	3,380,333,248	361,691	388,143

5. TRADE RECEIVABLES

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2lk)	
	2012	**2011**	**2012**	**2011**
City ledger	675,878,629	1,080,093,089	73,625	124,020
Guest ledger	119,674,779	176,422,702	13,037	20,258
Total	795,553,408	1,256,515,791	86,662	144,278
Less allowance for impairment	20,001,654	25,734,200	2,179	2,955
Net	775,551,754	1,230,781,591	84,483	141,323

The aging analysis of these receivables is presented below:

	Indonesian Rupiah		Translations into U.S. Dollars - (Note 2k)		Percentage to Total (%)	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Current	538,664,612	550,831,371	58,678	63,249	67.71	43.84
Past due						
1-30 days	51,699,956	43,852,921	5,632	5,035	6.50	3.49
31-60 days	11,636,064	614,353,299	1,268	70,542	1.46	48.89
Over 60 days	193,552,776	47,478,200	21,084	5,452	24.33	3.78
Total	795,553,408	1,256,515,791	86,662	144,278	100.00	100.00
Less allowance for impairment	20,001,654	25,734,200	2,179	2,955	2.51	2.05
Net	775,551,754	1,230,781,591	84,483	141,323	97.49	97.95

Based on the review of the status of the individual receivable accounts at the end of the year, management believes that the above allowance for impairment is adequate to cover possible losses from the non collection of the accounts.

6. INVENTORIES

Inventories consist of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Materials and supplies	1,156,605,248	1,175,241,809	125,992	134,946
Beverages	328,186,060	303,235,898	35,750	34,819
Food	157,373,999	145,590,229	17,143	16,717
Tobacco	2,247,473	9,655,356	245	1,109
Operating supplies	-	1,241,318,114	-	142,533
Total	1,644,412,780	2,875,041,406	179,130	330,123
Less Allowance for loss on operating equipment	-	(1,241,318,114)	-	(142,533)
Net	1,644,412,780	1,633,723,292	179,130	187,590

Inventories are used as collateral for long-term loan (Note 13).

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

7. FIXED ASSETS

The details of fixed assets are as follows:

	Indonesian Rupiah			
	Balance as of March 31, 2011	**Additions**	**Deduction**	**Balance as of March 31, 2012**
2010-2011 Movements				
Cost				
Land	5,470,511,683	–	–	5,470,511,683
Buildings	34,260,056,611	149,830,000	–	34,409,886,611
Structures and improvements	5,849,910,128	–	–	5,849,910,128
Machinery and equipment	7,178,519,592	198,453,200	–	7,376,972,792
Furniture, fixtures and equipment	15,256,545,283	255,255,094	–	15,511,800,377
Motor vehicles	421,576,000	–	–	421,576,000
Total Cost	68,437,119,297	603,538,294	–	69,040,657,591
Accumulated Depreciation				
Buildings	23,581,849,127	1,716,936,795	–	25,298,785,922
Structures and improvements	5,631,992,169	51,728,326	–	5,683,720,495
Machinery and equipment	5,849,935,232	329,871,944	–	6,179,807,176
Furniture, fixtures and equipment	14,337,701,978	332,347,405	–	14,670,049,383
Motor vehicles	388,442,663	33,133,333	–	421,575,996
Total Accumulated Depreciation	49,789,921,169	2,464,017,803	–	52,253,938,972
Net Book Value	18,647,198,128			16,786,718,619

	Indonesian Rupiah			
	Balance as of March 31, 2010	**Additions**	**Deduction**	**Balance as of March 31, 2011**
2010-2011 Movements				
Cost				
Land	5,470,511,683	–	–	5,470,511,683
Buildings	33,968,280,611	291,776,000	–	34,260,056,611
Structures and improvements	5,849,910,128	–	–	5,849,910,128
Machinery and equipment	7,090,529,592	87,990,000	–	7,178,519,592
Furniture, fixtures and equipment	14,958,293,963	298,251,320	–	15,256,545,283
Motor vehicles	421.576,000	–	–	421.576,000
Total Cost	67,759,101,977	678,017,320	–	68,437,119,297
Accumulated Depreciation				
Buildings	21,882,964,016	1,698,885,111	–	23,561,849,127
Structures and improvements	5,561,181,915	70,810,254	–	5,631,992,169
Machinery and equipment	5,527,687,383	322,247,849	–	5,849,935,232
Furniture, fixtures and equipment	13,972,918,334	364,783,644	–	14,337,701,978
Motor vehicles	331,642,667	56,799,996	–	388,442,663
Total Accumulated Depreciation	47,276,394,315	2,513,526,854	–	49,789,921,169
Net Book Value	20,482,707,662			18,647198,128

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

7. FIXED ASSETS *(Contd.)*

	Translations into U.S. Dollars - (Note 2k)				
	Balance as of March 31, 2011	**Additions**	**Deductions**	**Translation Adjustment**	**Balance as of March 31, 2012**
2010-2011 Movements					
Cost					
Land	628,145	–	–	32,228	595,917
Buildings	3,933,868	17,126	–	202,640	3,748,354
Structures and improvements	671,709	–	–	34,463	637,246
Machinery and equipment	824,265	21,950	–	42,623	803,592
Furniture, fixtures and equipment	1,751,814	28,820	–	90,895	1,689,739
Motor vehicles	48,405	–	–	2,484	45,921
Total Cost	7,858,206	67,896	–	405,333	7,520,769
Accumulated Depreciation					
Buildings	2,707,756	194,606	–	146,503	2,755,859
Structures and improvements	646,686	5,863	–	33,408	619,141
Machinery and equipment	671,712	37,381	–	35,911	673,182
Furniture, fixtures and equipment	1,646,309	37,648	–	85,912	1,598,045
Motor vehicles	44,602	3,838	–	2,517	45,923
Total Accumulated Depreciation	5,717,065	279,336	–	304,251	5,692,150
Net Book Value	2,141,141				1,828,619

	Translations into U.S. Dollars - (Note 2k)				
	Balance as of March 31, 2010	**Additions**	**Deductions**	**Translation Adjustment**	**Balance as of March 31, 2011**
2010-2011 Movements					
Cost					
Land	600,165	–	–	27,980	628,145
Buildings	3,726,635	33,194	–	174,039	3,933,868
Structures and improvements	641,789	–	–	29,920	671,709
Machinery and equipment	777,898	9,780	_	36,587	824,265
Furniture, fixtures and equipment	1,641,064	33,199	–	77,551	1,751,814
Motor vehicles	46,251	–	–	2,154	48,405
Total Cost	7,433,802	76,173	–	348,231	7,858,206
Accumulated Depreciation					
Buildings	2,400,764	189,308	-	117,684	2,707,756
Structures and improvements	610,113	7,880	-	28,693	646,686
Machinery and equipment	606,439	35,909	-	29,364	671,712
Furniture, fixtures and equipment	1,532,959	40,619	-	72,731	1,646,309
Motor vehicles	36,384	6,329	-	1,889	44,602
Total Accumulated Depreciation	5,186,659	280,045	-	250,361	5,717,065
Net Book Value	2,247,143				2,141,141

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

Depreciation charged to operations amounted to Rp 2,464,017,803 (US$279,803) and Rp2,513,526,854 (US$280,045) for the years ended March 31, 2012 and 2011, respectively.

Land and buildings are used as collateral for long-term loan (Note 13).

Fixed assets are covered by insurance against losses from fire and other risks under blanket policies for US$39,200,000 as of March 31, 2012. The Company's management believes that the insurance coverage is adequate to cover possible losses arising from such risks.

As of March 31, 2012 and 2011, the Company's management believes that there is no impairment in the value of the Company's fixed assets.

8. OTHER PAYABLES

This account consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Loss and breakage	725,088,330	577,902,837	78,986	66,357
Marketing and sales promotion expenses	134,384,985	334,648,343	14,639	38,426
Others	332,418,161	331,102,120	36,211	38,017
Total	1,191,891,476	1,243,653,300	129,836	142,800

9. TAXATION

a. Taxes payable consists of the following:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Development tax	103,476,022	75,819,854	11,272	8,706
Income tax				
Article 21	18,640,098	14,503,422	2,031	1,665
Article 23	37,541,680	5,683,066	4,090	653
Article 26	3,024,000	8,688,000	329	998
Value added tax	6,525,331	8,632,551	710	991
Total	169,207,131	113,326,893	18,432	13,013

(Expressed in Rupiah, with Translations into United States Dollars

9. TAXATION *(Contd.)*

b. A reconciliation between income before income tax, as shown in the statements of comprehensive, income, and estimated taxable income follows:

	Indonesian Rupiah	
	2012	2011
Income (loss) before income tax per statements of comprehensive income	(12,947,238,361)	9,656,192,820
Temporary differences:		
Provision for replacement of furniture, fixtures and equipment - net	578,482,246	646,902,769
Provision for employee benefits	258,000,001	254,221,051
Provision for loss on operating equipment	(1,241,318,114)	374,751,876
Employee benefit payments	(207,702,384)	(44,463,166)
Depreciation	(20,213,590)	89,732,358
Reversal of allowance for impairment of trade receivable-net	(5,732,546)	(500,221,513)
Permanent differences:		
Non-deductible expenses		
Salaries, wages and employees' welfare	445,165,323	417,914,158
Interest income already subjected to final tax	(37,781,590)	(29,613,404)
Others	1,581,339,911	604,030,645
Estimated taxable income for the year	11,596,999,104	11,469,447,594
Accumulated tax losses carry-forward at beginning of year	(60,090,059,581)	(18,201,978,556)
Tax loss already expired	–	–
Correction of tax loss year 2004 and 2007	–	(53,357,528,619)
Correction of tax loss year 2	(11,657,180,146)	–
Accumulated tax tosses carry- forward at end of year	(83,344,238,831)	(60,090,059,581)

c. Details of deferred income tax benefit (expense) follow:

	Indonesian Rupiah		**Translations into U.S. Dollars (Note 2k)**	
	2012	2011	2012	2011
Provision for replacement of furniture, fixtures and equipment- net	144,620,561	161,725,692	15,754	18,011
Provision for employee benefits	64,500,000	63,555,263	7,305	7,298
Provision for loss on operating equipment	(310,329,528)	93,687,969	(35,634)	11,866
Employee benefit payments	(51,925,596)	(11,115,792)	(5,881)	(1,276)
Depreciation	(5,053,398)	22,433,090	(573)	1,353
Provision (reversal of allowance) for impairment of trade receivable-net	(1,433,137)	(125,055,378)	(194)	(13,687)
Adjustment deferred tax assets	(410,040,216)	–	(54,834)	–
Net	569,661,314	205,230,844	74,057	23,565

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

9. TAXATION *(Contd...)*

d. Deferred tax assets consist of:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Reserve for replacement of furniture, fixtures and equipment	1,285,722,949	1,141,102,388	149,825	134,071
Depreciation	(83,724,817)	331,368,797	(16,629)	38,778
Employee benefits liability	260,621,765	248,047,361	31,857	30,433
Allowance for doubtful accounts	5,000,414	6,433,551	1,017	1,211
Allowance for loss on operating equipment	–	310,329,528	–	35634
Translation adjustment	–	–	(6,199)	(6,199)
Total	1,467,620,311	2,037,281,625	159,871	233,928

In consideration of the uncertainty of profitable operations in the immediate future, the Company did not recognize the deferred income tax on the accumulated tax losses carry-forward (Note 9b).

10. ACCRUED EXPENSES

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Professional fees	813,466,285	603,202,611	88,613	69,262
Repair and maintenance	307,780,347	22,318,137	33527	2,563
Utilities	240,431,218	262,568,269	26,191	30,149
Others	558,247,093	478,315,193	60,811	54,922
Total	1,919,924,943	1,366,404,210	209,142	156,896

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Hotel entered into transactions with related parties consisting of the sale of vacation packages wherein The Oberoi Bali, owned by PT Widja Putra Karya, is entitled to its share in the proceeds, and inter-company advances. Related parties consist of companies which have the same management and associated entities and shareholder. The details of due to related parties are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
<u>Due to related party</u>				
PT Widja Putra Karya	474,000,477	2,627,695,760	51,634	301,722
<u>Long-term loan</u>				
EIH Management Services B.V. (Note 13)	238,831,470,000	226,577,698,500	26,016,500	26,016,500
<u>Due to hotel operator</u>				
EIH Management Services B.V. (Note 12)	131,129,144	497,109,271	14,284	57,080

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

12. DUE TO HOTEL OPERATOR

The details of this account follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Balance at beginning of year	497,109,271	1,749,461,574	57,080	191,932
Operating fees during the year -12.5% of hotel gross operating profit (Notes 22 and 23)	575,927,795	588,728,657	68,182	65,148
Payment during the year	(945,458,767)	(1,784,000,000)	(110,978)	(200,000)
Unrealized loss on foreign exchange - net	3,550,845	(57,080,960)	–	–
Balance at end of year	131,129,144	497,109,271	14,284	57,080

13. LOAN PAYABLE

The details of this account follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
EIH Management Services B.V. (Note 11)	238,831,470	226,577,698,500	26,016,500	26,016,500

In November 2006 and April 2007, Euro-Pacific Holdings Ltd. (EPHL) completed the purchase of the remaining outstanding loan balance held by PT Bank Arta Niaga Kencana Tbk and PT Bank DKi, respectively, making EPHL the sole creditor of the Company. Subsequently on November 28, 2007, the Company and EPHL entered into a “Write-Off Agreement” whereby EPHL agreed that with the exception of the loan amount of US$26,016,500, any interest and/or other charges arising from the date of purchase of the syndicated loan by EPHL from the respective banks would be written off by EPHL. The Write-Off Agreement has beeb amended on December 31, 2008.

Based on an assignment of Receivable Agreement dated March 31, 2009 between EPHL and EIH Management Services B.V. (EIH, the Hotel Operator - Note 23). EPHL assigned the loan to EIH.

Based on an Agreement dated May 1, 2009, the Company and EIH agreed to terminate the Write-Off Agreement and its its amendment between the Company and EPHL.

A Settlement Agreement between the Company and EIH has been amended several times, the latest of which was made on March 30, 2012. Based on the Settlement Agreement a grace period will be effective from the signing date date up to the settlement date March 30, 2013, during which time no interest will be charged and no principal instalment will be paid. In the event that the loan is not settled on March 31, 2012, the following shall prevall:

a. The loan would bear interest at the annual rate of 11.5 % starting April 1, 2013.
b. The Company will be obliged to establish an escrow account which will be fully controlled by EIH.
c. The Company shall allow EIH to repossess all its assets including the Hotel.

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

14. RESERVE FOR REPLACEMENT OF FURNITURE, FIXTURES AND EQUIPMENT

The details of this account follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2012	2012	2012
Balance at beginning of year	4,564,409,555	3,917,506,786	524,103	429,787
Provision during the year	904,472,246	915,854,619	104,312	102,157
Utilization of reserve	(325,990,000)	(268,951,850)	(37,421)	(30,113)
Translation adjustment	–	–	(30,766)	22,272
Balance at end of year	5,142,891,801	4,564,409,555	560,228	524,103

15 . EMPLOYEE BENEFITS LIABILITY

The Company provides benefits for its employees who achieve the retirement age at 55 based on the provisions of Labor Law No. 13/2003 dated March 25, 2003. The benefits are unfunded.

The following tables summarize the components of net employee benefit expense for the years ended March 31, 2012 and 2011 recognized in the statement of comprehensive income and the amounts recognized in the statement of financial position for the employee benefits liability as of March 31, 2012 and 2011 as determined by PT Quattro Asia Consulting and PT Adi Langgeng Rahayu, an independent actuary, in its reports dated April 5, 2012 and April 5, 2011, respectively.

a. Employee benefit expense

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2l)	
	2012	2011	2012	2011
Current service cost	186,661,235	164,902,442	21,140	18,935
Interest cost	63,147,655	82,133,976	7,151	9,431
Amortization of unrecognized actuarial gain	–	(1,006,478)	–	(116)
Amortization of unvested past service cost	8,191,111	8,191,111	928	941
Net employee benefit expense	258,000,001	254,221,051	29,219	29,191

b. Employee benefits liability

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Present value of employee benefits obligation	1,571,770,020	1,202,991,455	171,217	138,132
Unrecognized past service cost - unvested	(91,041,654)	(99,232,765)	(9,917)	(11,394)
Unrecognized actuarial gain	(438,241,303)	(111,569,244)	(47,739)	(12,811)
Employee benefits liability	1,042,487,063	992,189,446	113,561	113,927

(Expressed in Rupiah, with Translations into United States Dollars

15. EMPLOYEE BENEFITS LIABILITY *(Contd...)*

Movements in the employee benefits liability are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Beginning balance	992,189,446	782,431,561	113,927	85,840
Employee benefit expense	258,000,001	254,221,051	29,219	29,191
Benefit payments	(207,702,384)	(44,463,166)	(23,522)	(5,105)
Translation adjustment	–	–	(6,063)	4,001
Ending balance	1,042,487,063	992,189,446	113,561	113,927

The principal assumptions used in determining the employee benefits liability as of March 31, 2012 and 2011 are as follows:

Discount rate	: 7% in 2012 and 9% in 2011
Annual salary increase	: 8% per annum in 2012 and 2011
Mortality	: CSO-1980
Retirement age	: 55 years old
Disability rates	: 10% mortality table CSO-1980

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company has various financial assets which arise directly from the Company's operations. The Company's principal financial liabilities, consisting mainly of long-term bank loan, are used to finance the Company's operations.

The following table sets forth the carrying values which are also fair values, of the Company's financial instruments that are carried in the balance sheet as of March 31, 2011:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Current Financial Assets				
Cash on hand and in banks	3,320,320,537	3,380,333,248	361,691	388,143
Trade receivables	775,551,754	1,230,781,591	84,483	141,323
Other receivables	34,381,000	63,126,299	3,745	7,248
Other current financial assets	60,704,738	53,916,644	6,613	6,191
Total current financial assets	4,190,958,029	4,728,157,782	456,532	542,905
Non-current Financial Assets				
Other non-current financial assets	126,615,000	126,615,000	13,792	14,539
Total Financial Assets	4,317,573,029	4,854,772,782	470,324	557,444

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

16. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Contd.)*

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Current Financial Liabilities				
Trade payables	292,818,518	528,857,173	31,897	60,725
Other payables	1,191,891,476	1,243,653,300	129,836	142,800
Accrued Expenses	1,919,924,943	1,366,404,210	209,142	156,896
Due to Hotel Operator	131,129,144	497,109,271	14,284	57,080
Due to a related party	474,000,477	2,627,695,760	51,634	301,722
Loan payable	238,831,470,000	226,577,698,500	26,016,500	26,016,500
Other current financial liabilities	1,101,761,217	1,297,946,029	120,018	149,035
Total current financial liabilities	243,942,995,775	234,139,364,243	26,573,311	26,884,758
Total Financial liabilities	243,942,995,775	234,139,364,243	26,573,311	26,884,758

The fair values of the financial assets and liabilities are stated at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in a forced sale or liquidation.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Current financial assets and liabilities:

- Current financial instruments with remaining maturities of one year or less (cash in banks, trade receivables, other receivables, other current financial assets, trade payables, other payables, accrued expenses, due to hotel operator, due to a related party and other current financial liabilities).

  The carrying values of the Company's current financial assets and liabilities approximate their fair value due to the short-terms nature of these financial assets and liabilities.

Long-term financial assets and liability:

- Long-term fixed-rate liability (unquoted loan payable)
  No disclosure of fair value is made for the loan payable as it is not practicable to determine their fair value with sufficient reliability since these amounts have to fixed term of repayment and the timing of future cash flows cannot be estimated with reasonable reliability.

- Other long-term financial assets (other non-current financial assets)
  The fair values of other non-current financial asset are assumed to be the same as the cash amount that will be received due to the fact that the maturity of such financial asset is not stated in related contract and the management is not yet able to determine when the financial asset will be realized.

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

17. CAPITAL STOCK

The share ownership details as of March 31, 2012 and 2011 follow:

Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount	Translations into U.S. Dollar (Note 2k)
EIH Management Services B.V.	13,060	57.03	13,282,020.000	6,530,000
EIH International Ltd.	6,000	26.20	6,102,000,000	3,000,000
PT Waka Gae Selaras	3,840	16.77	3,905,280,000	1,920,000
Total	22,900	100.00	23,289,300,000	11,450,000

18. ROOMS

The details of rooms departmental revenues and expenses are as follows:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Room Revenues	18,389,919,067	18,694,666,218	2,121,261	2,084,558
Payroll and Related Expenses				
Salaries and wages	584,886,580	596,808,270	66,723	66,803
Employee benefits	475,497,611	435,307,966	54,123	48,794
	1,060,384,191	1,032,116,236	120,846	115,597
Other Expenses				
Cleaning and guest supplies	419,627,243	426,584,155	48,398	47,625
Welcome drinks, fruit baskets and amenities	314,284,798	350,028,176	36,250	39,045
Linens and uniforms	205,398,489	314,180,276	24,688	35,066
Travel agents	168,823,557	156,000,000	19,371	17,398
Cable television	115,979,163	110,849,550	13,272	12,409
Transportation and travel	76,680,497	93,843,323	8,788	10,468
Decoration	65,987,745	55,034,805	7,627	6,138
Telephone and communication	61,858,003	65,996,505	7,086	7,365
Others	509,079,208	535,858,408	58,766	59,861
	1,937,718,703	2,108,375,198	224,246	235,374
Total Departmental Expenses	2,998,102,894	3,140,491,434	345,092	350,971
Departmental Profit	15,391,816,173	15,554,174,784	1,776,169	1,733,588

In 2012 and 2011, the average Hotel room occupancy rates were 37.4% and 37.7%, respectively (unaudited).

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

19. FOOD AND BEVERAGES

The details of food and beverages departmental revenues and expenses follow:

	Indonesian Rupiah		**Translations into U.S. Dollars (Note 2k)**	
	2012	2011	2012	2011
Net Sales	9,373,794,470	9,441,903,338	1,080,911	1,053,419
Cost of Sales	2,806,975818	2,822,761,166	323,551	315,012
Payroll and Related Expenses				
Salaries and wages	1,004,583,533	951,717,503	114,497	106,540
Employee benefits	717,924,469	706,525.148	81,774	79,152
	1,722,508,002	1,658,242,651	196,271	185,692
Other Expenses				
Kitchen fuel	289,524,500	327,402,854	33,287	36,552
Linen and uniform	160,359,494	178,829,264	18,979	19,947
Cultural music and shows	157,165,375	145,414,669	18,021	16,269
Cleaning and guest supplies	112,804,935	118,646,000	13,020	13,252
Loss and damages	47,742,952	60,964,966	5,467	6,833
Others	778,874,876	874,692,989	90,333	97,480
	1,546,472,132	1,705,950,742	179,107	190,333
Total Departmental Cost and Expenses	6,075,955,952	6,186,954,559	698,929	691,038
Departmental Profit	3,297,838,518	3,254,948,779	381,982	362,381

20. OTHER OPERATING DEPARTMENTS

The details of other operating departments' revenues, costs and expenses are as follows:

	Indonesian Rupiah		**Translations into U.S. Dollars (Note 2k)**	
	2012	2011	2012	2011
Revenues				
Health club	1,085,155,827	1,066,302,704	124,846	119,133
Boutique	653,938,066	568,275,719	75,052	63,489
Airport lounge	152,774,986	285,845,323	17,814	32,005
Laundry	96,642,025	105,758,849	11,154	11,794
Telephone and communication	60,377,516	51,891,824	7,057	5,802
	2,048,888,420	2,078,074,419	235,923	232,223
Cost of Sales				
Boutique	431,748,735	365,814,863	49,522	40,870
Health club	75,587,590	97,617,340	8,724	10,907
Airport lounge	39,357,640	79,633,167	4,589	8,920
Telephone and communication	10,329,283	24,908,077	1,206	2,785
	557,023,248	567,973,447	64,041	63,482

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

20. OTHER OPERATING DEPARTMENTS *(Contd...)*

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Payroll and Related Expenses				
Salaries and wages	296,776,215	313,737,560	33,950	35,092
Employee benefits	243,664,075	277,922,110	27,865	31,130
	540,440,290	591,659,670	61,815	66,222
Other Expenses	411,484,262	553,134,649	47,745	61,889
Total Costs and Expenses	1,508,947,800	1,712,767,766	173,601	191,593
Other Operating Departments' Profit	539,940,620	365,306,653	62,322	40,630

21. HOTEL OPERATING EXPENSES

The details of hotel operating expenses follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Property Operations, Maintenance and Energy				
Electricity, energy and water				
Electricity	1,858,723,543	1,743,277,194	212,518	194,815
Fuel	1,756,577,191	1,718,354,856	200,956	192,124
Water	210,289,769	162,026,000	24,049	18,077
	3,825,590,503	3,623,658,050	437,523	405,016
Repairs and maintenance	2,330,008,058	2,443,871,552	265,618	273,214
Supplies	749,373,041	739,842,028	86,034	82,637
Salaries and wages	392,429,365	404,596,207	44,833	45,302
Others	190,627,826	207,454,544	21,801	23,197
	3,662,438,290	3,795,764,331	418,286	424,349
Total	7,488,028,793	7,419,422,381	855,809	829,365
General and Administrative Expenses				
Salaries and wages	1,256,405,526	1,205,576,171	143,235	134,971
Employee benefits	527,487,079	444,165,124	60,147	49,749
Commission on credit cards	467,327,846	413,084,914	53,788	46,117
Licenses and taxes	183,421,179	149,174,188	20,960	16,646
Printing and stationery	106,484,185	113,933,481	12,157	12,748
Telephone and communication	103,032,421	135,474,657	11,831	15,126
Bank charges	91,671,666	100,511,572	10,476	11,247
Recruitment	20,725,000	14,204,200	2,393	1,577
Others	836,002,363	373,373,649	95,826	40,269
Total	3,592,557,265	2,949,497,956	410,813	328,450

Notes to the Financial Statements *(Contd...)*

(Expressed in Rupiah, with Translations into United States Dollars

21. HOTEL OPERATING EXPENSES ***(Contd...)***

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Marketing Expenses				
Advertising and promotion	1,469,259,180	1,773,364,890	169.037	198,485
Transportation and travel	372,883,395	500,268,300	43,285	55,993
Salaries and wages	96,404,000	117,098,953	11,116	13,070
Others	45,918,220	92,782,991	5,625	10,197
Total	1,984,464,795	2,483,515,134	229,063	277,744
Provision for Replacement of Furniture, fixtures and equipment (Notes 2f and 14)	904,472,246	915,854,619	104,312	102,157
Marketing and Sales Promotion (Note 22)	904,472,246	915,854,619	104,312	102,157
Insurance	84,850,503	97,220,560	9,655	10,890
Total Operating Expenses	14,958,645,848	14,781,365,269	1,713,964	1,650,763

22. OWNER'S OPERATING EXPENSES

The details of Owner's operating expenses follow:

	Indonesian Rupiah		Translations into U.S. Dollars (Note 2k)	
	2012	2011	2012	2011
Depreciation (Note 6)	2,464,017,803	2,513,526,854	279,336	280,045
General and administrative				
Professional fees	1,432,738,591	1,398,149,623	161,645	155,581
Payroll, tax and employee benefits	575,272,540	482,818,819	65,104	53,689
Insurance	455,470,342	403,733,065	51,299	44,169
Land and building tax	74,296,410	74,296,410	8,421	8,218
Miscellaneous	11,308,121	83,258,402	1,270	9241
Total	2,549,086,004	2,442,256,319	287,739	270,898
Operating fees (Notes 12 and 23)	575,927,795	588,728,657	68,182	65,148
Total Owner's Operating Expenses	5,589,031,602	5,544,511,830	635,257	616,091

23. SIGNIFICANT AGREEMENT

The Company entered into an Agreement with EIH Management Services B.V. (the Hotel Operator) to manage and operate the Hotel effective December 31, 1998. On July 24, 2000, the Company signed a Renewal Agreement whereby the original term was extended until April 24, 2034. The Hotel Operator has automatic and irrevocable options to extend the agreement for another twenty (20) years. Under the agreement, the Hotel Operator is entitled for a fee of 12.5% of the total gross operating profit. Also, under the agreement, the Hotel Operator is entitled to pay out of the gross operating revenue and as part of gross operating expenses, an amount equal to 3% of the Hotel gross operating revenue for marketing and sales promotion expenses. Any loss incurred by the Hotel in any financial year shall be borne exclusively by the Company.

(Expressed in Rupiah, with Translations into United States Dollars

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

RISK MANAGEMENT

The main risks arising from the Company's financial instruments are foreign exchange rate risk, credit risk and liquidity risk. The Company's Board of Directors reviews and approves the policies for managing these risks which are summarized below.

A. Foreign Exchange Rate Risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to exchange rate fluctuations results primarily from its U.S.dollar-denominated cash in banks and loan payable.

The Company's policies are to minimize the risk arising from the foreign exchange rate by monitoring its fluctuations and maintaining an adequate level of cash in banks and long-term bank loan in U.S. dollar. To the extent the Indonesian rupiah depreciates further from the exchange rates in effect at March 31, 2012, the Company's loan payable increases in Indonesian rupiah terms. However, the increase in this obligation will be offset in part by the increase in the value of its U.S. dollar-denominated cash in banks.

B. Credit Risk

Credit risk is the risk that the Company will incur loss arising from its customers or counterparties that fail to discharge their contractual obligations. There are no significant concentrations of credit risk. The Company manages and controls this credit risk by setting limits on the amount of risk it is willing to accept for individual customers and by monitoring exposures in relation to such limits. The maximum exposure of the financial instruments is equal to the carrying values as disclosed in Note 16.

C. Liquidity Risk

The liquidity risk is defined as a risk when the cash flow position of the Company indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Company's liquidity requirements mainly come from repayments of loan payable. Currently, the Company has been making efforts to overcome the liquidity problem, such as by re-negotiating with creditor for an extension of the loan maturity and non-charging of interest over a certain period.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Below 1 year	**Over 1 Year**	**Total**	**Carrying Values as of March 31, 2012**
Trade payables	292,818,518	-	292,818,518	292, 818,518
Other payables	1,191,891,476	-	1,191,891,476	1,191,891,476
Accrued expenses	1,919,924,943	-	1,919,924,943	1,919,924,943
Loan payable	238,831,470,000	-	238,831,470,000	238,831,470,000
Due to Hotel Operator	131,129,144	-	131,129,144	131,129,144
Due to a related party	-	474,000,477	474,000,477	474,000,477
Other current financial liabilities	1,101,761,217	-	1,101,761,217	1,101,761,217
Total	243,468,995,298	474,000,477	243,942,995,775	243,942,995,775

Notes to the Financial Statements *(Contd...)*

25. REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS AND INTERPRETATIONS

Accounting Standards and interpretations issued by the Indonesian Accounting Standards Board (DSAK) up to the date of completion of the Company's financial statements which are relevant to the Company but are not yet effective as of March 31, 2012 are summarized below:

- PSAK No. 10 (Revised 2010) "The Effects of Changes in Foreign Exchange Rates"
  This revised PSAk prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate statements into a presentation currency.
- PSAK No. 16 (Revised 2011) "Property, Plant and Equipment"
  This revised PSAK prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.
- PSAK No. 18 (Revised 2010), "Accounting and Reporting by Retirement Benefit Plans"
  This revised PSAK is concerned with the determination of the cost of retirement benefits in the financial statements of employers having plans. Hence, this Standard complements RSAK No. 24 (Revised 2010).
- PSAK No. 24 (Revised 2010), "Employee Benefits"
  This revised PSAK establishes the accounting and disclosures for employee benefits and requires the recognition of liability and expense when an employee has provided service and the entity consumes economic benefit arising from the service.
- PSAK No. 46 (Revised 2010), "Accounting for Income Taxes"
  This revised PSAK prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery/(settlement) of the carrying amount of assets/(liabilities) that are recognized in the consolidated statement of financial position; and transactions and other events of the current period that are recognized in the financial statements.
- PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation "
  This revised PSAK establishes the presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.
- PSAK No. 55 (Revised 2011) "Financial Instruments: Recognition and Measurement"
  This revised PSAK establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in PSAK No. 50 (Revised 2010): Financial Instruments: Presentation. Requirements for disclosing information about financial instruments are in PSAK No. 60: Financial Instruments: Disclosures.
- PSAK No. 60 "Financial Instruments: Disclosures"
  This PSAK requires disclosures in financial statement that enable users to evaluate the significance of financial instruments to financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- ISAK No. 15, PSAK No. 24 - "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
  This Interpretation provides guidance on how to access the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No. 24 (Revised 2010)."Employee Benefits".

The Company is presently evaluating and has not determined the effects of these revised standards and interpretations on its financial statements.

26. ECONOMIC ENVIRONMENT

The financial statements have been prepared assuming that the Company will continue to operate as a going concern. The current global economic crisis has caused volatility in foreign exchange rates and interest rates, unstable stock markets, tight liquidity, reduced economic activity and lack of investors' confidence across the globe, including Indonesia. Such global economic conditions have significantly affected all sectors of the economy, including the Company's markets and industries, which may result in unfavorable financial and operating impact, and exposure to other risks.

The Company incurred net losses up to 2006 and in 2009 and in 2012, which resulted in net capital deficiency of Rp225.3 billion and Rp221.8 billion as of March 31, 2012 and 2011, respectively. The Company also had negative working capital as of March 31, 2012 and 2011.

In response to the economic conditions and going concern uncertainty, the Company will continue its aggressive marketing activities in the international market to boost room occupancy rates to pre-crisis levels. In addition, the Company has successfully been negotiating for the extension in the maturity date of its loan payable to a related party (Note 13).

Indonesia's ability to minimize the impact of the global economic crisis on the country's economy is largely dependent on the monetary, fiscal and economic stimulus programs and other measures that are being taken and will be undertaken by the Government, actions which are beyond the Company's control.

27. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the accompanying financial statements that were completed on April 26, 2012.

PT ASTINA GRAHA UBUD

BOARD

Drs. Ec. I Wayan Pasek
Mr. Kamal Kant Kaul
Mr. Tjokorda Raka Kerthayasa

AUDITORS

Ernst & Young
Ernst & Young Building
121, King William Street
Adelaide SA 5000
Australia

REGISTERED OFFICE

Dsn/Br. Jambangan,
Singekerta,
Ubud - Gianyar
Indonesia

DIRECTORS' REPORT

DIRECTORS

The Directors present their report on the Company for the year ended 31 March 2012.

The name of the Company's Directors in office during the year and until the date of this report are as follows.

Drs. Ec. I Wayan Pasek
Mr. Kamal Kant Kaul
Mr. Tjokorda Raka Kerthayasa

The Directors were in office for the entire year unless otherwise stated.

PRINCIPAL ACTIVITY

The Company's principal activity during the year was investment.

OPERATING AND FINANCIAL REVIEW

The net profit of the Company for the year was $Nil (2011: $Nil) after providing for income tax of $Nil (2011: $Nil).

No significant change in the nature of these activities occurred during the year.

EVENTS AFTER THE BALANCE DATE

No material matters or circumstances have arisen since the end of the year that require disclosure in the financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There are no significant changes in state of affairs.

The results of the Company operations during the year have not, in the opinion of the Directors, been affected by any item, transaction or event of a material or unusual nature.

DIVIDENDS

No dividends have been paid, declared or recommended during the preceding year ended 31 March 2012.

SHARE OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the date of this report.

AUDITORS INDEPENDENCE

A copy of the auditor's independence declaration is attached to this financial report.

Signed in accordance with a resolution of the Director:

8 May, 2012 KAMAL KANT KAUL

Statement of Comprehensive Income for the year ended 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** **$**	31 March 2011 $
Turnover	3	–	–
Profit before taxation	4	–	–
Taxation Expense	5	–	–
Profit after taxation		–	–
Other Comprehensive Income		–	–
Total Comprehensive Income		–	–

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 March 2012

(Expressed in United States dollars)

	Note	**31 March 2012** **$**	31 March 2011 $
Current Assets			
Amount due to related parties		**–**	–
Total Current Assets		**–**	–
Non-Current Assets			
Property, plant and equipment		**6,156,217**	6,134,955
Total Current Assets		**6,156,217**	6,134,955
Total Assets		**6,156,217**	6,134,955
Current Liabilities			
Amount due to related parties		**–**	–
Total Current Liabilities		**–**	–
Non-Current Liabilities			
Amounts due to shareholder		**3,556,217**	3,534,955
Total Non-Current Liabilities		**3,556,217**	3,534,955
Total Liabilities		**3,556,217**	3,534,955
Net Assets		**2,600,000**	2,600,000
Equity			
Share Capital	7	**2,600,000**	2,600,000
Retained Earnings		**–**	–
Total Equity		**2,600,000**	2,600,000

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 March 2012

(Expressed in United States dollars)

	Share Capital $	Retained earnings $	Total Equity $
As at 1 April 2011	2,600,000	–	2,600,000
Profit for year	–	–	–
Other Comprehensive Income	–	–	–
As at 31 March 2012	2,600,000	–	2,600,000
As at 1 April 2010	2,600,000	–	2,600,000
Profit for year	–	–	–
Other Comprehensive Income	–	–	–
As at 31 March 2011	2,600,000	–	2,600,000

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the year ended 31 March 2012

(Expressed in United States dollars)

1. Corporate Information

The financial report of PT Astina Graha Ubud. (the "Company") for the year ended 31 March 2012 was authorised for issue on April 2012.

PT Astina Graha Ubud. is a company limited by shares and incorporated in Indonesia. The nature of the operations and principal activity of the Company is described in the Directors' report.

2. Significant Accounting Policies

(a) Basis of Preparation
The financial report has been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS').

The financial report has also been prepared on a historical cost basis.

The financial report is presented in United States Dollars and all values are rounded to the nearest dollars unless otherwise stated.

A statement of cash flows has not been prepared given that there were no cash transactions during the current year.

(b) Compliance with IFRS
The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year.

(d) Foreign Currencies Translation
Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into United States dollars at the exchange rates ruling at the balance date.

Non-monetary items measured at fair value in a foreign currency in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange gains and losses on foreign currency translation are dealt with in the Statement of Comprehensive Income account.

(e) Cash and Cash Equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and which are subject to an insignificant risk of changes in value.

(f) Deferred Taxation
Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all timing differences between profit as computed for taxation purposes and profit as stated in the financial statements which are expected with reasonable probability to crystallise in the foreseeable future.

(g) Contributed Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements *(Contd...)*

3. Turnover

Turnover represents dividends from investments.

4. Profit Before Taxation

Profit before taxation is arrived at after charging and crediting :

After charging :	**31 March 2012**	31 March 2011
	$	$
Auditor's remuneration	**–**	–

The audit fee has been borne by a related Company.

5. Taxation

(a) No provision has been made for income tax as the Company did not earn income subject to tax.

(b) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

6. Directors' Remuneration

	31 March 2012	31 March 2011
	$	$
Fees	**–**	–
Other emoluments	**–**	–
	–	–

7. Share Capital

	31 March 2012	31 March 2011
	$	$
Issued and fully paid:		
Ordinary shares	**2,600,000**	2,600,000

8. Events After Statement of Financial Position Date

No material subsequent events or transactions have been identified.

9. Commitments and Contingencies

There are no outstanding commitments and contingencies at year end.

Directors' Statement

In the opinion of the Directors:

(a) the statement of comprehensive income and statement of changes in equity is drawn up so as to give a true and fair view of the results of the Company for the year ended 31 March 2012;

(b) the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company at 31 March 2012; and

(c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

This statement has been made in accordance with a resolution of Directors.

8 May 2012 KAMAL KANT KAUL

Independent Auditor's Report

To the Members of
PT Astina Graha Ubud

We have audited the accompanying financial report of PT Astina Graha Ubud, which comprises the balance sheet as at 31 March 2012, the statement of comprehensive income and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' statement.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet their financial reporting requirements and meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

We conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence
In conducting our audit we have met the independence requirements of the professional accounting bodies.

Independent Auditor's Report *(Contd...)*

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of PT Astina Graha Ubud as of 31 March 2012 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

ERNST & YOUNG

Adelaide
9 May 2012

DAVID SANDERS
Partner

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