

**EIH FLIGHT SERVICES LTD**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
31 MARCH 2015**

***EIH FLIGHT SERVICES LTD***

**ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2015**

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**EIH FLIGHT SERVICES LTD**

**DIRECTORS REPORT**

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2015.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is the provision of catering services to airlines.

**REVIEW OF THE BUSINESS**

The Company's loss for the year is Rs 187,497,965 (2014 – loss of Rs 68,949,977).

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 2015 are set out on pages 15 to 39. The independent auditor's report on these financial statements is on pages 13 and 14.

**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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- state whether the requirements of the Code of Corporate Governance have been adhered to, subject to any departures disclosed and explained in the Corporate Governance Report.

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.

**EIH FLIGHT SERVICES LTD**

**DIRECTORS REPORT (CONTINUED)**

**AUDITOR**

The fees paid to the auditor, PricewaterhouseCoopers, for audit and tax compliance services were:

	2015 Rs	2014 Rs
Audit	325,000	250,000
Tax compliance services	50,000	50,000
	-----	-----
	<u>375,000</u>	<u>300,000</u>
	=====	=====

**AUDITOR**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and will be automatically reappointed at the Annual Meeting.

Authorised by the Board of directors on 23 APR 2015  
and signed on its behalf by:


  
 \_\_\_\_\_ }  
 \_\_\_\_\_ }  
 \_\_\_\_\_ } DIRECTORS  
 \_\_\_\_\_ }

**STATEMENT OF COMPLIANCE**  
(Section 75 (3) of the Financial Reporting Act)

Name of PIE : EIH Flight Services Ltd

Reporting Period: 1 April 2014 to 31 March 2015

We, the Directors of EIH Flight Services Ltd, confirm that, to the best of our knowledge, EIH Flight Services Ltd has complied with all Sections of the Code of Corporate Governance (the 'Code') that apply to EIH Flight Services Ltd except for the following:

(i) Under Section 8.4 of the Code:

- Directors dealing in company's shares
- Directors' share interest
- Share price information

The Company, being a private company, need not to comply with the above conditions of the Code which are specific to public listed companies.

(ii) Section 2.2.2 – Boards and Directors, Composition (Appointment of an Independent Director), as detailed in the Corporate Governance Report;

(iii) Section 3 – Board Committees, as detailed in the Corporate Governance Report; and

(iv) Section 2.10 – Boards and Directors, Board and Director Appraisal, as detailed in the Corporate Governance Report.

**SIGNED BY:**

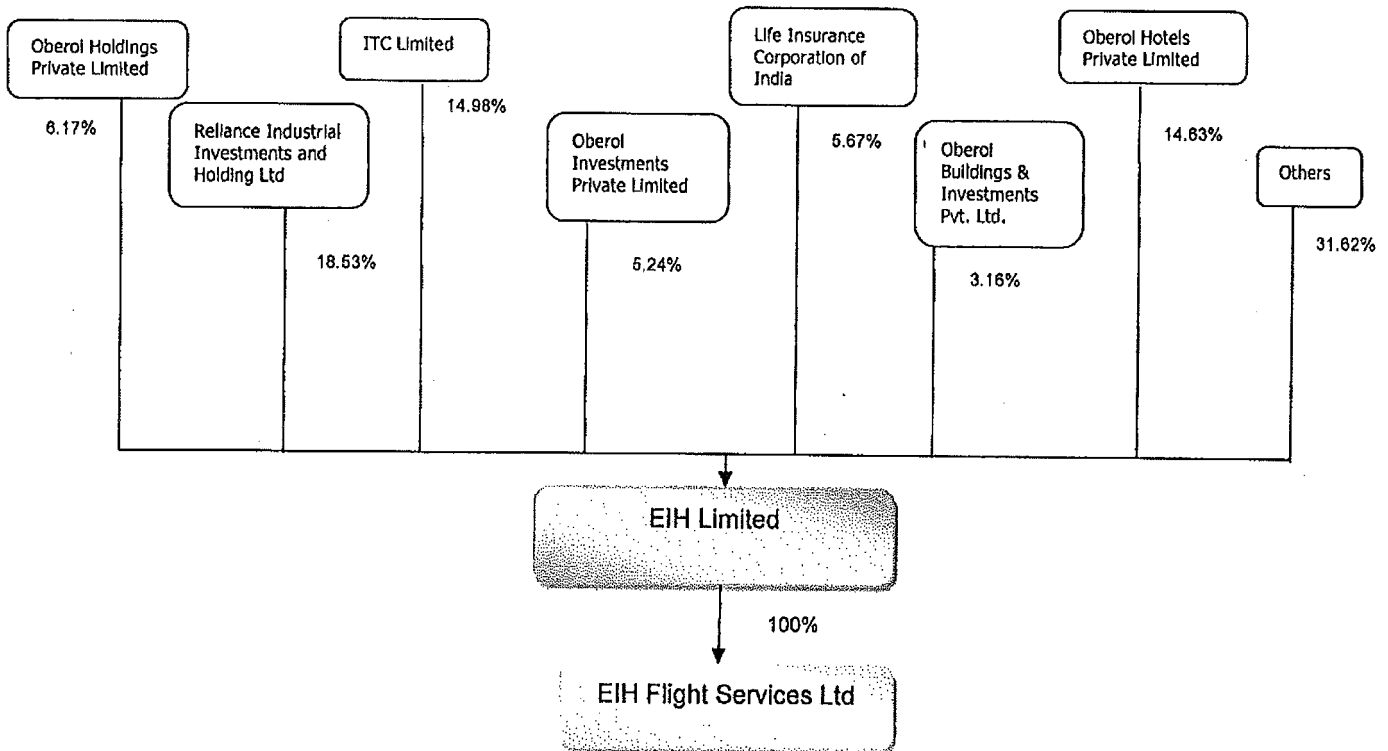
.....  
**CHAIRPERSON**

.....  
**DIRECTOR**

Date:

**EIH FLIGHT SERVICES LTD****CORPORATE GOVERNANCE REPORT****HOLDING STRUCTURE AND COMMON DIRECTORS**

The Company is held by EIH Limited (100%), a public listed company in India.



The list of common Directors at the cascading holding structure level is disclosed as follows:

Directors	Mr Prithivi Raj Singh Oberoi	Mr Shib Sanker Mukherji	Mr Zafar Siamwala	Mrs Véronique Magny-Antoine	Mrs Isabelle Adrien (Alternate to Mrs Véronique Magny-Antoine)
<b>Companies</b>					
EIH Limited	√	√			
Oberoi Hotels Private Limited	√				
Oberoi Holdings Private Limited	√	√			
Oberoi Investments Private Limited	√	√			

Mr Prithivi Raj Singh Oberoi is also a Director of all Oberoi companies.

**SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY**

EIH Limited held 100% of the Company's shares as at 31 March 2015.

**EIH FLIGHT SERVICES LTD****CORPORATE GOVERNANCE REPORT (CONTINUED)****DIVIDEND POLICY**

There is no formal dividend policy in place as the Company never had distributable reserves since the start of its operations. A formal dividend policy will be considered when distributable reserves are available.

**BOARD OF DIRECTORS**

The Board is comprised of four Directors.

The following Directors held office during the year ended 31 March 2015 and at the date of this report:

Mr Prithivi Raj Singh Oberoi  
Mr Shib Sanker Mukherji  
Mr Zafar Siamwala (Chairperson)  
Mrs Véronique Magny Antoine  
Mr Zafar Siamwala (Alternate to Mr Prithivi Raj Singh Oberoi)  
Mrs Isabelle Adrien (Alternate to Mrs Véronique Magny Antoine)

**DIRECTORS' PROFILE****Mr. P. R. S. Oberoi (appointed on 29 June 2007)**

Mr. P.R.S. Oberoi is the Executive Chairman of The Oberoi Group. He was educated in India, the United Kingdom and Switzerland. Mr. Oberoi graduated with a degree in Hospitality from the University of Lausanne, Switzerland.

Mr. Oberoi has been instrumental in pioneering the development of the new Oberoi hotels and resorts. The "Oberoi" brand has come to represent fine luxury hotels.

Mr. Oberoi was awarded the 'Padma Vibhushan', India's second highest civilian honour, in recognition of his exceptional service to the country in 2008.

In September 2009, Mr. Oberoi received the Lifetime Achievement Award at the first Economic Times TAAI Travel Awards 2009.

Mr. Oberoi was presented with the '2010 Corporate Hotelier of the World' award by HOTELS magazine in November 2010. Mr. Oberoi has over 60 years' experience in the hospitality industry.

**Mr Shib Sanker Mukherji (appointed on 29 June 2007)**

Mr Shib Sankar Mukherji is a member of the Institute of Chartered Accountants of India and has completed an Advanced Management Programme from Harvard University in the United States. He has over 35 years of working experience in the hospitality industry. He was appointed as Deputy Managing Director in 1998, then promoted as Managing Director. Mr Mukherji is now the Executive Vice Chairman of EIH Limited since 1 April 2015. He is based in Kolkata.

**Mr Zafar Siamwala (appointed on 19 March 2007)**

Mr Zafar Siamwala is a qualified Chartered Accountant. He has completed a Hospitality Management course from Ecole Hoteliere de Lausanne in 2001. Mr Siamwala has 28 years of working experience with the Oberoi Group. He was initially in the finance department and has moved to the operations department since 1995.

**EIH FLIGHT SERVICES LTD****CORPORATE GOVERNANCE REPORT (CONTINUED)****DIRECTORS' PROFILE (Continued)****Mrs Véronique Magny-Antoine (appointed on 14 November 2008)**

Mrs Véronique Magny-Antoine is the Head of Company Secretarial at Abax Corporate Services Ltd (ABAX). She is an Associate member of the Institute of Chartered Secretaries and Administrators (UK). From 1997 to 2006, she was a senior consultant at PricewaterhouseCoopers Mauritius, where she was also acting as company secretary for a large portfolio of companies, including public listed companies. Véronique heads the company secretarial and investor services clusters of ABAX. She also serves as Director on the Board of several Global Business companies.

**Mrs Isabelle Adrien (Alternate to Mrs Véronique Magny Antoine) (Appointed on 24 July 2014)**

Mrs Isabelle Adrien is a Manager of Company Secretarial at Abax Corporate Services Ltd (ABAX). She is also an Associate of the Institute of Chartered Secretaries and Administrators, UK. She has over 20 years' professional experience dealing with company secretarial matters for companies across a wide range of industries, including listed companies. Isabelle joined ABAX in January 2009. She is currently a Manager in the Company Secretarial department of the firm, overseeing a team of administrators. She has experience in delivering services both to domestic and Global Business companies.

**ATTENDANCE AT MEETINGS HELD IN 2014**

The Board met six times during the year 2014.

The overall attendance record at Board meetings is set out in the table below:

<b>Directors</b>	<b>Category</b>	<b>Board Meetings</b>
Prithivi Raj Singh Oberoi	Non-Executive	0 out of 6
Shib Sanker Mukherji	Non-Executive	1 out of 6
Zafar Siamwala	Executive	6 out of 6
Veronique Magny-Antoine	Non-Executive	5 out of 6
Isabelle Adrien (Alternate to Mrs Véronique Magny Antoine (Appointed on 24 July 2014))	Executive	1 out of 6

The Directors do not have other directorships in listed companies in Mauritius.

Mr Prithivi Raj Singh Oberoi indirectly holds 0.05% shareholding in the Company via EIH Limited.

Mr Shib Sanker Mukherji indirectly holds 1.27% shareholding in the Company via EIH Limited.

**DIRECTORS' REMUNERATION**

The Directors, being the representatives of the holding company, are not entitled to remuneration as the Company does not have a remuneration policy in place for its Directors, except for Mrs Véronique Magny-Antoine who is a representative of Abax Corporate Administrators Ltd ('Abax'). Abax is paid a fee for procurement of Director and accounting services provided to the Company.



**EIH FLIGHT SERVICES LTD**

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**STATEMENT OF REMUNERATION PHILOSOPHY**

For remuneration paid to employees of the Company, the Company ensures that the employees at all levels are paid in line with the market rate. The Company believes in recruiting and retaining the best talent in the industry.

**BOARD COMPOSITION**

The Company is a wholly-owned subsidiary of EIH Limited, which already has corporate governance measures, including Independent Directors.

As such, the Company has been exempted from having Independent Directors as per Section 1.3 of the Code of Corporate Governance and as per a letter dated 1 September 2014 from the Financial Reporting Council.

During the year ended 31 March 2015, the Company has appointed Mr Zafar Siamwala as Chairperson of the Company.

The Directors have taken note that the Company should have at least two Executive Directors and are considering the appointment of an additional Executive Director.

**BOARD COMMITTEES**

The Company is a wholly-owned subsidiary of EIH Limited, which already has corporate governance measures and an Audit and Risk Committee in place.

As such, the Company has been exempted from having separate board committees as per Section 1.3 of the Code of Corporate Governance and as per a letter dated 1 September 2014 from the Financial Reporting Council.

**BOARD APPRAISAL – SELECTION, TRAINING AND DEVELOPMENT**

Once the composition of the Board will be finalised, the Company will then be in a position to proceed with an effective and meaningful evaluation of its Board as per Section 2.10.2 of the Code.

**PROFILE OF SENIOR MANAGEMENT TEAM**

**Mr Samar Kumar - Chief Accountant (appointed on 15 January 2013)**

Mr Samar Kumar is the Chief Accountant of the Company. He has an experience of nearly 27 years in the hospitality industry. He holds a B.Com (Hons.) Chartered Accountancy Intermediate. He joined the Oberoi Group as an Accounts Executive in February 1987 and has been the Chief Accountant of the Oberoi Group since October 2000.

**Mr Sumeet Raina - General Manager (appointed on 1 September 2012)**

Mr Sumeet Raina is the General Manager of the Company. He has more than 15 years in the hospitality industry in the Oberoi Group. He holds a Diploma in Hotel Management, a Bachelor's Degree in Tourism Studies, an Executive Program in Business Management from IIM Kolkata and a Certificate in Financial Management from Cornell University, USA.

**RELATED PARTY TRANSACTIONS**

Details of related party transactions have been disclosed in Note 19 to the financial statements.

**EIH FLIGHT SERVICES LTD**

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**MATERIAL CLAUSES OF THE COMPANY'S CONSTITUTION**

There are no material clauses to the Constitution of the Company.

**MATERIAL CLAUSES OF THE SHAREHOLDERS' AGREEMENT**

The Company does not have a Shareholders' Agreement in place, as it is wholly owned by only one shareholder, namely EIH Limited.

**TERMS OF MANAGEMENT AGREEMENT WITH THIRD PARTIES**

The Company had entered into a Management and Licence Agreement (the "Agreement") with its parent company, namely EIH Limited ('EIH'). Under the terms of the Agreement, the Company has agreed to pay EIH management fees as disclosed in Note 5 of the financial statements. As part of this same agreement, Oberoi Hotels Private Limited ('OHP') was entitled to licence fees from the Company. The contractual obligations of the Company towards OHP were terminated by the latter effective from 31 March 2012.

Abax Corporate Administrators Ltd, being the Company's Secretary, has a third party Services Agreement with the Company during the year under review which is in the normal course of business. The mechanism of the company secretarial fees, administrative and other services are defined in the management contract and depend on the level of work.

There was no other management agreement with third parties apart from the above.

**RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks, namely market risk (including foreign exchange risk, and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Risk management is carried out by the Company under policies approved by senior management. The holding company has various group policies in place which are also applicable at the level of the Company.

*Compliance risk with local laws and regulations*

Compliance risk is being monitored by Abax Corporate Administrators Ltd (ABAX) pursuant to a Service Agreement between ABAX and the Company.

Details of risk management and more details on the various types of risks faced by the Company have been disclosed in Note 3 of the financial statements.

**SHARE OPTION PLAN**

The Company does not have any employee share option plan.

**CHARITABLE DONATIONS**

The Company did not make any charitable donations during the year ended 31 March 2015 (2014: Nil)

**EIH FLIGHT SERVICES LTD**

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**POLITICAL DONATIONS**

The Company did not make any political donations during the year ended 31 March 2015 (2014 – Nil).

**SOCIAL, ETHICAL, SAFETY, HEALTH AND ENVIRONMENTAL ISSUES**

The Company has the following policies in place:

**1. Occupational Health and Safety Policy**

The objective of the Occupational Health and Safety Policy is to give practical advice on how to reduce health and safety risks associated with Operation work. It summarizes employers' responsibilities and provides a checklist for employers and staff themselves.

**2. Food Safety Policy**

The Company is committed to deliver Quality Food that is tasty, appealing, and safe and of the highest hygiene standards to its clients on time. The Company continuously strives to improve its Supply Chain Management, Food Safety Management System and HACCP System by adopting the latest Technology and respecting the International Standards.

The Company improves the skills and competency of its employees by training and developing its team members.

**3. Environment Policy**

The Oberoi Group sees itself as an organization which is committed to the environment by using natural products and recycled items thus ensuring proper use of diminishing natural resources.

The Company is committed to continually improve the environment by:

- (a) Optimizing the usage of resources such as energy, effluent treatment of water.
- (b) Enhancing the practice of awareness amongst its suppliers and employees and minimising its carbon foot print.
- (c) Providing a hygienic and safe working environment within its premises and also maintaining and increasing the greenery within and around its premises.
- (d) Implementing Rain Water Harvesting Technology and using Solar energy in its premises.
- (e) Minimizing adverse impact on the environment by constantly adopting improvements in available technology.

**4. Health and Safety Policy**

The Company ensures that Health and Safety of its employees are always given priority and all measures are taken to safeguard it.

**EIH FLIGHT SERVICES LTD****CORPORATE GOVERNANCE REPORT (CONTINUED)****INTERNAL CONTROL AND AUDIT**

The Company has internal controls in place which are in line with the EIH Group Policy and Standards. The internal controls in place are commensurate to the size and nature of the business of the Company. These controls are strictly monitored by the management by regular checks and are also reviewed on continuous basis to further strengthen them.

**IMPORTANT EVENTS**

The Calendar for the year ending 31 March 2015 is as follows:

	EVENTS	DATES
1	Quarterly Board meetings	April 2015 July 2015 October 2015 January 2016
2	Annual Meeting	May 2015

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

23 APR 2015

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}  
} DIRECTORS  
}



ABAX Corporate Advisory Services Ltd  
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**EIH FLIGHT SERVICES LTD**

**SECRETARY'S CERTIFICATE**

**UNDER SECTION 166 (d) OF THE MAURITIUS COMPANIES ACT 2001**

We confirm that, based on records and information made available to us by the Directors and Shareholder of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 March 2015, all such returns as are required of the Company under the Mauritius Companies Act 2001.

  
NISHA PRASAD-DOOKUN  
FOR  
ABAX CORPORATE  
ADMINISTRATORS LTD

**SECRETARY**

Date: 23 April 2015



## ***Independent Auditor's Report***

### ***To the Shareholder of EIH Flight Services Ltd Report on the Financial Statements***

We have audited the financial statements of EIH Flight Services Ltd on pages 15 to 39 which comprise the statement of financial position at 31 March 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors' Responsibility for the Financial Statements**

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, and for such internal control 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.

#### **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 about 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 15 to 39 give a true and fair view of the financial position of the Company at 31 March 2015 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.

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*PricewaterhouseCoopers, 18 CyberCity, Ebène, Réduit 72201, Republic of Mauritius  
T: +230 404 5000, F: +230 404 5088/89, www.pwc.com/mu  
Business Registration Number : Fo7000530*



## ***Independent Auditor's Report***

### ***To the Shareholder of EIH Flight Services Ltd (Continued)***

#### ***Report on Other Legal and Regulatory Requirements***

##### **Mauritian Companies Act 2001**

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

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

##### **Financial Reporting Act 2004**

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report on pages 4 to 11 and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report on pages 4 to 11 is consistent with the requirements of the Code.

### ***Other Matter***

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

23 April 2015

*EIH FLIGHT SERVICES LTD***STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2015**

	2015 Rs	2014 Rs
Revenue	220,140,813	196,860,472
Cost of sales	(102,199,433)	(94,958,032)
<b>Gross profit</b>	<b>117,941,380</b>	<b>101,902,440</b>
Management expenses (Note 5)	(6,604,224)	(7,853,020)
Administrative expenses	(149,092,144)	(146,807,613)
<b>Operating loss (Note 6)</b>	<b>(37,754,988)</b>	<b>(52,758,193)</b>
Finance costs - Net (Note 8)	(149,742,977)	(16,191,784)
<b>Loss before income tax</b>	<b>(187,497,965)</b>	<b>(68,949,977)</b>
Income tax expense (Note 9)	-	-
<b>Loss and total comprehensive income for the year</b>	<b>Rs (187,497,965)</b>	<b>(68,949,977)</b>

The notes to the financial statements on pages 19 to 39 are an integral part of these financial statements.



## EIH FLIGHT SERVICES LTD

## BALANCE SHEET - 31 MARCH 2015

	2015 Rs	2014 Rs
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment (Note 10)	395,335,447	459,671,363
<b>Current assets</b>		
Inventories (Note 11)	4,728,326	5,564,350
Trade and other receivables (Note 12)	40,394,516	53,971,650
Cash and cash equivalents (Note 13)	6,227,772	2,478,391
	51,350,614	62,014,391
<b>Total assets</b>	<b>446,686,061</b>	<b>521,685,754</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners</b>		
Share capital (Note 14)	353,380,066	353,380,066
Accumulated losses	(660,466,355)	(472,968,390)
<b>Shareholder's deficit</b>	<b>(307,086,289)</b>	<b>(119,588,324)</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings (Note 16)	563,957,089	583,300,000
<b>Current liabilities</b>		
Trade and other payables (Note 15)	48,658,165	42,947,623
Bank overdraft (Note 13)	-	15,026,455
Borrowings (Note 16)	141,157,096	-
	189,815,261	57,974,078
<b>Total liabilities</b>	<b>753,772,350</b>	<b>641,274,078</b>
<b>Total equity and liabilities</b>	<b>Rs 446,686,061</b>	<b>521,685,754</b>

Authorised for issue by the Board of directors on  
and signed on its behalf by:

23 APR 2015

}

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DIRECTORS

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The notes to the financial statements on pages 19 to 39 are an integral part of these financial statements.

**EIH FLIGHT SERVICES LTD****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2015**

		Share capital Rs	Accumulated losses Rs	Total Rs
At 01 April 2013	Rs	353,380,066	(404,018,413)	(50,638,347)
Loss and total comprehensive income for the year		-	(68,949,977)	(68,949,977)
At 31 March 2014	Rs	----- 353,380,066	----- (472,968,390)	----- (119,588,324)
Loss and total comprehensive income for the year		-	(187,497,965)	(187,497,965)
At 31 March 2015	Rs	----- 353,380,066 =====	----- (660,466,355) =====	----- (307,086,289) =====

The notes to the financial statements on pages 19 to 39 are an integral part of these financial statements.

**EIH FLIGHT SERVICES LTD****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2015**

	2015 Rs	2014 Rs
<b><i>Cash flow from operating activities</i></b>		
Loss before income tax	(187,497,965)	(68,949,977)
Adjustments for non-cash items:		
Depreciation on property, plant and equipment (Note 10)	70,167,680	69,837,803
Unrealised exchange loss/(gain)	117,211,000	(14,314,232)
Interest expense (Note 8)	32,201,596	30,741,909
	-----	-----
<b>Operating profit before working capital changes</b>	<b>32,082,311</b>	<b>17,315,503</b>
Decrease/(increase) in inventories	836,024	(1,605,804)
Decrease/(increase) in trade and other receivables	13,577,134	(12,236,496)
Increase in trade and other payables	5,710,541	443,552
	-----	-----
<b>Cash generated from operations</b>	<b>52,206,011</b>	<b>3,916,755</b>
Interest paid on borrowings	(32,201,596)	(30,741,909)
	-----	-----
<b>Net cash generated from/(used in) operating activities</b>	<b>20,004,415</b>	<b>(26,825,154)</b>
	-----	-----
<b><i>Cash flow from investing activities</i></b>		
Payment for purchase of property, plant and equipment (Note 10)	(695,306)	(35,964)
	-----	-----
<b>Net cash used in investing activities</b>	<b>(695,306)</b>	<b>(35,964)</b>
	-----	-----
<b><i>Cash flow from financing activities</i></b>		
Payments of finance lease liabilities	(533,273)	-
	-----	-----
<b>Net cash used in financing activities</b>	<b>(533,273)</b>	<b>-</b>
	-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>18,775,836</b>	<b>(26,861,118)</b>
Unrealised exchange difference on cash and cash equivalents	-	(505,769)
Cash and cash equivalents at beginning of year	(12,548,064)	14,818,823
	-----	-----
<b>Cash and cash equivalents at end of year (Note 13)</b>	<b>Rs 6,227,772</b>	<b>(12,548,064)</b>
	=====	=====

The notes to the financial statements on pages 19 to 39 are an integral part of these financial statements.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015****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 company is classified as a Public Interest Entity as per the Financial Reporting Act 2004.

The principal activity of the Company is the provision of 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.

*Going concern*

The Company's directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has received a bank guarantee in respect of the carrying amount of the bank borrowings from its parent to continue in business for the foreseeable future. At 31 March 2015 the Company has incurred a loss of Rs 187,497,965 (2014 – Rs 68,949,977) and has a shareholder's deficit of Rs 307,086,289 (2014 – Rs 119,588,324). However, the Company has generated net cash inflows of Rs 20,004,415 (2014 – cash outflows of Rs 26,825,154) from its operations, and did not break its debt covenants in general, during the year under review. In the light of the renegotiated terms of the bank agreement on the 8 April 2015, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, based on the validity of this assumption the financial statements have been prepared on the going concern basis.

*Changes in accounting policy and disclosures**(a) New and amended standards adopted by the Company.*

The standards, amendments and interpretations which are effective for the financial year beginning 1 April 2014 are not material to the Company.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Changes in accounting policy and disclosures (Continued)**(b) New standards and interpretations that are not yet effective and have not been early adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

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.

*EIH FLIGHT SERVICES LTD*

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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 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*

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

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

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

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

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Property, plant and equipment (continued)*

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 or (loss).

*Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

*Financial assets***(i) Classification**

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

**(ii) Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

**(iii) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(iv) Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Financial assets (Continued)**(iv) Impairment (Continued)*

For loans and receivables category, 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

*Trade and other receivables*

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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.

*Cash and cash equivalents*

Cash and cash equivalents include cash in hand, cash at bank and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement on financial position.

*Share capital*

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

*Current and deferred tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred 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.



**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Current and deferred tax (Continued)*

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the company the ability to control the reversal of the temporary difference not recognised.

Deferred 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 tax 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.

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. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

*Leases*

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

The Company leases certain property, plant and equipment. Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in trade and other payables. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Borrowings*

Borrowings are recognised initially at 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. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

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 balance sheet 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.

*Derecognition of financial assets and liabilities*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

*Impairment of non-financial assets*

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

*Revenue recognition*

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

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****3 FINANCIAL RISK MANAGEMENT***Financial risk factors*

The Company's activities expose it to a variety of financial risks namely, market risk (including foreign exchange risk, and interest rate risk), 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 its financial performance. The Company does not hedge any of its risk exposures. Risk management is carried out by the Company under policies approved by senior management.

- Interest rate risk

The Company's interest rate risk arises from loan due to the bank.

As at reporting date, the loan due to the bank bore interest of 3 months LIBOR plus 500 basis points per annum (refer to note 23 for change in the terms of the loan due to bank). The effective interest rate on the loan was 5.261% at 31 March 2015. Based on simulations performed, the impact on post-tax loss of a 1% shift in interest rates would be an increase/ (decrease) of Rs 7,005,110 (2014 – Rs 5,963,265).

- 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 are denominated in foreign currencies.

As at 31 March 2015, if the USD had weakened/strengthened by 10% against the Mauritian rupee, the financial assets would have been lower/higher by Rs 5,619 (2014 – Rs 4,671) and financial liabilities would have been lower/higher by Rs 70,302,789 (2014 – Rs 58,330,000)

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****3 FINANCIAL RISK MANAGEMENT (Continued)***Financial risk factors (Continued)*

- Currency profile

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

	Financial Assets 2015 Rs	Financial Liabilities 2015 Rs	Financial Assets 2014 Rs	Financial Liabilities 2014 Rs
US dollar	56,192	703,027,891	46,709	583,300,000
Mauritian rupee	45,012,330	50,319,769	53,131,078	57,618,975
	-----	-----	-----	-----
Rs	45,068,522	753,347,660	53,177,787	640,918,975
	=====	=====	=====	=====

Prepayments and recoverable taxes of Rs 1,553,566 (2014 – Rs 3,272,254) have not been included in financial assets.

Social security and other taxes of Rs 424,690 (2014 – Rs 355,103) have not been included in financial liabilities.

- 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 balance sheet 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.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****3 FINANCIAL RISK MANAGEMENT (Continued)***Financial risk factors (Continued)*

- Liquidity risk (Continued)

	Less than 1 year Rs	Between 1 to 2 years Rs	Between 2 to 5 years Rs	Over 5 years Rs
<b>At 31 March 2015</b>				
Trade and other payables	48,658,164	-	-	-
Finance lease commitments	1,331,978	1,331,978	3,195,075	-
Bank loans	177,341,365	169,893,532	464,993,598	-
	-----	-----	-----	-----
Rs	227,331,507	171,225,510	468,188,673	-
	-----	-----	-----	-----

	Less than 1 year Rs	Between 1 to 2 years Rs	Between 2 to 5 years Rs	Over 5 years Rs
<b>At 31 March 2014</b>				
Trade and other payables	42,947,623	-	-	-
Bank overdraft	15,026,455	-	-	-
Bank loans	31,008,228	147,668,228	405,794,810	122,861,646
	-----	-----	-----	-----
Rs	88,982,306	147,668,228	405,794,810	122,861,646
	-----	-----	-----	-----

- Financial instruments not carried at fair value

*Assets and liabilities not carried at fair value but for which fair value is disclosed*

The carrying amounts of trade and other receivables, cash and cash equivalents, borrowings and trade and other payables approximate their fair values and hence no fair value hierarchy has been disclosed.

## EIH FLIGHT SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT (Continued)

*Financial risk factors (Continued)*

- Financial instruments by category

31 March 2015	2015 Loans and Receivables Rs	2014 Loans and receivables Rs
<b>Assets as per the balance sheet</b>		
Cash and cash equivalents	6,227,772	2,478,391
Trade and other receivables	38,840,750	50,699,396
	<u>45,068,522</u>	<u>53,177,787</u>
<b>Liabilities as per balance sheet</b>		
	At amortised Cost Rs	At amortised cost Rs
<b>Financial liabilities</b>		
Borrowings	705,114,185	583,300,000
Trade and other payables	48,233,475	42,592,520
Bank overdraft	-	15,026,455
	<u>753,347,660</u>	<u>640,918,975</u>

Prepayments and indirect taxes receivable of Rs 1,553,566 (2014 – Rs 3,272,254) have not been included in financial assets. Social security and other taxes of Rs 424,690 (2014 – Rs 355,103) have not been included in financial liabilities.

- 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 optimal structure to reduce cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the 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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' shown in the balance sheet plus net debt. The gearing ratios at 31 March 2015 and 2014 were as follows:

	2015 Rs	2014 Rs
Total borrowings	705,114,185	583,300,000
Less: Cash in hand and at bank	(6,227,772)	(2,478,391)
Add: Bank overdraft	-	15,026,455
	<u>698,886,413</u>	<u>595,848,064</u>
Net debt	698,886,413	595,848,064
Total Equity	(307,086,289)	(119,588,324)
	<u>391,800,124</u>	<u>476,259,740</u>
Total Capital	391,800,124	476,259,740
	<u>178%</u>	<u>125%</u>
Gearing ratio	178%	125%

The increase in the gearing ratio is due to the new finance leases for the purchase of property, plant and equipment, the increase in the shareholders' deficit and the effect of exchange fluctuations on the borrowings which are denominated in USD. As per the agreement with the bank the gearing of the Company should not exceed 200%.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)****4 REVENUE**

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

**5 MANAGEMENT EXPENSES**

	2015 Rs	2014 Rs
<b>Management fees</b>		
Basic management fees	6,604,224	5,905,814
Incentive fees	-	1,947,206
<b>Total management fees</b>	<u>6,604,224</u>	<u>7,853,020</u>

Management Agreement (the "Agreement") was entered into between the Company and EIH Limited ("EIH"). Under the terms of the Agreement, the Company has agreed to pay EIH the following fees:

*Management fees to EIH:*

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

**6 OPERATING LOSS**

	2015 Rs	2014 Rs
The following items have been charged in arriving at the operating loss:		
Depreciation of property, plant and equipment (Note 10):		
- Owned assets	69,444,284	69,837,802
- Leased assets	723,396	-
Auditor's remuneration	325,000	250,000
Lease rental	6,902,721	5,498,992
Cost of inventories expensed (Note 11)	88,273,708	81,319,853
Staff costs (Note 7)	49,306,614	48,401,680
Transportation costs	5,086,700	5,095,416
Utilities	17,101,796	15,369,229
Repairs and maintenance	<u>4,667,959</u>	<u>5,366,433</u>

**7 STAFF COSTS**

	2015 Rs	2014 Rs
Wages and salaries	46,878,900	46,494,622
Social security costs	2,427,714	1,907,058
	<u>49,306,614</u>	<u>48,401,680</u>
	Number	Number
Average number of employees	<u>194</u>	<u>166</u>

## EIH FLIGHT SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)

## 8 FINANCE INCOME AND COSTS

	2015 Rs	2014 Rs
<i>(i) Finance income:</i>		
Realised foreign exchange gains	498,333	17,003,589
<i>(ii) Finance costs:</i>		
Interest expense	(32,201,596)	(30,741,909)
Unrealised foreign exchange losses	(117,211,000)	(2,453,464)
Realised foreign exchange losses	(828,714)	
	(150,241,310)	(33,195,373)
Net finance costs	(149,742,977)	(16,191,784)

## 9 INCOME TAX EXPENSE

The Company is liable to income tax at 15% (2014 – 15%) and Corporate Social Responsibility tax of 2% (2014 - 2%) on its chargeable income. At 31 March 2015, the Company had accumulated tax losses of Rs 156,820,962 (2014 - Rs 177,789,972) 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 2015, which is attributable to tax losses, exchange differences and accelerated capital allowances amounted to Rs 103,951,718 (2014 – Rs 73,142,674).

The unrecognised deferred tax is attributable to the following items:

	2015 Rs	2014 Rs
Tax loss unutilised	26,659,564	30,224,296
Exchange differences	19,925,870	(2,519,400)
Excess of depreciation over capital allowance	57,366,284	45,437,778
	103,951,718	73,142,674

A reconciliation between the actual tax charge of the Company and the theoretical amount that would arise using the applicable income tax rate of 17% (2014 - 17%) follows:

	2015 Rs	2014 Rs
Loss before income tax	Rs (187,497,965)	(68,949,977)
Tax at 17% (2014 – 17%)	(31,874,654)	(11,721,496)
Impact of:		
Unrecognised deferred tax asset	20,278	2,525,843
Non allowable expenses	31,854,376	12,038,053
Income not subject to tax	-	(2,842,400)
Actual tax credit	Rs -	-



**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2015 (CONTINUED)****9 INCOME TAX EXPENSE (Continued)**

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

<b>Expiry date</b>	<b>Tax losses Rs</b>
31 March 2015	11,711,976
31 March 2016	51,777,462
31 March 2017	50,523,474
31 March 2018	29,028,735
31 March 2019	13,660,030
31 March 2020	119,285
<b>Total</b>	<b>156,820,962</b>

## EIH FLIGHT SERVICES LTD

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)

## 10 PROPERTY, PLANT AND EQUIPMENT

	Buildings on leasehold land Rs	Furniture, fittings & Other Equipment Rs	Office Equipment Rs	Motor Vehicles Rs	Total Rs
<i>Cost:</i>					
At 01 April 2013	344,313,887	335,911,053	4,220,414	37,788,179	722,233,533
Additions	-	25,676	10,289	-	35,965
At 31 March 2014	344,313,887	335,936,729	4,230,703	37,788,179	722,269,498
Additions	-	164,433	-	5,667,331	5,831,764
At 31 March 2015	344,313,887	336,101,162	4,230,703	43,455,510	728,101,262
<i>Accumulated depreciation:</i>					
At 01 April 2013	(31,538,341)	(138,544,024)	(3,789,414)	(18,888,553)	(192,760,332)
Charge for the year	(11,465,652)	(50,388,580)	(425,939)	(7,557,632)	(69,837,803)
At 31 March 2014	(43,003,993)	(188,932,604)	(4,215,353)	(26,446,185)	(262,598,135)
Charge for the year	(11,465,652)	(50,405,646)	(15,350)	(8,281,032)	(70,167,680)
At 31 March 2015	(54,469,645)	(239,338,250)	(4,230,703)	(34,727,217)	(332,765,815)
<i>Carrying value:</i>					
At 31 March 2015	Rs 289,844,242	96,762,912	-	8,728,293	395,335,447
At 31 March 2014	Rs 301,309,894	147,004,125	15,350	11,341,994	459,671,363

The buildings on leasehold land have been secured with a fixed charge against the borrowings of USD 19,000,000 (2014 - USD 19,000,000) contracted from the State Bank of Mauritius Ltd. Details on borrowings are disclosed in note 16.

During the year under review, the Company acquired two high-loaders for a total amount of Rs 5,667,330 (2014 - Nil). These have been acquired by finance leases amounting to Rs 5,136,458. Assets held on finance lease have a carrying value of Rs 4,943,935 (2014 - Nil) and have been recognised under motor vehicles. Details of lease commitments are disclosed in note 21.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****11 INVENTORIES**

	2015 Rs	2014 Rs
Food and beverage, at cost	2,906,644	3,558,161
Other consumables, at cost	1,821,682	2,006,189
	<u>Rs 4,728,326</u>	<u>5,564,350</u>

The cost of inventories recognised as expense and included in cost of sales amounted to Rs 88,273,708 (2014 - Rs 81,319,853).

**12 TRADE AND OTHER RECEIVABLES**

	2015 Rs	2014 Rs
Trade receivables	34,733,449	46,903,791
Prepayments	1,553,765	3,272,254
Other receivables	4,107,302	3,795,605
	<u>Rs 40,394,516</u>	<u>53,971,650</u>

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 2015, trade receivables of Rs 284,720 (2014 - Rs 1,632,366) were past due but not impaired, and trade receivables of Rs 34,448,729 (2014 - Rs 45,271,425) were neither past due nor impaired. As at 31 March 2015, there were no trade receivables that were past due and impaired (2014 - Nil). These relate to airline operators and other customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015 Rs	2014 Rs
Up to 3 months	34,448,729	45,271,425
3 to 6 months	284,720	1,079,150
Over 6 months	-	553,216
	<u>Rs 34,733,449</u>	<u>46,903,791</u>

The carrying amounts of the Company's trade and other receivables are denominated in Mauritian Rupee.

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

As at reporting date, trade receivables were inclusive of Rs Nil (2014: 703,656) which was receivable from the immediate parent.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****13 CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balance sheet amounts:

	2015 Rs	2014 Rs
Cash at bank and in hand	6,227,772	2,478,391
Bank Overdraft	-	(15,026,455)
	<u>6,227,772</u>	<u>(12,548,064)</u>
<b>Rs</b>	<b>6,227,772</b>	<b>(12,548,064)</b>

The Company has been granted an overdraft limit of Rs. 25,000,000. The bank overdraft bears interest at 9.65%. The overdraft facility has been renewed on 19 December 2014 for a period of one year.

**14 SHARE CAPITAL**

	2015 Number	2014 Number	2015 Rs	2014 Rs
<i>Issued and fully paid:</i>				
Ordinary shares at Rs 10 each	35,338,006	35,338,006	353,380,066	353,380,066
	<u>35,338,006</u>	<u>35,338,006</u>	<u>353,380,066</u>	<u>353,380,066</u>

**15 TRADE AND OTHER PAYABLES**

	2015 Rs	2014 Rs
Trade payables	38,859,381	25,457,176
Amount payable to related party (note 19(b))	6,604,224	9,453,756
Accruals	2,769,870	3,980,118
Social security and other taxes	424,690	1,773,228
Other payables	-	2,283,345
	<u>48,658,165</u>	<u>42,947,623</u>
<b>Rs</b>	<b>48,658,165</b>	<b>42,947,623</b>

**16 BORROWINGS**

	2015 Rs	2014 Rs
<b>Non-current:</b>		
Bank borrowings (Note 16(a))	560,408,800	583,300,000
Finance lease commitments (Note 21)	3,548,289	-
	<u>563,957,089</u>	<u>583,300,000</u>
<b>Current:</b>		
Bank borrowings (Note 16(a))	140,102,200	-
Finance lease commitments (Note 21)	1,054,896	-
	<u>141,157,096</u>	<u>-</u>
<b>Total borrowings</b>	<b>Rs 705,114,185</b>	<b>583,300,000</b>

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****16 BORROWINGS (Continued)***(a) Bank borrowings*

	2015	2014
	Rs	Rs
Less than one year	140,102,200	-
Later than 1 year and no later than 5 years	560,408,800	466,640,000
Later than 5 years	-	116,660,000
	<u>700,511,000</u>	<u>583,300,000</u>
	<u>Rs 700,511,000</u>	<u>583,300,000</u>

The movement in the bank borrowings is attributable to unrealised exchange differences since the loan is denominated in USD.

As at reporting date, the principal amount of bank borrowings of USD 19,000,000 was repayable in quarterly instalments of USD 950,000 starting from April 2015 and ending January 2020.

As at reporting date the bank borrowings bore interest at the rate of 3 months LIBOR plus 500 basis points per annum. The effective interest rate for the year under review was 5.43%. Interest is payable on a monthly basis. During the year ended 31 March 2015 the Company paid interest of Rs. 31,466,187 (2014 – Rs. 30,741,909).

As of 8 April 2015, the Company renegotiated the bank loan such that the principal amount only becomes payable as from April 2016, in quarterly instalments of USD 1,187,500 (with the full principal amount to be paid by January 2020), and that the borrowings bear an interest rate of 3 months LIBOR plus 400 basis points.

The borrowings are secured for the amount of USD 19,000,000 as follows:

- Fixed charge on the building constructed on leasehold land.
- Floating charge on all assets of the Company.
- Assignment of the leasehold rights on the leasehold land.
- A corporate bank guarantee of USD 19,000,000 from EIH Limited.

The carrying amount of the bank borrowings approximates to the fair value, as the impact of discounting is not significant as the loan terms are at market rates. Borrowings are within the level 2 hierarchy.

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

	2015	2014
	Rs	Rs
US dollar	700,511,000	583,300,000
	<u>Rs 700,511,000</u>	<u>583,300,000</u>

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****17 CONTINGENT LIABILITIES***Bank guarantees*

At 31 March 2015, 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 2015 Expatriate Guarantee and Custom Guarantee amounted to Rs 90,000 (2014 -Rs 305,000) and Rs 10,000,000 (2014 - Rs 9,000,000) 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 Magnien, Mauritius.

**19 RELATED PARTY TRANSACTIONS**

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

The following transactions were carried out with related parties:

(a) Purchases of services	2015 Rs	2014 Rs
Immediate parent (management fees) (Note 5)	6,604,224	7,853,020
	=====	=====

(b) Payable to immediate parent	2015 Rs	2014 Rs
Amount due to immediate parent	6,604,224	9,453,756
	=====	=====

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

(c) Receivable from immediate parent	2015 Rs	2014 Rs
Amount due by immediate parent	-	703,656
	=====	=====

The amount due by immediate parent was unsecured, interest free and repayable on demand. The amount due by the immediate parent was subsequently repaid in full during the year under review.

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****19 RELATED PARTY TRANSACTIONS (Continued)****(d) Remuneration of key management personnel**

Key management personnel include the General Manager and the Chief accountant.

	2015 Rs	2014 Rs
Salaries and other short term employee benefits	<u>3,597,000</u>	<u>3,550,000</u>

**20 IMMEDIATE AND ULTIMATE PARENT**

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

**21 COMMITMENTS***Finance lease commitments*

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

	2015 Rs	2014 Rs
Not later than 1 year	1,054,896	-
Later than 1 year and not later than 5 years	3,548,289	-
	<u>Rs 4,603,185</u>	<u>-</u>

Finance lease arrangements relate to two high-loaders required for operations, and purchased during the year. The carrying amount of assets on finance lease is disclosed in note 10.

*Operating lease commitments*

The future aggregate minimum lease payments under non- cancellable operating leases related to the leasehold land and one car to the benefit of a member of key management personnel are as follows:

	2015 Rs	2014 Rs
Not later than 1 year	4,251,360	3,578,520
Later than 1 year and not later than 5 years	17,648,140	21,295,772
Later than 5 years	68,736,047	68,736,046
	<u>Rs 90,635,547</u>	<u>93,610,338</u>

**EIH FLIGHT SERVICES LTD****NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015 (CONTINUED)****21 COMMITMENTS (Continued)***Operating lease commitments (continued)*

Operating lease commitments relate to:

- (i) The leasing of the land area where the operations of the Company are carried out. The Lease agreement covers a period of 20 years and may be renewed for two additional periods of ten years, subject to terms and conditions which may be agreed between the Lessor and the Lessee. The rent charge at the start of the lease in April 2011 was Rs 27.11 per square metre per month, over a total surface of 14,000 square metres, and is subject to an increase of 10% every 2 years. The rent charge was revised to Rs 29.82 per square metre as at April 2013. The lease is non-cancellable from the standpoint of the lessee.
- (ii) The leasing of a car for a member of key management personnel. The lease term covers a period of 24 months and runs to February 2017. The lease is non-cancellable from the standpoint of the lessee.

**22 EVENTS AFTER REPORTING PERIOD**

On 8 April 2015, the Company has renegotiated the terms of its USD 19,000,000 loan contracted from the State Bank of Mauritius Ltd. Details of renegotiated terms have been disclosed in note 16.