

# 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 2011, 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

Rattan Chadha (resigned on 30 June 2010)

Nicolaas Peter van Lookeren Campagne (resigned on 30 June 2010)

## 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 \$2,173,047 (2010: \$1,648,389) after provision for income tax expense of \$218,446 (2010: \$230,586).

## 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 a dividend totalling \$11,428,756 (2010: \$Nil) 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 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

Melbourne  
19 May, 2011

DEEPAK MADHOK  
*Director*

# Statement of Comprehensive Income for the year ended 31 March 2011

(Expressed in United States dollars)

	Note	31 March 2011 \$	31 March 2010 \$
<b>Continuing Operations</b>			
Turnover	3	2,579,272	2,730,688
Cost of Sales		—	—
<b>Gross Profit</b>		<u>2,579,272</u>	<u>2,730,688</u>
<b>Operating Expenses</b>			
Administration and General Expenses		919,230	222,524
Project Development Expenses		129,381	629,189
<b>Total Operating Expenses</b>		<u>1,048,611</u>	<u>851,713</u>
<b>Other Income/(Expense)</b>			
Loan forgiveness		906,699	—
Other Income/(Expense)		(45,867)	—
Total Other Income		<u>860,832</u>	—
Profit before taxation	4	2,391,493	1,878,975
Taxation	5	(218,446)	(230,586)
Profit after taxation		<u>2,173,047</u>	<u>1,648,389</u>
<b>Other Comprehensive Income</b>			
Other Comprehensive Income		—	—
<b>Total Comprehensive Income</b>		<u>2,173,047</u>	<u>1,648,389</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of Financial Position as at 31 March 2011

(Expressed in United States dollars)

	Note	31 March 2011 \$	31 March 2010 \$
<b>Non-Current Assets</b>			
Investments	7	8,484,270	8,484,270
Amount due from related parties	8	<u>19,177,034</u>	<u>37,587,332</u>
		<u>27,661,304</u>	<u>46,071,602</u>
<b>Current Assets</b>			
Cash and cash equivalents	9	6,652,333	5,563,331
Receivables	10	<u>1,544,916</u>	<u>1,727,981</u>
Total Current Assets		<u>8,197,249</u>	<u>7,291,312</u>
Total Assets		<u>35,858,553</u>	<u>53,362,914</u>
<b>Current Liabilities</b>			
Payables	11	<u>710,124</u>	<u>480,834</u>
Total Current Liabilities		<u>710,124</u>	<u>480,834</u>
<b>Non-Current Liabilities</b>			
Amounts due to related parties	12	<u>744</u>	<u>8,478,686</u>
Total Non-Current Liabilities		<u>744</u>	<u>8,478,686</u>
Total Liabilities		<u>710,868</u>	<u>8,959,520</u>
Total Net Assets		<u>35,147,685</u>	<u>44,403,394</u>
<b>Equity</b>			
Share Capital	13	30,085,714	30,085,714
Retained Earnings		<u>5,061,971</u>	<u>14,317,680</u>
Total Equity		<u>35,147,685</u>	<u>44,403,394</u>

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 2011

(Expressed in United States dollars)

	Note	Share Capital \$	Retained earnings \$	Total Equity \$
<b>As at 1 April 2010</b>	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)
<b>As at 31 March 2011</b>	13	<u>30,085,714</u>	<u>5,061,971</u>	<u>35,147,685</u>
<b>As at 1 April 2009</b>	13	30,085,714	12,669,291	42,755,005
Profit for the year		–	1,648,389	1,648,389
Other Comprehensive Income		–	–	–
<b>As at 31 March 2010</b>	13	<u>30,085,714</u>	<u>14,317,680</u>	<u>44,403,394</u>

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 2011

(Expressed in United States dollars)

	31 March 2011 \$	31 March 2010 \$
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	2,391,493	1,878,975
<i>Adjustment for:</i>		
Loan forgiveness	(906,699)	–
Interest income	(142,897)	(143,024)
Dividend received	(141,315)	(167,130)
Other	45,867	–
<i>(Increase)/Decrease in assets:</i>		
(Increase)/Decrease in receivables	(183,960)	1,032,265
<i>(Decrease)/Increase in Liabilities:</i>		
(Decrease)/ Increase in payables	230,034	(302,440)
Cash generated from operations	<u>1,292,523</u>	<u>2,298,646</u>
Tax paid	(218,446)	(5,391)
Net Cash Flows used by operating activities	<u>(1,074,077)</u>	<u>(2,293,255)</u>
<b>Cash Flows from Investing Activities</b>		
Dividend paid	(11,428,756)	–
Repayment of advance to related party	18,977,051	373,200
Payment for acquisition of investments	–	(2,542,576)
Dividend received	141,315	167,130
Interest received	590	2,432
Net Cash Flows from/(used by) investing activities	<u>7,690,200</u>	<u>(1,999,814)</u>
<b>Cash Flows from financing activities</b>		
Repayment of related party loan	(7,571,243)	–
Proceeds from related party borrowings	(104,032)	–
Net Cash Flows used by financing activities	<u>(7,675,275)</u>	<u>–</u>
Net increase in cash and cash equivalents	1,089,002	293,441
Cash and cash equivalents at beginning of year	5,563,331	5,259,903
Effect of exchange rate changes on cash balances	–	9,987
Cash and cash equivalents at end of year (Note 9)	<u>6,652,333</u>	<u>5,563,331</u>

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 2011

(Expressed in United States dollars)

## 1. Corporate Information

The financial report of EIH Holdings Ltd (the “Company”) for the year ended 31 March 2011 was authorised for issue on 19 May 2011.

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’).

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) 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.



## Notes to the Financial Statements (*Contd...*)

(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. Turnover**

Turnover 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 2011	31 March 2010
	\$	\$
Hotel Management Fees	1,281,678	1,538,317
Sales and Marketing	770,205	763,127
Royalty	93,727	119,090
Dividends	141,315	167,130
Interest	142,897	143,024
Other Income	149,450	–
	<u>2,579,272</u>	<u>2,730,688</u>

**4. Profit Before Taxation**

Profit before taxation is arrived at after charging and crediting :

	31 March 2011	31 March 2010
	\$	\$
Interest Income (Note 3)	<u>142,897</u>	<u>143,024</u>
Audit remuneration:		
– audit of financial report	98,052	7,187
– accounting advice	135,000	–
	<u>233,052</u>	<u>7,187</u>

**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 2011	31 March 2010
	\$	\$
Profit before tax	2,391,493	1,878,975
Tax at the statutory tax rate of Nil % (2010 : Nil %)	–	–
Tax rate differential in Foreign Countries	218,446	230,586
Tax Expense	<u>218,446</u>	<u>230,586</u>

Notes to the Financial Statements (*Contd...*)

<b>6. Directors' Remuneration</b>	<b>31 March 2011</b>	31 March 2010
	\$	\$
Fees	–	–
Other emoluments	–	–
	<u>–</u>	<u>–</u>

**7. Investments****Investments in Subsidiaries**

<b>31 March 2011</b>	31 March 2010
\$	\$
<u>1,566,744</u>	<u>1,566,744</u>

Unlisted shares, at cost

Details of the subsidiaries are as follows:

Name	Place of Incorporation	Percentage of equity attributable to the Company		Principal Activities	Directors
		Directly	Indirectly		
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**

<b>31 March 2011</b>	31 March 2010
\$	\$
<u>6,917,526</u>	<u>6,917,526</u>
<u>6,917,526</u>	<u>6,917,526</u>

Other Investment at cost

Other investments represent interests in joint ventures and are carried at cost, less provision for any permanent diminution in value.

<b>31 March 2011</b>	31 March 2010
\$	\$
<u>8,484,270</u>	<u>8,484,270</u>

Total Investments

Notes to the Financial Statements (*Contd...*)**8. Amount Due from Related Parties**

The amounts due from related parties are unsecured, non-interest bearing and without predetermined repayment terms.

**9. Cash and Cash Equivalents**

	<b>31 March 2011</b>	31 March 2010
	\$	\$
Cash at Bank	<u>6,652,333</u>	<u>5,563,331</u>

**10. Receivables**

Trade receivables	1,544,916	1,727,981
Other receivables	-	-
	<u>1,544,916</u>	<u>1,727,981</u>

**11. Payables**

Third parties	710,124	480,834
Related parties	-	-
	<u>710,124</u>	<u>480,834</u>

**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**

	<b>31 March 2011</b>	31 March 2010
	\$	\$
Issued and fully paid :		
30,085,714 ordinary shares	<u>30,085,714</u>	<u>30,085,714</u>

	Number of Shares	\$
<b>As at 1 April 2008</b>	30,085,714	30,085,714
Shares issued	-	-
<b>As at 31 March 2009</b>	30,085,714	30,085,714
Shares issued	-	-
<b>As at 31 March 2010</b>	30,085,714	30,085,714
Shares issued	-	-
<b>As at 31 March 2011</b>	<u>30,085,714</u>	<u>30,085,714</u>

**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) assessed the company for payment of tax on management fee income commencing from the year ended 30 June 2001. MRA in its tax assessment treated the Basic Management Fee as Royalty and hence taxed it fully. MRA assessed 50% of Incentive Management Fee as taxable and allowed an expense deduction of 65% of the taxable Incentive Fee. Initially they applied a tax rate of 25% on the assessed taxable fee but later on reduced it to 15%. Based on the MRA formula the assessed tax and penalty is \$506,478 as at 31 March 2011.

Based on the advice 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 expense deduction. The company does not accept the treatment of Basic Management Fee as Royalty. The total tax payable under the company's formula from 30 June 2001 to 31 March 2011 is \$32,344. The company has paid \$30,346 as at 31 March 2011.

MRA does not agree with the company and the matter is under review with the Assessment Review Committee (ARC). The company had to make on account payment of \$179,285 in 2008-09 for the matter to be reviewed by ARC. If successful this amount of \$179,285 will be refunded. If ARC rules in favour of MRA, the company will need to pay the balance amount of the tax of \$296,847 (\$506,478 less \$179,285 and \$30,346) plus penalty. The company believes that there is a good prospect of ARC ruling in its favour. Hence no provision has been made as \$209,631 has already been brought to account up to 31 March 2011,

There are no other outstanding commitments and contingencies at year end.

## Directors' Statement

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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 2011;
- (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 2011; 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  
19 May 2011

DEEPAK MADHOK  
*Director*

# Independent Auditor's Report

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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 2011, 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 2011 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

Adelaide  
19 May 2011

ERNST & YOUNG

DAVID SANDERS  
*Partner*