

MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

13TH ANNUAL REPORT

2008-2009

BOARD OF DIRECTORS

A.K.NANDA, *Chairman*

RAMESH RAMANATHAN, *Managing Director*

U.Y. PHADKE

CYRUS J. GUZDER

VINEET NAYYAR

ROHIT KHATTAR

RAMA BIJAPURKAR

SRIDAR A. IYENGAR

HEAD-FINANCE & COMMERCIAL

S. PADMANABHAN

COMPANY SECRETARY

RAJIV BALAKRISHNAN

AUDITORS

DELOITTE HASKINS & SELLS

Chartered Accountants

BANKERS

YES BANK LIMITED

143/1, Nungambakkam High Road,
Chennai – 600 031.

REGISTERED OFFICE

17/18, 2nd Floor, Mahindra Towers,
Patullos Road,
Chennai – 600 002, India.

CONTENTS		Page No.
DIRECTORS' REPORT	3
ANNEXURE TO THE DIRECTORS' REPORT	6
AUDITORS' REPORT	8
BALANCE SHEET	10
PROFIT AND LOSS ACCOUNT	11
CASH FLOW STATEMENT	12
SCHEDULES TO THE BALANCE SHEET	14
NOTES TO THE ACCOUNTS	21
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE	32
AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENT		35
BALANCE SHEET CONSOLIDATED	36
PROFIT AND LOSS ACCOUNT CONSOLIDATED	37
CASH FLOW STATEMENT CONSOLIDATED	38
SCHEDULE TO THE CONSOLIDATED BALANCE SHEET	40
NOTES ON ACCOUNTS CONSOLIDATED	47

Directors' Report to the Shareholders

Your Directors are pleased to present the Thirteenth Annual Report together with the audited accounts of your Company for the year ended 31st March, 2009. The summarized financial results of the Company are given hereunder:

FINANCIAL RESULTS:

	(Rs. in lakhs)	
	2009	2008
Income:		
Income from Operations	44,431	37,504
Expenditure		
Employee Cost & other expenses	28,869	23,445
Profit /(Loss) before Depreciation, Interest and Taxation	15,562	14,059
Depreciation	(1,669)	(1130)
Interest	(703)	(330)
Profit / (Loss) for the year before tax	13,190	12,599
Provision for Tax – Current Tax	(3,905)	(3,981)
– Deferred tax (net)	(589)	(374)
– Fringe Benefit tax	(355)	(192)
Net Profit for the year after tax	8,341	8,052
Balance brought forward from earlier years	5,612	4,517
Balance carried forward	13,953	12,569
APPROPRIATIONS:		
General Reserve	(834)	(805)
Proposed Final Dividend on Equity shares	(2351)	(1397)
Income – Tax on Proposed Final Dividend	(399)	(238)
Surplus carried to Balance Sheet	10,369	10129

DIVIDEND:

In view of the performance during the year and positive outlook of the Company, your Directors recommend a dividend of 30 % on the paid up equity capital of the Company as on 31st March, 2009. The dividend, if approved, shall be subject to applicable taxes and shall be paid out of profits of the year ended 31st March, 2009.

OPERATIONS AND FINANCIAL OVERVIEW:

The global economic crisis during the year under review was of unprecedented magnitude and the turbulence it caused shook the Indian economy as well. This, quite obviously impacted the hospitality sector as well.

The negative market sentiments prompted existing as well as prospective customers to postpone discretionary spends, and the effect of this economic downturn resulted in setbacks especially in terms of new customer acquisitions, in the third quarter of the year under review. This disturbed the growth plans for which certain major expenses were committed in the earlier two quarters. However, by adopting innovative and focused marketing approach, deploying cost efficiencies and quickly adapting to new sales strategies, the company could minimize the effects of this aspect of consumer behavior, and was effectively able to recover some lost ground.

Therefore, despite the economic slowdown, your company registered growth in financial performance in both Profit & Loss Account and Balance Sheet parameters, during the year under review, wherein, the income grew by 19 per cent to Rs. 44,431 lakhs in 2008-09 from Rs. 37,504 lakhs in 2007-08 while Profit after Tax stood at Rs 8,341 lakhs during the year under review as compared to Rs. 8,052 lakhs in the previous year.

During the year, your Company continued to be a market leader in the Vacation Ownership Industry in India and has added 19,292 timeshare members taking the count of total memberships to 92825. The focus continued in offering new variants of the holidaying product, expanding the resort network and reinforcing our commitment to customer delight throughout the lifecycle of our products.

During the year, a unique and innovative product “Mahindra Homestays”, was launched in the United Kingdom. Homestays give customers a unique opportunity to experience the real India in Homes. A Homestay combines the comfort and distinction of a boutique hotel with the personal hospitality, informality and local knowledge enjoyed when staying with family friends, providing a direct exposure into Indian culture, tradition and history and life everyday in the Indian family. Your Company during the year entered into an MOU with the Government of Kerala for promotion of homestays in that State and is also in talks with other State Governments to promote this product across the Country.

Under its expansion program, your Company acquired 3 new properties, at Thekkady, Ooty and Naukuchiatal.. The Thekkady resort was opened in October 08 for customers. The room inventory base at existing holiday destinations was also expanded by constructing additional units in Coorg, Binsar and Kumbalgarh. Moreover, as a part of our continued effort to offer innovative holiday solutions to our customers, the company offered 22 log huts in Binsar and eight air-conditioned tents in Kumbalgarh.

During the year, the first signature “Zest” resort, Big Beach, Puducherry comprising of 125 units was completed and made available to customers. In an effort to increase the choice of holiday destinations to “Zest” customers, a boutique jungle resort comprising of 20 units at Masinagudi, in Tamilnadu, an adventure destination was made available.

In order to maintain this trend of offering new and interesting destinations to our customers, your company has acquired land on the beach at Varwade, in Ratnagiri District in Maharashtra. For the Zest product land has been acquired at scenic locations at Coorg and on the outskirts of Hyderabad.

The Travel Services Division, during the year, has been awarded the Certificate of IATA Accreditation, after having met the standards of International Air Transport Association (IATA) effective 1st Jul'08. This certification enables Club Mahindra Travel to promote and sell International air passenger transportation. This certification also eliminates the need to outsource international ticketing, which translates into more revenue for the company, without having to share the airline commission with the outsourced agency.

The Company's member relations department has taken new initiatives for member delight and enhancing convenience to members by enabling online holiday booking requests, launch of customer portal on the web for members to interact directly with Member Relations, enabling online statement pertaining to holiday utilization by members, emailing and SMS alerts for member account related information like holiday booking, invoices, receipts etc.,

In an effort to enhance quality of member servicing, the member relations department has taken broader initiatives to increase productivity by launching 6 sigma with 23 cross functional team members already getting Green Belt Qualified. Initiation of COPC (Customer Operations Performance Center) certification process coupled with the certification of 3 Registered Coordinators by the member relations department emphasizes the continued focus on increased productivity.

The year also saw the opening of six Holiday Worlds in Jaipur, Mumbai, Pune, Delhi, Lucknow and Kolkata thereby expanding its sales network across the country.

Your Companies focus on customer delight and a commitment to offer great holiday experiences has earned the following Awards and recognitions

- During the year, the Company's resort at Dharamshala and Kumbhalgarh received the Gold Crown certification from Resorts Condominiums International (RCI) while the resorts at Goa, Munnar, Coorg, Binsar and Manali retained their Gold Crown status. It is pertinent to note that the resort at Munnar received a special "10 Year RCI Gold Crown Award", as it retained the Gold Crown for a period of ten consecutive years.
- The Company's resort at Munnar was conferred the "CNBC Travel Awaaz Award – "Best Resort for Health & Rejuvenation" and the resort also retained its ISO Certification for the year under review.
- The Resorts at Goa, Munnar, Coorg, Binsar, Manali, Dharamshala, Ooty and Kodaikanal continue to retain their Branch Hygiene Code (BHC) certifications for the year.

Your Company is focused on promoting the sustainability initiatives by involving employees, customers and associates, by targeting on the triple bottom line approach of People, Planet, and Profit. Several initiatives were taken up during the year at resort locations towards a plastic free environment, promoting vermiculture, dissemination and training on sustainability to our employees and customers, celebrating the Earth Day etc., Several of our resort activities aimed in this direction have been appreciated and commended by local Government / Regulatory authorities.

The year gone by has seen several new initiatives in Training and Development, Employee Engagement and other Employee development areas. The first ever Gallup survey was conducted to ascertain employee engagement levels. Training initiatives became more focused, and a new initiative to develop a comprehensive talent management system through competency assessments was initiated which would impact positively recruitment, performance management and training, in the years ahead.

INITIAL PUBLIC OFFER (IPO)

Subject to market conditions, your Company is proposing to make a Initial Public Offer (IPO) during the financial year 2009-10 to further augment the capital base for future growth plans, and in this connection has already filed the Draft Red Herring Prospectus with the Securities and Exchange Board of India in the month of September 2008.

CORPORATE GOVERNANCE CODE OF DIRECTORS AND EMPLOYEES

As envisaged in the Code of Conduct devised during the last year, all the Directors and the Employees of the Company have affirmed compliance in writing that they have complied with the Code as applicable to them for the year ending 31st March 2009.

DIRECTORS:

Mr. A.K. Nanda and Mr. U.Y. Phadke, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDIT COMMITTEE:

As on 31st March, 2009, the Audit Committee comprises three members viz. Mr. Cyrus J Guzder, Mr. Uday Phadke and Mrs. Rama Bijapurkar. Mr. Cyrus J Guzder, Chairman of the committee and Mrs. Rama Bijapurkar are Independent Directors while Mr. Uday Phadke is a non-executive Director. The Audit Committee met four times during the year under review on 30th April, 2008, 22nd July 2008, 23rd October 2008 and 26th January, 2009.

REMUNERATION COMMITTEE:

The Remuneration Committee comprises Mrs. Rama Bijapurkar (Chairperson of the Committee), Mr. A.K. Nanda, Mr. Cyrus J. Guzder, Mr. Vineet Nayyar and Mr. Rohit Khattar.

The Committee met twice during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to section 217 (2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgements and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the profit of the Company for the year ended on that date;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities:
- (iv) the annual accounts have been prepared on a going concern basis.

AUDITORS:

Deloitte Haskins & Sells, Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment.

The shareholders will be required to elect Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors for the current year and fix their remuneration.

As required under the provisions of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from Deloitte Haskins & Sells, Chartered Accountants, to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

In line with its commitment of contributing towards Corporate Social Responsibility initiatives on a yearly basis, your Company has contributed an amount of Rs.63.40 lakhs during the year under review as compared to Rs. 53.6 lakhs during the last year.

Your Company continues to focus on CSR activities by actively involving the employees in the areas of Health, Education & Environment for the benefits of under privileged section of the community. Conducting various medical camps, providing medical help such as visionary aids to school children and lab equipment to health centers etc., were some of the measures adopted to benefit rural villagers. Apart from sponsoring education of needy girl children, providing education aids to unaided government schools for the benefit of privileged school children were some of the social activities undertaken by your Company.

DEPOSITS AND LOANS / ADVANCES:

The Company has not accepted any deposits from the public or its employees during the year under review.

Your Company has not made any loans / advances which require to be disclosed in the Annual Accounts of the Company pursuant to Clause 32 of the Listing Agreement with the parent Company, Mahindra & Mahindra Limited.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION:

In view of the nature of activities which are being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively are not applicable to the Company.

The Company continued to adopt several energy conservation measures and carbon sequestration by plantation of 89,000 trees in and around our resort locations.

The Company has a robust Information Technology infrastructure and effective network system across all its branches and resorts for effective information management.

During the year, the Company has launched a website for Mahindra Homestays as part of "Mahindra Homestays" product launch.

The year also saw the implementation of Web based Customer portal for Club Mahindra Members and enabled Member Relations Centre with the virtualization technology leading to performance improvement and cost savings in terms of power including the establishment of MPLS connectivity for all resorts. Initiation of ISO 27001 certification was also kicked-off during the year.

FOREIGN EXCHANGE EARNING AND OUTGO:

The information on Foreign Exchange earnings and outgo is furnished in the Notes on Accounts.

SUBSIDIARIES:

The statement pursuant to section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries, Mahindra Holidays and Resorts USA Inc., M H R Hotel Management GmbH, Heritage Bird (M) Sdn Bhd and Mahindra Hotels and Residences India Limited is attached.

Your Company has made an application to the Central Government and has sought exemption from attaching the accounts, etc., of its subsidiary companies with the Balance Sheet of the parent company. In terms of approval granted by the Central Government, the accounts, etc., of the subsidiary companies are not required to be attached with the Balance Sheet of the parent company and these documents will be submitted on request to any member wishing to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

PARTICULARS OF EMPLOYEES:

As required under section 217(2A) of the Companies Act, 1956 and Rules thereunder, a statement containing particulars of the Company's employees who were in receipt of remuneration of not less than Rs.24 lakhs during the year ended 31st March, 2009 or not less than Rs.2 lakhs per month during any part of the said year, is given in the Annexure to this Report.

EMPLOYEES STOCK OPTION SCHEME:

During the year, 2,61,590 options were granted on 1st November, 2008 to the Employees by the Employees' Stock Option Trust based on the Recommendation of the Remuneration Committee.

ACKNOWLEDGEMENT AND APPRECIATION:

Your Directors take this opportunity to thank the Company's customers, shareholders, suppliers, bankers, financial institutions and Central and State Governments for their unstinted support. The Directors would also like to place on record their appreciation to employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board

A. K. NANDA
Chairman

Place: Mumbai
Date: 22nd April, 2009

Mahindra Holidays & Resorts India Limited

Annexure to Directors' Report

Additional information as required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2009

Sl. No.	Name	Designation / Nature of Duties	Qualification	Experience (in Yrs)	Age (in Yrs)	Commencement of employment (DOJ)	Remuneration (Subject to tax)	Last employment held (Designation / Organisation)
1	Ramesh Ramanathan	Managing Director	B.A.PGDBM (IIM, Kolkata)	31 Y	54	09-Jun-04	11,723,639	President - Food World Super Markets Ltd.
2	Ulrich Wolfram	Head - Operations	Certificate in Hotel Management, Bad Hofgastein, Austria Certified Hotel Administrator, AHMA, USA.	44 Y	61	20-Jan-06	9,913,765	Managing Director, Excel Hotels & Resorts, Tenerife
3	Vinit Parikh	Direct Sales Manager	B.Com'04, MBA'06	3 Y 7 M	25	19-Dec-05	5,911,497	Marketing Executive, Saurabh Jalpaniwala
4	Radhakrishna R	Chief Sales Officer	BA	34 Y 1 M	56	05-Feb-01	5,866,715	General Manager, Arvind Brands
5	Rajeev S Nair	Branch In-charge	DCE'95, PDPCE'97	11 Y 10 M	33	11-Oct-99	4,138,101	Senior Executive-Sales, Dadajee Dhackjee Ltd.
6	Manish Bagwe	Branch In-Charge	B.Sc.'93	15 Y 8 M	36	05-Mar-02	3,928,209	Marketing Manager, Power Craft Engineering Ltd.
7	Vimla Dorairaju	Head - Business Development	PGDBA (LIBA)	28 Y	49	20-Sep-96	3,905,444	Asst. General Manager, Sterling Holiday Resorts
8	Farrukh Khan	Team Manager	BBA'02	6 Y 10 M	28	17-Apr-04	3,865,823	Area Manager, Bhartiya Aircom
9	Ajay Nambiar	Head Service Delivery	BHM '89, PGDHM '92, MBA '97	18 Y 5 M	40	10-Jul-07	3,783,126	Director - Content, Yahoo India
10	Vivek R	Venue Manager	B.Com'97	16 Y 10 M	34	22-Apr-04	3,707,296	Business Development Manager, Relations (DSA of City Bank)
11	Navarun Sen	Business Head - Zest	PGDM IIM (Lucknow)	18 Y 7 M	41	17-Jan-06	3,694,332	Assistant Vice President, Satyam Computers
12	Jayant Ramaswamy	Team Manager	B.Com'97, DMM	16 Y 3 M	33	09-Jan-01	3,597,543	Manager-Operations, Nisus Direct Marketing Pvt. Ltd.
13	Ravindra Khanna	Head- Projects	B.Com	23 Y 3 M	47	01-Dec-97	3,537,474	Corporate Manager - Project & Developments, GHMDSL
14	Arindam Ghosh	Holiday Specialist	MBA'04	8 Y 3 M	28	27-Jan-05	3,512,389	Tele Marketing Executive-Sales, Prima Tel Commun.
15	Aniruddha Haldar	Head - Marketing	PGDBM (IIM KOL) '99	9 Y 8 M	33	14-Sep-01	3,319,598	Area Sales Manager, Gillette

Annexure to Directors' Report (Contd...)

Additional information as required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2009

Sl. No.	Name	Designation / Nature of Duties	Qualification	Experience (in Yrs)	Age (in Yrs)	Commencement of employment (DOJ)	Remuneration (Subject to tax)	Last employment held (Designation / Organisation)
16	Harshil K	Team Manager	BE'04	5 Y 9 M	25	14-Mar-05	3,288,583	Sr. Marketing Executive, Computer Lovers Centre
17	Ravishankar P	Chief Human Resource Officer	PGDPM IR&LW '80	29 Y	50	08-May-08	3,266,236	President - HR, Jubilant Organosys Ltd
18	Soundararajan Palaniappan	Corporate Executive Chief	B.Sc., DHMCT	28 Y	50	01-Dec-1997	3,171,605	Corporate Executive Chief, GHMDSL
19	Amol Vidwans	Chief Information Officer	B.Com, DCS, MSc	16 Y 2 M	41	27-Nov-06	3,158,229	Country IT Manager, Caltex Lubricants India Ltd.
20	Amruta Dhamapurkar	Executive-Sales	B.Sc.'07 in Hospitality & Hotel Admn.	2 Y 8 M	22	10-Jun-07	2,952,648	Fresher
21	Balamurugan P.S	Divisional Manager	DEE'88, PDCA'92	18 Y 2 M	39	15-Feb-97	2,791,262	Deputy Manager, Sterling Holiday Resorts India Ltd.
22	Harinath M	Head - Sales and Marketing	PGDM (IIM B) '95	15 Y 8 M	41	18-Nov-1996	2,744,803	Brand Manager, WIPRO
23	Sumathi Mohan	Divisional Manager	B.Com, ACA '94	12 Y 8 M	37	20-Apr-2005	2,733,818	Senior Manager, Bharti Cellular Ltd.
24	Sanjeev Khanna	Regional Head	B.Sc., DHM	19 Y 10 M	45	13-Mar-2007	2,720,312	General Manager, The Carlton
25	Girish B Nair	Regional Head	BA	19 Y 8 M	41	11-Oct-1999	2,711,756	Team Manager, Sterling Holidays
26	Vikas Bhasin	Regional Head	DHM	13 Y 1 M	39	01-Apr-2006	2,433,219	General Manager, Surya Samudra Holiday Resort
27	Padmanabhan S	Head - Finance and Commercial	CA, ACS	18 Y 7 M	41	15-Sep-08	2,155,333	Vice President - Finance, ISG
28	Pascal Morgeau	Head - Operations	BHM '92	17Y	39	13-Oct-08	2,057,308	General Manager, Novasoft Technologies Ltd.
29	Sridhar A	General Manager	B.Com, ACA'87	20 Y 8 M	48	21-Apr-2007	1,432,994	General Manager, Movenpick Hotels & Resorts
30	Santosh Pandey	Direct Sales Manager	BA'97	4 Y	35	08-Apr-08	219,978	CFO, EID Parry India Ltd. Senior, CRA, Zenta (P) Ltd.

Notes:

- 1 Nature of employment is contractual subject to termination on three months notice on either side.
- 2 The above employees are not related to any Director of the Company.
- 3 No employee holds by himself or along with his spouse and dependent children 2% or more of the equity shares of the Company.
- 4 Terms and Conditions of employment are as per Company's rules / contract.
- 5 Gross remuneration received as shown in the statement includes Salary, Performance Pay, House Rent Allowance or value of perquisites / allowances applicable, employer's contribution to Provident Fund and Superannuation Scheme including reimbursement of medical expenses and all allowances / perquisites and terminal benefits as applicable.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED**

We have audited the attached balance sheet of Mahindra Holidays & Resorts India Limited, as at March 31, 2009 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

- (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at March 31, 2009;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. Ramaratnam
Partner

Place: Mumbai
Date: 22 April 2009

Membership No. 21209

Annexure referred to in paragraph 3 of the report of even date of the auditors to the members of Mahindra Holidays & Resorts India Limited on the accounts for the year ended March 31, 2009.

- i. a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The management has a programme of physical verification of fixed assets over a period of three years which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. In accordance with this programme, the management has conducted physical verification of certain fixed assets during the year. No material discrepancies were noticed on such verification.
- c) The company has not disposed off a substantial part of fixed assets during the year and therefore paragraph 4(i) (c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- ii. a) Physical verification of inventory has been conducted by the management during the year and, in our opinion, the frequency of verification is reasonable.
- b) Procedures of physical verification of inventories followed by the management are reasonable, adequate and commensurate to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventories and no material discrepancies have been noticed on physical verification of inventories as compared to the book records.
- iii. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services and there are no major internal control weakness in regard thereto.
- v. According to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the public.
- vii. In our opinion the company has an internal audit system that is commensurate with its size and nature of business.
- viii. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956, in respect of the activities of the company.

- ix. (a) In our opinion and according to the information and explanations given to us, the company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, value added tax, service tax, custom duty, excise duty, and cess and other statutory dues, if any, with the appropriate authorities. There are no arrears of outstanding statutory dues as at March 31, 2009 for a period of more than six months from the date they became payable.
- (b) As explained to us, the following unpaid disputed statutory dues are outstanding at the year end

Name of the statute	Nature of the dues	Financial Year	Amount (Rs.)	Forum where the dispute is pending
Income Tax	Income Tax & Fringe Benefit Tax	2005-2006	330,111,288	Commissioner of Income Tax – Appeals

- x. The company does not have accumulated losses at the end of the financial year and the company has not incurred cash losses in the financial year as well as in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks and financial institutions.
- xii. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund and nidhi / mutual benefit fund/ society are not applicable to the company.
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The company has not availed any term loans during the year.
- xvii. Based on information and explanations given to us and on overall examination of the balance sheet of the company, in our opinion, there are no funds raised on short term basis which have been used for long term investments.
- xviii. The company has not made any preferential allotment of shares during the year.
- xix. The company has not issued any debentures during the year.
- xx. The company has not raised any money by way of public issues during the year.
- xxi. Based upon the audit procedures performed and as per the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. Ramaratnam
Partner

Place: Mumbai
Date: 22 April 2009

Membership No. 21209

Mahindra Holidays & Resorts India Limited

BALANCE SHEET

		As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SOURCES OF FUNDS	Schedule		
Shareholders' funds:			
Share capital	1	769,785,100	764,179,170
Employee stock options outstanding		-	359,418
Reserves and surplus	2	1,209,719,754	651,089,449
Deferred income			
Advance towards members' facilities (see note 1 (vi) (a))		6,368,312,714	4,788,940,086
Loan funds:			
Secured loans	3	246,944,896	200,622,578
Deferred tax liability (net)		294,759,781	235,864,171
TOTAL		8,889,522,245	6,641,054,872
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		4,221,480,876	2,733,737,994
Less : Depreciation		639,718,570	478,867,150
Net block		3,581,762,306	2,254,870,844
Capital work in progress/advances		427,125,743	389,766,151
Expenditure during construction pending allocation	5	85,087,004	60,246,773
		4,093,975,053	2,704,883,768
Investments	6	6,389,350	2,362,618
Current assets, Loans and advances	7		
Inventories		52,387,537	34,547,917
Sundry debtors		4,841,685,593	4,034,216,363
Cash and bank balances		319,655,769	67,893,913
Loans and advances		735,337,720	576,217,125
		5,949,066,619	4,712,875,318
Less: Current liabilities and provisions	8		
Current liabilities		841,930,675	608,426,501
Provisions		317,978,102	170,640,331
		1,159,908,777	779,066,832
Net current assets		4,789,157,842	3,933,808,486
TOTAL		8,889,522,245	6,641,054,872
NOTES ON ACCOUNTS	14		

The Schedules referred above forms an integral part of Balance Sheet
As per our report of even date

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 22/04/2009

S Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

		2008-09 Rs.		2007-08 Rs.
INCOME	Schedule			
Income from sale of Vacation				
Ownership and other services	9	3,930,644,235		3,527,280,707
Other income	10	512,454,133		223,096,819
Total		<u>4,443,098,368</u>		<u>3,750,377,526</u>
EXPENDITURE				
Employee cost	11	608,437,166		473,785,189
Depreciation		166,868,043		113,031,452
Other expenses	12	2,278,514,543		1,870,651,761
Interest and financial charges	13	70,294,988		32,972,476
Total		<u>3,124,114,740</u>		<u>2,490,440,878</u>
Profit before tax		1,318,983,628		1,259,936,648
Provision for taxation				
Current tax		390,500,000	398,100,000	
Deferred tax		58,895,610	37,445,338	
Fringe benefit tax		35,500,000	19,200,000	
		<u>484,895,610</u>		454,745,338
Profit after tax		834,088,018		805,191,310
Profit brought forward (refer Schedule 2)		561,191,180		451,712,839
Balance available for appropriation		<u>1,395,279,198</u>		<u>1,256,904,149</u>
Appropriations:				
General Reserve		83,410,000	80,520,000	
Proposed Dividend		235,001,064	139,732,580	
Tax on Proposed Dividend		39,938,431	23,747,550	
		<u>358,349,495</u>		244,000,130
Balance carried to Balance Sheet		<u>1,036,929,703</u>		<u>1,012,904,019</u>
Earnings Per Share				
Basic		10.84		10.55
Diluted		10.65		10.32
NOTES ON ACCOUNTS	14			

The Schedules referred above forms an integral part of Profit & Loss Account

As per our report of even date

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 22/04/2009

S Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	2008 - 09 Rs.	2007 - 08 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Profit before tax	1,318,983,628	1,259,936,648
Adjustments for :		
Depreciation	166,868,043	113,031,452
Employee compensation expenses on account of ESOS	(359,418)	359,418
Interest and financial charges	70,294,988	32,972,476
Interest on deposits	(14,769,006)	(8,655,104)
Interest on instalment sales	(371,498,010)	(196,846,759)
Income from securitisation	(99,586,219)	(12,126,165)
Loss/(gain) on fixed assets sold/scrapped (net)	3,290,038	350,166
Unrealised exchange loss/(gain)	(25,011,482)	19,682,772
Operating profit before working capital changes	<u>1,048,212,562</u>	<u>1,208,704,904</u>
Changes in :		
Deferred income - Advance towards members' facilities	1,579,372,628	1,584,381,853
Trade and other receivables	(938,821,172)	(2,075,411,871)
Inventories	(17,839,620)	(16,701,571)
Trade and other payables	241,660,322	207,017,319
	<u>864,372,158</u>	<u>(300,714,270)</u>
Income taxes paid	(395,097,770)	(439,570,973)
NET CASH FROM OPERATING ACTIVITIES	<u>1,517,486,950</u>	<u>468,419,661</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets including capital work in progress/advances and expenditure pending allocation	(1,561,084,296)	(731,915,141)
Proceeds from sale of fixed assets	2,679,066	20,615,151
Purchase of investments	(4,026,732)	(499,980)
Interest received	8,831,863	8,655,104
Interest on instalment sales received	371,498,010	196,846,759
Income from securitisation received	99,586,219	12,126,165
NET CASH (USED IN) / FROM INVESTING ACTIVITIES	<u>(1,082,515,870)</u>	<u>(494,171,942)</u>

	2008 - 09 Rs.	2007 - 08 Rs.
C . CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from borrowings	1,036,322,318	141,080,313
Repayment of borrowings	(990,000,000)	-
Dividends paid	(139,732,580)	(86,847,015)
Dividend distribution tax paid	(23,747,550)	(14,759,650)
Issue of equity shares	4,243,576	2,948,400
Interest and financial charges paid	(70,294,988)	(32,972,476)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	<u>(183,209,224)</u>	<u>9,449,572</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	<u>251,761,856</u>	<u>(16,302,709)</u>
CASH AND CASH EQUIVALENTS :		
Opening balance	67,893,913	84,141,501
Cash and bank balance acquired on amalgamation	-	55,121
Total	67,893,913	84,196,622
Closing balance	319,655,769	67,893,913
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>251,761,856</u>	<u>(16,302,709)</u>

As per our report of even date

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 22/04/2009

S Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited

SCHEDULE - 1	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SHARE CAPITAL		
Authorised :		
100,000,000 equity shares of Rs.10 each	1,000,000,000	1,000,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued :		
78,333,688 equity shares of Rs.10 each	<u>783,336,880</u>	<u>783,336,880</u>
Subscribed and paid-up :		
78,333,688 equity shares of Rs. 10 each fully paid (of the above 73,354,833 equity shares are held by the holding company, Mahindra & Mahindra Limited)	783,336,880	783,336,880
Less: 1,355,178 (previous year 1,915,771) equity shares of Rs 10 each fully paid up issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees (refer note 2)	13,551,780	19,157,710
	<u>769,785,100</u>	<u>764,179,170</u>

Note : The above includes 48,995,228 equity shares allotted as fully paid-up by way of Bonus shares by capitalisation of balance in Profit & Loss account and General Reserve on 24 November 2007 in the ratio of 5 equity shares for every 3 shares held

SCHEDULE - 2

RESERVES AND SURPLUS

	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.	
Capital reserve			
As per last balance sheet	630,441	113,841	
Additions during the year (refer note 3)	844,136	516,600	
	1,474,577	630,441	630,441
General Reserve			
As per last balance sheet	87,943,310	41,757,000	
Less: Capitalised on issue of Bonus Shares	-	38,239,441	
Less: Transfer on Amalgamation	-	8,076,889	
Less: Bonus shares issued on exercise of stock options	3,506,160	-	
Add: Bonus shares issued to ESOP Trust but not allotted to employees	-	11,982,640	
Add: Transfer from Profit and Loss Account	83,410,000	80,520,000	
	167,847,150	87,943,310	87,943,310
Securities Premium Account			
Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust	12,071,220	12,071,220	
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees (refer note 2)	8,602,896	10,746,702	
	3,468,324	1,324,518	1,324,518
Balance in Profit and Loss Account	1,036,929,703	1,012,904,019	
Less: Capitalised on issue of Bonus Shares	-	451,712,839	
	1,036,929,703	561,191,180	561,191,180
	1,209,719,754	651,089,449	

SCHEDULE - 3

LOAN FUNDS

SECURED LOANS

(refer note 4)

Loans and advances from a bank			
- Cash credit	246,297,320	198,443,285	
Deferred payment under hire purchase	672,539	2,316,733	
Less: Future interest	24,963	137,440	
	647,576	2,179,293	2,179,293
	246,944,896	200,622,578	

**SCHEDULE - 4
FIXED ASSETS AS AT MARCH 31, 2009**

Rs.

Description	GROSS BLOCK (AT COST)			DEPRECIATION / AMORTISATION				NET BLOCK	
	As at April 1 2008	Additions	Deductions	As at March 31, 2009	As at April 1, 2008	For the year	Deductions	As at March 31, 2009	As at March 31, 2008
(A) Tangible assets									
(i) Assets on lease/hire purchase									
Leasehold land	26,364,000	1,025,500	-	27,389,500	329,478	274,222	-	26,785,800	26,034,522
Leasehold buildings	20,610,302	8,208,383	-	28,818,685	2,492,997	2,007,457	-	24,318,231	18,117,305
Vehicles	5,141,346	-	694,052	4,447,294	2,492,198	790,266	405,364	1,570,194	2,649,148
	52,115,648	9,233,883	694,052	60,655,479	5,314,673	3,071,945	405,364	52,674,225	46,800,975
(ii) Owned assets									
Freehold land	313,661,948	393,258,784	-	706,920,732	-	-	-	706,920,732	313,661,948
Buildings	1,309,505,054	626,300,711	-	1,935,805,765	104,120,316	27,015,880	-	1,804,669,569	1,205,384,738
Plant and machinery	589,315,141	202,611,600	4,156,481	787,770,260	147,998,373	54,022,043	1,733,810	587,483,654	441,316,768
Furniture and fixtures	381,036,396	207,512,272	3,675,038	584,873,630	174,097,561	57,492,854	1,794,686	355,077,901	206,938,835
Vehicles	30,277,173	8,416,378	3,460,156	35,233,395	12,741,608	4,373,004	2,082,763	20,201,546	17,535,565
	2,623,795,712	1,438,099,745	11,291,675	4,050,603,782	438,957,858	142,903,781	5,611,259	3,474,353,402	2,184,837,854
(B) Intangible assets									
Vacation Ownership weeks	6,226,938	-	-	6,226,938	3,736,164	622,694	-	1,868,080	2,490,774
Product design and development	8,528,395	28,011,670	-	36,540,065	3,014,145	6,631,841	-	26,894,079	5,514,250
Software	43,071,301	4,383,311	-	47,454,612	27,844,310	11,204,905	-	8,405,397	15,226,991
Non Compete Fee	-	20,000,000	-	20,000,000	-	2,432,877	-	17,567,123	-
	57,826,634	52,394,981	-	110,221,615	34,594,619	20,892,317	-	55,486,936	23,232,015
Total	2,733,737,994	1,499,728,609	11,985,727	4,221,480,876	478,867,150	166,868,043	6,016,623	3,581,762,306	2,254,870,844
Previous Year	2,247,714,001	514,680,734	28,656,741	2,733,737,994	373,527,122	113,031,452	7,691,424	478,867,150	2,254,870,844

SCHEDULE - 5

Expenditure During Construction pending Allocation

Rs.

	As at 01.04.2008	Additions	Capitalised during the year	As at 31.03.2009
Salaries,Wages & Bonus	20,779,938	27,127,042	24,810,303	23,096,677
Staff welfare Expenses	494,299	833,209	1,060,738	266,770
Power & Fuel	405,832	12,477,063	12,041,390	841,505
Rent	265,047	465,940	342,120	388,867
Rates & Taxes	967,531	2,064,697	1,419,200	1,613,028
Repairs-Others	793,643	1,264,718	1,907,819	150,542
Travelling	13,067,508	10,562,129	15,313,756	8,315,881
Communication	1,258,216	1,446,123	1,591,604	1,112,735
Printing & Stationery	567,395	553,857	709,425	411,827
Insurance	11,375	229	9,802	1,802
Consultancy Charges	19,697,871	14,602,696	20,723,308	13,577,259
Freight	201,827	5,656,503	1,572,364	4,285,966
Miscellaneous	1,736,291	3,143,917	3,107,671	1,772,537
Interest - Others	-	30,524,971	1,273,363	29,251,608
Total	60,246,773	110,723,094	85,882,863	85,087,004

SCHEDULE - 6

	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
Investments:Long term Unquoted (at cost)		
Subsidiary Company : Trade Mahindra Holidays and Resorts USA Inc 100 equity shares of US\$ 0.10 each fully paid up	45,503	45,503
MHR Hotel Management GmbH (Shares equivalent in value to 26,250 Euros out of total share capital of Euro 35,000)	1,567,125	1,567,125
Heritage Bird (M) Sdn. Bhd. 300,002 shares of one Ringgit each(300,000 acquired during the year)	4,026,772	40
Mahindra Hotels and Residences India Ltd 49,994 equity shares of Rs. 10 each	499,940	499,940
Others : Non-trade Guestline Hospitality Management and Development Services Limited 25,000 7% non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each fully paid up.	250,000	250,000
Mahindra World City Developers Ltd. 1 equity share of Rs.10 each fully paid up.	10	10
	<u>6,389,350</u>	<u>2,362,618</u>

Note :

- The preference shares of Guestline Hospitality Management and Development Services Limited will be redeemed at par at the option of the investee at any time after five years but before twenty years from the date of allotment viz 14.01.2003
- The preference shares of Guestline Hospitality Management and Development Services Limited shall at the option of the holder be convertible into fully paid equity shares of the face value of Rs.10 each anytime after thirty six months from the date of allotment.

Mahindra Holidays & Resorts India Limited

SCHEDULE - 7	As at 31.03.2009 Rs.	As at 31.03.2008 Rs.
CURRENT ASSETS, LOANS AND ADVANCES :		
(A) Current assets :		
Inventories		
Food, beverages and smokes	1,514,077	1,291,729
Operating supplies	50,873,460	33,256,188
	<u>52,387,537</u>	<u>34,547,917</u>
Sundry debtors		
(Unsecured)		
Outstanding over six months		
: considered good	311,650,942	273,553,692
: considered doubtful	228,848	172,777
	<u>311,879,790</u>	<u>273,726,469</u>
Other debts, considered good	5,470,191,542	4,427,257,951
	<u>5,782,071,332</u>	<u>4,700,984,420</u>
Less : provision for doubtful debts	228,848	172,777
	<u>5,781,842,484</u>	<u>4,700,811,643</u>
Less : unmatured finance charges	940,156,891	666,595,280
	<u>4,841,685,593</u>	<u>4,034,216,363</u>
Cash and bank balances		
Cash on hand	462,515	806,474
Balances with scheduled banks :		
in current accounts	59,325,930	57,316,005
in deposit accounts	259,867,324	9,771,434
	<u>319,655,769</u>	<u>67,893,913</u>
(B) Loans and advances :		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	215,953,601	211,874,026
Advances and loan to subsidiaries	319,334,996	193,517,026
Deposits	200,028,462	167,141,101
Payments towards income tax (net of provisions)	-	3,179,972
Gratuity	20,661	505,000
	<u>735,337,720</u>	<u>576,217,125</u>
SCHEDULE - 8		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors:		
Total outstanding dues to micro and small enterprises	-	-
Others	828,252,479	590,504,729
Amount received from ESOP trust	13,678,196	17,921,772
	<u>841,930,675</u>	<u>608,426,501</u>
B. PROVISIONS		
Proposed dividend	235,001,064	139,732,580
Tax on proposed dividend	39,938,431	23,747,550
Taxation (net of payments)	27,722,258	-
Compensated Absences	15,316,349	7,160,201
	<u>317,978,102</u>	<u>170,640,331</u>

	2008-09 Rs.	2007-08 Rs.
SCHEDULE - 9		
Income from sale of Vacation Ownership and other services		
Income from sale of Vacation Ownership	2,972,082,371	2,835,392,943
Income from resorts		
- Room rentals	175,298,812	141,210,483
- Food and beverages	231,194,376	162,191,129
- Wine and liquor	8,587,155	10,130,520
- Others	75,800,770	54,748,295
	490,881,113	368,280,427
Annual subscription fee	455,597,026	322,793,917
Income from travel services & home stays	12,083,725	813,420
	3,930,644,235	3,527,280,707
SCHEDULE - 10		
Other Income		
Interest		
On installment sales	371,498,010	196,846,759
Others - gross	14,769,006	8,655,104
Income from securitization (refer note 5)	99,586,219	12,126,165
Gain on exchange fluctuation (net)	25,011,482	-
Miscellaneous income	1,589,416	5,468,791
	512,454,133	223,096,819
SCHEDULE - 11		
Employee Cost		
Salaries, wages and bonus	557,339,768	432,975,616
Contribution to provident and other funds	22,979,624	17,442,581
Staff welfare expenses	28,117,774	23,366,992
	608,437,166	473,785,189
SCHEDULE - 12		
Other expenses		
Food, beverages and smokes consumed		
Opening stock	1,291,729	1,596,867
Add: purchases	71,180,794	52,168,611
	72,472,523	53,765,478
Less: closing stock	1,514,077	1,291,729
	70,958,446	52,473,749
Operating supplies	40,079,176	29,386,389
Advertisement	196,796,865	274,142,822
Sales promotion expenses	736,149,851	494,139,465
Sales commission	321,436,612	350,574,528
Discount	59,722,960	36,736,001
Power and fuel	96,220,321	74,408,619
Rent (including lease rent)	205,910,802	129,022,363
Rates and taxes	12,643,672	10,910,242
Director's fees	120,000	135,000

Mahindra Holidays & Resorts India Limited

	2008-09 Rs.	2007-08 Rs.
SCHEDULE - 12 (Contd.)		
Repairs and maintenance		
Buildings	5,577,395	4,954,484
Resort renovations	37,971,535	32,973,417
Office equipment	168,856	2,226,317
Others	50,839,774	29,840,733
Travelling	102,990,350	81,383,677
Communication	62,258,436	49,185,483
Insurance	5,844,375	8,018,016
Consultancy charges	51,690,235	38,405,735
Miscellaneous	125,080,081	87,749,640
Service charges	92,708,692	63,779,366
Provision for doubtful debts	56,071	172,777
Loss on fixed assets sold/scrapped (net)	3,290,038	350,166
Loss on exchange fluctuation (net)	-	19,682,772
	<u>2,278,514,543</u>	<u>1,870,651,761</u>
SCHEDULE - 13		
Interest and financial charges		
Interest	42,847,670	8,910,476
Bank charges	27,447,318	24,062,000
	<u>70,294,988</u>	<u>32,972,476</u>

Schedule - 14

Notes on accounts for the year ended March 31, 2009.

1. ACCOUNTING POLICIES

(i) Basis for preparation of accounts:

The financial statements have been prepared under the historical cost convention in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

Use of estimates:

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised.

(ii) Fixed assets:

Fixed assets are stated at cost less depreciation. Cost comprises of purchase price and other directly attributable costs of bringing the asset to its working condition for its intended use and includes interest on moneys borrowed for construction/acquisition of fixed assets up to the period the assets are ready for use. Depreciation is calculated on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the following:

- (a) Leasehold land and buildings are amortised over the period of lease.
- (b) Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months from the date of capitalisation.
- (c) Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months.
- (d) Intangible assets representing 'vacation ownership' is amortised over a period of ten years.
- (e) Expenditure incurred towards software is amortised over a period of 36 months.
- (f) Expenditure on product design and development & web portal is amortised over the estimated useful life of the asset i.e. 3 / 4 years.
- (g) Non- compete fee is amortised over a period of 5 years.

(iii) Assets taken on Lease and Hire Purchase:

Assets taken on Lease and Hire Purchase arrangements, wherein the Company has an option to acquire the assets are accounted for as fixed assets in accordance with Accounting Standard 19 on Leases.

(iv) Inventories:

Inventories are stated at cost or net realisable value, whichever is lower. The cost is arrived at on first in first out method.

(v) Investments:

Long term investments are stated at acquisition cost less provision, if any, for diminution in value other than temporary.

(vi) Revenue recognition:

- (a) The company's business is to sell Vacation ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred payment basis. Admission fee, which is non-refundable, is recognized as income on admission of a member. Entitlement fee (disclosed under Advance towards Members facilities), which entitles the vacation ownership member for the vacation ownership facilities over the membership usage period, is recognized as income equally over the usage period.
- (b) Annual subscription fee dues from members are recognised as income on an accrual basis.
- (c) Interest on instalment sales is recognised as income on an accrual basis.
- (d) Income from resorts includes income from room rentals, food and beverages, etc. and is recognised when services are rendered.
- (e) Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On derecognition, the difference between book value of the securitised asset and consideration received is recognised as gain or loss arising on securitisation.
- (f) Income from travel services includes commission on tickets/hotel booking, service charges from customers, etc. and is recognised when services are rendered.
- (g) Income from homestays is recognized when services are rendered.

(vii) Foreign exchange transactions:

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the

transactions. The exchange gain / loss arising on settlement of such transactions is adjusted to the profit and loss account.

Monetary assets and liabilities denominated in foreign currency are translated at exchange rates prevailing at the Balance sheet date and gain or loss arising out of such translation is adjusted to the profit and loss account.

(viii) Employee benefits:

Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the profit and loss account.

Defined Contribution Plan

Contributions to the provident and pension funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the profit and loss account on an accrual basis. Contribution to superannuation fund are accounted on the same basis and is made to the Life Insurance Corporation of India (LIC).

Defined Benefit Plan

The company has an arrangement with the Life Insurance Corporation of India (LIC) to administer its gratuity scheme. The contribution paid/payable is debited to the profit and loss account on an accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation as at balance sheet date using the Projected Unit Credit method and debited to the profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognized in the profit and loss account. Long term compensated absences is similarly valued on an actuarial basis and is unfunded.

(ix) Taxes on income:

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income (AS 22) issued by the Institute of Chartered Accountants of India. Tax expense comprises both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax

laws. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each Balance Sheet date. Fringe benefit tax is recognised in accordance with the relevant provisions of the Income Tax Act, 1961.

(x) Share issue expenses:

Expenses incurred in connection with issue of share capital are adjusted against securities premium account.

(xi) Borrowing Cost:

Borrowing cost that are attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as expenses in the period in which they are incurred.

(xii) Provision & contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions are not discounted to present value and are determined based on the best estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

2. Employees' stock option scheme

Under the Employee Stock Option Scheme equity shares are allotted to the Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust (the trust) set up by the company. The trust holds these shares for the benefit of the eligible employees/Directors as defined under the scheme and issues the shares to them as per the recommendation of the remuneration committee.

1. The details of the Employees' Stock Option Schemes are as under:

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust			
Method of Settlement	By issue of shares at Exercise Price			
Grant (Date of Grant)	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (01/11/2007)	Grant V (01/11/2008)
Exercise Price	Rs.16	Rs.52	Rs.52	Rs.52
Average Exercise Price(after bonus issue)	Rs.6.00	Rs.19.50	Rs.19.50	Rs.52.00
Vesting Period	5 Years	4 Years	4 Years	4 Years
Number of Options Granted	759,325	122,235	56,700	261,590
Contractual life	6 years from the date of grant.	5 years from the date of each vesting.		
Vesting Conditions	35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.	25% each on expiry of 12, 24, 36 and 48 months from the date of grant.		
No. of options exercisable in each tranche	Minimum of 25 and a maximum of all options vested till that date.			

2. Summary of Stock options (including bonus shares)

Particulars	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (1/11/2007)	Grant IV (4/2/2008)	Grant V ** (1/11/2008)	Total
Options outstanding as on 1.4.2008 including bonus shares allotted and net of options lapsed of 235,622 shares	1,256,207	272,553	151,389	152,536	-	1,832,685
Options granted	-	-	-	-	261,590	261,590
Options vested	510,243	60,401	37,831	-	-	608,475
Options exercised	(495,064)	(46,499)	(19,030)	-	-	(560,593)
Options lapsed	(24,379)	(30,665)	-	(34,405)	(19,340)	(108,789)
Options surrendered	-	-	-	(118,131)	-	(118,131)
Options outstanding as on 31.03.2009	736,764	195,389	132,359	-	242,250	1,306,762
Options vested but not exercised	36,628	74,553	18,801	-	-	129,982

** Issued out of lapsed options.

Mahindra Holidays & Resorts India Limited

In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares have been reduced from the share capital by Rs. 13,551,780 and securities premium account reduced by Rs. 8,602,896. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities.

The General Reserve has been reduced by Rs. 3,506,160 for bonus shares issued on exercise of stock options.

The company has adopted the intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares based on the valuations obtained from an independent valuer is Rs. 16 per equity share as on 31st March, 2006, Rs.52 per equity share as on 1st January, 2007, 31st August, 2008 and 1st November, 2008 based on the Discounted Cash Flow Method. As the difference between the intrinsic value and the exercise price per share is Rs. Nil no employee compensation cost has been charged.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. 15th July 2006, 30th March 2007, 1st November 2007 and 1st November 2008 is Rs. 4.28, Rs. 16.36, Rs.16.55 and Rs.16.04 respectively.

Consequent to cancellation of Grant IV due to surrender by the allottees the employee compensation cost of Rs.359,418, charged to revenue has been reversed.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs.10,383,964 and the impact on the financial statements would be :

	Year ended March 31, 2009	Amount in Rs. Year ended March 31, 2008
Increase in employee compensation cost	1,584,780	1,999,184
Decrease in profit after tax	1,584,780	1,999,184
Decrease in basic & diluted earning per share	(0.02)	(0.03)

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

	Grant dated 15 th July, 2006	Grant dated 30 th March, 2007	Grant dated 1 st November, 2007	Grant dated 1 st November, 2008
Risk free interest rate	7.82%	7.92%	7.72%	7.34%
Expected life	4.50	5.00	5.00	5.00
Expected volatility	Nil	Nil	Nil	Nil
Expected dividend yield	Nil	Nil	Nil	Nil

3. Pursuant to a Business Transfer Agreement dated August 22, 2008, the Company has acquired a property at Ooty for a consideration of Rs 33 crores including a non-compete fee of Rs. 2 Crores. The company has also acquired a property at Thekady at Kerala vide a Business Transfer Agreement dated September 20, 2008 for a consideration of Rs. 14.1 crores. The assets have been taken over at values determined by independent valuers and the excess of such values over the consideration paid amounting to Rs 844,136 is shown under Capital Reserve. Both the properties have been converted to resorts.

4. Secured loans

Loans and advances from a bank are secured by an exclusive charge on receivables. Deferred payment under hire purchase is secured by hypothecation of assets financed.

5. Securitisation

The company has been securitising amounts receivable including future interest receivable thereon. The excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.

Rs.

Particulars	Year ended March 31,	
	2009	2008
Value of Accounts receivable	1,823,985,604	581,949,599
Less: Future interest receivable	424,868,963	95,198,158
Principal amount of receivables	1,399,116,641	486,751,441
Consideration received	1,500,000,000	500,000,000
Profit on securitisation	100,883,359	13,248,559
Less: Reversals in respect of cancelled members	1,297,140	1,122,394
Income from securitisation	99,586,219	12,126,165

6. Contingent Liabilities

	As at March 31, 2009	As at March 31, 2008
(a) Receivables securitised, with recourse.	1,623,163,525	713,890,874
Certain specified Receivables have been securitised with a bank for availing finance. In case a member defaults in payment to the bank, the bank would have recourse to the company. In such cases, the company has recourse to the customer.		
(b) Claims against the company not acknowledged as debts	9,668,526	9,588,749
Claims not acknowledged as debts represent luxury tax claimed on room revenue and other services which has been disputed by the company. The possibility of reimbursement depends on the outcome of the cases pending before the adjudicating authority.		
(c) Income tax matters		
(i) The Income Tax Department has filed appeals against the orders of the CIT(A) during FY2005-06 for the assessment years 1998-99 to 2002-03, in respect of the issues relating to revenue recognition, which were decided in favour of the Company. Amount involved with respect to this matter (including demand for the assessment years 2003-04, 2004-05, 2005-06 and 2006-07) for which assessments were subsequently completed in respect of which the Company has gone/ will be going on appeal. The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed is Rs. 779,467,899/- (including interest of Rs. 137,783,499); As at 31 st March, 2008, Rs.434,817,288/- (including interest of Rs. 58,051,475).		
(ii) Disallowance of expenditure during construction / Software expenses. Rs. 31,266,979/- (including interest of Rs 4,900,440); As at 31 st March, 2008 Rs. 10,084,277/- (including interest of Rs. Nil). The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed. However, even if these liabilities crystallise, there would be future tax benefits available on account of timing differences, except for interest and income tax rate differences. Cash outflows would depend on the outcome of the appeals.		
(iii) Others (including interest of Rs 10,454,727)	50,397,417	Nil

(d) Other matters under appeal

The Government of Kerala issued an Order dated 3rd July 2007 cancelling the assignment of land underlying the Munnar resort and directed repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The company has filed an appeal before the Commissioner of Land Revenue against the Order stating that the patta issued does not specify that the land should be used only for agricultural purpose and also obtained a Stay Order from the Kerala High Court against eviction from the property.

The Commissioner of Land Revenue, Trivandrum vide his Order dated November 22, 2007 dismissed the appeal filed by the Company against the Order of the Sub-Collector, District of Devikulam dated 3rd July 2007 cancelling the assignment of land underlying the Munnar Resort and directing repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company filed a writ petition before the Kerala High Court against the said Order and on December 13, 2007, the Court granted an interim stay of all further proceedings.

	As at March 31, 2009	Rs. As at March 31, 2008
7. Capital commitments		
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	313,842,033	226,318,590
8. Auditors' remuneration		
Audit Fees	2,300,000	2,300,000
Other Services	3,400,000	6,045,000
Reimbursement of expenses/levies	Nil	1,252,644
9. CIF Value of Imports		
Capital Goods	40,832,434	23,511,905
10. Expenditure in foreign currency		
Salaries	20,129,371	9,803,640
Travel	3,484,429	3,589,154
Consultancy	33,420,417	27,675,920
Marketing Expenses	30,159,601	3,374,263
Others	73,000,537	21,291,507
11. Earnings in foreign currency		
Room rentals and restaurant sales	49,184,457	83,450,433
Sale of vacation ownership	133,462,775	63,479,174
Interest	8,657,751	8,562,835

	% of total Value	2008-09 Consumption Rs.	% of total Value	2007-08 Consumption Rs
12. Particulars of consumption				
Provisions, beverages (excluding wine, liquor and smokes)	92	65,306,140	87	45,804,845
Wine, Liquor and Smokes	8	5,652,306	13	6,668,904
	100	70,958,446	100	52,473,749
Indigenous	100	70,958,446	100	52,473,749
Imported	-	-	-	-
	100	70,958,446	100	52,473,749

13. In respect of hire purchase transactions, the details of instalments payable in future are as follows:

	As at March 31, 2009	
	Not later than 1 year Rs.	Later than 1 year not later than 5 years Rs.
Minimum instalment payable	672,539 (1,578,254)	Nil (738,479)
Present value of instalments payable	647,576 (1,466,960)	Nil (712,733)

Figures in brackets are in respect of the previous year

14. Additional information pursuant to the provisions of paragraphs 3 (i) (a) and (ii) of part II of Schedule VI of the Companies Act, 1956.

Sl. No.	Class of goods	Unit of measurement	Opening stock Value		Purchases Value		Closing stock Value	
			Qty.	(Rs)	Qty.	(Rs)	Qty.	(Rs)
1	Beverages	Litres	7,898 (5,029)	183,337 (112,865)	274,248 (138,662)	3,040,337 (1,765,338)	13,389 (7,898)	277,975 (183,336)
2	Wine and liquor	Litres	4,893 (2,662)	1,319,950 (817,657)	66,766 (35,307)	5,297,354 (4,002,946)	7,055 (4,893)	1,916,565 (1,319,950)
3	Smokes	Nos.	446 (416)	36,788 (33,837)	3,873 (3,462)	287,656 (217,641)	563 (446)	48,598 (36,788)

Figures in brackets are in respect of the previous year.

15. Employee Benefits

	Gratuity Rs.	
	2008-09	2007-08
a. Net Asset/ (Liability) recognized in the balance sheet		
Present value of funded obligation	9,975,960	7,194,235
Fair value of plan assets	9,996,621	7,699,235
(Deficit) / surplus	20,661	505,000
Net asset	20,661	505,000
b. Expense recognized in the Profit & Loss account		
Current service cost	2,275,840	1,501,022
Interest cost	558,106	384,356
Expected return on plan assets	(679,996)	(490,575)
Actuarial (gains) / losses	367,629	752,788
Total expense	2,521,579	2,147,591
c. Change in present value of obligation		
Present value of defined benefit obligation as at the beginning of the year	7,194,235	5,707,856
Current service cost	2,275,840	1,501,022
Interest cost	558,106	384,356
Actuarial (gains) /losses	383,601	767,213
Benefits paid	(435,822)	(1,166,212)
Present value of defined benefit obligation as at the end of the year	9,975,960	7,194,235

Mahindra Holidays & Resorts India Limited

	2008-09 Rs.	2007-08 Rs.
d. Change in fair value of plan assets		
Plan assets at the beginning of the year	7,699,235	5,707,856
Expected return on plan assets	679,996	490,575
Actuarial gains /(losses)	15,972	14,425
Contributions by employer	2,037,240	2,652,591
Benefits paid	(435,822)	(1,166,212)
Plan assets at the end of the year	9,996,621	7,699,235
e. Principal actuarial assumptions		
1 Discount rate	8.0 %	8.0 %
2 Expected return on plan assets	8.0 %	8.0 %
3 Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
f. Basis used to determine expected rate of return		
The information on major categories of plan assets and expected return on each class of plan assets are not readily available.		
However LIC has confirmed that the average rate of return on plan assets is	8.0%	8.0%
g. Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions, increments and other relevant factors such as supply and demand in the employment market.		

16. Segment Reporting:

The Company has a single reportable segment namely sale of Vacation Ownership and other services for the purpose of Accounting Standard 17 on Segment Reporting. Business segment is considered as the primary segment.

Secondary segment information:

Rs.

	Year ended March 31, 2009			Year ended March 31, 2008		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	3,862,836,382	67,807,853	3,930,644,235	3,463,801,533	63,479,174	3,527,280,707
Segment assets	10,007,069,874	35,971,798	10,043,041,672	7,318,051,469	99,707,617	7,417,759,086
Additions to fixed assets	1,561,887,587	40,845	1,561,928,432	837,618,083	22,400	837,640,483

17. Deferred Taxation:

Particulars	As at 01.04.2008	Movement during the year	As at 31.03.2009
Deferred tax asset			
Provision for doubtful debts	58,727	19,058	77,785
Provision for leave encashment	2,433,752	2,772,275	5,206,027
Others	151,216	728,508	879,724
Total	2,643,695	3,519,841	6,163,536
Deferred tax liability			
Difference between book and tax depreciation	(238,507,866)	(62,415,451)	(300,923,317)
Net deferred tax (liability) / asset	(235,864,171)	(58,895,610)	(294,759,781)

18. Managerial Remuneration to the Managing Director

	2008-09	2007-08
	Rs.	Rs.
Salaries and allowances	11,781,880	9816,680
Contribution to provident and superannuation funds	810,000	648,000
Perquisites	126,718	175,786
	<u>12,718,598</u>	<u>10,640,466</u>

19 Related Party Transactions:

(i) Names of related parties and nature of relationship where control exists:

A. Holding Company	Mahindra & Mahindra Limited (w.e.f August 11,2008) Mahindra Holdings & Finance Limited (upto August 10, 2008)
B. Subsidiary Company	Mahindra Holidays & Resorts U.S.A Inc. Mahindra Hotels & Residences India Limited MHR Hotel Management GmbH Heritage Bird (M) Sdn Bhd.
C. Fellow Subsidiaries with whom the company has transactions during the year	Mahindra Logisoft Business Solutions Limited Mahindra Intertrade Limited Mahindra Consulting Engineers Limited Mahindra & Mahindra Financial Services Limited Mahindra Lifespace Developers Limited Mahindra World City (Jaipur) Limited Mahindra World City Developers Limited Mahindra Logistics Limited Mahindra Water Utility Ltd Mahindra Renault Private Limited
D. Key Management Personnel	Ramesh Ramanathan (Managing Director)

Mahindra Holidays & Resorts India Limited

(ii) The related party Transactions are as under :								Rs.
Nature of transactions	Holding Company		Subsidiary Companies		Fellow Subsidiaries		Key Management Personnel	
	Year Ended							
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
Finance								
Investment :								
Mahindra Hotels & Residences India Ltd	-	-	499,940	499,940	-	-	-	-
MHR Hotel Management GmbH	-	-	1,567,125	1,567,125	-	-	-	-
Heritage Bird (M) Sdn. Bhd.	-	-	4,026,772	-	-	-	-	-
Mahindra Holidays and Resorts USA Inc.	-	-	45,503	45,503	-	-	-	-
Advances Given :								
Mahindra Hotels & Residences India Ltd	-	-	911,828	37,798	-	-	-	-
Mahindra Intertrade Ltd	-	-	-	-	-	174,200	-	-
Loans given :								
Mahindra Holidays and Resorts (USA) Inc	-	-	247,807,500	187,340,000	-	-	-	-
Heritage Bird (M) Sdn. Bhd.	-	-	61,604,550	-	-	-	-	-
Loan taken :								
Mahindra Lifespace Developers Ltd	-	-	-	-	750,000,000	-	-	-
Debtors Securitized :								
Mahindra & Mahindra Financial Services Ltd	-	-	-	-	1,000,000,000	-	-	-
Loan Repaid :								
Mahindra Lifespace Developers Ltd	-	-	-	-	750,000,000	-	-	-
Sales:								
Services	2,880,180	-	-	-	-	-	-	-
Mahindra Renault Private Ltd	-	-	-	-	450,000	-	-	-
Purchases:								
Services	-	-	-	-	22,026,853	19,866,698	-	-
Mahindra Logisoft Business Solution Ltd	-	-	-	-	38,094	-	-	-
Mahindra Intertrade Ltd	-	-	-	-	-	-	-	-
Heritage Bird (M) Sdn. Bhd.	-	-	7,083,450	-	-	-	-	-
Timeshare Weeks	-	-	-	-	-	-	-	-
Heritage Bird (M) Sdn. Bhd.	-	-	8,208,383	-	-	-	-	-
Interest Income								
Mahindra Holidays and Resorts (USA) Inc	-	-	10,266,575	8,494,701	-	-	-	-
Heritage Bird Sdn. Bhd.	-	-	4,232,597	-	-	-	-	-
Interest Expense								
Mahindra Lifespace Developers Ltd	-	-	-	-	38,354,797	-	-	-
Dividend paid	127,929,140	85,200,600	-	-	-	-	-	-
Other transactions:								
Reimbursements received								
Mahindra World City Developers Ltd	-	-	-	-	-	1,509,637	-	-
Mahindra Water Utility Ltd	-	-	-	-	12,171	-	-	-
Reimbursements made								
Mahindra World City Developers Ltd	17,915,586	12,238,863	-	-	-	-	-	-
Mahindra World City Developers Ltd	-	-	-	-	226,800	170,100	-	-
Outstanding:								
Payable								
Mahindra Logisoft Business Solutions Ltd	2,364,034	1,143,095	-	-	-	-	-	-
Heritage Bird (M) Sdn. Bhd.	-	-	7,083,450	-	-	-	-	-
Receivable								
Mahindra Lifespace Developers Ltd	-	-	-	-	486,819	524,589	-	-
Mahindra World City Developers Ltd	-	-	-	-	279,000	279,000	-	-
Mahindra World City (Jaipur) Ltd	-	-	-	-	-	18,256	-	-
Mahindra Consulting Engineers Ltd	-	-	-	-	305,714	305,714	-	-
Mahindra Water Utility Ltd	-	-	-	-	-	12,171	-	-
Mahindra Holidays and Resorts (USA) Inc	-	-	252,530,606	193,477,273	-	-	-	-
Heritage Bird (M) Sdn. Bhd.	-	-	65,892,562	-	-	-	-	-
Mahindra Logistics Ltd	-	-	-	-	604,054	-	-	-
Mahindra Intertrade Ltd	-	-	-	-	-	174,200	-	-
Mahindra Hotels & Residences India Ltd	-	-	911,828	37,798	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	12,718,598	10,640,466
Loan to Key Managerial Personnel	-	-	-	-	-	-	2,700,184	2,972,806

20. Earnings per share:

	2008 - 09	2007 - 08
Net profit after tax (in Rs.)	834,088,018	805,191,310
Weighted average number of Equity Shares used in computing basic earnings per share (Nos)	76,941,144	76,291,122
Weighted average number of Equity Shares used in computing diluted earnings per share (Nos)	78,296,322	78,044,961
Earnings Per Share – Basic (in Rs.)	10.84	10.55
Earnings per share – Diluted (in Rs.)	10.65	10.32
Nominal value of shares (in Rs.)	10	10

Dilution in earnings per share is on account of equity shares issued to the Employees Stock Option Trust under the Employees Stock Option Scheme.

21. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

		As at Mar 31, 2009		As at Mar 31, 2008	
		Value in foreign currency	Value in Rupees	Value in foreign currency	Value in Rupees
Export of services:	UAE - Dirham	2,396,727	34,052,695	8,958,733	97,829,360
Loan to US subsidiary	US Dollar	4,840,533	252,530,606	4,849,054	193,477,273
Loan to Malaysian Subsidiary	Malaysian Ringgit	4,604,651	65,892,562	–	–

- 22.** The company has incurred expenses amounting to Rs. 45,852,355 towards its proposed Initial Public Offer, which has been included in Advances recoverable in cash or in kind or for value to be received {Schedule 7(B)}. These expenses would be adjusted against the securities premium account on completion of the Initial Public Offer.
- 23.** As of date, the company has not received confirmations from any suppliers who have registered under the “Micro Small and Medium Enterprises Development Act 2006” and hence no disclosures have been made under the said Act.
- 24.** Previous year’s figures have been regrouped / recast, wherever necessary, to conform to this year’s classification.

For and on behalf of the Board of Directors

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

S. Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Place : Mumbai
Date : 22/04/2009

Mahindra Holidays & Resorts India Limited

ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration number State code

Balance sheet date

II. Capital raised during the year (Amount in Rs. Thousands)

Public issue Rights issue

Bonus issue Private Placement

III. Position of Mobilization and Deployment of funds (Amount in Rs. Thousands)

Total liabilities Total Assets

Sources of Funds

Paid up capital Reserves and Surplus

Deferred Tax Liability Secured Loans

Application of Funds

Net Fixed Assets Investments

Net Current Assets # Deferred Tax Asset (net)

(# includes Advance towards member's facilities 6,368,313)

IV. Performance of Company (Amount in Rs. Thousands)

Turnover (Includes other income) Total Expenditure

+ - + -

Profit / Loss before Tax Profit / Loss after Tax

(Please tick appropriate box + for profit - for loss)

Earning per share in Rs. Dividend rate %

Item Code No.

(ITC Code)

Product

Description

For and on behalf of the Board of Directors

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

S. Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Place : Mumbai
Date : 22/04/2009

Statement pursuant to Section 212 of THE COMPANIES ACT, 1956

Relating to subsidiary company

Rs.

Particulars	Name of the Subsidiary Company			
	Mahindra Holidays and Resorts USA Inc.	MHR Hotel Management GmbH	Mahindra Hotels and Residences India Ltd	Heritage Bird (M) Sdn. Bhd.
The Financial Year of the Subsidiary Company ended on	31-03-09	31-03-09	31-03-09	31-03-09
Number of shares in the subsidiary company held by Mahindra Holidays & Resorts India Limited at the above date:				
Equity (Nos.)	100	-	49,994	300,002
Extent of holding (%)	100%	75%	100%	100%
The net aggregate of profits of the Subsidiary Company for its financial year so far as they concern the members of Mahindra Holidays & Resorts India Limited:				
(a) Dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2009	(10,266,575)	Nil	Nil	2,850,853
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2009	(32,418,304)	85,285	(56,873)	(3,905,998)
The net aggregate of profits of the Subsidiary Company for its previous financial years so far as they concern the members of Mahindra Holidays & Resorts India Limited:				
(a) Dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2008	(8,494,701)	Nil	Nil	Nil
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2008	42,215,587	(315,638)	(71,506)	Nil

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

S. Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Place : Mumbai
Date : 22/04/2009

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Mahindra Holidays & Resorts India Limited

1. We have audited the attached consolidated balance sheet of Mahindra Holidays & Resorts India Limited and its subsidiaries ("The Group") as at March 31, 2009 also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Mahindra Holidays & Resorts India Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. The comparative figures in respect of the corresponding year ended March 31, 2008 are based on the financial statements audited by A.F.Ferguson & Co, the statutory auditors of the company during that period.
3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 33.52 crores and Rs. 23.37 crores as at March 31, 2009 and 2008 respectively, total revenues of Rs. 2.43 crores and Rs. 1.48 crores and cash outflows amounting to Rs. 0.04 crores and Rs. 2.76 crores, as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management, and our opinion is based solely on the report of other auditors.
5. a) We report that the consolidated financial statements have been prepared by the management of Mahindra Holiday & Resorts India Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements notified by the Central Government of India under The Companies (Accounting Standard) Rules 2006.
b) Based on our audit, consideration of reports of other auditors on separate financial statements and the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2009;
 - (ii) in the case of the consolidated profit and loss account, of the profit for the year ended on that date ; and
 - (iii) in the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants

Place: Mumbai
Date: 22.04.2009

B. Ramaratnam
Partner
(Membership No.21209)

Mahindra Holidays & Resorts India Limited - Consolidated

BALANCE SHEET

		As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
SOURCES OF FUNDS	Schedule		
Shareholders' funds:			
Share capital	1	769,785,100	764,179,170
Employee stock options outstanding		-	359,418
Reserves and surplus	2	1,209,876,958	688,165,835
Minority Interest		352,174	296,559
Deferred income			
Advance towards members' facilities (see note 1(vi)(a))		6,375,610,811	4,788,940,086
Loan funds:			
Secured loans	3	246,944,896	200,622,578
Deferred tax liability (net)		294,759,781	235,864,171
TOTAL		<u><u>8,897,329,720</u></u>	<u><u>6,678,427,817</u></u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	4,292,907,154	2,733,737,994
Less : Depreciation		641,194,885	478,867,150
Net block		3,651,712,269	2,254,870,844
Capital work in progress/advances		427,944,490	389,766,151
Expenditure during construction pending allocation	5	85,087,004	60,246,773
		<u>4,164,743,763</u>	<u>2,704,883,768</u>
Investments	6	250,010	250,010
Current assets, Loans and advances			
Inventories	7	52,614,056	34,547,917
Sundry debtors		4,825,698,593	4,034,216,363
Cash and bank balances		327,683,602	76,321,111
Loans and advances		665,053,756	607,880,416
		<u>5,871,050,007</u>	<u>4,752,965,807</u>
Less: Current liabilities and provisions			
Current liabilities	8	820,585,459	609,031,437
Provisions		318,128,601	170,640,331
		<u>1,138,714,060</u>	<u>779,671,768</u>
Net current assets		4,732,335,947	3,973,294,039
TOTAL		<u><u>8,897,329,720</u></u>	<u><u>6,678,427,817</u></u>
Notes on accounts	14		

The Schedules referred above forms an integral part of Balance Sheet
As per our report of even date

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 22/04/2009

S Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited - Consolidated

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

INCOME	Schedule	Year ended 2008-09 Rs.	Year ended 2007-08 Rs.
Income from sale of Vacation Ownership and other services	9	3,931,864,635	3,527,280,707
Other income	10	489,303,569	244,570,655
Total		4,421,168,204	3,771,851,362
EXPENDITURE			
Employee cost	11	608,437,166	473,785,189
Depreciation		168,344,358	113,031,452
Other expenses	12	2,291,883,209	1,858,249,125
Interest and financial charges	13	70,304,098	32,978,855
Total		3,138,968,831	2,478,044,621
Profit before tax		1,282,199,373	1,293,806,741
Provision for taxation			
Current tax		390,500,000	398,100,000
Overseas tax		157,372	99,862
Deferred tax		58,895,610	37,445,338
Fringe benefit tax		35,500,000	19,200,000
		485,052,982	454,845,200
Profit after tax		797,146,391	838,961,541
Minority Share of (profit) / loss		(27,029)	95,423
Net Profit		797,119,362	839,056,964
Profit brought forward (refer Schedule 2)		598,199,302	454,855,307
Balance available for appropriation		1,395,318,664	1,293,912,271
Appropriations:			
General Reserve		83,410,000	80,520,000
Proposed Dividend		235,001,064	139,732,580
Tax on Proposed Dividend		39,938,431	23,747,550
		358,349,495	244,000,130
Balance carried to Balance Sheet		1,036,969,169	1,049,912,141
Earnings Per Share			
Basic		10.36	11.00
Dilluted		10.18	10.75
Notes on accounts	14		

The Schedules referred above forms an integral part of Profit & Loss Account
As per our report of even date

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 22/04/2009

S Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	2008 - 09	2007 - 08
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Profit for the period before tax	1,282,199,373	1,293,806,741
Adjustments for :		
Depreciation	168,344,358	113,031,452
Employee compensation expenses on account of ESOS	(359,418)	359,418
Interest and financial charges	70,304,098	32,978,855
Interest on deposits	(10,796,469)	(10,138,511)
Interest on instalment sales	(371,498,010)	(196,846,759)
Income from securitisation	(99,586,219)	(12,126,165)
Loss on fixed assets sold/scrapped (net)	3,290,038	350,166
Unrealised Exchange loss / (gain)	9,463,733	(15,166,811)
	<hr/>	<hr/>
Operating profit before working capital changes	1,051,361,484	1,206,248,386
Changes in :		
Deferred income - Advance towards members' facilities	1,586,670,725	1,584,381,914
Trade and other receivables	(656,498,530)	(1,900,852,477)
Inventories	(18,066,139)	(16,701,571)
Trade and other payables	15,416,914	31,980,340
	<hr/>	<hr/>
	927,522,970	(301,191,794)
Income Taxes paid	(395,269,480)	(439,593,016)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	1,583,614,974	465,463,576
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets including capital work in progress/advances and expenditure pending allocation	(1,633,329,321)	(731,915,141)
Proceeds from sale of fixed assets	2,679,066	20,615,153
Interest received	10,526,634	10,138,511
Interest on instalment sales received	371,498,010	196,846,759
Income from securitisation received	99,586,219	12,126,165
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(1,149,039,392)	(492,188,553)

Mahindra Holidays & Resorts India Limited - Consolidated

C. CASH FLOW FROM FINANCING ACTIVITIES :

Proceeds from borrowings	1,036,322,318	141,080,313
Repayment of borrowings	(990,000,000)	-
Dividends paid	(139,732,580)	(86,847,015)
Dividend distribution tax paid	(23,747,550)	(14,759,650)
Issue of equity shares	4,243,576	2,948,400
Interest and financial charges paid	(70,298,855)	(32,978,855)

NET CASH (USED IN)/ FROM FINANCING ACTIVITIES	(183,213,091)	9,443,193
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NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	251,362,491	(17,281,784)
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CASH AND CASH EQUIVALENTS :

Opening balance	76,321,111	93,547,774
Cash and bank balance acquired on amalgamation	-	55,121
Total	76,321,111	93,602,895

Closing Balance	327,683,602	76,321,111
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NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	251,362,491	(17,281,784)
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As per our report of even date

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

B. Ramaratnam
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 22/04/2009

S. Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited - Consolidated

SCHEDULE - 1

SHARE CAPITAL

	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Authorised : 100,000,000 equity shares of Rs.10 each	1,000,000,000	1,000,000,000
	1,000,000,000	1,000,000,000
Issued : 78,333,688 equity shares of Rs.10 each	783,336,880	783,336,880
Subscribed and paid-up : 78,333,688 equity shares of Rs. 10 each fully paid (of the above 73,354,833 equity shares are held by the holding company, Mahindra & Mahindra Limited)	783,336,880	783,336,880
Less: 1,355,178 (previous year 1,915,771) equity shares of Rs 10 each fully paid up issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees (refer note 2)	13,551,780	19,157,710
	769,785,100	764,179,170

Note : The above includes 48,995,228 equity shares allotted as fully paid-up by way of Bonus shares by capitalisation of balance in Profit & Loss account and General Reserve on 24 November 2007 in the ratio of 5 equity shares for every 3 shares held

Mahindra Holidays & Resorts India Limited - Consolidated

SCHEDULE - 2

	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
RESERVES AND SURPLUS		
Capital reserve		
As per last balance sheet	630,441	113,841
Additions during the period (refer note 3)	<u>844,136</u>	<u>516,600</u>
	1,474,577	630,441
General Reserve		
As per last balance sheet	87,943,310	41,757,000
Less : Capitalised on issue of Bonus Shares	-	38,239,441
Less: Transfer on Amalgamation	-	8,076,889
Less : Bonus shares issued on exercise of stock options	3,506,160	-
Add : Bonus shares issued to ESOP Trust but not allotted to employees	-	11,982,640
Add : Transfer from Profit and Loss Account	<u>83,410,000</u>	<u>80,520,000</u>
	167,847,150	87,943,310
Securities Premium Account		
Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust	12,071,220	12,071,220
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees (refer note 2)	<u>8,602,896</u>	<u>10,746,702</u>
	3,468,324	1,324,518
Balance in Profit & Loss Account	1,036,969,169	1,049,912,141
Less : Capitalised on issue of Bonus Shares	-	<u>451,712,839</u>
Balance in Profit and Loss Account	1,036,969,169	598,199,302
Foreign Exchange Fluctuation Reserve	<u>117,738</u>	<u>68,264</u>
	<u>1,209,876,958</u>	<u>688,165,835</u>

SCHEDULE - 3

LOAN FUNDS

SECURED LOANS

(refer note 4)

Loans and advances from a bank		
- Cash credit	246,297,320	198,443,285
Deferred payment under hire purchase	672,539	2,316,733
Less: Future interest	<u>24,963</u>	<u>137,440</u>
	647,576	2,179,293
	<u>246,944,896</u>	<u>200,622,578</u>

SCHEDULE - 4
FIXED ASSETS AS AT MARCH 31, 2009

Rs.

Description	GROSS BLOCK (AT COST)			DEPRECIATION / AMORTISATION					NET BLOCK	
	As at April 1, 2008	Additions	Deductions	As at March 31, 2009	As at April 1, 2008	For the year	Deductions	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
(A) Tangible assets										
(i) Assets on lease / hire purchase										
Leasehold land	26,364,000	1,025,500	-	27,389,500	329,478	274,222	-	603,700	26,785,800	26,034,522
Leasehold buildings	20,610,302	8,208,383	-	28,818,685	2,492,997	2,007,457	-	4,500,454	24,318,231	18,117,305
Vehicles	5,141,346	-	694,052	4,447,294	2,492,198	790,266	405,364	2,877,100	1,570,194	2,649,148
	52,115,648	9,233,883	694,052	60,655,479	5,314,673	3,071,945	405,364	7,981,254	52,674,225	46,800,975
(ii) Owned assets										
Freehold land	313,661,948	393,258,784	-	706,920,732	-	-	-	-	706,920,732	313,661,948
Buildings	1,309,505,054	697,007,858	-	2,006,512,912	104,120,316	28,312,977	-	132,433,293	1,874,079,619	1,205,384,738
Plant and machinery	589,315,141	202,611,600	4,156,481	787,770,260	147,998,373	54,022,043	1,733,810	200,286,606	587,483,654	441,316,768
Furniture and fixtures	381,036,396	208,231,403	3,675,038	585,592,761	174,097,561	57,672,072	1,794,686	229,974,947	355,617,814	206,938,835
Vehicles	30,277,173	8,416,378	3,460,156	35,233,395	12,741,608	4,373,004	2,082,763	15,031,849	20,201,546	17,535,565
	2,623,795,712	1,509,526,023	11,291,675	4,122,030,060	438,957,858	144,380,096	5,611,259	577,726,695	3,544,303,365	2,184,837,854
(B) Intangible assets										
Vacation Ownership weeks	6,226,938	-	-	6,226,938	3,736,164	622,694	-	4,358,858	1,868,080	2,490,774
Product design and development	8,528,395	28,011,670	-	36,540,065	3,014,145	6,631,841	-	9,645,986	26,894,079	5,514,250
Software	43,071,301	4,383,311	-	47,454,612	27,844,310	11,204,905	-	39,049,215	8,405,397	15,226,991
Non Compete Fee	-	20,000,000	-	20,000,000	-	2,432,877	-	2,432,877	17,567,123	-
	57,826,634	52,394,981	-	110,221,615	34,594,619	20,892,317	-	55,486,936	54,734,679	23,232,015
Total	2,733,737,994	1,571,154,887	11,985,727	4,292,907,154	478,867,150	168,344,358	6,016,623	641,194,885	3,651,712,269	
Previous Year	2,247,714,001	514,680,734	28,656,741	2,733,737,994	373,527,122	113,031,452	7,691,424	478,867,150	2,254,870,844	

SCHEDULE - 5

Expenditure During Construction pending Allocation

Rs.

	As at 01.04.2008	Additions	Capitalised during the year	As at 31.03.2009
Salaries,Wages & Bonus	20,779,938	27,127,042	24,810,303	23,096,677
Staff welfare Expenses	494,299	833,209	1,060,738	266,770
Power & Fuel	405,832	12,477,063	12,041,390	841,505
Rent	265,047	465,940	342,120	388,867
Rates & Taxes	967,531	2,064,697	1,419,200	1,613,028
Repairs-Others	793,643	1,264,718	1,907,819	150,542
Travelling	13,067,508	10,562,129	15,313,756	8,315,881
Communication	1,258,216	1,446,123	1,591,604	1,112,735
Printing & Stationery	567,395	553,857	709,425	411,827
Insurance	11,375	229	9,802	1,802
Consultancy Charges	19,697,871	14,602,696	20,723,308	13,577,259
Freight	201,827	5,656,503	1,572,364	4,285,966
Miscellaneous	1,736,291	3,143,917	3,107,671	1,772,537
Interest - Others	-	30,524,971	1,273,363	29,251,608
Total	60,246,773	110,723,094	85,882,863	85,087,004

SCHEDULE - 6

**As at
31.03.2009
Rs.**

**As at
31.03.2008
Rs.**

INVESTMENTS: Long term

Unquoted (at cost)

Others : Non-trade

Guestline Hospitality Management and Development Services Limited

25,000 7% non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each fully paid up.

250,000

250,000

Mahindra World City Developers Limited

1 equity share of Rs.10 each fully paid up.

10

10

250,010

250,010

Note :

- a) The preference shares of Guestline Hospitality Management and Development Services Limited will be redeemed at par at the option of the investee at any time after five years but before twenty years from the date of allotment viz 14.01.2003
- b) The preference shares of Guestline Hospitality Management and Development Services Limited shall at the option of the holder be convertible into fully paid equity shares of the face value of Rs.10 each anytime after thirty six months from the date of allotment.

Mahindra Holidays & Resorts India Limited - Consolidated

SCHEDULE - 7	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
CURRENT ASSETS, LOANS AND ADVANCES :		
(A) Current assets :		
Inventories		
Food, beverages and smokes	1,514,077	1,291,729
Operating supplies	51,099,979	33,256,188
	<u>52,614,056</u>	<u>34,547,917</u>
Sundry debtors		
(Unsecured)		
Outstanding over six months		
: considered good	311,650,942	273,553,692
: considered doubtful	228,848	172,777
	<u>311,879,790</u>	<u>273,726,469</u>
Other debts, considered good	5,454,204,542	4,427,257,951
	<u>5,766,084,332</u>	<u>4,700,984,420</u>
Less : provision for doubtful debts	228,848	172,777
	<u>5,765,855,484</u>	<u>4,700,811,643</u>
Less : unmatured finance charges	940,156,891	666,595,280
	<u>4,825,698,593</u>	<u>4,034,216,363</u>
Cash and bank balances		
Cash on hand	419,947	814,160
Balances with scheduled banks :		
in current accounts	67,396,331	65,735,517
in deposit accounts	259,867,324	9,771,434
	<u>327,683,602</u>	<u>76,321,111</u>
(B) Loans and advances :		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	464,325,909	437,143,933
Deposits	200,707,186	167,141,101
Payments towards income-tax (net of provisions)	-	3,090,382
Gratuity	20,661	505,000
	<u>665,053,756</u>	<u>607,880,416</u>
SCHEDULE - 8		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors:		
Total outstanding dues to micro and small enterprises	-	-
Others	806,907,263	591,109,665
Amount received from ESOP trust	13,678,196	17,921,772
	<u>820,585,459</u>	<u>609,031,437</u>
B. PROVISIONS		
Proposed dividend	235,001,064	139,732,580
Tax on proposed dividend	39,938,431	23,747,550
Taxation (net of payments)	27,872,757	-
Compensated Absences	15,316,349	7,160,201
	<u>318,128,601</u>	<u>170,640,331</u>

Mahindra Holidays & Resorts India Limited - Consolidated

	2008-09 Rs.	2007-08 Rs.
SCHEDULE - 9		
Income from sale of Vacation Ownership and other services		
Income from sale of Vacation Ownership	2,973,302,771	2,835,392,943
Income from resorts		
- Room rentals	175,298,812	141,210,483
- Food and beverages	231,194,376	162,191,129
- Wine and liquor	8,587,155	10,130,520
- Others	75,800,770	54,748,295
Annual subscription fee	490,881,113	368,280,427
Income from travel services & homestays	455,597,026	322,793,917
	12,083,725	813,420
	3,931,864,635	3,527,280,707
SCHEDULE - 10		
Other Income		
Interest		
On instalment sales	371,498,010	196,846,759
Others - gross	10,796,469	10,138,511
Income from securitization (refer note 5)	99,586,219	12,126,165
Gain on exchange fluctuation	-	15,166,811
Miscellaneous income	7,422,871	10,292,409
	489,303,569	244,570,655
SCHEDULE - 11		
Employee Cost		
Salaries, wages and bonus	557,339,768	432,975,616
Contribution to provident and other funds	22,979,624	17,442,581
Staff welfare expenses	28,117,774	23,366,992
	608,437,166	473,785,189
SCHEDULE - 12		
Other expenses		
Food, beverages and smokes consumed		
Opening stock	1,291,729	1,596,867
Add: purchases	73,581,227	52,168,611
	74,872,956	53,765,478
Less: closing stock	1,514,077	1,291,729
	73,358,879	52,473,749
Operating supplies	40,079,176	29,386,389
Advertisement	196,796,865	274,142,822
Sales promotion expenses	736,149,851	494,139,465
Sales commission	321,436,612	350,574,528
Discount	59,722,960	36,736,001
Power and fuel	96,220,321	74,408,619
Rent (including lease rent)	198,827,352	129,022,363
Rates and taxes	12,774,651	11,020,596
Director's fees	282,720	135,000

SCHEDULE - 12 (Contd...)

Repairs and maintenance		
Buildings	5,577,395	4,954,484
Resort renovations	37,971,535	32,973,417
Office equipment	168,856	2,226,317
Others	51,094,311	29,840,733
Travelling	102,990,350	81,637,705
Communication	62,258,436	49,185,483
Insurance	5,844,375	8,018,016
Consultancy charges	58,132,003	43,613,183
Preliminary expenses written off	33,900	-
Miscellaneous	126,272,877	89,457,946
Service charges	92,708,692	63,779,366
Provision for doubtful debts	56,071	172,777
Loss on fixed assets sold/scrapped(net)	3,290,038	350,166
Loss on exchange fluctuation (net)	9,834,983	-
	<u><u>2,291,883,209</u></u>	<u><u>1,858,249,125</u></u>

SCHEDULE - 13

Interest and financial charges

Interest	42,847,670	8,910,599
Bank charges	27,456,428	24,068,256
	<u><u>70,304,098</u></u>	<u><u>32,978,855</u></u>

Schedule - 14

Notes on accounts

1. Significant Accounting Policies

1.1 Basis for preparation of Accounts

The accompanying Consolidated Financial Statements of Mahindra Holidays & Resorts India Limited ("the Company") and its subsidiaries are prepared under the historical cost convention in accordance with generally accepted accounting principles applicable in India (Indian GAAP), the provisions of the Companies Act, 1956 and comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

The consolidated financial statements present the consolidated accounts which consists of accounts of the Company and that of the following subsidiaries

Name of the company	Country of incorporation	Extent of Holding as on March 31,		Subsidiary since
		2009	2008	
Mahindra Holidays & Resorts USA Inc	USA	100%	100%	04/11/2003
MHR Hotel Management GmbH	Austria	75%	75%	16/02/2007
Mahindra Hotels & Residences India Limited	India	100%	100%	26/04/2007
Heritage Bird (M) Sdn. Bhd.	Malaysia	100%	100%	03/03/2008

The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the holding company.

1.2 Principles of Consolidation

The financial statements of the Company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses, after eliminating intra-group transactions and any unrealised gains or losses on the balances remaining within the group in accordance with Accounting Standard - 21 (AS 21) on "Consolidated Financial Statements" notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006.

The difference between the cost of investment in the subsidiaries over the Company's portion of equity of the subsidiary is recognised in the financial statements as Goodwill or Capital Reserve.

The financial statements of the Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interest in the net assets of the consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investment was made in the subsidiary company and further movement in their share of equity, subsequent to the date of investment.

1.3 Accounting Policies

(i) Use of estimates

The preparation of Consolidated Financial Statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported period. Differences between the actual results and estimates are recognised in the period in which the results are known/ materialised.

(ii) Fixed assets:

Fixed assets are stated at cost less depreciation. Cost comprises of purchase price and other directly attributable costs of bringing the asset to its working condition for its intended use and includes interest on moneys borrowed for construction/acquisition of qualifying fixed assets up to the period the assets are ready for use. Depreciation is calculated on straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the following:

- (a) Leasehold land and buildings are amortised over the period of lease.

- (b) Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months from the date of capitalisation.
- (c) Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months.
- (d) Intangible assets representing 'Vacation Ownership' acquired is amortised over a period of ten years.
- (e) Expenditure incurred towards software is amortised over a period 36 months.
- (f) Expenditure on product design and development & web portal is amortised over the estimated useful life of the asset i.e. 3/4 years.
- (g) Non compete fee is amortised over a period of 5 years.

(iii) Assets taken on Lease and Hire Purchase:

Assets taken on Lease and Hire Purchase arrangements, wherein the Company has an option to acquire the assets are accounted for as fixed assets in accordance with Accounting Standard 19 on Leases.

(iv) Inventories:

Inventories are stated at cost or net realisable value, whichever is lower. The cost is arrived at on first in first out method.

(v) Investments:

Long term investments are stated at acquisition cost less provision, if any, for diminution in value other than temporary.

(vi) Revenue recognition:

- a) The company's business is to sell Vacation ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred payment basis. Admission fee, which is non-refundable, is recognized as income on admission of a member. Entitlement fee (disclosed under Advance towards Members facilities), which entitles the vacation ownership member for the vacation ownership facilities over the membership usage period, is recognized as income equally over the usage period.
- b) Annual subscription fees due from members are recognised as income on an accrual basis.
- c) Interest on instalment sales is recognised as income on an accrual basis.
- d) Income from resorts includes income from room rentals, food and beverages, etc. and is recognised when services are rendered.

- e) Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On derecognition, the difference between book value of the securitised asset and consideration received is recognised as gain or loss arising on securitisation.
- f) Income from travel services includes commission on tickets/hotel booking, service charges from customers, etc. and is recognised when services are rendered.
- g) Income from homestays is recognized when services are rendered.

(vii) Foreign exchange transactions:

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency (including those related to integral foreign operations) are translated at exchange rates prevailing on the date of settlement or as at the Balance sheet date as applicable, and gain or loss arising out of such translation is adjusted to the profit and loss account.

(viii) Employee benefits:

Short term employee benefit plans

All short term employee benefit plans such as salaries, wages, bonus, special awards and, medical benefits which fall due within 12 months of the period in which the employee renders the related services which entitles him to avail such benefits are recognized on an undiscounted basis and charged to the profit and loss account.

Defined Contribution Plan

Contributions to the provident and pension funds are made monthly at a predetermined rate to the Regional Provident Fund Commissioner and debited to the profit and loss account on an accrual basis. Contribution to superannuation fund is determined and accounted on the same basis and is made to Life Insurance Corporation of India (LIC).

Defined Benefit Plan

The company has an arrangement with Life Insurance Corporation of India (LIC) to administer its gratuity scheme. The contribution paid/payable is debited to the profit and loss account on an accrual basis. Liability towards gratuity is provided on the basis of an actuarial valuation as at balance sheet date using the Projected Unit Credit method and debited to the profit and loss account on an accrual basis. Actuarial gains and losses arising during the year are recognized in the profit and loss account. Long term compensated absences is similarly valued on an actuarial basis and is unfunded.

(ix) Taxes on income:

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income (AS 22) issued by the Institute of Chartered Accountants of India. Tax expense comprises both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the period using the applicable tax rates and tax laws. Deferred tax assets and liabilities are recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income, that originate in one period and are capable of reversal in one or more subsequent periods and are measured using tax rates enacted or substantively enacted as at the Balance Sheet date. The carrying amount of deferred tax assets and liabilities are reviewed at each Balance Sheet date. Fringe benefit tax is recognised in accordance with the relevant provision of the Income Tax Act, 1961.

(x) Share issue expenses:

Expenses incurred in connection with issue of share capital are adjusted against securities premium account.

(xi) Borrowing Cost:

Borrowing cost that are attributable to the acquisition, construction or production or qualifying asset are

capitalized as part of cost of such asset till such time as the asset is ready for its intended to use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as expenses in the period in which they are incurred.

(xii) Provision & contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which reliable estimate can be made. Provisions are not discounted to present value and are determined based on the best estimate required to settle the obligation at the Balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

2. Employees' Stock Option Scheme:

Under the Employee Stock Option Scheme equity shares are allotted to the Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust (the trust) set up by the company. The trust holds these shares for the benefit of the eligible employees/ Directors as defined under the scheme and issues the shares to them as per the recommendation of the remuneration committee.

1. The details of the Employees' Stock Option Schemes are as under:

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust			
Method of Settlement	By issue of shares at Exercise Price			
Grant (Date of Grant)	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (01/11/2007)	Grant V (01/11/2008)
Exercise Price	Rs.16	Rs.52	Rs.52	Rs.52
Average Exercise Price(after bonus issue)	Rs.6.00	Rs.19.50	Rs.19.50	Rs.52.00
Vesting Period	5 Years	4 Years	4 Years	4 Years
Number of Options Granted	759,325	122,235	56,700	261,590
Contractual life	6 years from the date of grant.	5 years from the date of each vesting.		
Vesting Conditions	35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.	25% each on expiry of 12, 24, 36 and 48 months from the date of grant.		
No. of options exercisable in each tranche	Minimum of 25 and a maximum of all options vested till that date.			

2. Summary of Stock options (including bonus shares)

Particulars	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (1/11/2007)	Grant IV (4/2/2008)	Grant V ** (1/11/2008)	Total
Options outstanding as on 1.4.2008 including bonus shares allotted and net of options lapsed of 235,622 shares	1,256,207	272,553	151,389	152,536	-	1,832,685
Options granted	-	-	-	-	261,590	261,590
Options vested	510,243	60,401	37,831	-	-	608,475
Options exercised	(495,064)	(46,499)	(19,030)	-	-	(560,593)
Options lapsed	(24,379)	(30,665)	-	(34,405)	(19,340)	(108,789)
Options surrendered	-	-	-	(118,131)	-	(118,131)
Options outstanding as on 31.03.2009	736,764	195,389	132,359	-	242,250	1,306,762
Options vested but not exercised	36,628	74,553	18,801	-	-	129,982

** Issued out of lapsed options.

In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares have been reduced from the share capital by Rs. 13,551,780 and securities premium account reduced by Rs. 8,602,896. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities.

The General Reserve has been reduced by Rs. 3,506,160 for bonus shares issued on exercise of stock options.

The company has adopted the intrinsic value method in accounting for employee cost on account of ESOS. The intrinsic value of the shares based on the valuations obtained from an independent valuer is Rs. 16 per equity share as on 31st March, 2006, Rs.52 per equity share as on 1st January, 2007, 31st August 2008 and 1st November 2008 based on the Discounted Cash Flow Method. As the difference between the intrinsic value and the exercise price per share is Rs. Nil no employee compensation cost has been charged.

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant

i.e. 15th July 2006, 30th March 2007, 1st November 2007 and 1st November 2008 is Rs. 4.28, Rs. 16.36, Rs.16.55 and Rs.16.04 respectively.

Consequent to cancellation of Grant IV due to surrender by the allottees the employee compensation cost of Rs.359,418, charged to revenue has been reversed.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 10,383,964 and the impact on the financial statements would be :

	Amount in Rs.	
	Year ended March 31, 2009	Year ended March 31, 2008
Increase in employee compensation cost	1,584,780	1,999,184
Decrease in profit after tax	1,584,780	1,999,184
Decrease in basic & diluted earning per share	(0.02)	(0.03)

Mahindra Holidays & Resorts India Limited - Consolidated

The fair value has been calculated using the Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

	Grant dated 15 th July, 2006	Grant dated 30 th March, 2007	Grant dated 1 st November, 2007	Grant dated 1 st November, 2008
Risk free interest rate	7.82%	7.92%	7.72%	7.34%
Expected life	4.50	5.00	5.00	5.00
Expected volatility	Nil	Nil	Nil	Nil
Expected dividend yield	Nil	Nil	Nil	Nil

3. Pursuant to a Business Transfer Agreement dated August 22, 2008, the Company has acquired a property at Ooty for a consideration of Rs 33 crores including a non-compete fee of Rs. 2 Crores. The company has also acquired a property at Thekady at Kerala vide a Business Transfer Agreement dated September 20, 2008 for a consideration of Rs. 14.1 crores. The assets have been taken over at values determined by independent valuers and the excess of such values over the consideration paid amounting to Rs 844,136 is shown under Capital Reserve. Both the properties have been converted to resorts.

4. Secured Loans:

Loans and advances from a bank are secured by an exclusive charge on receivables. Deferred payment under hire purchase is secured by hypothecation of assets financed.

5. Securitisation:

The company has been securitising amounts receivable including future interest receivable thereon. The excess of consideration received over the principal amounts of receivable from members (net of reversals in respect of cancelled members) is recognised as income from Securitisation.

Particulars	Rs.	
	Year ended March 31,	
	2009	2008
Value of Accounts receivable	1,823,985,604	581,949,599
Less: Future interest receivable	424,868,963	95,198,158
Principal amount of receivables	1,399,116,641	486,751,441
Consideration received	1,500,000,000	500,000,000
Profit on securitisation	100,883,359	13,248,559
Less: Reversals in respect of cancelled members	1,297,140	1,122,394
Income from securitisation	99,586,219	12,126,165

6. Contingent Liabilities:

	As at March 31, 2009	As at March 31, 2008
(a) Receivables securitised, with recourse.	1,623,163,525	713,890,874
Certain specified Receivables have been securitised with a bank for availing finance. In case a member defaults in payment to the bank, the bank would have recourse to the company. In such cases the company has recourse to the customer.		
(b) Claims against the company not acknowledged as debts	9,668,526	9,588,749
Claims not acknowledged as debts represent luxury tax claimed on room revenue by the Government and disputed by the company in the High Court. The amount has been paid to the Government and possibility of reimbursement depends on the outcome of the cases pending before the adjudicating authority.		

(c) Income tax matters

- (i) The Income Tax Department has filed appeals against the orders of the CIT(A) during FY2005-06 for the assessment years 1998-99 to 2002-03, in respect of the issues relating to revenue recognition, which were decided in favour of the Company. Amount involved with respect to this matter (including demand for the assessment years 2003-04, 2004-05, 2005-06 and 2006-07 for which assessments were subsequently completed in respect of which the Company has gone/will be going on appeal. The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed is Rs. 779,467,899/- (including interest of Rs. 137,783,499); As at 31st March, 2008, Rs. 434,817,288/- (including interest of Rs. 58,051,475).
- (ii) Disallowance of expenditure during construction / Software expenses. Rs. 31,266,979/- (including interest of Rs 4,900,440); As at 31st March, 2008 Rs. 10,084,277/- (including interest of Rs. Nil)

The above are exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed.

However, even if these liabilities crystallise, there would be future tax benefits available on account of timing differences, except for interest and income tax rate differences. Cash outflows would depend on the outcome of the appeals.

- | | | |
|--|-------------------|-----|
| (iii) Others (including interest of Rs 10,454,727) | 50,397,417 | Nil |
|--|-------------------|-----|

(d) Other matters under appeal

The Government of Kerala issued an Order dated 3rd July 2007 cancelling the assignment of land underlying the Munnar resort and directed repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The company has filed an appeal before the Commissioner of Land Revenue against the Order stating that the patta issued does not specify that the land should be used only for agricultural purpose and also obtained a Stay Order from the Kerala High Court against eviction from the property.

The Commissioner of Land Revenue, Trivandrum vide his Order dated November 22, 2007 dismissed the appeal filed by the Company against the Order of the Sub-Collector, District of Devikulam dated 3rd July 2007 cancelling the assignment of land underlying the Munnar Resort and directing repossession of land on the grounds that it is agricultural land and cannot be used for commercial purposes. The Company filed a writ petition before the Kerala High Court against the said Order and on December 13, 2007, the Court granted an interim stay of all further proceedings

	As at March 31, 2009	As at March 31, 2008
7. Capital commitments		Rs.
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	313,842,033	226,318,590

8. In respect of hire purchase transactions, the details of instalments payable in future are as follows:

	As at March 31, 2009	
	Not later than 1 year	Later than 1 year but not later than 5 years
Minimum instalment payable	672,539	Nil
	(1,578,254)	(738,479)
Present value of instalments payable	647,576	Nil
	(1,466,960)	(712,733)

Figures in brackets are in respect of the previous year

9. Employee Benefits

	Gratuity Rs.	
	2008-09	2007-08
a. Net Asset/ (Liability) recognized in the balance sheet		
Present value of funded obligation	9,975,960	7,194,235
Fair value of plan assets	9,996,621	7,699,235
(Deficit) / surplus	20,661	505,000
Net asset	20,661	505,000
b. Expense recognized in the Profit & Loss account		
Current service cost	2,275,840	1,501,022
Interest cost	558,106	384,356
Expected return on plan assets	(679,996)	(490,575)
Actuarial (gains) / losses	367,629	752,788
Total expense	2,521,579	2,147,591
c. Change in present value of obligation		
Present value of defined benefit obligation as at the beginning of the year	7,194,235	5,707,856
Current service cost	2,275,840	1,501,022
Interest cost	558,106	384,356
Actuarial (gains) /losses	383,601	767,213
Benefits paid	(435,822)	(1,166,212)
Present value of defined benefit obligation as at the end of the year	9,975,960	7,194,235
d. Change in fair value of plan assets		
Plan assets at the beginning of the year	7,699,235	5,707,856
Expected return on plan assets	679,996	490,575
Actuarial gains /(losses)	15,972	14,425
Contributions by employer	2,037,240	2,652,591
Benefits paid	(435,822)	(1,166,212)
Plan assets at the end of the year	9,996,621	7,699,235
e. Principal actuarial assumptions		
1 Discount rate	8.0 %	8.0 %
2 Expected return on plan assets	8.0 %	8.0 %
3 Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
f. Basis used to determine expected rate of return		
The information on major categories of plan assets and expected return on each class of plan assets are not readily available.		
However LIC has confirmed that the average rate of return on plan assets is	8.0%	8.0%
g. Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions, increments and other relevant factors such as supply and demand in the employment market.		

10. Related Party Transactions:

(i) Names of related parties and nature of relationship where control exists:

A. Holding Company	Mahindra & Mahindra Limited (w.e.f August 11,2008) Mahindra Holdings & Finance Limited (upto August 10, 2008)
B. Fellow Subsidiaries with whom the company has transactions during the year	Mahindra Logisoft Business Solutions Limited Mahindra Intertrade Limited Mahindra Consulting Engineers Limited Mahindra & Mahindra Financial Services Limited Mahindra Lifespace Developers Limited Mahindra World City (Jaipur) Limited Mahindra World City Developers Limited Mahindra Logistics Limited Mahindra Water Utility Ltd Mahindra Renault Private Limited
C. Key Management Personnel	Ramesh Ramanathan (Managing Director)

Mahindra Holidays & Resorts India Limited - Consolidated

(ii) The related party transactions are as under:

Nature of transactions	Controlling Company		Fellow Subsidiaries		Key Management Personnel	
	Year Ended					
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
Loan taken :						
Mahindra Lifespace Developers Ltd	-	-	750,000,000	-	-	-
Debtors Securitized :						
Mahindra & Mahindra Financial Services Limited	-	-	1,000,000,000	-	-	-
Loan Repaid :						
Mahindra Lifespace Developers Ltd	-	-	750,000,000	-	-	-
Advances Given :						
Mahindra Intertrade Limited	-	-	-	174,200	-	-
Sales						
Services:	2,880,180	-	-	-	-	-
Mahindra Renault Private Limited	-	-	450,000	-	-	-
Purchases:						
Services						
Mahindra Logisoft Business Solution Ltd	-	-	22,026,853	19,866,698	-	-
Mahindra Intertrade Ltd	-	-	38,094	-	-	-
Interest Expense						
Mahindra Lifespace Developers Ltd	-	-	38,354,797	-	-	-
Dividend paid	127,929,140	85,200,600	-	-	-	-
Reimbursements received						
Mahindra World City Developers Limited	-	-	-	1,509,637	-	-
Mahindra Water Utility Ltd	-	-	12,171	-	-	-
Reimbursements made	17,915,586	12,238,863	-	-	-	-
Mahindra World City Developers Limited	-	-	226,800	170,100	-	-
Outstanding:						
Payable	2,364,034	1,143,095	-	-	-	-
Receivable						
Mahindra Lifespace Developers Ltd	-	-	486,819	524,589	-	-
Mahindra World City Developers Limited	-	-	279,000	279,000	-	-
Mahindra World City (Jaipur) Limited	-	-	-	18,256	-	-
Mahindra Consulting Engineers Limited	-	-	305,714	305,714	-	-
Mahindra Water Utility Ltd	-	-	-	12,171	-	-
Mahindra Logistics Limited	-	-	604,054	-	-	-
Mahindra Intertrade Limited	-	-	-	174,200	-	-
Managerial remuneration	-	-	-	-	12,718,598	10,640,466
Loan to Key Managerial Personnel	-	-	-	-	2,700,184	2,972,806

Mahindra Holidays & Resorts India Limited - Consolidated

11. Segment Reporting:

The Company has a single reportable segment namely sale of Vacation Ownership and other services for the purpose of Accounting Standard 17 on Segment Reporting. Business segment is considered as the primary segment.

Secondary segment information :

	As at March 31, 2009			As at March 31, 2008			(Rs.)
	Domestic	Overseas	Total	Domestic	Overseas	Total	
Sales	3,862,836,382	69,028,253	3,931,864,635	3,463,801,533	63,479,174	3,527,280,707	
Segment assets	9,999,821,972	35,971,798	10,035,793,770	7,358,141,958	99,707,617	7,457,849,575	
Additions to fixed assets	1,634,132,612	40,845	1,634,173,457	731,892,741	22,400	731,915,141	

12. Deferred Tax :

Particulars	As at 01.04.2008	Movement during the year	As at 31.03.2009
Deferred tax asset			
Provision for doubtful debts	58,727	19,058	77,785
Provision for leave encashment	2,433,752	2,772,275	5,206,027
Others	151,216	728,508	879,724
Total	2,643,695	3,519,841	6,163,536
Deferred tax liability			
Difference between book and tax depreciation	(238,507,866)	(62,415,451)	(300,923,317)
Net deferred tax (liability) / asset	(235,864,171)	(58,895,610)	(294,759,781)

13. The company has incurred expenses amounting to Rs. 45,852,355 towards its proposed Initial Public Offer, which has been included in Advances recoverable in cash or in kind or for value to be received {Schedule 7(B)}. These expenses would be adjusted against the securities premium account on completion of the Initial Public Offer.

14. Earnings per share:

	2008-09	2007-08
Net profit after tax and minority interest (in Rs.)	797,119,362	839,056,964
Weighted average number of Equity Shares used in computing basic earnings per share (Nos)	76,941,144	76,291,122
Weighted average number of Equity Shares used in computing diluted earnings per share (Nos)	78,296,322	78,044,961
Earnings Per Share – Basic (in Rs.)	10.36	11.00
Earnings per share – Diluted (in Rs.)	10.18	10.75
Nominal value of shares (in Rs.)	10	10

Mahindra Holidays & Resorts India Limited - Consolidated

15. The Government of India, Ministry of Corporate Affairs, in exercise of the powers conferred under Section 212(8) of the Companies Act 1956, has vide its Order No. 47/165/2009-CL-III dated 15th April 2009 directed that the provisions contained in Section 212(1) of the Companies Act, 1956, pursuant to which the balance sheet etc. of the subsidiaries are required to be attached to the Company's accounts shall not apply for the financial year ended 31st March 2009.

Information disclosed in accordance to the above order:

Particulars	Names of the Subsidiaries						
	Mahindra Holidays and Resorts USA Inc		MHR Hotel Management GmbH		Heritage Bird (M) Sdn Bhd		Mahindra Hotels and Residences India Limited
	INR	USD	INR	EURO	INR	MYR	INR
Capital	45,503	1,000	2,089,500	35,000	4,026,027	300,002	500,000
Reserves	1,189,123	29,807	(845,471)	(14,557)	(1,113,504)	(77,813)	(128,379)
Total Assets	254,178,187	4,872,114	1,794,072	26,035	77,857,948	5,440,807	1,320,247
Total Liabilities	254,178,187	4,872,114	1,794,072	26,035	77,857,948	5,440,807	1,320,247
Investments	-	-	-	-	-	-	-
Turnover (incl other income)	10,515,185	226,279	5,844,975	88,924	7,932,600	585,000	-
Profit before tax	(42,684,879)	(918,547)	228,806	3,481	(1,055,144)	(77,813)	(56,873)
Provision for taxation	-	-	115,093	1,751	-	-	-
Profit after tax	(42,684,879)	(918,547)	113,713	1,730	(1,055,144)	(77,813)	(56,873)
Proposed dividend	-	-	-	-	-	-	-

Translated at exchange rate prevailing as on 31.03.2009
 1 USD=INR 52.17, 1 EURO=INR 68.91, 1 MYR = INR 14.31

For and on behalf of the Board of Directors.

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

S. Padmanabhan
Head - Finance & Commercial

Rajiv Balakrishnan
Company Secretary

Place: Mumbai
Date : 22/04/2009