

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2008

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2008.

Performance

During the year under review, your Company recorded net revenues of Rs. 1019.85 lacs (previous year -Rs. 724.57 lacs) and earned a net profit of Rs. 157.54 lacs (previous year-Rs. 138.26 lacs) after providing for income tax of Rs. 94.35 lacs (previous year - Rs.78.79 lacs). Earnings per share for the year stands at Rs. 35.01 (previous year - Rs. 30.72) Cash Flow from operations were Rs. 32.88 lacs during the year (previous year Rs. 177.10 lacs).

Your Directors are pleased to recommend a dividend of Rs. 4/- (previous year - Rs. 3/-) per equity share of Rs. 10/- for the year ended 31st March 2008. Your Board further recommends a transfer to General Reserve of Rs. 15.75 lacs (previous year - Rs. 13.83 lacs).

Your Company, which caters to the mid range to upscale segment, signed up 9 alliances during the year for hotel properties situated at various locations, taking the total number of properties under the 'Fortune' brand to 42, with a total room count of 3281. Of these, 23 are operating hotels and further 5 hotels are slated to be commissioned during the course of the current financial year.

Conservation of Energy / Foreign Exchange

Considering the nature of business of your Company, no comment is made on conservation of energy.

During the year under review, there was no foreign exchange income (previous year- Nil) but there was a foreign exchange outflow of Rs. 11.44 lacs (previous year - Rs. 11.02 lacs).

Directors

In accordance with the provisions of Article 143 of the Articles of Association of the Company, Mr. Gaj Singh and Mr. S.S.H. Rehman will retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Particulars of Employees

None of the employees fall under the purview of the provisions of Section

217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Compliance Certificate under Companies Act, 1956

A certificate issued by M/s. P B & Associates, Company Secretaries, in terms of the provisions of Section 383A of the Companies Act, 1956, to the effect that the Company has complied with the applicable provisions of the said Act is attached to this Report.

Auditors

The Auditors of your Company, M/s. Lovelock & Lewes, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Responsibility Statement

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review, the applicable accounting standards had been followed. b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit of the Company for that period. c) proper and sufficient care was 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. d) the annual accounts are prepared on a going concern basis. The required disclosures and significant accounting policies followed are appearing in Schedules 17 and 18, respectively, in the annual accounts.

On behalf of the Board

S. C. Sekhar *Director*

M. Riaz Ahmed *Director*

Gurgaon, 25th April, 2008

COMPLIANCE CERTIFICATE

Company No. : U55101DL1995PLC099973

Nominal Capital : Rs. 2 Crores

The Members of
Fortune Park Hotels Ltd.
25, Community Centre
Basant Lok, Vasant Vihar
New Delhi – 110 057

We have examined the registers, records, books and papers of Fortune Park Hotels Limited (hereinafter referred to as 'the Company') as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made thereunder, the provisions contained in the Memorandum and Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended 31st March, 2008 (financial year). In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year :

1. The Company has kept and maintained registers as stated in "Annexure A" to this Certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in "Annexure B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made thereunder.
3. The Company, being a Public Limited Company, comments are not required.
4. The Board of Directors duly met 4 (four) times respectively on 1st May, 2007, 28th September, 2007, 24th December, 2007 and 17th March, 2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed, including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2007 was held on 4th July, 2007 after giving due notice to the Members of the Company and others concerned and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No extraordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its Directors or persons

or firms or companies referred to under Section 295 of the Act.

9. The Company has not entered into any contract falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301(1) of the Act. However, it has made necessary entries in register maintained under Section 301(3) of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificate during the financial year.
13. The Company has:
 - (i) not made any allotment/transfer/transmission of securities during the financial year.
 - (ii) not deposited any amount in a separate Bank Account, however the entire final dividend has been disbursed to the Members within five days from the date of declaration of such dividend.
 - (iii) paid dividends to all the members within a period of 30 days from the date of declaration and that there is no Unclaimed/Unpaid Dividend, which is required to be transferred to a Special Account.
 - (iv) not transferred any amount in Investor Education and Protection Fund as there is no unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon, which have remained unclaimed or unpaid for a period of seven years.
 - (v) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of Additional Directors, Alternate Directors and Directors to fill casual vacancy during the financial year.
15. The Company has not appointed any Managing Director/Whole-time Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.

20. The Company has not bought back any shares during the financial year.
21. The Company has neither preference capital nor debentures, thus redemption of preference shares or debentures is not applicable.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of the transfer of shares.
23. The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company, during the financial year, has made investments in mutual funds issued by other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose. However, there were no loans made or guarantees given or the securities provided to other bodies corporate during the financial year.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's Registered Office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act. Similarly, no fines, penalties or punishment under the Act was imposed on the Company during the financial year.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

For PB & Associates
Company Secretaries
Pooja Bhatia
LLB, ACS
CP : 6485

Gurgaon, 25th April, 2008

ANNEXURE – 'A'

**Registers maintained by the Company
(As on March 31, 2008)**

Sl. No.	Particulars	Relevant Section of the Act
1.	Minutes Book of the meetings of the Board of Directors of the Company	193
2.	Minutes Book of General Body Meetings of the Members of the Company	193
3.	Copies of Annual Returns	159
4.	Register of Members	150
5.	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6.	Register of Directors' Shareholding	307
7.	Register(s) of contracts, companies and firms in which Directors are interested	301 (3)
8.	Books of Accounts	209
9.	Register of Investments	372A
10.	Register of Share Transfer	

ANNEXURE – 'B'

**A. Forms & Returns filed with the Registrar of Companies, New Delhi
(During the Year ended on March 31, 2008)**

Sl. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Form 23AC and Form 23ACA for Annual Accounts u/s 220 for the year ended 31st March, 2007	26th July, 2007	Yes	No
2.	Form 66 for Compliance Certificate u/s 383A of the Act, for the financial year ended 31st March, 2007	26th July, 2007	Yes	No
3.	Form 20B for Annual Return u/s 159 of the Act, made upto 4th July, 2007	26th July, 2007	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities : Nil

REPORT OF THE AUDITORS TO THE MEMBERS OF FORTUNE PARK HOTELS LIMITED

1. We have audited the attached Balance Sheet of Fortune Park Hotels Limited, as at March 31, 2008, and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that :
- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the Company have been physically verified on behalf of the management by an outside firm during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- (ii) The Company does not hold any inventory.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the Register in pursuance of Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess as on March 31, 2008 which have not been deposited on account of any dispute.

- (x) The Company has no accumulated losses as at March 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- (xii) The Company has not granted any loans and 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 / nidhi / mutual benefit fund / societies are not applicable to the Company.
- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion, and 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 during the year.
- (xvi) The Company has not obtained any term loans.
- (xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year.
- (xix) The Company has not issued any debentures.
- (xx) The Company has not raised any money by public issues.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that :
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the Directors, as on March 31, 2008 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kaushik Dutta
Partner
Membership Number F 88540
For and on behalf of
Lovelock & Lewes
Chartered Accountants

Gurgaon, 25th April, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	(Rs.)	31st March, 2008 (Rs.)	(Rs.)	31st March, 2007 (Rs.)
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Capital	1	45,00,080		45,00,080	
b) Reserves and Surplus	2	5,01,78,200	5,46,78,280	3,65,30,469	4,10,30,549
Total			<u>5,46,78,280</u>		<u>4,10,30,549</u>
II. APPLICATION OF FUNDS					
1. Fixed Assets	3				
a) Gross Block		64,10,834		45,50,972	
b) Less : Depreciation		20,64,314		12,48,893	
c) Net Block			43,46,520		33,02,079
2. Investments	4		23,32,000		45,00,000
3. Deferred Tax Assets	5		8,63,707		8,23,344
4. Current Assets, Loans and Advances					
a) Sundry Debtors	6	3,98,04,025		2,97,00,335	
b) Cash and Bank Balances	7	1,95,22,450		1,83,33,815	
c) Other Current Assets	8	16,94,385		9,34,578	
d) Loans and Advances	9	79,80,803		26,17,984	
		<u>6,90,01,663</u>		<u>5,15,86,712</u>	
Less :					
5. Current Liabilities and Provisions					
a) Liabilities	10	1,68,51,958		1,55,97,727	
b) Provisions	11	50,13,652		35,83,859	
		<u>2,18,65,610</u>		<u>1,91,81,586</u>	
Net Current Assets			<u>4,71,36,053</u>		<u>3,24,05,126</u>
Total			<u>5,46,78,280</u>		<u>4,10,30,549</u>
Notes to the Accounts	17				
Significant Accounting Policies	18				

The Schedules referred to above form an integral part of the Balance Sheet.

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

Kaushik Dutta
Partner
Membership Number F88540
For and on behalf of
Lovelock & Lewes
Chartered Accountants
Gurgaon, 25th April, 2008

On behalf of the Board
S. C. Sekhar Director
M. Riaz Ahmed Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	For the year ended 31st March, 2008 (Rs.)	For the year ended 31st March, 2007 (Rs.)	
I. INCOME				
Gross Income from Operations		11,05,78,269	8,00,36,735	
Less : Service Taxes		<u>1,19,00,399</u>	<u>86,21,045</u>	
Net Income from Operations	12	9,86,77,870	7,14,15,690	
Other Income	13	33,06,644	10,41,348	
		<u>10,19,84,514</u>	<u>7,24,57,038</u>	
II. EXPENDITURE				
Operating and Administrative Expenses	14	7,59,80,314	5,01,34,177	
Depreciation	3	8,15,421	6,17,345	
		<u>7,67,95,735</u>	<u>5,07,51,522</u>	
III. PROFIT				
Profit before Taxation		2,51,88,779	2,17,05,516	
Provision for Tax	15	94,35,101	78,79,330	
Profit after Taxation		1,57,53,678	1,38,26,186	
Profit brought Forward		<u>3,16,87,979</u>	<u>2,08,23,873</u>	
Available for Appropriation		<u>4,74,41,657</u>	<u>3,46,50,059</u>	
IV. APPROPRIATIONS				
General Reserve		15,75,368	13,82,619	
Proposed Dividend		18,00,032	13,50,024	
Income Tax on Proposed Dividend		3,05,915	2,29,437	
Profit Carried Forward		<u>4,37,60,342</u>	<u>3,16,87,979</u>	
		<u>4,74,41,657</u>	<u>3,46,50,059</u>	
Basic and Diluted Earnings Per Share (Rs.)	16	35.01	30.72	
Notes to the Accounts	17			
Significant Accounting Policies	18			

The Schedules referred to above form an integral part of the Profit and Loss Account.

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

Kaushik Dutta

Partner

Membership Number F88540

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Gurgaon, 25th April, 2008

On behalf of the Board

S. C. Sekhar Director

M. Riaz Ahmed Director

CASH FLOW STATEMENT

(Figures for the previous year have been rearranged to conform with the revised presentation)

	31st March, 2008 (Rs.)	31st March, 2007 (Rs.)
A. NET PROFIT BEFORE TAX	2,51,88,779	2,17,05,516
ADJUSTMENTS FOR		
Depreciation	8,15,421	6,17,345
Provision for defined benefits of Gratuity and Compensated Absences (net of payment made)	7,33,743	8,36,297
Interest Income	(16,13,979)	(10,41,348)
Fixed Assets - Loss on Sale/Write off-Net	—	2,54,418
Other Items (Tax Deducted at Source)	(1,05,12,201)	(41,09,082)
Bad Debts Written off	2,99,889	—
Profit on Sale of Investments	(4,46,230)	—
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,44,65,422	1,82,63,146
ADJUSTMENTS FOR		
Trade & Other Receivables	(1,24,31,242)	(1,04,10,484)
Trade Payables	12,54,231	98,57,436
CASH GENERATED FROM OPERATIONS	32,88,411	1,77,10,098
Income Tax Paid (Net of Refunds)	(21,05,900)	(59,57,541)
NET CASH FROM OPERATING ACTIVITIES	11,82,511	1,17,52,557
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(18,59,862)	(15,31,661)
Sale of Fixed Assets	—	—
Purchase of Investment	(23,32,000)	(20,00,000)
Interest Received	8,31,217	1,75,711
Sale of Investments	49,46,230	—
NET CASH USED IN INVESTING ACTIVITIES	15,85,585	(33,55,950)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid	(13,50,024)	(9,00,016)
Income Tax on Dividend Paid	(2,29,437)	(1,26,227)
NET CASH FLOW USED IN FINANCING ACTIVITIES	(15,79,461)	(10,26,243)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	11,88,635	73,70,364
OPENING CASH AND CASH EQUIVALENTS	1,83,33,815	1,09,63,451
CLOSING CASH AND CASH EQUIVALENTS	<u>1,95,22,450</u>	<u>1,83,33,815</u>

Notes :

1. Cash and cash equivalents comprise

Balance with Scheduled Banks in

- Current Accounts etc.

- Deposit Accounts

Cash and Cheques in hand

Total

36,38,433

1,49,99,035

8,84,982

1,95,22,450

13,54,684

1,65,00,000

4,79,131

1,83,33,815

2. The above cash flow statement has been prepared under the indirect method set out in AS-3 issued by the Institute of Chartered Accountants of India.

3. Tax deducted at source (on income), being a non cash transaction, has not been considered in the Cash Flow Statement.

4. Figures in brackets indicate cash outgo.

5. Previous period figures have been regrouped and recasted wherever necessary to conform to the current period classification.

This is the cash flow statement referred to in our Report of even date.

Kaushik Dutta

Partner

Membership Number F88540

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Gurgaon, 25th April, 2008

On behalf of the Board

S. C. Sekhar Director

M. Riaz Ahmed Director

SCHEDULES TO THE ACCOUNTS

(Figures for the previous year have been rearranged to conform with the revised presentation)

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)		As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
1. CAPITAL			2. RESERVES AND SURPLUS		
Authorised 20,00,000 Equity Shares of Rs. 10/- each	<u>2,00,00,000</u>	<u>2,00,00,000</u>	Capital Reserve	30,00,000	30,00,000
Issued, Subscribed and Paid-up *4,50,008 Equity Shares of Rs. 10/- each	<u>45,00,080</u>	<u>45,00,080</u>	General Reserve		
	<u>45,00,080</u>	<u>45,00,080</u>	At the commencement of the year	18,42,490	10,53,918
			Add : From Profit and Loss Account	15,75,368	13,82,619
			Less : Incremental liability for Employee Benefit - Net of Deferred Tax	—	—
				<u>34,17,858</u>	<u>5,94,047</u>
			Profit and Loss Account	4,37,60,342	3,16,87,979
				<u>5,01,78,200</u>	<u>3,65,30,469</u>
* Includes – 4,50,002 Equity Shares of Rs. 10/- each fully paid-up held by the Holding Company, ITC Limited and 6 shares held by ITC Limited jointly with management personnel.					

3. FIXED ASSETS

Particulars	Original Cost as at 1.4.2007 (Rs.)	Additions during the year (Rs.)	Withdrawals during the year (Rs.)	Original Cost as at 31.3.2008 (Rs.)	Depreciation upto 01.04.2007 (Rs.)	Depreciation for the year (Rs.)	Depreciation on Withdrawals (Rs.)	Depreciation upto 31.03.2008 (Rs.)	Net Block as at 31.3.2008 (Rs.)
Plant and Machinery - Office Equipment	1,94,285	3,11,900	—	5,06,185	45,820	30,936	—	76,756	4,29,429
Computers	22,24,682	13,47,891	—	35,72,573	8,68,604	4,47,313	—	13,15,917	22,56,656
Furniture and Fixtures	11,90,855	2,00,071	—	13,90,926	2,55,072	1,53,263	—	4,08,335	9,82,591
Capitalised software	9,00,000	—	—	9,00,000	78,904	1,80,000	—	2,58,904	6,41,096
Motor Vehicle	41,150	—	—	41,150	493	3,909	—	4,402	36,748
Total	<u>45,50,972</u>	<u>18,59,862</u>	<u>—</u>	<u>64,10,834</u>	<u>12,48,893</u>	<u>8,15,421</u>	<u>—</u>	<u>20,64,314</u>	<u>43,46,520</u>
Previous Year	35,11,154	15,31,661	4,91,843	45,50,972	8,68,973	6,17,345	2,37,425	12,48,893	33,02,079

	As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)		As at 31st March, 2008 (Rs.)	As at 31st March, 2007 (Rs.)
4. INVESTMENTS			8. OTHER CURRENT ASSETS		
Unquoted – Current			Good and Unsecured		
G184 Standard Chartered Fixed Maturity - Quarterly Series 7 - Growth 2,00,000 Units (Previous Year - Nil) of Rs. 10.00 each	—	20,00,000	Deposits with Government, Public Bodies and Others	4,61,993	1,52,612
G37 Grindlays Fixed Maturity - 6th Plan - Growth 2,50,000 Units (Previous Year - 2,50,000 Units) of Rs. 10.00 each	—	25,00,000	Interest Accrued on Deposit	<u>12,32,392</u>	<u>7,81,966</u>
Unquoted-Non Current				<u>16,94,385</u>	<u>9,34,578</u>
B8496G Birla FTP - Retail Series W - Growth 2,33,200 Units (Previous Year - Nil) of Rs. 10.00 each.	<u>23,32,000</u>	—	9. LOANS AND ADVANCES		
	<u>23,32,000</u>	<u>45,00,000</u>	Good and Unsecured		
			Advances recoverable in cash or in kind or for value to be received	20,61,179	3,42,897
			Advances with Government and Public Bodies **	<u>59,19,624</u>	<u>22,75,087</u>
5. DEFERRED TAX ASSETS / (LIABILITY) - (NET)				<u>79,80,803</u>	<u>26,17,984</u>
Deferred Tax Assets			** Includes advance payment of Income Tax and Fringe Benefit Tax net of provision of Rs. 87,00,000/- and Rs. Nil respectively (Previous Year – Rs. 77,31,884/- and Rs. 3,83,731/-)		
On Expenditure for the current year allowed under Income Tax Act, 1961 on payment basis only	13,03,798	9,71,016	10. LIABILITIES		
Less :			Sundry Creditors		
Deferred Tax Liability			Total outstanding dues of micro and small enterprises	—	—
Depreciation - Timing Difference	<u>4,40,091</u>	<u>1,47,672</u>	(Refer note (iii) on Schedule 17)		
Net Deferred Tax Assets / (Liability)	<u>8,63,707</u>	<u>8,23,344</u>	Total Outstanding dues of creditors other than micro and small enterprises	1,38,30,276	1,34,47,745
			Other Liabilities	<u>30,21,682</u>	<u>21,49,982</u>
6. SUNDRY DEBTORS				<u>1,68,51,958</u>	<u>1,55,97,727</u>
Over 6 months old			11. PROVISIONS		
Good and Unsecured (Refer Note - (iv) on Schedule 17)	1,39,42,733	1,12,67,937	Provision for Employee Benefits	27,38,141	20,04,398
Other Debts			Proposed Dividend	18,00,032	13,50,024
Good and Unsecured	<u>2,58,61,292</u>	<u>1,84,32,398</u>	Income Tax on Proposed Dividend	3,05,915	2,29,437
	<u>3,98,04,025</u>	<u>2,97,00,335</u>	Provision for Fringe Benefit Tax (Net of Advance - Rs.6,05,900/-)	1,69,564	—
7. CASH AND BANK BALANCES				<u>50,13,652</u>	<u>35,83,859</u>
With Scheduled Banks					
On Current Accounts	36,38,433	13,54,684			
On Deposit Accounts	1,49,99,035	1,65,00,000			
Cash and Cheques in hand	<u>8,84,982</u>	<u>4,79,131</u>			
	<u>1,95,22,450</u>	<u>1,83,33,815</u>			

SCHEDULES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2008 (Rs.)	For the year ended 31st March, 2007 (Rs.)	For the year ended 31st March, 2008 (Rs.)	For the year ended 31st March, 2007 (Rs.)
12. NET INCOME FROM OPERATIONS				
Management Consultancy and Other Services*	9,86,77,870	7,14,15,690	—	2,54,418
	<u>9,86,77,870</u>	<u>7,14,15,690</u>	2,99,889	—
			<u>7,59,80,314</u>	<u>5,01,34,177</u>
* The Income from Management Consultancy and Other Services is stated gross, the amount of Income Tax deducted thereon is Rs. 1,00,98,435/- (Previous Year-Rs. 41,09,082/-)				
13. OTHER INCOME				
Interest on Deposits**	16,13,979	10,00,488		
Interest on Income Tax Refunds	—	40,860		
Others (Including Profit on Sale of Investments Rs. 4,46,230/- (Previous Year - Nil))	16,92,665	—		
	<u>33,06,644</u>	<u>10,41,348</u>		
** The Income from Interest on Deposits is stated gross, the amount of Income Tax deducted thereon is Rs. 3,32,336/- (Previous Year - Rs. 2,30,489/-)				
14. OPERATING AND ADMINISTRATIVE EXPENSES	(Rs.)	(Rs.)		
Salaries, Wages and Bonus [includes Rs. 13,97,445/- (Previous Year - Rs. 14,00,497/-) on account of Compensated absences]	3,38,34,631	2,03,26,346		
Contribution to Provident and Other Funds [includes Rs. 3,44,164/- (Previous Year Rs. 2,38,381/-) on account of Gratuity]	16,74,412	10,68,505		
Workmen and Staff Welfare Expenses	28,69,211	16,57,053		
Reimbursement of contractual remuneration	3,08,41,980	2,43,46,895		
	<u>6,92,20,234</u>	<u>4,73,98,799</u>		
Less : Recoveries	2,83,81,314	4,08,38,920	1,80,69,971	2,93,28,828
Consumption of Stores and Supplies	7,47,003	6,77,879		
Power and Fuel	12,48,883	8,32,435		
Rent	25,00,082	22,19,239		
Insurance	22,160	14,566		
Repairs - Others	24,46,802	16,05,022		
Advertising/Sales Promotion	1,19,09,188	81,03,861		
Traveling and Conveyance	99,57,621	39,13,615		
Legal Expenses	2,03,050	2,03,300		
Postage, Telephones etc.	19,15,823	16,53,532		
Bank Charges	12,962	4,281		
Technical and Consultancy Fees	29,72,131	9,31,457		
Miscellaneous Expenses	9,05,800	3,91,744		
Fixed Assets Discarded - Net			—	2,54,418
Bad Debts Written Off			2,99,889	—
Miscellaneous Expenses include : Auditors' Remuneration and Expenses : - Audit Fees			1,50,000	75,000
- Fees for Other Services - Tax Audit			50,000	25,000
- Reimbursement of Expenses			12,972	12,972
			<u>2,12,972</u>	<u>1,12,972</u>
15. PROVISION FOR TAXATION				
Income Tax for the year : - Current Tax			87,00,000	77,31,884
- Deferred Tax			(40,363)	(5,45,651)
- Fringe Benefit Tax			7,75,464	3,83,731
			<u>94,35,101</u>	<u>75,69,964</u>
Add : Adjustments related to previous years - Net Current Tax			—	3,09,366
			<u>94,35,101</u>	<u>78,79,330</u>
16. EARNINGS PER SHARE				
Profit after Taxation			1,57,53,678	1,38,26,186
Weighted average number of equity shares outstanding			4,50,008	4,50,008
Basic and diluted earnings per share in rupees (Face value - Rs. 10/- per share)			35.01	30.72
17. NOTES TO THE ACCOUNTS				
i) Expenditure in Foreign Currency (On Payment Basis) : Travelling Rs. 11,43,517/- (Previous year – Rs. 11,01,678/-).				
ii) The Company has accounted for the long term defined benefits and contribution schemes as under :				
A) Defined Benefit Schemes :				
(a) Gratuity				
The employees are entitled to gratuity that is computed as half-month's salary, for every completed year of service and is payable on retirement/termination. The Company makes provision of such gratuity liability in the books of accounts on the basis of actuarial valuation. The Company pays contribution to Life Insurance Corporation to fund its plan.				
(b) Leave encashment/Compensated Absences				
The employees are entitled for leave for each year of service and part thereof and subject to the limits specified, the unavailed portion of such leaves can be accumulated or encashed during/at the end of the service period.				
The plan is unfunded.				
The reconciliation of opening and closing balances of the present value of the defined benefit obligations are as below :				

(Rupees)

	For the Year ended 31st March, 2008		For the Year ended 31st March, 2007	
	Gratuity	Leave encashment/compensated absences	Gratuity	Leave encashment/compensated absences
Obligations at year beginning	2,74,358	16,09,698	2,13,371	11,12,069
Service Cost – Current	2,05,046	5,85,107	51,352	4,16,475
Interest Cost	18,789	97,728	11,971	62,148
Actuarial (gain) / loss	89,555	10,30,408	1,83,999	9,01,657
Benefit Paid	(47,665)	(6,13,329)	(1,07,527)	(5,66,852)
Obligations at year end	5,40,083	27,09,612	3,53,166	19,25,497
Change in plan assets				
Plan assets at year beginning, at fair value	2,98,436	—	1,61,293	—
Expected return on plan assets	30,375	—	17,240	—
Actuarial gain / (loss)	(84,277)	—	(8,299)	—
Contributions	3,14,685	—	2,35,729	—
Benefits paid	(47,665)	—	(107,527)	—
Plan assets at year end, at fair value	5,11,554	—	2,98,436	—
Reconciliation of present value of the obligation and the fair value of the plan assets :				
Present value of the defined benefit obligations at the end of the year	5,40,083	27,09,612	3,53,166	19,25,497
Fair value of the plan assets at the end of the year	5,11,554	—	2,98,436	—
Liability recognised in the Balance Sheet	28,529	27,09,612	54,730	19,25,497
Defined benefit obligations cost for the year				
Service Cost – Current	2,05,046	5,85,107	51,352	4,16,475
Interest Cost	18,789	97,728	11,971	62,148
Expected return on plan assets	(30,375)	—	(17,240)	—
Past Service Cost	(24,078)	(3,15,799)	—	—
Actuarial (gain) / loss	1,73,832	10,30,408	1,92,298	9,01,657
Net defined benefit obligations cost	3,43,214	13,97,444	2,38,381	13,80,280

SCHEDULES TO THE ACCOUNTS (Contd.)

17. NOTES TO THE ACCOUNTS (Contd.)

Investment details of plan assets

100% of the plan assets are lying in the Gratuity fund administered through Life Insurance Corporation of India (LIC) under its Group Gratuity Scheme.

The principal assumptions used in determining post-employment benefit obligations are shown below :

	2008 (in %)	2007 (in %)
Discount Rate	7.50 p.a.	7.50 p.a.
Future salary increases	10.00 p.a.	10.00 p.a.
Expected return on plan assets	7.50 p.a.	7.50 p.a.

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

B) State Plans :

The Company deposits an amount determined at a fixed percentage of basic pay every month in the State administered Provident Fund for the benefit of the employees. Accordingly, the Company's contribution during the year that has been charged to revenue amounts to Rs. 13,30,248/-

iii) The Company, based on the information available on the status of the suppliers, does not have any dues to enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006.

- iv) Sundry Debtors over six months include amounts which are under litigation. The management has been advised by its legal counsel that the amounts will be fully recovered.
- v) The Company's significant leasing arrangements are in respect of operating leases for premises (residential, offices etc.). These leasing arrangements which are not non-cancellable range between 11 months and 3 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as rent under Schedule 14.
- vi) The Company operates in one operating segment i.e. Hoteliering and within one geographical segment i.e. India.
- vii) Related party disclosures under Accounting Standard 18
 - i) **Holding Company** : ITC Limited
 - ii) **Other related parties with whom transactions have taken place during the year**:
Fellow Subsidiary Companies – Srinivasa Resorts Limited
 - iii) **Key Management Personnel** :
Board of Directors
S.S.H. Rehman
Nakul Anand
S. C. Sekhar
M. Riaz Ahmed
Pawan Verma
H. H. Maharaja Gaj Singh

iv) Summary of transactions (Rupees) :

	Transaction with	Holding Company		Fellow Subsidiaries		Key Management Personnel	
		31-03-2008	31-03-2007	31-03-2008	31-03-2007	31-03-2008	31-03-2007
1.	Receipt of Management & Consultancy fees* * Inclusive of Service Tax - Rs. 3,27,685/- (Previous Year - Rs. 1,32,691/-)	29,81,056	23,65,241	—	—	—	—
2.	Purchase of Goods/Service – Hotel Services (Hotel stay & F&B Bills etc.)	19,64,265	1,84,538	2,80,694	91,155	—	—
3.	Acquisition Cost of Fixed Assets	—	—	—	—	—	—
4.	Rent Paid	4,10,184	3,71,880	—	—	—	—
5.	Reimbursement of Contractual Remuneration	3,08,41,980	2,43,46,895	—	—	—	—
6.	Dividend Payments	13,50,024	9,00,016	—	—	—	—
7.	Expense Recovered during the year (Amount recovered on account of payments made on behalf of related parties)	7,28,959	3,32,468	—	62,903	—	—
8.	Expense Reimbursed during the year (Amount paid to related parties on account of payments made by them on Company behalf)	60,45,775	54,61,427	32,492	—	—	—
9.	Closing Balance						
	(i) Debtors/Receivables	67,344	2,057	—	—	—	—
	(ii) Creditors/Payables	24,67,377	46,02,644	32,484	59,544	—	—

viii) Previous Year's figures have been regrouped/rearranged wherever necessary.

18. SIGNIFICANT ACCOUNTING POLICIES

- i) **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**
The Financial Statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified u/s 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- ii) **TURNOVER**
To state Net Income from Operations after deducting taxes and duties from invoiced value of services rendered.
- iii) **FIXED ASSETS**
To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. To capitalise software where it is expected to provide future enduring economic benefits. The costs are capitalised in the year in which the relevant software is implemented for use.
- iv) **DEPRECIATION**
To calculate depreciation on Fixed Assets in a manner that amortises the cost of the assets after commissioning, over their estimated useful lives or lives based on the rates specified in Schedule XIV to the Companies Act, 1956, whichever is lower, by equal annual installments. Capitalised software costs are amortised over a period of five years.

- v) **INVESTMENT**
To state Current Investments at lower of cost and fair value; and Long Term Investments at cost. Where applicable, provision is made where there is a permanent fall in valuation of Long Term Investments.
- vi) **INVESTMENT INCOME**
To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source.
- vii) **EMPLOYEE BENEFITS**
To make regular contributions to the State administered Provident fund which are charged against revenue. To provide for long term defined benefit schemes of gratuity and compensated absences on the basis of actuarial valuation on the Balance Sheet date based on the Projected Unit Credit Method. In respect of gratuity, the Company funds the benefits through annual contributions to Life Insurance Corporation of India (LIC) under its Group Gratuity Scheme. The actuarial valuation of the liability towards the Gratuity Retirement benefits of the employees is made on the basis of certain assumptions with respect to the variable elements affecting the computations including estimation of interest rate of earnings on contributions to LIC.

To recognise the actuarial gains and losses in the Profit & Loss account as income and expense in the period in which they occur.
- viii) **PROPOSED DIVIDEND**
To provide for Dividend as proposed by the Directors in the books of account, pending approval at the Annual General Meeting.

SCHEDULES TO THE ACCOUNTS (Contd.)

18. Significant Accounting Policies (Contd.)

ix) FOREIGN CURRENCY TRANSLATIONS

To record transactions in foreign currencies at the exchange rates prevailing on the date of the transaction. Gains/Losses arising out of fluctuations in the exchange rates are recognised in profit & loss in the period in which they arise. Liability/Receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year.

x) BORROWING COSTS

To capitalise the borrowing costs that are directly attributable to the acquisition or construction of that capital asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

xi) TAXES ON INCOME

To provide and determine Current tax as the amount of tax payable in respect of taxable income for the period.

To provide and recognise Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

Not to recognise Deferred tax assets on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

xii) FINANCIAL AND MANAGEMENT INFORMATION SYSTEMS

To practice an integrated Accounting System which unifies both Financial Books and Costing Records. The books of account and other records have been designed to facilitate compliance of the relevant provisions of the Companies Act, 1956 on the one hand, and meet the internal requirements of information and systems for Planning, Review and Internal Control (designed and based on "Uniform System of Accounts for Hotels"), on the other.

On behalf of the Board

S. C. Sekhar Director
M. Riaz Ahmed Director

Gurgaon, 25th April, 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date
Date Month Year

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

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities
Total Assets

Sources of Funds

Paid-up Capital
Reserves & Surplus
Secured Loan
Unsecured Loan
Deferred Tax Liability - Net

Application of Funds

Net Fixed Assets
Investments
Net Current Assets
Misc. Expenditure
Accumulated Losses

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

Turnover **
Total Expenditure

** Includes Other Income

+ - Profit/Loss before Tax
+ - Profit/Loss after Tax

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

Earnings per Share in Rs.
Dividend Rate %

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No.
Product Description

*** No item code has been assigned to 'Hotels' under the Indian Trade Classification.