MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

11TH ANNUAL REPORT

2006-2007

CHIEF FINANCIAL OFFICER

AMAR KORDE

COMPANY SECRETARY

RAJIV BALAKRISHNAN

AUDITORS

A.F. FERGUSON & CO.,
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.

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Directors' Report to the Shareholders

Your Directors are pleased to present the Eleventh Annual Report together with the audited accounts of your Company for the year ended 31st March, 2007. The summarised financial results of the Company are given hereunder:

FINANCIAL RESULTS :

		(Rs. in lakhs)
	2007	2006
Income:		
Income from Operations	**24,065**	15,673
Expenditure		
Employee Cost & Other Expenses	**(16,170)**	(11,215)
Profit /(Loss) before Depreciation, Interest and Taxation	**7,895**	4,458
Depreciation	**(887)**	(775)
Interest	**(360)**	(332)
Profit / (Loss) for the year before tax	**6,648**	3,351
Provision for Tax – Current Tax	**(1,315)**	(282)
– MAT credit Entitlement	**—**	282
– Deferred tax (net)	**(985)**	(1,131)
– Fringe Benefit tax	**(172)**	(137)
Net Profit for the year after tax	**4,176**	2,083
Balance brought forward from earlier years	**1,775**	(308)
Balance carried forward	**5,951**	1,775
APPROPRIATIONS:		
General Reserve	**418**	—
Proposed Final Dividend on Equity shares	**868**	—
Income – Tax on Proposed Final Dividend	**148**	—
Surplus carried to Balance Sheet	**4,517**	1,775

DIVIDEND:

Keeping in mind the overall performance during the year and positive outlook of the Company, your Directors recommend a maiden dividend of 30% on the paid up equity capital of the Company as on 31st March, 2007. The dividend, if approved, shall be subject to applicable taxes and shall be paid out of profits of the year ended 31st March, 2007.

OPERATIONS :

The brand Club Mahindra continues to enjoy a leadership position in the family holiday space with the highest top of the mind recall among the target audience. Salience of the Company's brand coupled with accelerating changes in the life style and holidaying patterns helped your Company record another successful year. The Company's income grew by 53.5 per cent from Rs.15,673 lakhs in 2005-06 to Rs. 24,065 lakhs in 2006-07 while Profit before Tax increased by 98.3 per cent from Rs.3,351 lakhs to Rs.6,648 lakhs during the year under review. During the year, the Company added 14,422 timeshare members as against 10,200 during the previous year.

Your Company further strengthened its distribution network by opening a new office in Chandigarh and more Holiday Worlds and franchisees in newer locations. The opportunities to holiday for members also increased with additional inventory in Goa, Coorg, Dharamshala, Mahabaleshwar, Kodai and Poovar. In addition the Company has acquired an existing resort in Kumbalgarh and is in talks to acquire new resorts in backwaters of Kollam, Kerala and at Corbett, Uttaranchal.

Pursuing its objective of maintaining its leadership position in the family holidays segment, the company launched two new products and a value added service.

"Zest" a product to cater to the short break holiday needs of the upwardly mobile younger generation was launched in December, 2006. An overview of the product can be obtained from the product website www.zestbreaks.com. During the second half of the year the company also launched "Corporate Fundays" a holiday product focused exclusively on Corporates. The objective of this points based product is to enable the Corporates to offer world class holidays to their employees and their families. The product has been well received and indications are that this product will see a lot more new members enrolled in the coming years.

The Company also launched its Travel and Holiday Advisory Services in order to help its members plan their holiday itineraries, book tickets and take care of all other travel arrangements domestically as well as overseas. More details of this product can be obtained from the website www.clubmahindra.travel. The Company continues to maintain and deliver outstanding levels of service to its members. The Company's resorts located at Goa, Munnar, Binsar and Coorg retained the Gold Crown Certification from RCI during the current year too. The resort at Ooty received Silver Crown certification. The Resorts continued to lay emphasis on quality standards and delivering great holiday experiences. During the year, the Company's Resorts at Munnar and Coorg received food hygiene certification of international standard from BHC of Netherlands. Resorts at Goa, Ooty and Kodaikanal retained their certificates during the year under review.

With the growing member base, the Company has always maintained its focus on quality in servicing its members. This is evident from the fact that the member relations department of the Company is seeking ISO certification for its processes, thereby adhering to highest quality standards in servicing its customers.

In line with the objective of being a dominant player in the family holiday space, the Company during the year invested substantially on upgradation of its services and added new facilities across all resorts. The Company has also embarked on a programme to upgrade the quality of the pre-holiday and reservation service through the establishment of a call centre, by rolling out more customer friendly activities at locations and its web site and to provide online information on room availability to members.

CORPORATE GOVERNANCE:

Your Company maintains a consistent focus on practicing high standards of corporate governance. This translates into adoption of best practices which are not only guided by the applicable regulatory framework but also by broader business ethics. The adoption of such corporate practices founded on principles of transparency and independent monitoring ensures accountability at all levels and brings greater value to investors, customers, creditors, employees and the society at large. As it grows, your Company will diligently look to adopt new and best-in-class systems and procedures to continually enhance corporate governance standards within the company.

The parent company, Mahindra & Mahindra Limited (M&M) has adopted separate Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management Personnel and Employees. These Codes enunciate the underlying principles governing the conduct of its business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of its ethos.

In reiteration of the commitment of the Mahindra group towards Corporate Governance, it was proposed that the said Codes should also be implemented by the subsidiaries/associates of M&M.

Accordingly, your Directors have adopted two Codes of Conduct pursuant to which all the Board Members, Senior Management Personnel and Employees shall affirm compliance with the respective Codes on an annual basis.

DIRECTORS :

Mr. Keki Minoo Mistry resigned as a Director of the Company with effect from 26th March, 2007. The Board has placed on record its sincere appreciation for the valuable insights and expert advice provided by Mr. Mistry during his tenure.

Mr. Vineet Nayyar who was appointed as an additional Director with effect from 23rd March, 2007 will hold office upto the date of the next Annual General Meeting. A notice has been received from a member proposing the candidature of Mr. Nayyar for the office of Director at the meeting. Your Directors recommend his appointment as a Director of the Company.

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

AUDIT COMMITTEE:

As on 31st March, 2007, the Audit Committee comprises three members viz. Mr. Cyrus J Guzder, Mr. A.K. Nanda and Mr. Uday Phadke. Mr. Cyrus J Guzder, Chairman of the committee is an Independent Director while the other two members are non-executive Directors. The Audit Committee met four times during the year under review on 22nd April, 2006, 26th August, 2006, 11th October, 2006 and 23rd January, 2007.

REMUNERATION COMMITTEE :

The Remuneration Committee comprises Mr. A. K. Nanda (Chairman of the Committee), Mr. Rohit Khattar, Mr. Cyrus J. Guzder and Mr. Uday Phadke.

The Committee met four times 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, 2007 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 :

Messrs. A. F. Ferguson & Company, 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 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 Messrs. A. F. Ferguson & Company, 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 1 per cent of its profits towards Corporate Social Responsibility Initiatives on a yearly basis, your Company has contributed an amount of Rs.33.6 lakhs towards the same during the year under review.

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. However the Company is working towards being a carbon and water neutral company by taking several energy conservation measures, carbon sequestration by plantation and rainwater harvesting. The Company also has a robust Information Technology infrastructure and effective network system across all its branches and resorts for effective information management.

FOREIGN EXCHANGE EARNING AND OUTGO:

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

SUBSIDIARIES:

During the year, M/s. M H R Hotel Management GmbH became a subsidiary of your Company. The statement pursuant to section 212 of the Companies Act, 1956 containing details of the Company's subsidiaries, Mahindra Holidays and Resorts USA Inc. and M H R Hotel Management GmbH is attached.

Subsequent to the year-end, Mahindra Hotels and Residences India Limited became a subsidiary of your 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, 2007 or not less than Rs.2 lakhs per month during any part of the said year, is given in the Annexure to this Report.

EMPLOYEE STOCK OPTION SCHEME:

During the year, your Company introduced a Stock Option Scheme for the benefit of the employees. An Employees Stock Option trust was formed and a total of 8,81,550 shares were allotted to the trust during the year as per the recommendation of the Remuneration Committee of the Board of Directors.

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

Mumbai: 30th April, 2007

Annexure to the 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, 2007.

Name of the employee	Designation/ Nature of duties	Qualification(s)	Gross Remuneration received (subject to Income tax) (Rupees)	Age (years)	Experience (years)	Date of Commencement of Employment	Last Employment held (Designation and Organisation)
1. Mr. Ramesh Ramanathan	Managing Director	B.A. PGDBM (IIM, Kolkatta)	83,76,959	52	29	09/06/2004	President – Food World Super Markets Ltd
2. Mr. Ulrich Wolffram	Head – Operations	Certificate in Hotel Management, Bad Hofgastein, Austria Certified Hotel Administrator, AHMA, USA.	81, 55,528	59	42	20/01/2006	Managing Director Excel Hotels & Resorts, Tenerife.
3. Mr. R. Radhakrishna	Chief Sales Officer	B.A.	41, 81,445	55	32	05/02/2001	General Manager – Arvind Brands
4. Mr. Amar Korde	Chief Financial Officer	B.Com. ACA, Grad. C S	33, 47,199	51	23	26/08/2001	Director - Anuvin Business Solutions Ltd
5. Ms. Vimla Dorairaju	Head – Travel	PGDBA (LIBA)	28, 62,656	48	26	20/09/1996	Asst GM – Sterling Related Services Holiday Resorts
6. Mr. Navarun Sen	Business Head (Zest)	B.E M.B.A. (IIML)	27, 00,500	39	16	17/01/2006	Asst. Vice President Satyam Computers
7. Mr. M.V. Chandrasekhar	Head – HR	Masters Degree in PM & IR-TISS	25, 50,200	42	20	04/04/2006	HR - Consultant Pacttum Consultants
8. Mr.Ravindera Khanna	Head – Projects	B.Com	25, 17,195	45	21	01/12/1997	Corp Mgr – Projects & Developments GHMDSL

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/herself or along with his/her 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 value / 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 and Resorts India Limited

We have audited the attached balance sheet of Mahindra Holidays and Resorts India Limited, as at March 31, 2007 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 31st March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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

(a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2007;

(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 **A.F.Ferguson & Co**
Chartered Accountants

H.L.Shah
Partner
Membership No. 33590

Place: Mumbai
Date : 30th April, 2007

Annexure referred to in paragraph 3 of the report of even date of the auditors to the members of Mahindra Holidays and Resorts India Limited on the accounts for the year ended 31st March, 2007.

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 it 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, and therefore paragraph 4 (iii) of the Order is not applicable.

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 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 and therefore paragraph 4(v) of the Order is not applicable.

vi. In our opinion and according to the information and explanations given to us, as the company has not accepted deposits from the public, paragraph 4(vi) of the Order is not applicable.

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 and therefore paragraph 4 (viii) of the Order is not applicable.

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, sales 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 31st March 2007 for a period of more than six months from the date they became payable.

(b) As explained to us, there are no disputed dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess that have not been deposited on account of any dispute and therefore paragraph 4 (ix) (b) of the Order is not applicable.

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 and therefore paragraph 4(xii) of the Order is not applicable.

xiii. The provisions of any special statute applicable to chit fund and nidhi / mutual benefit fund/ society are not applicable to the company and therefore paragraph 4(xiii) of the Order is not applicable.

xiv. The company is not dealing or trading in shares, securities, debentures and other investments and therefore paragraph 4(xiv) of the Order is not applicable.

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 and therefore paragraph 4(xvi) of the Order is not applicable.

xvii. Funds raised on short term basis have not been used for long term investments.

xviii. The company has not made any preferential allotment of shares during the year and therefore paragraph 4 (xviii) of the Order is not applicable.

xix. The company has not issued any debentures during the year and therefore paragraph 4(xix) of the Order is not applicable.

xx. The company has not raised any money by way of public issues during the year and therefore paragraph 4 (xx) of the Order is not applicable.

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 **A.F. Ferguson & Co**
Chartered Accountants

H.L. Shah
Partner
Membership No. 33590

Place: Mumbai
Date: 30th April, 2007

Balance Sheet as at 31st March 2007

	Schedule	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SOURCES OF FUNDS			
Shareholders' Funds:			
Share capital	1	284,002,000	284,002,000
Reserves and surplus	2	493,583,680	177,622,936
Deferred Income			
Advance towards members' facilities (see note 1(vi)(a))		3,204,558,233	2,222,432,500
Loan Funds:			
Secured loans	3	59,542,265	268,060,588
Deferred tax liability (net)		201,475,471	102,914,447
Total		4,243,161,649	3,055,032,471
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		2,247,714,001	1,907,375,373
Less : Depreciation		373,527,122	297,047,088
Net block		1,874,186,879	1,610,328,285
Capital work in progress/advances		97,762,936	13,827,880
Expenditure during construction pending allocation	5	29,290,239	8,230,020
		2,001,240,054	1,632,386,185
Investments	6	60,630,738	295,513
Current assets, Loans and advances	7		
Inventories		17,846,346	8,722,986
Sundry debtors		2,187,303,874	1,457,306,823
Cash and bank balances		84,141,501	77,434,156
Loans and advances		421,275,554	260,855,333
		2,710,567,275	1,804,319,298
Less: Current liabilities and provisions	8		
Current liabilities		403,238,124	379,454,115
Provisions		126,038,294	2,514,410
		529,276,418	381,968,525
Net current assets		2,181,290,857	1,422,350,773
Total		4,243,161,649	3,055,032,471
NOTES ON ACCOUNTS	14		

As per our report of even date attached.
For **A.F.Ferguson & Co.**
Chartered Accountants

H.L.Shah
Partner

Place: Mumbai
Date: 30th April 2007

For and on behalf of the Board of Directors

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Amar Korde
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Profit and Loss Account for the year ended March 31, 2007

	Schedule		2006-07 Rs.		2005-06 Rs.
INCOME					
Timeshare and resort income	9		2,323,061,345		1,527,225,509
Other income	10		83,437,311		40,078,664
Total			2,406,498,656		1,567,304,173
EXPENDITURE					
Employee cost	11		283,064,673		194,455,431
Depreciation			88,733,640		77,475,161
Other expenses	12		1,333,912,383		927,028,098
Interest and financial charges	13		35,997,750		33,236,000
Total			1,741,708,446		1,232,194,690
Profit for the year before tax			664,790,210		335,109,483
Provision for taxation					
Current tax		131,500,000		28,200,000	
Less: MAT credit entitlement		—		(28,200,000)	
Deferred tax		98,561,024		113,053,042	
Fringe benefit tax		17,161,777		13,703,575	
			247,222,801		126,756,617
Profit for the year after tax			417,567,409		208,352,866
Profit brought forward			177,509,095		(30,843,771)
Balance available for appropriation			595,076,504		177,509,095
Appropriations:					
General Reserve			41,757,000		—
Proposed Dividend			86,847,015		—
Tax on Dividend			14,759,650		—
Balance carried to Balance Sheet			451,712,839		177,509,095
Earnings Per Share (Rs.):					
Basic			14.70		11.24
Dilluted			14.42		11.24
NOTES ON ACCOUNTS	14				

Per our report attached to the balance sheet

For **A.F.Ferguson & Co.**
Chartered Accountants

H.L.Shah
Partner

Place: Mumbai
Date: 30th April 2007

For and on behalf of the Board of Directors

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Amar Korde
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

Cash Flow Statement for the year ended 31st March, 2007

		Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
A .	CASH FLOW FROM OPERATING ACTIVITIES :		
	Profit for the year	664,790,210	335,109,483
	Adjustments for :		
	Depreciation	88,733,640	77,475,161
	Interest and financial charges	35,997,750	33,236,000
	Interest on deposits	(353,871)	(128,230)
	Interest on instalment sales	(73,421,437)	(33,924,316)
	Income from securitisation	(7,234,578)	(4,462,981)
	Loss on fixed assets sold/ scrapped	13,073,976	3,279,295
	Unrealised Exchange Gain/Loss	(453,426)	(28,694)
		56,342,054	75,446,235
	Operating profit before working capital changes	721,132,264	410,555,718
	Changes in :		
	Deferred income - Advance towards members' facilities	982,125,733	617,871,246
	Trade and other receivables	(919,974,418)	(667,413,759)
	Inventories	(9,123,360)	(2,527,823)
	Trade and other payables	24,550,217	75,819,260
		77,578,172	23,748,924
	Income Taxes paid	(97,500,195)	(44,287,795)
	NET CASH FROM OPERATING ACTIVITIES	701,210,241	390,016,847
B	CASH FLOW FROM INVESTING ACTIVITIES :		
	Purchase of fixed assets	(472,889,237)	(439,004,676)
	Proceeds from sale of fixed assets	2,227,753	1,669,013
	Purchase of investments	(60,335,225)	45,000,000
	Interest on deposits received	353,871	128,230
	Interest on instalment sales received	73,421,437	33,924,316
	Income from securitisation received	7,234,578	4,462,981
	NET CASH USED IN INVESTING ACTIVITIES	(449,986,823)	(353,820,136)
C .	CASH FLOW FROM FINANCING ACTIVITIES :		
	Repayments of borrowings	(208,518,323)	35,298,056
	Interest and financial charges paid	(35,997,750)	(33,236,000)
	NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(244,516,073)	2,062,056
	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6,707,345	38,258,767
	CASH AND CASH EQUIVALENTS :		
	Opening Balance	77,434,156	39,146,695
	Closing Balance	84,141,501	77,405,462

Cash and Cash Equivalents excludes unrealised exchange gain of Rs Nil(Previous Year Rs 28,694)

Per our report attached to the balance sheet

For **A.F.Ferguson & Co.**
Chartered Accountants

H.L.Shah
Partner

Place : Mumbai
Date : 30th April 2007

For and on behalf of the Board of Directors

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Amar Korde
Chief Financial Officer

Rajiv Balakrishnan
Company Secretary

SCHEDULE 1
SHARE CAPITAL

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Authorised :		
50,000,000 equity shares of Rs.10 each	500,000,000	500,000,000
10,000,000 preference shares of Rs. 10 each	100,000,000	100,000,000
Issued :		
35,000,000 equity shares of Rs.10 each	350,000,000	350,000,000
Subscribed and paid-up :		
29,281,760 (previous year 28,400,200) equity shares of Rs. 10 each fully paid	292,817,600	284,002,000
(of the above 28,400,199 equity shares are held by the holding company, Mahindra Holdings and Finance Limited)		
Less: 881,560 shares of Rs 10 each fully paid up issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not alloted to employees (refer note no. 2)	8,815,600	—
	284,002,000	284,002,000

SCHEDULE 2
RESERVES AND SURPLUS

		As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Capital reserve		113,841	113,841
General Reserve			
As per last balance sheet	—	—	—
Transfer from profit and loss account	41,757,000		—
		41,757,000	
Profit and loss account		451,712,839	177,509,095
Securities Premium Account			
Premium on shares issued to Mahidra Holidays and Resorts India Limited Employees' Stock Option Trust	9,689,820		—
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not alloted to employees (refer note no. 2)	9,689,820	—	—
		493,583,680	177,622,936

SCHEDULE 3
SECURED LOANS (see note 3)

		As at 31.03.2007 Rs.		As at 31.03.2006 Rs.
Loans and advances from a bank				
– Cash credit		55,028,109		135,865,786
Other loans and advances				
– Term loan .... (Repayable within one year Rs. Nil previous year Rs. 50,000,000)		—		125,000,000
Deferred payment under hire purchase	4,926,747		8,000,245	
Less: Future interest	412,591		805,443	
		4,514,156		7,194,802
		59,542,265		268,060,588

SCHEDULE 4
FIXED ASSETS :

(Rupees lakhs)

Description	GROSS BLOCK (at cost) As at 31st March, 2006	Additions	Deductions	As at 31st March, 2007	DEPRECIATION/AMORTISATION As at 31st March 2006	For the year	Deductions	As at 31st March 2007	NET BLOCK As at 31st March, 2007	As at 31st March, 2006
(A) Tangible assets										
(i) Assets on lease / hire purchase										
Leasehold land	864,000	25,500,000	—	26,364,000	52,359	10,843	—	63,202	26,300,798	811,641
Leasehold buildings	41,955,302	—	—	41,955,302	3,477,269	1,619,883	—	5,097,152	36,858,150	38,478,033
Vehicles	7,157,606	1,290,685	2,114,949	6,333,342	3,000,511	1,002,069	1,627,689	2,374,891	3,958,451	4,157,095
	49,976,908	26,790,685	2,114,949	74,652,644	6,530,139	2,632,795	1,627,689	7,535,245	67,117,399	43,446,769
(ii) Owned assets										
Freehold land	160,993,709	41,889,995	—	202,883,704	—	—	—	–	202,883,704	160,993,709
Buildings	1,000,675,625	121,521,743	—	1,122,197,368	66,498,555	17,480,751	—	83,979,306	1,038,218,062	934,177,070
Plant and machinery	369,473,289	90,043,554	15,190,361	444,326,482	91,632,524	26,655,077	6,324,051	111,963,550	332,362,932	277,840,765
Furniture and fixtures	276,142,396	56,693,869	6,669,480	326,166,785	114,799,181	27,616,110	2,059,849	140,355,442	185,811,343	161,343,215
Vehicles	17,853,293	8,981,587	2,868,464	23,966,416	7,801,617	3,914,180	1,739,212	9,976,585	13,989,831	10,051,676
	1,825,138,312	319,130,748	24,728,305	2,119,540,755	280,731,877	75,666,118	10,123,112	346,274,883	1,773,265,872	1,544,406,435
(B) Intangible assets										
Time share weeks	6,226,938	—	—	6,226,938	2,490,776	622,694	—	3,113,470	3,113,468	3,736,162
Product design and development	—	8,528,395	—	8,528,395	—	882,046	—	882,046	7,646,349	—
Software	26,033,215	13,444,135	712,081	38,765,269	7,294,296	8,929,987	502,805	15,721,478	23,043,791	18,738,919
	32,260,153	21,972,530	712,081	53,520,602	9,785,072	10,434,727	502,805	19,716,994	33,803,608	22,475,081
Total	1,907,375,373	367,893,963	27,555,335	2,247,714,001	297,047,088	88,733,640	12,253,606	373,527,122	1,874,186,879	
Previous year	1,482,995,474	434,506,883	10,126,984	1,907,375,373	224,750,604	77,475,161	5,178,676	297,047,088		1,610,328,285

SCHEDULE 5
EXPENDITURE DURING CONSTRUCTION PENDING ALLOCATION

	As at 01.04.2006	Additions	Capitalised during the year	Rs. As at 31.03.2007
Salaries, wages and bonus	124,827	8,189,500	1,424,196	6,890,131
Staff welfare expenses	20,416	339,866	190,177	170,105
Power and fuel	13,209	478,929	130,107	362,031
Rent	384	95,100	36,500	58,984
Rates and taxes	142,203	1,867,759	418	2,009,544
Repairs - others	98,818	825,830	374,727	549,921
Travelling	174,606	10,041,961	2,372,282	7,844,285
Communication	64,046	713,942	181,732	596,256
Printing and stationery	26,792	372,602	135,993	263,401
Insurance	—	17,107	2,858	14,249
Consultancy charges	7,505,666	11,275,382	8,953,347	9,827,701
Freight	22,226	29,500	14,923	36,803
Miscellaneous	36,827	1,204,691	574,690	666,828
Total	8,230,020	35,452,169	14,391,950	29,290,239

SCHEDULE 6
INVESTMENTS:LONG TERM

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Unquoted (at cost)		
Subsidiary Company : Trade		
Mahindra Holidays and Resorts USA Inc	45,503	45,503
100 equity shares of US$ 10 each fully paid up.		
MHR Hotel Mangamgent GmbH -(Shares equivalent in value to 26,250 Euros out of total share capital of Euro 36,000)	1,567,125	—
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
Advance against investment in equity shares of Ashtamudi Resorts Pvt Ltd.	58,768,100	—
	60,630,738	295,513

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 allotments.

SCHEDULE 7
CURRENT ASSETS, LOANS AND ADVANCES :

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
(A) Current assets :		
Inventories		
Food, beverages and smokes	1,596,867	960,337
Operating supplies	16,249,479	7,762,649
	17,846,346	8,722,986
Sundry debtors		
(Unsecured)		
Outstanding over six months		
: considered good	101,138,854	109,073,267
: considered doubtful	337,793	1,462,671
	101,476,647	110,535,938
Other debts, considered good	2,340,689,559	1,466,624,155
	2,442,166,206	1,577,160,093
Less : provision for doubtful debts ...	337,793	1,462,671
	2,441,828,413	1,575,697,422
Less : unmatured finance charges	254,524,539	118,390,599
	2,187,303,874	1,457,306,823
Cash and bank balances		
Cash on hand	241,840	462,574
Balances with scheduled banks :		
in current accounts	74,167,252	66,309,187
in deposit accounts	9,732,409	10,662,395
	84,141,501	77,434,156
(B) Loans and advances :		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	78,257,369	41,942,707
Loan to a subsidary	207,861,900	—
Deposits	135,156,285	188,902,054
Payments towards income-tax (net of provisions)	–	1,810,572
MAT credit entitlement	–	28,200,000
	421,275,554	260,855,333

SCHEDULE 8
CURRENT LIABILITIES AND PROVISIONS

	As at 31.03.2007	As at 31.03.2006
A. CURRENT LIABILITIES		
Sundry Creditors:		
Due to small scale industrial undertakings	–	—
Others	403,238,124	379,454,115
	403,238,124	379,454,115
B. PROVISIONS		
Proposed dividend	86,847,015	—
Tax on proposed dividend	14,759,650	—
Taxation (net of payments)	21,151,011	—
Leave salary	3,280,618	2,514,410
	126,038,294	2,514,410

SCHEDULE 9
TIMESHARE AND RESORT INCOME

	Rs.	2006-07 Rs.	Rs.	2005-06 Rs.
Timeshare income		1,811,107,784		1,134,936,692
Income from resorts				
– Room rentals	105,157,367		63,722,957	
– Food and beverages	135,186,634		93,223,398	
– Wine and liquor	2,608,358		2,127,591	
– Telex and telephone	1,546,085		1,751,411	
– Others	39,764,055		32,030,169	
		284,262,499		192,855,526
Annual subscription fee		227,691,062		199,433,291
		2,323,061,345		1,527,225,509

SCHEDULE 10
OTHER INCOME

	2006-07 Rs.	2005-06 Rs.
Interest		
On instalment sales	73,421,437	33,924,316
Others - gross	353,871	128,230
(Tax deducted at source Rs. 38,358 previous year Rs. 3,995)		
Income from securitization (refer note 4)	7,234,578	4,462,981
Miscellaneous income	2,427,425	1,563,137
	83,437,311	40,078,664

SCHEDULE 11
EMPLOYEE COST

	2006-07 Rs.	2005-06 Rs.
Salaries, wages and bonus	253,237,077	175,879,191
Contribution to provident and other funds	12,339,749	7,668,447
Staff welfare expenses	17,487,847	10,907,793
	283,064,673	194,455,431

SCHEDULE 12
OTHER EXPENSES

	2006-07 Rs.	2006-07 Rs.	2005-06 Rs.	2005-06 Rs.
Food, beverages and smokes consumed				
Opening stock	960,337		1,331,274	
Add: purchases	43,984,709		28,585,203	
	44,945,046		29,916,477	
Less: closing stock	1,596,867		960,337	
		43,348,179		28,956,140
Operating supplies		23,205,195		17,387,675
Advertisement		144,499,172		98,136,606
Sales promotion expenses		308,273,942		203,320,291
Sales commission		221,672,543		147,477,537
Discount		24,898,441		16,757,620
Power and fuel		59,342,000		49,899,922
Rent (including lease rent)		72,294,031		57,019,991
Rates and taxes		7,441,769		6,656,602
Repairs and maintenance				
Buildings		5,600,292		2,394,979
Resort renovations		37,813,062		26,981,928
Office equipment		2,283,615		1,041,702
Others		25,808,885		19,347,267
Travelling		68,369,252		44,307,122
Communication		33,500,937		25,496,515
Insurance		7,240,176		4,024,654
Consultancy charges		66,497,345		46,227,380
Miscellaneous		68,432,500		58,263,980
Service charges		83,182,883		70,050,892
Bad debts written off	18,259,066		3,316,263	
Less : Provision for doubtful debts written back	1,124,878		3,316,263	
		17,134,188		—
Loss on fixed assets sold/ scrapped(net)		13,073,976		3,279,295
		1,333,912,383		927,028,098

SCHEDULE 13
INTEREST AND FINANCIAL CHARGES

	2006-07 Rs.	2005-06 Rs.
Interest – loans for fixed period	13,621,023	18,727,144
– Others	–	537,033
Bank charges	22,376,727	13,971,823
	35,997,750	33,236,000

SCHEDULE 14

NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007.

1. ACCOUNTING POLICIES

(i) Basis for preparation of accounts:

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Indian Companies Act, 1956.

(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 'timeshare' is amortised over a period of ten years.

(e) Expenditure incurred towards software is amortised over 36 months.

(f) Expenditure on product design and development is amortised over the estimated useful life of the asset i.e. 4 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. (refer note no. 11)

(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:

Investments (long term) are stated at acquisition cost less provision for permanent diminution in value, if any.

(vi) Revenue recognition:

(a) The company's business is to sell Timeshare 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. Upto 30th September,2005 out of the total membership fee, relevant portion reasonably attributable toward cost required to market Timeshare, which is assessed and revised periodically, is recognized as Timeshare income in the year in which the purchaser of the Timeshare becomes a member and the balance representing 'Advance towards members' facilities' is being recognized as Timeshare income equally over a period for which holiday facilities are provided commencing from the year in which the member is entitled to benefits of membership under the scheme.

With effect from 01st October 2005, in accordance with the new membership rules, admission fee, which is non-refundable, is recognized as income on admission of a member. Entitlement fee, which entitles the timeshare member for the timeshare facilities over the membership usage period, is recognized as income equally over the usage period.

(b) Annual subscription fee dues from members is 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.

(vii) Foreign exchange transactions:

Foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions. Foreign currency receivables / payables are translated at exchange rates prevailing on the date of settlement or as at the year end, as applicable, and gain or loss arising out of such translation is adjusted to the profit and loss account.

Foreign currency liabilities incurred for the acquisition of fixed assets from outside India are translated at exchange rates prevailing on the last day of the accounting year. The loss or gain arising out of the said translation is adjusted to the carrying cost of the asset.

(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 and accounted on the same basis 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 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. Leave salary 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.

(x) Segment reporting:

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

2. Employees' stock option scheme

During the year the company has allotted 881,560 equity shares of Rs 10 each (759,325 shares at a premium of Rs. 6 per share and 122,235 shares at a premium of Rs. 42 per share) to the Mahindra Holidays and Resorts India Limited Employees Stock Option Trust set up by the company. The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the remuneration committee. In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares alloted to the trust have been reduced from the Share Capital by Rs. 8,815,600 and securities premium account reduced by Rs. 9,803,661 for the premium on shares issued.

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

(i) Grand dated 15th July 2006 with a vesting period of 5 years

Type of Arrangement administered	Equity settled option plan through Employee Stock Option Trust
Number of Options Granted	759,325
Contractual life	Options will lapse if not exercised within 6 years from the date of grant.
Exercise Price	Rs.16
Method of Settlement	By issue of shares at Exercise Price
Vesting Conditions	35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.
No. of options exercisable in each tranche	The number of options exercisable in each tranche is between the of 100 and a maximum of all options vested till that date.

(ii) Grand dated 30th March 2007 with a vesting period of 4 years.

Type of Arrangement administered	Equity settled option plan through Employee Stock Option Trust
Number of Options Granted	122,235
Contractual life	Options will lapse if not exercised within 5 years from the date of vesting.
Exercise Price	Rs.52
Method of Settlement	By issue of shares at Exercise Price
Vesting Conditions	25% each on expiry of 12,24,36 and 48 months from the date of vesting.
No. of options exercisable in each tranche	The minimum number of options exercisable in each tranche is 25 and a maximum of all options vested till that date.

iii) 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 and Rs. 52 per equity share as on 1st January, 2007, 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 recognised.

iv) 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 is Rs. 4.28 and Rs. 16.36 respectively

Had the company adopted the fair value method in respect of options granted, the charge to the employee compensation cost on account of amortisation of difference between the fair value and the exercise price would have been higher by Rs. 4,65,193, profit after tax would have been lower by Rs. 4,65,193 and the basic and diluted earnings per share would have been lower by Rs. 0.02 and Rs. 0.02 respectively. The total amount that would have been amortized over the vesting period is Rs. 5,249,676

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

a) The Company has granted a loan of Rs. 13,597,420 without interest to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust for the purchase of shares of the company under the stock option scheme. The Company has also issued a letter of awareness to a financial institution with reference to the compliance of the terms and conditions of the loan of Rs. 4,960,000/- granted by the financial institution to the trust.

b) The number of options outstanding as on 31st March, 2007 is 821,660 (net of 59,900 options lapsed during the year).

3. Secured loans
Loans and advances from a bank and other loans and advances are secured by a first mortgage and charge on specified properties of the company. Deferred payment under hire purchase is secured by hypothecation of assets financed.

4. Securitisation
During the year the company has securitised Receivables of Rs. 612,340,379 (Previous year: Rs.156, 581,350) (including future interest receivable Rs. 78,927,353 (Previous year: Rs.18,492,752) for a consideration of Rs. 542,300,000 (Previous year: Rs. 145,000,000). The excess of consideration received over the principal amount of Receivables from members (net of reversals in respect of cancelled members Rs. 1,652,395; previous year Rs. 2,448,421) is recognised as income from Securitisation. (refer schedule 10)

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
5. Contingent liabilities		
(a) Receivables securitised, with recourse. 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.	613,613,000	262,228,000
(b) Guarantee given to a financial institution for timeshare financing. .... The company has given a guarantee to a financial institution for timeshare financing to third parties. In case of default by the parties the financial institution would have recourse to the company. In such cases the company has recourse to the customer.	—	10,185,802
(c) Claims against the company not acknowledged as debts .... 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 case pending before the High Court.	1,785,666	1,785,666

(d) Income tax matters under appeal

(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 and 2004-05 for which assessments were subsequently completed in respect of which the Company has gone on appeal and exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed) is Rs. 291,371,524/- (including interest of Rs. 58,051,475); previous year – Rs. 208,385,011 (including interest of Rs. 58,051,475).

(ii) Income tax matters in respect of which the Company has gone on appeal relating to disallowance of expenditure during construction – Rs. 4,223,744/- (previous year Rs. nil)

However, even if these liabilities crystalise, 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.

6. Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	83,599,724	54,184,433
	2006-07 Rs.	2005-06 Rs.
7. Auditors' remuneration		
Audit fees	1,900,000	1,700,000
Other services	179,000	–
Reimbursement of expenses	82,899	163,360
8. CIF value of imports		
Capital goods	15,795,328	14,036,662
9. Expenditure in foreign currency		
Salary	8,287,796	9,805,938
Travel	2,320,283	2,582,081
Consultancy	20,782,379	11,075,947
Marketing expenses	1,959,285	–
Others	18,823,268	40,595,151
10. Earnings in foreign exchange		
Room rentals and restaurant sales ..	62,495,992	44,614,018
Sale of timeshare	64,580,296	52,914,591
Interest	1,883,816	–

	% of total Consumption	Value Rs.	% of total Consumption	Value Rs.
11. Particulars of consumption				
Provisions, beverages (excluding wine, liquor and smokes)	94	40,778,776	93	26,846,053
Wine, liquor and smokes	6	2,569,402	7	2,110,087
	100	43,348,178	100	28,956,140
Indigenous	100	43,348,178	100	28,956,140
Imported	–	–	–	–
	100	43,348,178	100	28,956,140

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

	As at 31.03.07	
	Not later than 1 year Rs.	Later than 1 year not later than 5 years Rs.
Minimum instalment payable	2,153,544 (3,066,169)	2,773,203 (4,934,076)
Present value of instalments payable	1,885,911 (2,645,108)	2,628,245 (4,549,694)

Previous year's figures are given in brackets

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

S.No.	Class of goods	Unit of measurement	Opening stock Qty.	Opening stock Value (Rs)	Purchases Qty.	Purchases Value (Rs)	Closing stock Qty.	Closing stock Value (Rs)
1.	Beverages	Litres	5,956	77,465	120,558	1,595,912	5,029	112,865
			(8,618)	(66,250)	(118,006)	(1,228,991)	(5,956)	(77,465)
2.	Wine and liquor	Litres	2,555	488,905	29,377	3,679,394	2,662	817,657
			(2,197)	(414,070)	(26,116)	(2,184,923)	(2,555)	(488,905)
3	Smokes	Nos.	376	18,221	3,716	228,455	416	33,837
			(326)	(14,408)	(2,625)	(143,747)	(376)	(18,221)

Figures in brackets are in respect of the previous year.

The company has been exempted from certain disclosures of quantitative details required under para 3(i)(a) of Part II of Schedule VI to the Companies Act, 1956, as per order No. 46/26/2005-CL-III dated 23rd June, 2005 issued by the Ministry of Company Affairs. The said order requires the company to disclose certain information which has been disclosed under appropriate heads.

14. Employee Benefits

Gratuity	Rs.
a. NET ASSET/ (LIABILITY) RECOGNIZED IN THE BALANCE SHEET AS AT MARCH 31, 2007	
Present Value of funded Obligation	5,707,856
Fair Value of Plan Assets	5,707,856
(Deficit) / surplus	–
Present value of unfunded obligation	–
Unrecognized past service cost	–
Net asset / liability	–
– Assets	–
– Liability	–
b. EXPENSE RECOGNIZED IN THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007	
Current Service cost	939,957
Interest cost	355,540
Expected Return on Plan Assets	(405,795)
Actuarial (gains) / Losses	900,640
Past Service Cost	–
Total expense	1,790,342
c. CHANGE IN PRESENT VALUE OF OBLIGATION DURING THE YEAR ENDED MARCH 31, 2007	
Present Value of Defined Benefit Obligation as at the beginning of the year	4,089,432
Current Service cost	939,957
Interest Cost	355,540
Past Service Cost	–
Actuarial (Gains) /Losses	900,640
Benefits Paid	(577,713)
Present value of Defined Benefit Obligation as at the end of the year	5,707,856
d. CHANGE IN FAIR VALUE OF PLAN ASSETS DURING THE YEAR ENDED MARCH 31, 2007	
Plan assets at the beginning of the year	4,089,432
Expected return on plan assets	405,795
Actuarial Gains /(Losses)	–
Assets distributed on settlement	–
Contributions by employer	1,790,342
Benefits paid	(577,713)
Plan assets at the end of the year	5,707,856

e. PRINCIPAL ACTUARIAL ASSUMPTIONS AS AT 31ST MARCH 2007

1. Discount rate 7.5%
2. Expected return on plan assets 8.1%
3. Mortality Table .... 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 8.1%

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.

h. EMPLOYEE COSTS DISCLOSED IN SCHEDULE 11 INCLUDES

Gratuity	1,790,342
Leave salary	1,596,418
Provident fund	6,023,793
Superannuation fund	4,770,209

As the Company has adopted Accounting Standard 15, employees benefits, (revised 2005) from the current year, previous year figures have not been disclosed

15. Segment reporting

The Company has a single reportable segment namely sale of timeshare for the purpose of Accounting Standard 17 on Segment Reporting.

Geographical segment information is given below:

	Within India	Outside India	Rs. Total
Revenue	2,258,481,049	64,580,296	2,323,061,345
....	(1,461,686,250)	(65,539,259)	(1,527,225,509)
Total assets ..	4,672,795,195	39,012,134	4,711,807,329
....	(3,387,680,213)	(19,873,417)	(3,407,553,630)
Additions to ..	361,731,735	1,62,588	367,893,963
fixed assets ..	(421,296,786)	(13,210,097)	(434,506,883)

Figures in brackets are in respect of the previous year

16. Deferred Taxation

Particulars	As at 31.03.2006	Movement during the year	As at 31.03.2007
Deferred tax asset			
Provision for doubtful debts	492,335	(377,519)	114,816
Provision for leave encashment	846,349	268,733	1,115,082
Preliminary expenditure	44,308	44,308)	–
Unabsorbed depreciation	77,228,004	(77,228,004)	–
Total	78,610,996	(77,381,098)	1,229,898
Deferred tax liability			
Difference between book and tax depreciation	(181,525,443)	(21,179,926)	(202,705,369)
Net deferred tax (liability) / asset	(102,914,447)	(98,561,024)	(201,475,471)

17. Related Party Transactions :

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

Name of the Related Party	Name of the Relationship
Mahindra & Mahindra Limited	Controlling Company
Mahindra Holdings & Finance Ltd.	Holding Company
Mahindra Holidays & Resorts (USA) Inc.	Subsidiary
MHR Hotel Management GmbH	Subsidiary
Automartindia Ltd.	Fellow Subsidiary
Bristlecone Ltd.	Fellow Subsidiary
Bristlecone Inc.	Fellow Subsidiary
Mahindra Acres Consulting Engineers Ltd.	Fellow Subsidiary
Mahindra Ashtech Ltd.	Fellow Subsidiary

Tech Mahindra Ltd	Fellow Subsidiary
Tech Mahindra GmbH	Fellow Subsidiary
Tech Mahindra (Americas) Inc	Fellow Subsidiary
Mahindra-BT Investment Company (Mauritius) Ltd.	Fellow Subsidiary
Tech Mahindra (Singapore) Pte. Ltd.	Fellow Subsidiary
Tech Mahindra (Thailand) Ltd.	Fellow Subsidiary
Bristlecone India Ltd.	Fellow Subsidiary
Bristlecone GmbH	Fellow Subsidiary
Bristlecone Singapore Pte. Ltd.	Fellow Subsidiary
Mahindra (China) Tractor Company Ltd.	Fellow Subsidiary
Mahindra Engg & Chem Products Ltd.	Fellow Subsidiary
Mahindra Engineering Design & Development Company Ltd.	Fellow Subsidiary
Mahindra Europe s.r.l.	Fellow Subsidiary
Mahindra Gujarat Tractor Ltd.	Fellow Subsidiary
Mahindra Insurance Brokers Ltd.	Fellow Subsidiary
Mahindra Intertrade Ltd.	Fellow Subsidiary
Bristlecone UK Ltd.	Fellow Subsidiary
Mahindra International Ltd.	Fellow Subsidiary
Mahindra Logisoft Business Solutions Ltd.	Fellow Subsidiary
Mahindra Middleeast Electrical Steel Service Centre (FZE)	Fellow Subsidiary
Mahindra & Mahindra Financial Services Ltd.	Fellow Subsidiary
Mahindra & Mahindra South Africa (Pty) Ltd.	Fellow Subsidiary
Mahindra Overseas Investment Company (Mauritius) Ltd.	Fellow Subsidiary
Mahindra Renault Pvt. Ltd.	Fellow Subsidiary
Mahindra Steel Service Centre Ltd.	Fellow Subsidiary
Mahindra Shubhlabh Services Ltd.	Fellow Subsidiary
Mahindra SAR Transmission Pvt Ltd.	Fellow Subsidiary
Mahindra USA Inc.	Fellow Subsidiary
NBS International Ltd.	Fellow Subsidiary
Tech Mahindra (R & D Services) Ltd.	Fellow Subsidiary
Tech Mahindra (R & D Services) Inc	Fellow Subsidiary
Tech Mahindra (R & D Services) Pte Ltd.	Fellow Subsidiary
Stokes Group Limited	Fellow Subsidiary
Jensand Limited	Fellow Subsidiary
Stokes Forgings Dudley Limited	Fellow Subsidiary
Stokes Forgings Limited	Fellow Subsidiary
Plexion Technologies (India) Private limited	Fellow Subsidiary
Plexion Technologies (UK) Limited	Fellow Subsidiary
Plexion Technologies GmbH	Fellow Subsidiary
Plexion Technologies Incorporated	Fellow Subsidiary
Tech Mahindra Foundation	Fellow Subsidiary
PT Tech Mahindra Indonesia (w.e.f .28th April, 2006)	Fellow Subsidiary
CanvasM Technologies Limited (w.e.f. 05th October, 2006)	Fellow Subsidiary
Mahindra Forgings Overseas Ltd. (w.e.f 11th August, 2006)	Fellow Subsidiary
Mahindra Forgings Overseas Ltd. (w.e.f 11th August, 2006)	Fellow Subsidiary

Name of the party	Name of the relationship
Mahindra Forgings International Ltd. (w.e.f. 27th September, 2006)	Fellow Subsidiary
Mahindra Forgings Mauritus Limited (w.e.f. 05th December, 2006)	Fellow Subsidiary
Mahindra Forgings Global Limited (w.e.f. 7th December, 2006)	Fellow Subsidiary
Gesenkschmiede Schneider GmbH (w.e.f. 29th November, 2006)	Fellow Subsidiary
Falkenroth Umformtechnik GmbH (w.e.f. 29th November, 2006)	Fellow Subsidiary
Falkenroth Grundstucksgesellschaft GmbH (w.e.f. 29th November, 2006)	Fellow Subsidiary
Jeco-Jellinghaus GmbH (w.e.f. 29th November, 2006)	Fellow Subsidiary
Jeco Holding AG (w.e.f. 29th November, 2006)	Fellow Subsidiary
DGP Hinoday Industries Limited (w.e.f. 06th January, 2007)	Fellow Subsidiary
Schöneweiss & Co. GmbH (w.e.f. 1st January, 2007)	Fellow Subsidiary
Fried. Hunninghaus GmbH & Co. KG (w.e.f. 1st January, 2007)	Fellow Subsidiary
Fried Hunninghaus GmbH (w.e.f. 1st Janaury, 2007)	Fellow Subsidiary
iPolicy Networks Private Limited (w.e.f. 22nd January, 2007)	Fellow Subsidiary
CanvasM (Americas) Inc (w.e.f. 5th Ocotber 2006)	Fellow Subsidiary
Mahindra Stokes Holdings Company Limited (w.e.f. 21st March, 2007)	Fellow Subsidiary
Mahindra Gesco Developers Ltd. (upto 11th October, 2006 and w.e.f 30th March, 2007)	Fellow Subsidiary
Mahindra Infrastructure Developers Limited (w.e.f. 30th March, 2007)	Fellow Subsidiary
Mahindra World City (Jaipur) Limited (w.e.f. 30th March, 2007)	Fellow Subsidiary
Mahindra Integrated Township Limited (w.e.f. 30th March, 2007)	Fellow Subsidiary
Mahindra World City Developers (Maharashtra) Limited (w.e.f. 30th March, 2007)	Fellow Subsidiary
Mahindra World City Limited	

(ii) The related party transactions are as under:

Nature of transactions	Controlling company (Mahindra & Mahindra Limited)		Holding company (Mahindra Holding & Finance Limited)		Subsidiary company		Fellow subsidiary		Key Managerial Personnel	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Finance										
Conversion of preference share into fully paid equity share				100,000,000						
Deposit paid							279,000	—		
Mahindra World City Developers Ltd										
Redemption of preference shares							—	45,000,000		
Mahindra Logisoft Business Solution Ltd										
Investment					1,567,125	—				
MHR Hotel Management GmbH										
Loan given					207,861,900	—				
Mahindra Holidays and Resorts (USA) Inc										
Interest					1,883,816	—				
Mahindra Holidays and Resorts (USA) Inc										
Purchases:										
Fixed assets							25,500,000	—		
Mahindra World City Developers Ltd										
Services							18,182,880	13,511,325		
Mahindra Logisoft Business Solution Ltd										
Others							29,361	—		
Mahindra Intertrade Ltd										
Sales :	19,986,887	711,320								
Other transactions:										
Reimbursements received from parties	2,304,470	—								
Mahindra World City Developers Ltd.							—	6,355,080		
Mahindra Holidays and Resorts (USA) Inc					1,060,952					
Mahindra Engineering Consultants Ltd							293,543			
Reimbursement made to parties	10,665,919	2,008,582						14,201		
Mahindra Gesco Developers Ltd							206,960	—		
Outstandings:										
Payable	5,893,010	1,562,942								
Mahindra Intertrade Ltd.							14,577	—		
Receivable	60,000	—								
Mahindra Gesco Developers Ltd							486,819	3,181		
Mahindra World City Developers Ltd.							—	1,816,650		
Mahindra Engineering Consultants Ltd							293,543	—		
Mahindra Holidays and Resorts (USA) Inc					210,806,668	—				
Managerial remuneration									8,376,959	8,541,657
Receipts from relative of KMP - Rent deposit									—	500,000

(upto 11th October, 2006 and w.e.f 30th March, 2007)	Fellow Subsidiary
Ramesh Ramanathan, Managing Director	Key Managerial Personnel

18. Managerial Remuneration to the Managing Director

	2006-07 Rs.	2005-06 Rs.
Salaries and allowances	7,831,056	8,077,593
Contribution to provident and superannuation funds	453,600	369,360
Perquisites	92,303	94,704
	8,376,959	8,541,657

19. Earnings per share:

	2006-07 Rs.	2005-06 Rs.
Net Profit After Tax	417,567,409	208,352,866
Weighted average number of Equity Shares used in computing basic earnings per share	28,400,200	18,537,186
Earnings Per Share - Basic	14.70	11.24
Weighted average number of Equity Shares used in computing diluted earnings per share	28,949,005	18,537,186
Earnings per share – Diluted @	14.42	11.24

@ Dilution in earning per share is on account of 759,325 and 122,235 equity shares issued to the Employees Stock Option Trust on 12th July, 2006 and 27th March, 2007 respectively under the Employees Stock Option Scheme.

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

	Currency	Value in foreign currency	Value in Rupees
Export of services:	UAE - Dirham	3,317,081	39,174,222
Loan to US subsidiary	US Dollar	47,50,000	207,861,900

21. The company is in the process of identifying suppliers who have registered under 'The Micro, Small and Medium Enterprises Development Act 2006'. As of date, the company has not received confirmations from any registered supplier and hence no disclosures have been made under the said Act.

22. 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 No. 36595 State Code 18

Balance Sheet Date 31 03 2007

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

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

Total Liabilities	Total Assets
4772438	4772438

Sources of Funds:

Paid-up Capital	Reserves and Surplus
284002	493584
Deferred Tax Liability	**Secured Loans**
201475	59542

Application of Funds:

Net Fixed Assets	Investments
2001240	60631
Net Current Assets#	**Deferred Tax Asset (Net)**
(–) 1023267	NIL

(# Includes Advance towards members' facilites 3204558)

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

Turnover (including other income)	Total Expenditure
2406498	1741708
+ – Profit/Loss Before Tax	**+ – Profit/Loss After Tax**
664790	417567

(Please tick appropriate box + for Profit – for Loss)

Earning Per Share in Rs.	Dividend Rate %
+ 14.70	30

Item Code No. (ITC Code) NA

Product: TIMESHARE

Description: AND HOTEL

23. Previous year's figures have been regrouped/recast, wherever necessary, to confirm to this year's classification.

Signatures to Schedules 1 to 14
For and on behalf of the Board of Driectors

A.K. Nanda	**Ramesh Ramanathan**	**Amar Korde**	**Rajiv Balakrishnan**
Chairman	*Managing Director*	*Chief Financial Officer*	*Company Secretary*

Place: Mumbai,
Date: 30th April, 2007

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

Particulars	Name of the Subsidiary Companies	
	Mahindra Holidays and Resorts USA Inc.	MHR Hotel Management GMBH
The Financial Year of the Subsidiary Company ended on	31st March, 2007	*
Number of shares in the subsidiary company held by Mahindra Holidays & Resorts India Limited at the above date:		
Equity (Nos.)	100	—
Extent of holding (%)	100%	75%
The net aggregate of profits of the Subsidiary Company for its financial year so far as they concern the members of Mahindra Holidays and Resorts India Limited :		
(a) Dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2007	(10,12,851)	NIL
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2007	(5,88,106)	NIL
The net aggregate of profits of the Subsidiary Company for its previous financial years so far as they concern the members of Mahindra Holidays and Resorts India Limited :		
(a) Dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2007	NIL	NIL
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2007	(2,13,564)	NIL

* The financial year of all subsidiaries ended on 31st March, 2007 except for MHR Hotel Management GmbH whose first financial year would be from 16th February, 2007 to 31st March, 2008

A.K. Nanda	**Ramesh Ramanathan**	**Amar Korde**	**Rajiv Balakrishnan**
Chairman	*Managing Director*	*Chief Financial Officer*	*Company Secretary*

Place : Mumbai
Date : 30th April, 2007