

MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

12TH ANNUAL REPORT

2007-2008

BOARD OF DIRECTORS

A.K.NANDA, *Chairman*

RAMESH RAMANATHAN, *Managing Director*

U.Y. PHADKE

CYRUS J. GUZDER

VINEET NAYYAR

ROHIT KHATTAR

RAMA BIJAPURKAR

SRIDAR A. IYENGAR

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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Mahindra Holidays & Resorts India Limited

Directors' Report to the Shareholders

Your Directors are pleased to present the Twelfth Annual Report together with the audited accounts of your Company for the year ended 31st March, 2008. The summarized financial results of the Company are given hereunder:

FINANCIAL RESULTS:

	(Rs. in lakhs)	
	2008	2007
Income		
Income from Operations	37,504	24,065
Expenditure		
Employee Cost & other expenses	(23,445)	(16,170)
Profit /(Loss) before Depreciation, Interest and Taxation	14,059	7,895
Depreciation	(1130)	(887)
Interest	(330)	(360)
Profit / (Loss) for the year before tax	12,599	6,648
Provision for Tax – Current Tax	(3,981)	(1315)
– Deferred tax (net)	(374)	(985)
– Fringe Benefit tax	(192)	(172)
Net Profit for the year after tax	8,052	4,176
Balance brought forward from earlier years	4,517	1,775
Balance carried forward	12,569	5,951
APPROPRIATIONS:		
General Reserve	805	418
Proposed Final Dividend on Equity shares	1397	868
Income–Tax on Proposed Final Dividend	238	148
Surplus carried to Balance Sheet	10129	4,517

DIVIDEND:

Keeping in mind the overall performance during the year and positive outlook of the Company, your Directors recommend a dividend of 30% on the paid up equity capital of the Company as on 31st March, 2008, payable to those shareholders whose names appear in the Register of Members as on the Book Closure Date.

The dividend outgo for equity shares for the financial year 2007-08, inclusive of dividend distribution tax, surcharge and education cess, would be Rs. 1634.80 lakhs as compared to Rs. 1016.07 lakhs for the previous year.

FINANCE:

The Company's income grew by 55.8 per cent to Rs.37,504 lakhs in 2007-08 from Rs.24,065 lakhs in 2006-07 while Profit after Tax increased by 92.8 per cent to Rs. 8,052 lakhs during the year under review from Rs.4,176 lakhs in the previous year. During the year, the Company added 20,420 timeshare members as against 14,422 during the previous year, an increase of 41.6%. The Company's continuing efforts

to maximize the revenue and minimize the costs and a focus on delivering the promises across all functions enabled the Company achieve the above results.

ISSUE OF BONUS SHARES:

Pursuant to the Resolution passed at the Extra –Ordinary General Meeting of your Company held on 19th November 2007, your Company has on 24th November 2007, allotted 4,89,95,228 Equity Shares as fully paid up Bonus Shares in the ratio of Five Bonus shares for every three existing Equity Shares of the Company held by shareholders as on the Record Date i.e., 5th November 2007.

OPERATIONS:

Your Company continues to enjoy its leadership position in the Indian Vacation Ownership Industry. This was achieved by continuing to focus on customer centricity, initiatives to increase productivity and the thrust to deliver a great holiday experience at every touch points. The brand Club Mahindra enjoys a dominant position in the Indian family holiday space. Saliency of the Company's brand coupled with accelerating changes in the life style and holidaying patterns helped your Company record another successful year.

During the year, your Company has been selected as a Business Superbrand 2008 by The Brand Council in India. The Company's resort at Manali received the Gold Crown certification from RCI during the year while the resorts at Goa, Munnar, Coorg and Binsar retained their Gold Crown status. In addition to the RCI Gold Crown award, the Company's Resorts at Goa, Munnar and Coorg have also been accredited with a 5 star rating by the Department of Tourism, Government of India.

The Resorts of the Company delivered yet another year of great holiday experiences to the customers. The Resorts continue to maintain high standard of quality. This is evident from the fact that while both the Resorts at Dharamshala and Manali received the Branch Hygiene Code (BHC) certification from BHC, Netherlands, the Resorts at Goa, Munnar, Coorg, Binsar, Ooty and Kodaikanal continue to retain their certifications for the year. The year also saw the Company's Corporate Executive Chef Mr. P Soundararajan being conferred a special award "Best Chef of the Year" by the Department of Tourism, Government of India.

During the year, the Company acquired M/s. Ashtamudi Resorts Private Limited which was subsequently amalgamated with the Company giving the customers an opportunity to holiday in the serene backwaters of Ashtamudi lake, Kollam, Kerala. Also in the month of December, the Company's first resort in Rajasthan namely "Club Mahindra Fort Kumbalgarh" opened its doors to welcome its customers. In line with the efforts of the Company to give varied holiday experiences at newer destinations to customers, the Company also acquired lands at Kadapakkam in Tamil Nadu, Kas in Maharashtra and Theog in Himachal Pradesh. These destinations will see new resorts in the coming years.

The Company's member relations department has been certified ISO 9001:2000 by Indian Registered Quality Systems

in July 2007 which emphasizes the continued focus on quality in servicing the customers. The Company also won the prestigious "Avaya Global Connect Customer Responsiveness" award in the travel and tourism segment affirming its belief and focus on delighting customers.

The year also saw the Company signing of a MoU with the Government of West Bengal for promotion of tourism in that State. This will ensure the Company's foray into the state of West Bengal with new resort openings.

"Zest", a product offering launched late last year, has been received well by the upwardly mobile younger generation and has been increasing its member base rapidly in the two cities of Chennai and Bangalore. Plans are on to launch this product in other areas of South India in the coming year, extending the market coverage of "Zest". The first signature resort is nearing completion in Pondicherry and will be available for customers during the coming year. "Zest" also launched an online sales module which will now enable a prospective member to buy the membership online.

Travel Services Division, during the year launched clubmahindra.travel to support the existing Club Mahindra customers for their travel needs. In partnership with Resort Condominium International (RCI), "Travel club", another unique offering for Corporates, was launched to provide affordable family accommodation and to satisfy the leisure needs of employees.

INITIAL PUBLIC OFFER (IPO)

Subject to market conditions, your Company is proposing to make a Initial Public Offer (IPO) during the financial year 2008-09 to further augment the capital base for future growth plans, and in this connection has already filed the Draft Red Herring Prospectus with the Securities and Exchange Board of India in the month of December 2007.

CODE OF CONDUCT FOR DIRECTORS AND EMPLOYEES

The Company had adopted Codes of Conduct for Corporate Governance ("the Code/s") for its Directors and Senior Management Personnel & Employees. These Codes enunciate the underlying principles governing the conduct of the Company's business and seeks to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

The Company has during the year under review, received declarations under the Codes from the Board Members and the Senior Management Personnel and Employees of the Company affirming compliance with the respective Codes.

DIRECTORS:

Ms. Rama Bijapurkar who was appointed as an additional Director with effect from 25th July, 2007 will hold office upto the date of the ensuing Annual General Meeting. A Notice has been received from a member signifying his intention to propose Ms. Rama Bijapurkar as candidate for the office of Director.

Mr. Sridar Iyengar who was appointed as an additional Director with effect from 30th April, 2008 will hold office upto the date of the ensuing Annual General Meeting. A Notice has been received from a member signifying his intention to propose Mr. Iyengar as candidate for the office of Director.

Mr. Cyrus J. Guzder and Mr. Rohit Khattar, Directors retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

AUDIT COMMITTEE:

As of 31st March, 2008, the Audit Committee comprised three members - Mr. Cyrus J Guzder, Mr. Uday Phadke and Ms. Rama Bijapurkar. Mr. Cyrus J Guzder, Chairman of the Committee and Ms. Rama Bijapurkar are Independent Directors while Mr. Uday Phadke is a non-executive Director. The Audit Committee met four times during the year under review on 30th April, 2007, 25th July 2007, 5th November, 2007 and 28th January, 2008.

REMUNERATION COMMITTEE:

As of 31st March, 2008, the Remuneration Committee comprised of six members - Mr. Vineet Nayyar (Chairman of the Committee), Mr. A.K. Nanda, Mr. Cyrus J. Guzder, Ms. Rama Bijapurkar, Mr. Uday Phadke and Mr. Rohit Khattar.

The Committee met four times during the year under review.

Subsequent to the year end, the Remuneration Committee was re-constituted on 30th April, 2008 comprising of five members – Ms. Rama Bijapurkar (Chairperson of the Committee), Mr. A.K. Nanda, Mr. Cyrus J. Guzder, Mr. Vineet Nayyar and Mr. Rohit Khattar.

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, 2008 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 & Co., the existing Statutory Auditors are now part of Messrs. Deloitte Haskins & Sells and it has been decided that Messrs. Deloitte Haskins & Sells, Chartered Accountants (DHS) would be appointed as the Statutory Auditors of the Company. Accordingly, Messrs. A. F. Ferguson & Co. have not offered themselves for re-appointment at the ensuing Annual General Meeting.

The Company has received a Special Notice from a Member of the Company, in terms of the provisions of the Companies Act, 1956, signifying the intention to propose the appointment of DHS as the Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

DHS have also expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of section 224(1B) of the Companies Act, 1956.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

In line with its commitment of contributing a sum not exceeding 1 per cent of its Profits after Tax towards Corporate Social Responsibility initiatives on a yearly basis, your Company has contributed an amount of Rs. 53.6 lakhs during the year under review as compared to Rs. 33.6 lakhs during the last year.

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 are required 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, in continuation of Company's commitment towards being a carbon and water neutral company, it has achieved 69.31 equivalent tones of emission of carbon-di-oxide by installation of renewable energy (solar water heating system) and carbon sequestration by plantation of over 70,000 tree saplings during the year.

The Company also has a robust Information Technology infrastructure and effective network system across all its branches and resorts for effective information management. During the year, the Company has set up an offsite Disaster Recovery set up for critical business application and database. The Company has also implemented a 100 seater

voice based call center located at Chennai for member relationship including a dedicated Integrated Voice Response system (IVRS) and Call logger.

FOREIGN EXCHANGE EARNING AND OUTGO:

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

SUBSIDIARIES:

During the year, Mahindra Hotels & Residences India Limited and Heritage Bird (M) Sdn. Bhd became subsidiaries 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, Mahindra Hotels & Residences India Limited and Heritage Bird (M) Sdn. Bhd is attached.

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

PARTICULARS OF EMPLOYEES:

As required under section 217(2A) of the Companies Act, 1956 and Rules thereunder, a statement containing particulars of the Company's employees who were in receipt of remuneration of not less than Rs.24 lakhs during the year ended 31st March, 2008 or not less than Rs.2 lakhs per month during any part of the said year, is given in the Annexure to this Report.

EMPLOYEES STOCK OPTION SCHEME:

During the year, a total of 56,700 shares were allotted to the trust as per the recommendation of the Remuneration Committee of the Board of Directors. The trust in turn granted 56,700 options to Non Executive Directors of the Company and Management Board members of the parent company, Mahindra & Mahindra Ltd.

Also a total of 1,52,536 options were granted on 4th February, 2008 to the Employees by the Employees' Stock Option Trust based on the Recommendation of the Remuneration Committee.

ACKNOWLEDGEMENT AND APPRECIATION:

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

For and on behalf of the Board

A. K. NANDA
Chairman

Mumbai: 30th April, 2008

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, 2008.

Name of the Employee	Designation / Nature of duties	Qualification	Remuneration (subject to tax) (Rs.)	Age (yrs)	Experience (yrs)	Date of commencement of employment	Last employment held (Designation / Organisation)
1. Mr. Ramesh Ramanathan	Managing Director	B.A. PGDBM (IIM, Kolkatta)	1, 06, 40,466	53	30	09/06/2004	President – Food World Super Markets Ltd
2. Mr. Ulrich Wolfram	Head – Operations	Certificate in Hotel Management, Bad Hofgastein, Austria Certified Hotel Administrator, AHMA, USA.	76, 70,323	60	43	20/01/2006	Managing Director Excel Hotels & Resorts, Tenerife.
3. Mr. R. Radhakrishna	Chief Sales Officer	B.A.	50, 40,300	56	33	05/02/2001	General Manager – Arvind Brands
4. Ms. Vimala Dorairaju	Head – Travel Related Services	PGDBA (LIBA)	29, 82,900	49	27	20/09/1996	Asst GM – Sterling Holiday Resorts
5. Mr. Navarun Sen	Business Head (Zest)	B.E M.B.A. (IIML)	30, 50,517	40	17	17/01/2006	Asst. Vice President Satyam Computers
6. Mr. M.V.Chandrasekhar	Head – HR	Masters Degree in PM & IR-TISS	26, 37,927	43	21	04/04/2006	HR - Consultant Pactum Consultants
7. Mr.Ravindra Khanna	Head – Projects	B.Com	27, 25,800	46	22	01/12/1997	Corp Mgr – Projects & Developments GHMDSL
8. Mr.Soundararajan Palaniappan	Corporate Exe Chef	DH-MTC	24,82,800	49	27	01/12/1997	Corp Exe Chef GHMDSL
9. Mr.Amar Korde	Chief Financial Officer	B.Com. ACA, Grad. CS	24,84,019	52	24	26/08/2001	Director - Anuvin Business Solutions Ltd

Notes:

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

**A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS**

9, (Old No.5), Nandanam Extension, 1st Street, Nandanam, Chennai - 600 035.

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, 2008 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

- (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the directors, as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 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 2008;
 - (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

Place : Mumbai
Date : 30th April, 2008

Membership No.33590

Annexure referred to in paragraph 3 of the report of even date of the auditors to the members of Mahindra Holidays & Resorts India Limited on the accounts for the year ended 31st March, 2008.

- 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 the nature of its assets. In accordance with this programme, the management has conducted physical verification of certain fixed assets during the year. No material discrepancies were noticed on such verification.
- c) The company has not disposed off a substantial part of fixed assets during the year and therefore paragraph 4(i) (c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- ii. a) Physical verification of inventory has been conducted by the management during the year and, in our opinion, the frequency of verification is reasonable.
- b) Procedures of physical verification of inventories followed by the management are reasonable, adequate and commensurate to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventories and no material discrepancies have been noticed on physical verification of inventories as compared to the book records.
- iii. The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and there are no major internal control weakness in regard thereto.
- v. According to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- vi. In our opinion and according to the information and explanations given to us, as the company has not accepted deposits from the public.
- vii. In our opinion the company has an internal audit system that is commensurate with its size and nature of business.
- viii. We are informed that maintenance of cost records has not been prescribed by the Central Government under section 209 (1)(d) of the Companies Act, 1956, in respect of the activities of the company.
- ix. (a) In our opinion and according to the information and explanations given to us, the company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, value added tax, service tax, custom duty, excise duty, and cess and other statutory dues, if any, with the appropriate authorities. There are no arrears of outstanding statutory dues as at 31st March 2008 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 value added tax, income tax, customs duty, wealth tax, service tax, excise duty and cess that have not been deposited on account of any dispute.
- 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 current financial year as well as in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks and financial institutions.
- xii. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund and nidhi / mutual benefit fund/ society are not applicable to the company.
- xiv. The company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The company has not availed any term loans during the year.
- xvii. Based on information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on short term basis which have been used for long term investments.
- xviii. The company has not made any preferential allotment of shares during the year.
- xix. The company has not issued any debentures during the year.
- xx. The company has not raised any money by way of public issues during the year.
- xxi. Based upon the audit procedures performed and as per the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

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

H.L.SHAH
Partner

Place : Mumbai
Date : 30th April, 2008

Membership No.33590

Mahindra Holidays & Resorts India Limited

BALANCE SHEET

		As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SOURCES OF FUNDS	Schedule		
Shareholders' funds:			
Share capital	1	764,179,170	284,002,000
Employee stock options outstanding		359,418	-
Reserves and surplus	2	651,089,449	493,583,680
Deferred income			
Advance towards members' facilities (see note 1(vi)(a))		4,788,940,086	3,204,558,233
Loan funds:			
Secured loans	3	200,622,578	59,542,265
Deferred tax liability (net)		235,864,171	201,475,471
TOTAL		<u>6,641,054,872</u>	<u>4,243,161,649</u>
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		2,733,737,994	2,247,714,001
Less : Depreciation		478,867,150	373,527,122
Net block		2,254,870,844	1,874,186,879
Capital work in progress/advances		389,766,151	97,762,936
Expenditure during construction pending allocation	5	60,246,773	29,290,239
		<u>2,704,883,768</u>	<u>2,001,240,054</u>
Investments	6	2,362,618	60,630,738
Current assets, Loans and advances	7		
Inventories		34,547,917	17,846,346
Sundry debtors		4,034,216,363	2,187,303,874
Cash and bank balances		67,893,913	84,141,501
Loans and advances		575,712,125	421,275,554
		<u>4,712,370,318</u>	<u>2,710,567,275</u>
Less: Current liabilities and provisions	8		
Current liabilities		608,426,501	403,238,124
Provisions		170,135,331	126,038,294
		<u>778,561,832</u>	<u>529,276,418</u>
Net current assets		<u>3,933,808,486</u>	<u>2,181,290,857</u>
TOTAL		<u>6,641,054,872</u>	<u>4,243,161,649</u>
NOTES ON ACCOUNTS	14		

As per our report of even date attached.

For and on behalf of the Board of Directors

For A.F.Ferguson & Co.
Chartered Accountants

H.L.Shah
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 30/04/2008

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

PROFIT AND LOSS ACCOUNT

		2007-08 Rs.		2006-07 Rs.
INCOME	Schedule			
Income from sale of Vacation				
Ownership and other services	9	3,527,280,707		2,323,061,345
Other income	10	223,096,819		83,437,311
Total		<u>3,750,377,526</u>		<u>2,406,498,656</u>
EXPENDITURE				
Employee cost	11	473,785,189		283,064,673
Depreciation		113,031,452		88,733,640
Other expenses	12	1,870,651,761		1,333,912,383
Interest and financial charges	13	32,972,476		35,997,750
Total		<u>2,490,440,878</u>		<u>1,741,708,446</u>
Profit before tax		1,259,936,648		664,790,210
Provision for taxation				
Current tax		398,100,000	131,500,000	
Deferred tax		37,445,338	98,561,024	
Fringe benefit tax		19,200,000	17,161,777	
		<u>454,745,338</u>	<u>247,222,801</u>	
Profit after tax		805,191,310		417,567,409
Profit brought forward		451,712,839		177,509,095
Balance available for appropriation		1,256,904,149		595,076,504
Appropriations:				
General Reserve		80,520,000	41,757,000	
Proposed Dividend		139,732,580	86,847,015	
Tax on Proposed Dividend		23,747,550	14,759,650	
		<u>244,000,130</u>		<u>143,363,665</u>
Balance carried to Balance Sheet		<u>1,012,904,019</u>		<u>451,712,839</u>
Earnings Per Share				
Basic		10.55		5.51
Diluted		10.32		5.40
NOTES ON ACCOUNTS	14			

Per our report attached to the balance sheet.

For and on behalf of the Board of Directors

For A.F.Ferguson & Co.
Chartered Accountants

H.L.Shah
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 30/04/2008

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

	Year ended 31.03.2008 Rs.	Year ended 31.03.2007 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Profit before tax	1,259,936,648	664,790,210
Adjustments for :		
Depreciation	113,031,452	88,733,640
Employee compensation expenses on account of ESOS	359,418	-
Interest and financial charges	32,972,476	35,997,750
Interest on deposits	(8,655,104)	(353,871)
Interest on instalment sales	(196,846,759)	(73,421,437)
Income from securitisation	(12,126,165)	(7,234,578)
Loss on fixed assets sold/scrapped (net)	350,166	13,073,976
Unrealised exchange loss	19,682,772	(453,426)
Operating profit before working capital changes	<u>1,208,704,904</u>	<u>721,132,264</u>
Changes in :		
Deferred income - Advance towards members' facilities	1,584,381,853	982,125,733
Trade and other receivables	(2,075,411,871)	(919,974,418)
Inventories	(16,701,571)	(9,123,360)
Trade and other payables	207,017,319	24,550,217
	<u>(300,714,270)</u>	<u>77,578,172</u>
Income taxes paid	(439,570,973)	(97,500,195)
NET CASH FROM OPERATING ACTIVITIES	<u>468,419,661</u>	<u>701,210,241</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets including capital work in progress/advances and expenditure pending allocation	(731,915,141)	(472,889,237)
Proceeds from sale of fixed assets	20,615,151	2,227,753
Purchase of investments	(499,980)	(60,335,225)
Interest on deposits received	8,655,104	353,871
Interest on instalment sales received	196,846,759	73,421,437
Income from securitisation received	12,126,165	7,234,578
NET CASH (USED) IN INVESTING ACTIVITIES	<u>(494,171,942)</u>	<u>(449,986,823)</u>

	Year ended 31.03.2008 Rs.	Year ended 31.03.2007 Rs.
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds/(Repayment) of borrowings	141,080,313	(208,518,323)
Dividends paid	(86,847,015)	-
Dividend distribution tax paid	(14,759,650)	-
Proceeds from issue of shares to ESOP trust	2,948,400	-
Interest and financial charges paid	(32,972,476)	(35,997,750)
NET CASH (USED IN)/ FROM FINANCING ACTIVITIES	9,449,572	(244,516,073)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		
	(16,302,709)	6,707,345
CASH AND CASH EQUIVALENTS :		
Opening balance	84,141,501	77,434,156
Cash and bank balance acquired on amalgamation	55,121	-
Total	84,196,622	77,434,156
Closing balance	67,893,913	84,141,501

Per our report attached to the balance sheet.

For and on behalf of the Board of Directors

For A.F.Ferguson & Co.
Chartered Accountants

H.L.Shah
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 30/04/2008

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited

SCHEDULE 1	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
SHARE CAPITAL		
Authorised :		
100,000,000 (previous year 50,000,000) equity shares of Rs.10 each	1,000,000,000	500,000,000
10,000,000 preference shares of Rs. 10 each		100,000,000
	<u>1,000,000,000</u>	<u>600,000,000</u>
Issued :		
78,333,688 (previous year 35,000,000) equity shares of Rs.10 each	<u>783,336,880</u>	<u>350,000,000</u>
Subscribed and paid-up :		
78,333,688 (previous year 29,281,760) equity shares of Rs. 10 each fully paid (of the above 73,354,438 equity shares are held by the holding company, Mahindra Holdings and Finance Limited)	783,336,880	292,817,600
Less: 1,915,771 (previous year 881,560) equity shares of Rs 10 each fully paid up issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees(refer note no. 2)	19,157,710	8,815,600
	<u>764,179,170</u>	<u>284,002,000</u>

Note : The above includes 48,995,228 (previous year Nil) equity shares allotted as fully paid-up by way of Bonus shares by capitalisation of balance in Profit & Loss account and General Reserve on 24/11/2007

SCHEDULE 2

RESERVES AND SURPLUS

	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.
Capital reserve As per last balance sheet	113,841	113,841
Add : Transfer on Amalgamation (Refer Note No. 6)	<u>516,600</u>	<u>-</u>
	630,441	113,841
General Reserve		
As per last balance sheet	41,757,000	-
Less : Capitalised on issue of Bonus Shares	38,239,441	-
Less : Transfer on Amalgamation (Refer Note No.6)	8,076,889	-
Add : Bonus shares issued to ESOP trust but not allotted to employees (Refer Note No.2)	11,982,640	-
Add : Transfer from Profit and Loss Account	<u>80,520,000</u>	<u>41,757,000</u>
	87,943,310	41,757,000
Securities Premium Account Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust	12,071,220	9,689,820
Less: Premium on shares issued to Mahindra Holidays and Resorts India Limited Employees' Stock Option Trust but not allotted to employees(refer note no. 2)	<u>10,746,702</u>	<u>9,689,820</u>
	1,324,518	-
Balance in Profit and Loss Account	1,012,904,019	451,712,839
Less : Capitalised on issue of Bonus Shares	<u>451,712,839</u>	<u>-</u>
	561,191,180	451,712,839
	<u>651,089,449</u>	<u>493,583,680</u>

SCHEDULE 3

SECURED LOANS

(see note 3)

Loans and advances from a bank		
- Cash credit	198,443,285	55,028,109
Deferred payment under hire purchase	2,316,733	4,926,747
Less: Future interest	<u>137,440</u>	<u>412,591</u>
	2,179,293	4,514,156
	<u>200,622,578</u>	<u>59,542,265</u>

**SCHEDULE - 4
FIXED ASSETS AS AT MARCH 31, 2008**

Rs.

Description	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK	
	As at March 31, 2007	Additions on Amalgamation	Additions	Deductions	As at March 31, 2007	For the year	Deductions	As at March 31, 2008	As at March 31, 2008	As at March 31, 2007
(A) Tangible assets										
(i) Assets on lease / hire purchase										
Leasehold land	26,364,000	-	-	-	63,202	266,276	-	329,478	26,034,522	26,300,798
Leasehold buildings	41,955,302	-	-	21,345,000	5,097,152	985,699	3,589,854	2,492,997	18,117,305	36,858,150
Vehicles	6,333,342	-	-	1,191,996	2,374,891	1,109,046	991,739	2,492,198	2,649,148	3,958,451
	74,652,644	-	-	22,536,996	7,535,245	2,361,021	4,581,593	5,314,673	46,800,975	67,117,399
(ii) Owned assets										
Freehold land	202,883,704	31,390,744	79,387,500	-	-	-	-	-	313,661,948	202,883,704
Buildings	1,122,197,368	15,678,680	171,734,744	105,738	83,979,306	20,154,084	13,074	104,120,316	1,205,384,738	1,038,218,062
Plant and machinery	444,326,482	7,535,264	138,193,933	740,538	111,963,550	36,220,392	185,569	147,998,373	441,316,768	332,362,932
Furniture and fixtures	326,166,785	1,559,715	55,803,725	2,493,829	140,355,442	34,874,398	1,132,279	174,097,561	206,938,835	185,811,343
Vehicles	23,966,416	689,705	8,400,692	2,779,640	9,976,585	4,543,932	1,778,909	12,741,608	17,535,565	13,989,831
	2,119,540,755	56,854,108	453,520,594	6,119,745	346,274,883	95,792,806	3,109,831	438,957,858	2,184,837,854	1,773,265,872
(B) Intangible assets										
Vacation Ownership weeks	6,226,938	-	-	-	3,113,470	622,694	-	3,736,164	2,490,774	3,113,468
Product design and development	8,528,395	-	-	-	882,046	2,132,099	-	3,014,145	5,514,250	7,646,349
Software	38,765,269	-	4,306,032	-	15,721,478	12,122,832	-	27,844,310	15,226,991	23,043,791
	53,520,602	-	4,306,032	-	19,716,994	14,877,625	-	34,594,619	23,232,015	33,803,608
Total	2,247,714,001	56,854,108	457,826,626	28,656,741	373,527,122	113,031,452	7,691,424	478,867,150	2,254,870,844	-
Previous Year	1,907,375,373	-	367,893,963	27,555,335	297,047,088	88,733,640	12,253,606	373,527,122	-	1,874,186,879

SCHEDULE - 5

Expenditure During Construction pending Allocation

Rs.

	As at 01.04.2007	Additions	Capitalised During The Year	As at 31.03.2008
Salaries,Wages & Bonus	6,890,131	19,656,821	5,767,014	20,779,938
Staff welfare Expenses	170,105	552,107	227,913	494,299
Power & Fuel	362,031	581,889	538,088	405,832
Rent	58,984	335,033	128,970	265,047
Rates & Taxes	2,009,544	871,654	1,913,667	967,531
Repairs-Others	549,921	420,036	176,315	793,642
Travelling	7,844,285	11,119,961	5,896,738	13,067,508
Communication	596,256	1,111,602	449,641	1,258,217
Printing & Stationery	263,401	550,063	246,069	567,395
Insurance	14,249	-	2,874	11,375
Consultancy Charges	9,827,701	15,869,487	5,999,317	19,697,871
Freight	36,803	1,115,180	950,156	201,827
Miscellaneous	666,828	1,789,097	719,634	1,736,291
Total	29,290,239	53,972,930	23,016,396	60,246,773

SCHEDULE 6

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
Investments:Long term Unquoted (at cost)		
Subsidiary Company : Trade		
Mahindra Holidays and Resorts USA Inc 100 equity shares of US\$ 0.10 each fully paid up	45,503	45,503
MHR Hotel Management GmbH -(Shares equivalent in value to 26,250 Euros out of total share capital of Euro 35,000)	1,567,125	1,567,125
Heritage Bird (M) Sdn. Bhd. 2 shares of one Ringgit each (acquired during the year)	40	-
Mahindra Hotels and Residences India Ltd. 49,994 equity shares of Rs. 10 each (acquired during the year)	499,940	-
Others : Non-trade		
Guestline Hospitality Management and Development Services Limited 25,000 7% non-cumulative redeemable participating optionally convertible preference shares of Rs. 10 each fully paid up.	250,000	250,000
Mahindra World City Developers Ltd. 1 equity share of Rs.10 each fully paid up.	10	10
Advance against investments in equity shares of Ashtamudi Resorts (P) Ltd (Refer note 6)	-	58,768,100
	2,362,618	60,630,738

Note :

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

Mahindra Holidays & Resorts India Limited

SCHEDULE 7	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
CURRENT ASSETS, LOANS AND ADVANCES :		
(A) Current assets :		
Inventories		
Food, beverages and smokes	1,291,729	1,596,867
Operating supplies	33,256,188	16,249,479
	<u>34,547,917</u>	<u>17,846,346</u>
Sundry debtors		
(Unsecured)		
Outstanding over six months		
: considered good	273,553,692	101,138,854
: considered doubtful	172,777	337,793
	<u>273,726,469</u>	<u>101,476,647</u>
Other debts, considered good	4,427,257,951	2,340,689,559
	<u>4,700,984,420</u>	<u>2,442,166,206</u>
Less : provision for doubtful debts	172,777	337,793
	<u>4,700,811,643</u>	<u>2,441,828,413</u>
Less : unmatured finance charges	666,595,280	254,524,539
	<u>4,034,216,363</u>	<u>2,187,303,874</u>
Cash and bank balances		
Cash on hand	806,474	241,840
Balances with scheduled banks :		
in current accounts	57,316,005	74,167,252
in deposit accounts	9,771,434	9,732,409
	<u>67,893,913</u>	<u>84,141,501</u>
(B) Loans and advances :		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	211,874,026	75,312,601
Advances and loan to subsidiaries	193,517,026	210,806,668
Deposits	167,141,101	135,156,285
Payments towards income tax (net of provisions)	3,179,972	-
	<u>575,712,125</u>	<u>421,275,554</u>
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors:		
Total outstanding dues to micro enterprises and small enterprises	-	-
Others	590,504,729	384,732,704
Amount received from ESOP trust	17,921,772	18,505,420
	<u>608,426,501</u>	<u>403,238,124</u>
B. PROVISIONS		
Proposed dividend	139,732,580	86,847,015
Tax on proposed dividend	23,747,550	14,759,650
Taxation (net of payments)	-	21,151,011
Leave salary	7,160,201	3,280,618
Gratuity	(505,000)	-
	<u>170,135,331</u>	<u>126,038,294</u>

	2007-08 Rs.	2006-07 Rs.
SCHEDULE 9		
Income from sale of Vacation Ownership and other services		
Income from sale of Vacation Ownership	2,835,392,943	1,811,107,784
Income from resorts		
- Room rentals	141,210,483	105,157,367
- Food and beverages	162,191,129	128,884,763
- Wine and liquor	10,130,520	8,910,229
- Telex and telephone	1,310,276	1,546,085
- Others	<u>53,438,019</u>	<u>39,764,055</u>
	368,280,427	284,262,499
Annual subscription fee	322,793,917	227,691,062
Income from travel services	813,420	-
	<u>3,527,280,707</u>	<u>2,323,061,345</u>
SCHEDULE 10		
Other Income		
Interest		
On installment sales	196,846,759	73,421,437
Others - gross	8,655,104	353,871
Income from securitization (Refer Note No. 4)	12,126,165	7,234,578
Miscellaneous income	<u>5,468,791</u>	<u>2,427,425</u>
	<u>223,096,819</u>	<u>83,437,311</u>
SCHEDULE 11		
Employee Cost		
Salaries, wages and bonus	432,975,616	253,237,077
Contribution to provident and other funds	17,442,581	12,339,749
Staff welfare expenses	23,007,574	17,487,847
Employee compensation expenses on account of ESOS	<u>359,418</u>	-
	<u>473,785,189</u>	<u>283,064,673</u>
SCHEDULE 12		
Other expenses		
Food, beverages and smokes consumed		
Opening stock	1,596,867	960,337
Add: purchases	<u>52,168,611</u>	<u>43,984,709</u>
	53,765,478	44,945,046
Less: closing stock	<u>1,291,729</u>	<u>1,596,867</u>
	52,473,749	43,348,179
Operating supplies	29,386,389	23,205,195
Advertisement	274,142,822	144,499,172
Sales promotion expenses	494,139,465	308,273,942
Sales commission	350,574,528	221,672,543
Discount	36,736,001	24,898,441
Power and fuel	74,408,619	59,342,000
Rent (including lease rent)	129,022,363	72,294,031
Rates and taxes	10,910,242	7,441,769
Repairs and Maintenance:		
Buildings	4,954,484	5,600,292
Resort renovations	32,973,417	37,813,062

Mahindra Holidays & Resorts India Limited

	2007-08		2006-07
	Rs.		Rs.
Office equipment	2,226,317		2,283,615
Others	29,840,733		25,808,885
Travelling	81,383,677		68,369,252
Communication	49,185,483		33,500,937
Insurance	8,018,016		7,240,176
Consultancy charges	38,405,735		36,305,480
Miscellaneous	87,884,640		68,432,500
Service charges	63,779,366		113,374,748
Bad debts written off	337,793	18,259,066	
Less : Provision for doubtful debts written back	<u>165,016</u>	<u>1,124,878</u>	
	172,777		17,134,188
Loss on fixed assets sold/scrapped(net)	350,166		13,073,976
Loss on exchange fluctuation	<u>19,682,772</u>		<u>-</u>
	<u>1,870,651,761</u>		<u>1,333,912,383</u>

SCHEDULE 13

Interest and financial charges

Interest - loans for fixed period	8,910,476	13,621,023
Bank charges	<u>24,062,000</u>	<u>22,376,727</u>
	<u>32,972,476</u>	<u>35,997,750</u>

SCHEDULE 14

Notes on accounts for the year ended March 31, 2008.

1. ACCOUNTING POLICIES

(i) Basis for preparation of accounts:

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

(ii) Fixed assets:

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

- (a) Leasehold land and buildings are amortised over the period of lease.
- (b) Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months from the date of capitalisation.
- (c) Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months.
- (d) Intangible assets representing 'vacation ownership' is amortised over a period of ten years.
- (e) Expenditure incurred towards software is amortised over a period of 36 months.
- (f) Expenditure on product design and development 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:

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

(vi) Revenue recognition:

- (a) The company's business is to sell Vacation ownership and provide holiday facilities to members for a specified period each year, over a number of years, for which membership fee is collected either in full up front, or on a deferred

payment basis. Admission fee, which is non-refundable, is recognized as income on admission of a member. Entitlement fee, which entitles the vacation ownership member for the vacation ownership facilities over the membership usage period, is recognized as income equally over the usage period.

- (b) Annual subscription fee dues from members are recognised as income on an accrual basis.
- (c) Interest on instalment sales is recognised as income on an accrual basis.
- (d) Income from resorts includes income from room rentals, food and beverages, etc. and is recognised when services are rendered.
- (e) Securitised assets are derecognised as the contractual rights therein are transferred to the third party. On derecognition, the difference between book value of the securitised asset and consideration received is recognised as gain or loss arising on securitisation.
- (f) Income from travel services includes commission on tickets/hotel booking, service charges from customers, etc. and is recognised when services are rendered.

(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. To comply with AS 11 (Revised) 2003, such loss or gain is adjusted to the Profit and Loss Account with effect from April 1, 2007. The change in policy has no impact on the results of the company.

(viii) Employee benefits:

Short term employee benefit plans

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

Defined Contribution Plan

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

Defined Benefit Plan

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

(ix) Taxes on income:

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

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

(x) Share issue expenses:

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

2. EMPLOYEES' STOCK OPTION SCHEME

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

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

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust			
Method of Settlement	By issue of shares at Exercise Price			
Grant	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (1/11/2007)	Grant IV (4/2/2008)
Exercise Price	Rs.16	Rs.52	Rs.52	Rs.431
Average Exercise Price(after bonus issue)	Rs.9.60	Rs.31.20	Rs.31.20	Rs.431
Vesting Period	5 Years	4 Years	4 Years	4 Years
Number of Options Granted	759,325	122,235	56,700	152,536
Contractual life	6 years from the date of grant.	5 years from the date of each vesting.		
Vesting Conditions	35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.	25% each on expiry of 12,24,36 and 48 months from the date of vesting.		
No. of options exercisable in each tranche	Minimum of 100 and a maximum of all options vested till that date.	Minimum of 25 and a maximum of all options vested till that date.		

2. Summary of Stock options (including bonus shares)

Particulars	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (1/11/2007)	Grant IV ** (4/2/2008)	Total
Options outstanding as on 1.4.2007	690,925*	122,235	–	–	813,160
Options granted	–	–	56,700	152,536	209,236
Options vested	645,670	68,138	–	–	713,808
Bonus shares allotted	942,223	204,132	94,689	–	1,241,044
Options exercised	(263,533)	–	–	–	(263,533)
Options lapsed	(113,408)	(53,814)	–	–	(167,222)
Options outstanding as on 31.3.2008	1,256,207	272,553	151,389	152,536	1,832,685
Options vested but not exercised	22,161	68,138	–	–	90,299

* Net of options lapsed 68,400

** Issued out of lapsed options

In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares have been reduced from the share capital by Rs. 19,157,710 and securities premium account reduced by Rs. 10,746,702. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities.

The General Reserve has been increased by Rs.11, 982,640 for the bonus shares issued by the Company in November 2007 to the trust but not yet transferred by the trust to the concerned persons.

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 charged.

The intrinsic value of the shares granted on 4th February, 2008 of Rs. 431 has been determined based on the offer price of Rs. 479 in a placement of shares by a

shareholder of the company to independent investors, adjusted for a discount of 10% as decided by the Remuneration Committee. Accordingly the employee compensation cost charged to Profit and Loss account during the current year is Rs. 359,418/- and the amount carried forward is Rs. 6,962,310/-

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. 15th July 2006, 30th March 2007, 1st November 2007 and 4th February 2008 is Rs. 4.28, Rs. 16.36, Rs.16.55 and Rs.182.24 respectively.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 33,986,221 and the impact on the financial statements would be

	In Rs.	
	Year ended March 31, 2008	Year ended March 31, 2007
Increase in employee compensation cost	1,999,184	465,193
Decrease in profit after tax	1,999,184	465,193
Decrease in basic & diluted earning per share	(0.03)	(0.01)

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

	Grant dated 15 th July, 2006	Grant dated 30 th March, 2007	Grant dated 1 st November, 2007	Grant dated 4 th February, 2008
Risk free interest rate	7.82%	7.92%	7.72%	7.48%
Expected life	4.50	5.00	5.00	5.00
Expected volatility	Nil	Nil	Nil	Nil
Expected dividend yield	Nil	Nil	Nil	Nil

3. Secured loans

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

4. Securitisation

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

	In Rs.	
	Year ended March 31,	
	2008	2007
Value of Accounts receivable	581,949,599	612,340,380
Less: Future interest receivable	95,198,158	78,927,353
Principal amount of receivables	486,751,441	533,413,027
Consideration received	500,000,000	542,300,000
Profit on securitisation	13,248,559	8,886,973
Less: Reversals in respect of cancelled members	1,122,394	1,652,395
Income from securitisation	12,126,165	7,234,578

5. Contingent Liabilities

	In Rs.	
	As at Mar 31, 2008	As at Mar 31, 2007
(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.	713,890,874	613,613,000
(b) Claims against the company not acknowledged as debts. Claims not acknowledged as debts represent luxury tax claimed on room revenue and other services which has been disputed by the company. The possibility of reimbursement depends on the outcome of the cases pending before the adjudicating authority.	9,588,749	1,785,666
(c) 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, 2004-05 and 2005-06 for which assessments were subsequently completed in respect of which the Company has gone/will be going on appeal and exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed) is Rs. 434,817,288/- (including interest of Rs. 58,051,475); As at 31st March, 2007 Rs. 291,371,524/- (including interest of Rs. 58,051,475).

- (ii) Income tax matters in respect of which the Company has gone/will be going on appeal relating to disallowance of expenditure during construction – Rs. 10,084,277/- (previous year Rs. 4,223,744/-)

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

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

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

6. Amalgamation of Ashtamudi Resorts Private Limited with the company:

- (1) Pursuant to the scheme of Amalgamation of the erstwhile Ashtamudi Resorts Private Limited (a wholly owned subsidiary of the company) with the Company as approved by the shareholders in the court – convened meeting held on 25th January 2008, and subsequently sanctioned by the Hon'ble High Court of Madras on 19th February 2008, the assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited were transferred to and vested with the Company with retrospective effect from 1st July, 2007. The Scheme has, accordingly, been given effect to in these accounts.
- (2) The amalgamation has been accounted for under the "Purchase Method" as prescribed by the Accounting Standard (AS-14) – Accounting for Amalgamation. However, pursuant to the Madras High Court Order, the accumulated losses of Rs. 8,076,889 of Ashtamudi Resorts Private Limited have been adjusted to the General Reserve of the Company. The assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited as at 1st July, 2007 have been taken over resulting in a Capital Reserve of Rs. 516,600/-. Had AS-14 been followed, the accumulated losses would not have been adjusted to the General Reserve as per the scheme, which would have resulted in a Goodwill of Rs. 7,560,289/- and the Reserves and Surplus would have been higher to that extent.
- (3) There was no allotment of shares to the amalgamating Company's equity shareholders since the amalgamating company was a wholly owned subsidiary of the Company.

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(4) Ashtamudi Resorts Private Limited has been in the hotel business.

(5) The value at which the assets and liabilities have been transferred to the Company are itemized below:

Assets	Transfer value Considered Rs.
Fixed Assets (as revalued)	56,854,108
Capital work in progress	48,871,234
Deferred tax asset	3,056,637
Accumulated losses (adjusted against general reserve)	8,076,889
Total	116,858,868
Less:	
Net current liabilities	2,074,168
Advance made by the company to Ashtamudi Resorts Private Limited adjusted	84,368,100
Net Assets	30,416,600
Investments made by the company in Ashtamudi Resorts Private Limited adjusted	29,900,000
Balance transferred to Capital Reserve	516,600

3. Capital commitments	In Rs.	
	As at March 31, 2008	As at March 31, 2007
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	226,318,590	83,599,724
8. Auditors' remuneration	2007-08 Rs.	2006-07 Rs.
Audit fees	2,300,000	1,900,000
Other services	6,045,000	179,000
Reimbursement of expenses /levies	1,252,644	337,369
9. CIF value of imports		
Capital goods	23,511,905	15,795,328
10. Expenditure in foreign currency		
Salary	9,803,640	8,287,796
Travel	3,589,154	2,320,283
Consultancy	27,675,920	20,782,379
Marketing expenses	3,374,263	1,959,285
Others	21,291,507	18,823,268
11. Earnings in foreign exchange		
Room rentals and restaurant sales	83,450,433	62,495,992
Sale of vacation ownership	63,479,174	64,580,296
Interest	8,562,835	1,883,816

	% of total Value	2007-08 Consumption Rs.	% of total Value	2006-07 Consumption Rs.
12. Particulars of consumption				
Provisions, beverages (excluding wine, liquor and smokes)	87	45,804,845	94	40,778,776
Wine, liquor and smokes	13	6,668,904	6	2,569,402
	<u>100</u>	<u>52,473,749</u>	<u>100</u>	<u>43,348,178</u>
Indigenous	100	52,473,749	100	43,348,178
Imported	-	-	-	-
	<u>100</u>	<u>52,473,749</u>	<u>100</u>	<u>43,348,178</u>

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

As at 31.03.08

	Not later than 1 year Rs.	Later than 1 year not later than 5 years Rs.
Minimum instalment payable	1,578,254 (2,153,544)	738,479 (2,773,203)
Present value of instalments payable	1,466,960 (1,885,911)	712,333 (2,628,245)

Previous year's figures are given in brackets

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

Class of goods	Unit of measurement	Opening stock Value		Purchases Value		Closing stock Value		Sales Value	
		Qty.	(Rs)	Qty.	(Rs)	Qty.	(Rs)	Qty.	(Rs)
Beverages	Litres	5,029 (5,956)	112,865 (77,465)	138,662 (120,558)	1,765,338 (1,595,912)	7,898 (5,029)	183,336 (112,865)	135,793 (121,485)	11,415,195 (8,566,771)
Wine and liquor	Litres	2,662 (2,555)	817,657 (488,905)	35,307 (29,377)	4,002,946 (3,679,394)	4,893 (2,662)	1,319,950 (817,657)	33,076 (29,269)	10,130,520 (8,910,229)
Smokes	Nos.	416 (376)	33,837 (18,221)	3,462 (3,716)	217,641 (228,455)	446 (416)	36,788 (33,837)	3,432 (3676)	511,932 (387,790)

Previous year's figures are given in brackets.

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15. Employee Benefits

	Gratuity Rs.	
	2007-08	2006-07
a. Net Asset/ (Liability) recognized in the balance sheet		
Present value of funded obligation	7,194,235	5,707,856
Fair value of plan assets	7,699,235	5,707,856
(Deficit) / surplus	505,000	–
Net asset	505,000	–
b. Expense recognized in the Profit & Loss account		
Current service cost	1,501,022	939,957
Interest cost	384,356	355,540
Expected return on plan assets	(490,575)	(405,795)
Actuarial (gains) / losses	752,788	900,640
Total expense	2,147,591	1,790,342
c. Change in present value of obligation		
Present value of defined benefit obligation as at the beginning of the year	5,707,856	4,089,432
Current service cost	1,501,022	939,957
Interest cost	384,356	355,540
Actuarial (gains) /losses	767,213	900,640
Benefits paid	(1,166,212)	(577,713)
Present value of defined benefit obligation as at the end of the year	7,194,235	5,707,856
d. Change in fair value of plan assets		
Plan assets at the beginning of the year	5,707,856	4,089,432
Expected return on plan assets	490,575	405,795
Actuarial gains /(losses)	14,425	–
Contributions by employer	2,652,591	1,790,342
Benefits paid	(1,166,212)	(577,713)
Plan assets at the end of the year	7,699,235	5,707,856
e. Principal actuarial assumptions		
1. Discount rate	8.0%	7.5%
2. Expected return on plan assets	8.0%	8.1 %
3. Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
f. Basis used to determine expected rate of return		
The information on major categories of plan assets and expected return on each class of plan assets are not readily available.		
However LIC has confirmed that the average rate of return on plan assets is	8.0%	8.1%
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	2,147,591	1,790,342
Leave salary	7,182,334	1,596,418
Provident fund	9,864,412	6,023,793
Superannuation fund	5,229,083	4,770,209

16. Segment Reporting:

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

Secondary segment information:

	Year ended March 31, 2008			Year ended March 31, 2007		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	3,463,801,533	63,479,174	3,527,280,707	2,258,481,049	64,580,296	2,323,061,345
Segment assets	7,324,508,779	99,707,617	7,424,216,396	4,672,795,195	39,012,134	4,711,807,329
Additions to fixed assets	837,618,083	22,400	837,640,483	466,727,010	6,162,228	472,889,237

In Rs.

17. Deferred Taxation :

Particulars	As at 31.03.2007	Addition on Amalgamation	Movement during the year	As at 31.03.2008
Deferred tax asset				
Provision for doubtful debts	114,816	–	(56,089)	58,727
Provision for leave encashment	1,115,082	–	1,318,670	2,433,752
Amalgamation expenditure	–	–	151,216	151,216
Unabsorbed depreciation	–	2,861,388	(2,861,388)	–
Total	1,229,898	2,861,388	(1,447,591)	2,643,695
Deferred tax liability				
Difference between book and tax depreciation	(202,705,369)	195,250	(35,997,747)	(238,507,866)
Net deferred tax (liability) / asset	(201,475,471)	3,056,638	(37,445,338)	(235,864,171)
Previous year	(102,914,447)	–	(98,561,024)	(201,475,471)

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18. Related Party Transactions:

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

Name of the Related Party	Nature of Relationship
Mahindra & Mahindra Limited	Controlling Company
Mahindra Holdings & Finance Limited	Holding Company
Mahindra Holidays & Resorts U.S.A Inc.	Subsidiary
Mahindra Hotels & Residents India Limited (w.e.f. April 26, 2007)	Subsidiary
MHR Hotel Management Gmbh (w.e.f March 12, 2007)	Subsidiary
Heritage Bird (M) Sdn Bhd (w.e.f 3-3-08)	Subsidiary
Bristlecone Limited	Fellow Subsidiary
Bristlecone (Malaysia) SDN. BHD(w.e.f 30-5-07)	Fellow Subsidiary
Bristlecone (Singapore) Pte. Limited	Fellow Subsidiary
Bristlecone (UK) Limited	Fellow Subsidiary
Bristlecone GmbH	Fellow Subsidiary
Bristlecone Inc.	Fellow Subsidiary
Bristlecone India Limited	Fellow Subsidiary
CanvasM (Americas) Inc.	Fellow Subsidiary
CanvasM Technologies Limited	Fellow Subsidiary
Falkenroth Umformtechnik, GmbH	Fellow Subsidiary
Gesenkschmiede Schneider GmbH	Fellow Subsidiary
iPolicy Networks Limited	Fellow Subsidiary
JECO Holdings AG	Fellow Subsidiary
Jensand Limited	Fellow Subsidiary
Mahindra Hinoday Industries Limited	Fellow Subsidiary
Mahindra Logistics Limited (w.e.f 12-12-07)	Fellow Subsidiary
Mahindra & Mahindra Financial Services Limited	Fellow Subsidiary
Mahindra (China) Tractor Company Limited	Fellow Subsidiary
Mahindra and Mahindra South Africa (Proprietary) Limited	Fellow Subsidiary
Mahindra Automotive Limited(w.e.f 25-5-07)	Fellow Subsidiary
Mahindra Castings Private Limited (w.e.f 30.8.2007)	Fellow Subsidiary
Mahindra Consulting Engineers Limited	Fellow Subsidiary
Mahindra Engineering and Chemical Products Limited	Fellow Subsidiary
Mahindra Engineering Design and Development Company Limited	Fellow Subsidiary
Mahindra Europe s.r.l.	Fellow Subsidiary
Mahindra Forgings International Limited	Fellow Subsidiary
Mahindra Forgings Global Limited	Fellow Subsidiary
Mahindra Gujarat Tractor Limited	Fellow Subsidiary
Mahindra Holdings Limited (w.e.f 2-11-07)	Fellow Subsidiary
Mahindra Infrastructure Developers Limited	Fellow Subsidiary
Mahindra Insurance Brokers Limited	Fellow Subsidiary
Mahindra Integrated Township Limited	Fellow Subsidiary
Mahindra International Limited	Fellow Subsidiary
Mahindra Intertrade Limited	Fellow Subsidiary
Mahindra Logisoft Business Solutions Limited	Fellow Subsidiary

Mahindra MiddleEast Electrical Steel Service Centre (FZC)	Fellow Subsidiary
Mahindra Overseas Investment Company (Mauritius) Ltd	Fellow Subsidiary
Mahindra Renault Private Limited	Fellow Subsidiary
Mahindra Retail Private Limited (w.e.f 3.9.2007)	Fellow Subsidiary
Mahindra Rural Housing Finance Limited(w.e.f 9-4-07)	Fellow Subsidiary
Mahindra SAR Transmission Private Limited	Fellow Subsidiary
Mahindra Shubhlabh Services Limited	Fellow Subsidiary
Mahindra Steel Service Centre Limited	Fellow Subsidiary
Mahindra Technology Park Limited (w.e.f 28.9.2007)	Fellow Subsidiary
Mahindra Ugine Steel Company Limited	Fellow Subsidiary
Mahindra USA, Inc.	Fellow Subsidiary
Mahindra World City (Jaipur) Limited	Fellow Subsidiary
Mahindra World City (Maharashtra) Limited.	Fellow Subsidiary
Mahindra-BT Investment Company (Mauritius) Limited.	Fellow Subsidiary
NBS International Limited	Fellow Subsidiary
Plexion Technologies (UK) Limited	Fellow Subsidiary
Plexion Technologies GmbH	Fellow Subsidiary
Plexion Technologies Inc.	Fellow Subsidiary
PT Tech Mahindra Indonesia	Fellow Subsidiary
Punjab Tractors Limited (w.e.f 6.7.2007)	Fellow Subsidiary
Schöneweiss & Co. GmbH	Fellow Subsidiary
Stokes Forgings Dudley Limited	Fellow Subsidiary
Stokes Forgings Limited	Fellow Subsidiary
Stokes Group Limited	Fellow Subsidiary
Tech Mahindra (R & D Services) Limited	Fellow Subsidiary
Tech Mahindra (Malaysia) SDN. BHD (w.e.f 11-6-07)	Fellow Subsidiary
Tech Mahindra (Americas) Inc.	Fellow Subsidiary
Tech Mahindra (R&D Services) Inc.	Fellow Subsidiary
Tech Mahindra (Singapore) Pte. Limited	Fellow Subsidiary
Tech Mahindra (Thailand) Limited	Fellow Subsidiary
Tech Mahindra (Beijing) IT Services Limited (w.e.f 21-12-07)	Fellow Subsidiary
Tech Mahindra Foundation	Fellow Subsidiary
Tech Mahindra GmbH	Fellow Subsidiary
Tech Mahindra Limited	Fellow Subsidiary
Mahindra First Choice Services Limited (w.e.f 24-3-08)	Fellow Subsidiary
Mahindra Forgings Europe AG	Fellow Subsidiary
Mahindra Forgings Limited.(w.e.f 1-4-07)	Fellow Subsidiary
Mahindra Graphic Research Design srl (w.e.f 20-2-08)	Fellow Subsidiary
Mahindra Lifespace Developers Limited	Fellow Subsidiary
Mahindra World City Developers Limited	Fellow Subsidiary
Mahindra Navistar Engines Private Limited(w.e.f 24-3-08)	Fellow Subsidiary
Mahindra Residential Developers Limited(w.e.f 1-2-08)	Fellow Subsidiary
First Choice Wheels Limited	Fellow Subsidiary
Mahindra Aerospace Pvt Limited(w.e.f 25-2-08)	Fellow Subsidiary
Ramesh Ramanathan (Managing Director)	Key Management Personnel

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(ii) The related party Transactions are as under :

Nature of transactions	Controlling Company		Subsidiary Companies		Fellow Subsidiaries		Key Management Personnel	
	Year Ended							
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Finance :								
Deposit paid								
Mahindra World City Developers Ltd.	-	-	-	-	-	279,000	-	-
Advances made								
Mahindra Hotels & Residences India Ltd	-	-	37,798	-	-	-	-	-
Mahindra Intertrade Limited	-	-	-	-	174,200	-	-	-
Investment								
MHR Hotel Management GmbH	-	-	-	1,567,125	-	-	-	-
Mahindra Hotels & Residences India Ltd	-	-	499,940	-	-	-	-	-
Loans given								
Mahindra Holidays and Resorts (USA) Inc	-	-	-	207,861,900	-	-	-	-
Interest								
Mahindra Holidays and Resorts (USA) Inc	-	-	8,494,701	1,883,816	-	-	-	-
Purchases:								
Fixed assets								
Mahindra World City Developers Ltd.	-	-	-	-	-	25,500,000	-	-
Services								
Mahindra Logisoft Business Solution Ltd	-	-	-	-	19,866,698	18,182,880	-	-
Others								
Mahindra Intertrade Ltd	-	-	-	-	-	29,361	-	-
Sales:		19,986,887						
Other transactions:								
Reimbursements received	-	2,304,470	-	-	-	-	-	-
Mahindra World City Developers Limited	-	-	-	-	1,509,637	-	-	-
Mahindra Holidays and Resorts (USA) Inc	-	-	-	1,060,952	-	-	-	-
Mahindra Consulting Engineers Limited	-	-	-	-	-	293,543	-	-
Reimbursements made	12,238,863	10,665,919	-	-	-	-	-	-
Mahindra Lifespace Developers Ltd	-	-	-	-	-	206,960	-	-
Mahindra World City Developers Limited	-	-	-	-	170,100	-	-	-
Outstanding:								
Payable	1,143,095	5,893,010						
Mahindra Intertrade Ltd	-	-	-	-	-	14,577	-	-
Mahindra Logisoft Business Solutions Ltd	-	-	-	-	-	-	-	-
Receivable	-	60,000	-	-	-	-	-	-
Mahindra Lifespace Developers Ltd	-	-	-	-	524,589	486,819	-	-
Mahindra World City (Jaipur) Limited	-	-	-	-	18,256	-	-	-
Mahindra Consulting Engineers Limited	-	-	-	-	305,714	293,543	-	-
Mahindra Water Utility Limited	-	-	-	-	12,171	-	-	-
Mahindra Holidays and Resorts (USA) Inc	-	-	193,477,273	210,806,668	-	-	-	-
Mahindra Hotels and Residences India Ltd	-	-	37,798	-	-	-	-	-
Mahindra Intertrade Limited	-	-	-	-	174,200	-	-	-
Managerial remuneration	-	-	-	-	-	-	10,640,466	8,376,959

19. Managerial Remuneration to the Managing Director

	2007-08	2006-07
	Rs.	Rs.
Salaries and allowances	9,816,680	7,831,056
Contribution to provident and superannuation funds	648,000	453,600
Perquisites	175,786	92,303
	10,640,466	8,376,959

20. Earnings per share:

	2007-08	2006-07
Net profit after tax (in Rs.)	805,191,310	417,567,409
Weighted average number of Equity Shares used in computing basic earnings per share (Nos)	76,291,122	75,828,530
Weighted average number of Equity Shares used in computing diluted earnings per share (Nos)	78,044,961	77,293,838
Earnings per share – Basic (in Rs.)	10.55	5.51
Earnings per share – Diluted (in Rs.)	10.32	5.40
Nominal value of shares (in Rs.)	10	10

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

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

		2007-08		2006-07	
	Currency	Value in foreign currency	Value in Rupees	Value in foreign currency	Value in Rupees
Export of services:	UAE - Dirham	8,958,733	97,829,360	3,317,081	39,174,222
Loan to US subsidiary	US Dollar	4,849,054	193,477,273	4,750,000	207,861,900

22. During the year the company has incurred expenses amounting to Rs. 25,222,769/- towards its proposed Initial Public Offer, which has been included in Advances recoverable in cash or in kind or for value to be received {Schedule 7(B)}. These expenses would be adjusted against the securities premium account on completion of the Initial Public Offer.

23. The company issued 48,995,228 equity shares of Rs. 10/- each as bonus shares on 24th November 2007 in the ratio of 5 equity shares for every 3 shares held as on 5th November 2007 aggregating to Rs. 489,952,280 by way of capitalisation of balance in Profit and Loss Account and General Reserve.

24. The company is in the process of identifying suppliers who have been 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.

Mahindra Holidays & Resorts India Limited

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

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration number State code

Balance sheet date

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

Public issue Rights issue

Bonus issue Private Placement

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

Total liabilities Total Assets

Sources of Funds

Paid up capital Reserves and Surplus

Deferred Tax Liability Secured Loans

Application of Funds

Net Fixed Assets Investments

Net Current Assets # Deferred Tax Asset (net)

(# includes Advance towards member's facilities 4,788,940)

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

Turnover (Includes other income) Total Expenditure

+ - + -

Profit / Loss before Tax Profit / Loss after Tax

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

Earning per share in Rs. Dividend rate %

Item Code No.

(ITC Code)

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

Signatures to Schedule 1 to 14

For and on behalf of the Board of Directors

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

Statement pursuant to Section 212 of THE COMPANIES ACT, 1956

Relating to subsidiary company

Particulars	Name of the Subsidiary Company			
	Mahindra Holidays and Resorts USA Inc.	MHR Hotel Management GmbH	Mahindra Hotels and Residence India Ltd	Hiritage Bird (M) Sdn. Bhd.
The Financial Year of the Subsidiary Company ended on	31st March, 2008	*	**	***
Number of shares in the subsidiary company held by Mahindra Holidays & Resorts India Limited at the above date: Equity (Nos.)	100	-	49994	2
Extent of holding (%)	100.00%	75.00%	99.99%	100.00%
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, 2008	(8,490,791)	Nil	Nil	Nil
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2008	42,215,587	(315,638)	(71,506)	Nil
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	(1,012,851)	Nil	Nil	Nil
(b) Not dealt with in the accounts of Mahindra Holidays & Resorts India Limited for the year ended 31st March, 2007	(588,106)	Nil	Nil	Nil

* The financial year is from 16th February, 2007 to 31st March 2008

** The financial year is from 26th of April 2007 to 31st March 2008

*** The financial year is from 1st July, 2007 to 30th June 2008

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

Place : Mumbai

Date : 30/04/2008

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

1. We have audited the attache consolidated balance sheet of Mahindra Holidays & Resorts India Limited and its subsidiaries ("The Group") as at March 31, 2008 also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Mahindra Holidays and Resorts India Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets of Rs. 23.37 crores as at March 31, 2008 , total revenues of Rs. 1.48 crores and cash outflows amounting to Rs. 2.76 crores for the year then ended as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management, and our opinion is based solely on the report of other auditors.

4. a) We report that the consolidated financial statements have been prepared by the management of Mahindra Holiday and Resorts India Limited in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements.
- b) Based on our audit, consideration of reports of other auditors on separate financial statements and the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2008;
 - (ii) in the case of the consolidated profit and loss account, of the profit for the year ended on that date ; and
 - (iii) in the case of consolidated cash flow statement, of the cash flows for the year ended on that date.

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

Place: Mumbai
Date: 03.06.2008

H. L. Shah
Partner
(Membership No.33590)

Mahindra Holidays & Resorts India Limited – Consolidated

BALANCE SHEET

		As at March 31, 2008 INR	As at March 31, 2007 INR
SOURCES OF FUNDS			
SCHEDULE			
Shareholders' funds:			
Share capital	1	764,179,170	284,002,000
Employee stock options outstanding		359,418	-
Reserves and surplus	2	688,165,835	496,684,967
Minority Interest		296,559	369,232
Deferred income			
Advance towards members' facilities (see note 1(vi)(a))		4,788,940,086	3,204,558,234
Loan funds:			
Secured loans	3	200,622,578	59,542,265
Deferred tax liability (net)		235,864,171	201,475,471
TOTAL		6,678,427,817	4,246,632,169
APPLICATION OF FUNDS			
Fixed assets	4		
Gross block		2,733,737,994	2,247,714,001
Less : Depreciation		478,867,150	373,527,122
Net block		2,254,870,844	1,874,186,879
Capital work in progress/advances		389,766,151	97,762,936
Expenditure during construction pending allocation	5	60,246,773	29,290,239
		2,704,883,768	2,001,240,054
Investments	6	250,010	59,018,110
Current assets, Loans and advances	7		
Inventories		34,547,917	17,846,346
Sundry debtors		4,034,216,363	2,187,303,874
Cash and bank balances		76,321,111	93,547,774
Loans and advances		607,375,416	419,374,940
		4,752,460,807	2,718,072,934
Less: Current liabilities and provisions	8		
Current liabilities		609,031,437	405,648,866
Provisions		170,135,331	126,050,063
		779,166,768	531,698,929
Net current assets		3,973,294,039	2,186,374,005
TOTAL		6,678,427,817	4,246,632,169
NOTES ON ACCOUNTS	14		

As per our report of even date attached.

For and on behalf of the Board of Directors

For A.F.Ferguson & Co.
Chartered Accountants

H.L.Shah
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 03/06/2008

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

PROFIT AND LOSS ACCOUNT

		2007-08 INR		2006-07 INR
INCOME	Schedule			
Income from sale of Vacation				
Ownership and other services	9	3,527,280,707		2,323,061,345
Other income	10	244,570,655		89,829,811
Total		3,771,851,362		2,412,891,156
EXPENDITURE				
Employee cost	11	473,785,189		283,064,673
Depreciation		113,031,452		88,733,640
Other expenses	12	1,858,249,125		1,337,033,004
Interest and financial charges	13	32,978,855		36,000,038
Total		2,478,044,621		1,744,831,355
Profit for the year before tax		1,293,806,741		668,059,801
Provision for taxation				
Current tax		398,100,000	131,500,000	
Overseas tax		99,862	48,456	
Deferred tax		37,445,338	98,561,024	
Fringe benefit tax		19,200,000	17,161,777	
		454,845,200		247,271,257
Profit for the year after tax		838,961,541		420,788,544
Minority Share of losses		95,423		139,418
Net Profit		839,056,964		420,927,962
Profit brought forward		454,855,307		177,291,010
Balance available for appropriation		1,293,912,271		598,218,972
Appropriations:				
General Reserve		80,520,000	41,757,000	
Proposed Dividend		139,732,580	86,847,015	
Tax on Proposed Dividend		23,747,550	14,759,650	
		244,000,130		143,363,665
Balance carried to Balance Sheet		1,049,912,141		454,855,307
Earnings Per Share :				
Basic			11.00	5.55
Dilluted			10.75	5.45

NOTES ON ACCOUNTS 14

As per our report of even date attached.

For and on behalf of the Board of Directors

For A.F.Ferguson & Co.
Chartered Accountants

H.L.Shah
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 03/06/2008

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited – Consolidated

CASH FLOW STATEMENT

	Year ended March 31, 2008 INR	Year ended March 31, 2007 INR
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Profit for the period before tax	1,293,806,741	668,059,801
Adjustments for :		
Depreciation	113,031,452	88,733,640
Employee compensation expenses on account of ESOS	359,418	-
Interest and financial charges	32,978,855	36,000,038
Interest on deposits	(10,138,511)	(353,871)
Interest on instalment sales	(196,846,759)	(73,259,653)
Income from securitisation	(12,126,165)	(7,234,578)
Loss on fixed assets sold/scrapped (net)	350,166	13,073,976
Unrealised Exchange loss / (gain)	(15,166,811)	(6,554,284)
Operating profit before working capital changes	<u>1,206,248,385</u>	<u>718,465,069</u>
Changes in :		
Deferred income - Advance towards members' facilities	1,584,381,914	982,125,734
Trade and other receivables	(1,900,852,477)	(911,819,801)
Inventories	(16,701,571)	(9,123,360)
Trade and other payables	<u>31,980,340</u>	<u>26,776,095</u>
	<u>(301,191,793)</u>	<u>87,958,668</u>
Income Taxes paid	<u>(439,593,014)</u>	<u>(97,565,342)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>465,463,577</u>	<u>708,858,395</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets including capital work in progress/advances and expenditure pending allocation	(731,915,141)	(472,889,237)
Proceeds from sale of fixed assets	20,615,153	2,227,753
Purchase of investments	-	(58,768,100)
Interest on deposits received	10,138,511	353,871
Interest on instalment sales received	196,846,759	73,259,653
Income from securitisation received	12,126,165	7,234,578
NET CASH USED IN INVESTING ACTIVITIES	<u>(492,188,553)</u>	<u>(448,581,482)</u>

Mahindra Holidays & Resorts India Limited – Consolidated

	Year ended March 31, 2008 INR	Year ended March 31, 2007 INR
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from issue of share capital	-	369,230
Proceeds/(Repayment) of borrowings	141,080,313	(208,518,323)
Dividends paid	(86,847,015)	-
Dividend distribution tax paid	(14,759,650)	-
Proceeds from issue of shares to ESOP trust	2,948,400	-
Interest and financial charges paid	(32,978,855)	(36,000,038)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	9,443,193	(244,149,131)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(17,281,784)	16,127,782
CASH AND CASH EQUIVALENTS :		
Opening balance	93,547,774	77,474,900
Cash and bank balance acquired on amalgamation	55,121	-
Total	93,602,895	77,474,900
Closing Balance	76,321,111	93,602,682
Unrealised foreign exchange gain/(loss)	-	(54,908)
Total	76,321,111	93,547,774

As per our report of even date attached.

For and on behalf of the Board of Directors

For A.F.Ferguson & Co.
Chartered Accountants

H.L.Shah
Partner

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

Place : Mumbai
Date : 03/06/2008

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

Mahindra Holidays & Resorts India Limited – Consolidated

SCHEDULE 1

SHARE CAPITAL

	As at March 31, 2008 INR	As at March 31, 2007 INR
Authorised :		
100,000,000 (previous period 50,000,000) equity shares of Rs.10 each	1,000,000,000	500,000,000
10,000,000 preference shares of Rs. 10 each		100,000,000
	<u>1,000,000,000</u>	<u>600,000,000</u>
Issued :		
78,333,688 (previous year 3,500,000) equity shares of Rs.10 each	<u>783,336,880</u>	<u>350,000,000</u>
Subscribed and paid-up :		
78,333,688 (previous year 29,281,760) equity shares of Rs. 10 each fully paid (of the above 73,354,438 equity shares are held by the holding company, Mahindra Holdings and Finance Limited)	783,336,880	292,817,600
Less: 1,915,771 (previous year 881,560) equity shares of Rs 10 each fully paid up issued to Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust but not allotted to employees(refer note no. 2)	19,157,710	8,815,600
	<u>764,179,170</u>	<u>284,002,000</u>

Note : The above includes 48,995,228 (previous year NIL) equity shares allotted as fully paid-up by way of Bonus shares by capitalisation of balance in Profit & Loss account and General Reserve on 24/11/2007

Mahindra Holidays & Resorts India Limited – Consolidated

SCHEDULE 2

RESERVES AND SURPLUS

	As at March 31, 2008 INR		As at March 31, 2007 INR
Capital reserve			
As per last balance sheet	113,841	113,841	
Add : Transfer on Amalgamation (refer note no. 6)	516,600	-	
	630,441		113,841
General Reserve			
As per last balance sheet	41,757,000	-	
Less : Capitalised on issue of Bonus Shares	38,239,441	-	
Less : Transfer on Amalgamation (refer note no.6)	8,076,889	-	
Add : Bonus shares issued to ESOP trust but not allotted to employees (refer note no.2)	11,982,640	-	
Add : Transfer from Profit and Loss Account	80,520,000	41,757,000	
	87,943,310		41,757,000
Securities Premium Account			
Premium on shares issued to Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust	12,071,220	9,689,820	
Less: Premium on shares issued to Mahindra Holidays & Resorts India Limited Employees' Stock Option Trust but not allotted to employees(refer note no.2)	10,746,702	9,689,820	-
	1,324,518		
Balance in Profit & Loss Account	1,049,912,141	454,855,307	
Less : Capitalised on issue of Bonus Shares	451,712,839	-	
	598,199,302		454,855,307
Foreign Exchange Fluctuation Reserve	68,264		(41,181)
	688,165,835	496,684,967	

SCHEDULE 3

SECURED LOANS

Loans and advances from a bank

- Cash credit	198,443,285		55,028,109
Deferred payment under hire purchase	2,316,733	4,926,747	
Less: Future interest	137,440	412,591	
	2,179,293		4,514,156
	200,622,578	59,542,265	

Mahindra Holidays & Resorts India Limited – Consolidated

Description		Gross block (at cost)				Depreciation / Amortisation				Net block		
		As at March 31, 2007	Additions on amalgamation	Additions	Deductions	As at March 31, 2008	As at March 31, 2007	For the year	Deductions	As at March 31, 2008	As at March 31, 2008	As at 31st March 31, 2007
(A) Tangible assets												
(i) Assets on lease / hire purchase												
	Leasehold land	26,364,000	-	-	-	26,364,000	63,202	266,276	-	329,478	26,034,522	26,300,798
	Leasehold buildings	41,955,302	-	-	21,345,000	20,610,302	5,097,152	985,699	3,589,854	2,492,997	18,117,305	36,858,150
	Vehicles	6,333,342	-	-	1,191,996	5,141,346	2,374,891	1,109,046	991,739	2,492,198	2,649,148	3,958,451
		74,652,644	-	-	22,536,996	52,115,648	7,535,245	2,361,021	4,581,593	5,314,673	46,800,975	67,117,399
(ii) Owned assets												
	Freehold land	202,883,704	31,390,744	79,387,500	-	313,661,948	-	-	-	-	313,661,948	202,883,704
	Buildings	1,122,197,368	15,678,680	171,734,744	105,738	1,309,505,054	83,979,306	20,154,084	13,074	104,120,316	1,205,384,738	1,038,218,062
	Plant and machinery	444,326,482	7,535,264	138,193,933	740,538	589,315,141	111,963,550	36,220,392	185,569	147,998,373	441,316,768	332,362,932
	Furniture and fixtures	326,166,785	1,559,715	55,803,725	2,493,829	381,036,396	140,355,442	34,874,398	1,132,279	174,097,561	206,938,835	185,811,343
	Vehicles	23,966,416	689,705	8,400,692	2,779,640	30,277,173	9,976,585	4,543,932	1,778,909	12,741,608	17,535,565	13,989,831
		2,119,540,755	56,854,108	453,520,594	6,119,745	2,623,795,712	346,274,883	95,792,806	3,109,831	438,957,858	2,184,837,854	1,773,265,872
(B) Intangible assets												
	Vacation Ownership weeks	6,226,938	-	-	-	6,226,938	3,113,470	622,694	-	3,736,164	2,490,774	3,113,468
	Product design and development	8,528,395	-	-	-	8,528,395	882,046	2,132,099	-	3,014,145	5,514,250	7,646,349
	Software	38,765,269	-	4,306,032	-	43,071,301	15,721,478	12,122,832	-	27,844,310	15,226,991	23,043,791
		53,520,602	-	4,306,032	-	57,826,634	19,716,994	14,877,625	-	34,594,619	23,232,015	33,803,608
Total		2,247,714,001	56,854,108	457,826,626	28,656,741	2,733,737,994	373,527,122	113,031,452	7,691,424	478,867,150	2,254,870,844	
Previous Year		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

SCHEDULE - 5

Expenditure During Construction pending Allocation

INR

	As at 01.04.2007	Additions	Capitalised During The Year	As at 31.03.2008
Salaries,Wages & Bonus	6,890,131	19,656,821	5,767,014	20,779,938
Staff welfare Expenses	170,105	552,107	227,913	494,299
Power & Fuel	362,031	581,889	538,088	405,832
Rent	58,984	335,033	128,970	265,047
Rates & Taxes	2,009,544	871,654	1,913,667	967,531
Repairs-Others	549,921	420,036	176,315	793,642
Travelling	7,844,285	11,119,961	5,896,738	13,067,508
Communication	596,256	1,111,602	449,641	1,258,217
Printing & Stationery	263,401	550,063	246,069	567,395
Insurance	14,249	-	2,874	11,375
Consultancy Charges	9,827,701	15,869,487	5,999,317	19,697,871
Freight	36,803	1,115,180	950,156	201,827
Miscellaneous	666,828	1,789,097	719,634	1,736,291
Total	29,290,239	53,972,930	23,016,396	60,246,773

SCHEDULE 6

**As at
31.03.2008
INR**

**As at
31.03.2007
INR**

INVESTMENTS

Others : Non-trade

Guestline Hospitality Management and Development Services Limited
25,000 7% non-cumulative redeemable participating optionally
convertible preference shares of Rs. 10 each fully paid up.

250,000

250,000

Mahindra World City Developers Limited
1 equity share of Rs.10 each fully paid up.

10

10

Advance against investments in equity shares of
Ashtamudi Resorts Private Limited

-

58,768,100

250,010

59,018,110

Note :

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

Mahindra Holidays & Resorts India Limited – Consolidated

SCHEDULE 7	As at March 31, 2008 INR	As at March 31, 2007 INR
CURRENT ASSETS, LOANS AND ADVANCES :		
(A) Current assets :		
Inventories		
Food, beverages and smokes	1,291,729	1,596,867
Operating supplies	33,256,188	16,249,479
	<u>34,547,917</u>	<u>17,846,346</u>
Sundry debtors (Unsecured)		
Outstanding over six months		
: considered good	273,553,692	101,138,854
: considered doubtful	172,777	337,793
	<u>273,726,469</u>	<u>101,476,647</u>
Other debts, considered good	4,427,257,951	2,340,689,559
	<u>4,700,984,420</u>	<u>2,442,166,206</u>
Less : provision for doubtful debts	172,777	337,793
	<u>4,700,811,643</u>	<u>2,441,828,413</u>
Less : unmatured finance charges	666,595,280	254,524,539
	<u>4,034,216,363</u>	<u>2,187,303,874</u>
Cash and bank balances		
Cash on hand	814,160	241,840
Balances with scheduled banks :		
in current accounts	65,735,517	83,573,525
in deposit accounts	9,771,434	9,732,409
	<u>76,321,111</u>	<u>93,547,774</u>
(B) Loans and advances : (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	437,143,933	284,218,655
Deposits	167,141,101	135,156,285
Payments towards income tax (net of provisions)	3,090,382	-
	<u>607,375,416</u>	<u>419,374,940</u>

SCHEDULE 8

	As at March 31, 2008 INR	As at March 31, 2007 INR
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Sundry Creditors:		
Dues to micro and small enterprises	-	-
Others	591,109,665	387,143,446
Amount received from ESOP trust	17,921,772	18,505,420
	609,031,437	405,648,866
B. PROVISIONS		
Proposed dividend	139,732,580	86,847,015
Tax on proposed dividend	23,747,550	14,759,650
Taxation (net of payments)	-	21,162,780
Leave salary	7,160,201	3,280,618
Gratuity	(505,000)	-
	170,135,331	126,050,063

Mahindra Holidays & Resorts India Limited – Consolidated

	2007 - 08 INR	2006 - 07 INR
SCHEDULE 9		
Income from sale of Vacation Ownership and other services		
Income from sale of Vacation Ownership	2,835,392,943	1,811,107,784
Income from resorts		
- Room rentals	141,210,483	105,157,367
- Food and beverages	162,191,129	135,186,634
- Wine and liquor	10,130,520	2,608,358
- Telex and telephone	1,310,276	1,546,085
- Others	<u>53,438,019</u>	<u>39,764,055</u>
	368,280,427	284,262,499
Annual subscription fee	322,793,917	227,691,062
Income from travel services	813,420	-
	<u>3,527,280,707</u>	<u>2,323,061,345</u>
SCHEDULE 10		
Other Income		
Interest		
On instalment sales	196,846,759	73,259,653
Others - gross	10,138,511	353,871
Income from securitization (refer note 4)	12,126,165	7,234,578
Gain on exchange fluctuation	15,166,811	-
Miscellaneous income	10,292,409	8,981,709
	<u>244,570,655</u>	<u>89,829,811</u>
SCHEDULE 11		
Employee Cost		
Salaries, wages and bonus	432,975,616	253,237,077
Contribution to provident and other funds	17,442,581	12,339,749
Staff welfare expenses	23,007,574	17,487,847
Employee compensation expenses on account of ESOS	359,418	-
	<u>473,785,189</u>	<u>283,064,673</u>

Mahindra Holidays & Resorts India Limited – Consolidated

	2007-08 INR	2006-07 INR
SCHEDULE 12		
Other expenses		
Food, beverages and smokes consumed :		
Opening stock	1,596,867	960,337
Add: purchases	<u>52,168,611</u>	<u>43,984,709</u>
	53,765,478	44,945,046
Less: closing stock	<u>1,291,729</u>	<u>1,596,867</u>
	52,473,749	43,348,179
Operating supplies	29,386,389	23,205,195
Advertisement	274,142,822	144,499,172
Sales promotion expenses	494,139,465	308,273,942
Sales commission	350,574,528	221,672,543
Discount	36,736,001	24,898,441
Power and fuel	74,408,619	59,342,000
Rent (including lease rent)	129,022,363	72,294,031
Rates and taxes	11,020,596	7,494,299
Repairs and maintenance :		
Buildings	4,954,484	5,600,292
Resort renovations	32,973,417	37,813,062
Office equipment	2,226,317	2,283,615
Others	29,840,733	26,313,779
Travelling	81,637,705	68,369,252
Communication	49,185,483	33,500,937
Insurance	8,018,016	7,240,176
Consultancy charges	43,613,183	37,718,869
Miscellaneous	89,592,946	68,475,521
Service charges	63,779,366	113,374,748
Bad debts written off	337,793	18,259,066
Less : Provision for doubtful debts written back	<u>165,016</u>	<u>1,124,878</u>
	172,777	17,134,188
Loss on fixed assets sold/scrapped(net)	350,166	13,073,976
Loss on exchange fluctuation	-	1,106,787
	<u>1,858,249,125</u>	<u>1,337,033,004</u>
SCHEDULE 13		
Interest and financial charges		
Interest - loans for fixed period	8,910,476	13,621,023
- others	123	250
Bank charges	24,068,256	22,378,765
	<u>32,978,855</u>	<u>36,000,038</u>

Schedule 14

Notes on accounts

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS FOR PREPARATION OF ACCOUNTS

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

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

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

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

1.2 PRINCIPLES OF CONSOLIDATION

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

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

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

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

1.3 ACCOUNTING POLICIES

(i) Use of estimates

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

(ii) Fixed assets:

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

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

- (b) Furniture and Fixtures in 'Club Mahindra Holiday World' are amortised over a period of 36 months from the date of capitalisation.
- (c) Motor vehicles provided to employees are depreciated over a period of 48 months. Other assets provided to employees are depreciated over a period of 60 months.
- (d) Intangible assets representing 'Vacation Ownership' acquired is amortised over a period of ten years.
- (e) Expenditure incurred towards software is amortised over a period 36 months.
- (f) Expenditure on product design and development 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.

(iv) Inventories:

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

(v) Investments:

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

(vi) Revenue recognition:

- a) In accordance with the membership rules, admission fee, which is non-refundable, is recognized as income on admission of a member. Entitlement fee (disclosed under Advance towards members' facilities), which entitles the member for the holiday facilities over the membership usage period, is recognized as income equally over the usage period.
- b) Annual subscription fees due from members are recognised as income on an accrual basis.
- c) Interest on instalment sales is recognised as income on an accrual basis.
- d) Income from resorts includes income from room rentals, food and beverages, etc. and is recognised when services are rendered.

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

(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 is determined and accounted on the same basis and is made to Life Insurance Corporation of India (LIC)

Defined Benefit Plan

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

(ix) Taxes on income:

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

(x) Share issue expenses:

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

II. OTHER NOTES

2. EMPLOYEES' STOCK OPTION SCHEME:

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

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

Type of Arrangement	Equity settled option plan administered through Employee Stock Option Trust			
Method of Settlement	By issue of shares at Exercise Price			
Grant	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (1/11/2007)	Grant IV (4/2/2008)
Exercise Price	Rs.16	Rs.52	Rs.52	Rs.431
Average Exercise Price(after bonus issue)	Rs.9.60	Rs.31.20	Rs.31.20	Rs.431
Vesting Period	5 Years	4 Years	4 Years	4 Years
Number of Options Granted	759,325	122,235	56,700	152,536
Contractual life	6 years from the date of grant.	5 years from the date of each vesting.		
Vesting Conditions	35%,30%,15%,10% and 10% on expiry of 12,24,36,48 and 60 months from the date of grant respectively.	25% each on expiry of 12,24,36 and 48 months from the date of vesting.		
No. of options exercisable in each tranche	Minimum of 100 and a maximum of all options vested till that date.	Minimum of 25 and a maximum of all options vested till that date.		

2. Summary of Stock options (including bonus shares)

Particulars	Grant I (15/07/2006)	Grant II (30/03/2007)	Grant III (1/11/2007)	Grant IV ** (4/2/2008)	Total
Options outstanding as on 1.4.2007	690,925*	122,235	–	–	813,160
Options granted	–	–	56,700	152,536	209,236
Options vested	645,670	68,138	–	–	713,808
Bonus shares allotted	942,223	204,132	94,689	–	1,241,044
Options exercised	(263,533)	–	–	–	(263,533)
Options lapsed	(113,408)	(53,814)	–	–	(167,222)
Options outstanding as on 31.3.2008	1,256,207	272,553	151,389	152,536	1,832,685
Options vested but not exercised	22,161	68,138	–	–	90,299

* Net of options lapsed 68,400

** Issued out of lapsed options

In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India, the shares allotted to the trust including bonus shares have been reduced from the share capital by Rs. 19,157,710 and securities premium account reduced by Rs. 10,746,702. The said shares will be added to the issued share capital as and when the trust issues the shares to the concerned persons on their exercising the option and till such shares are issued the amount received from the trust is disclosed under current liabilities.

The General Reserve has been increased by Rs. 11,982,640 for the bonus shares issued by the Company in November 2007 to the trust but not yet transferred by the trust to the concerned persons.

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 charged.

The intrinsic value of the shares granted on 4th February, 2008 of Rs. 431 has been determined based on

the offer price of Rs. 479 in a placement of shares by a shareholder of the company to independent investors, adjusted for a discount of 10% as decided by the Remuneration Committee. Accordingly the employee compensation cost charged to Profit and Loss account during the current year is Rs. 359,418/- and the amount carried forward is Rs. 6,962,310/-

The fair value of options based on the valuation of the independent valuer as of the respective dates of grant i.e. 15th July 2006, 30th March 2007, 1st November 2007 and 4th February 2008 is Rs. 4.28, Rs. 16.36, Rs.16.55 and Rs.182.24 respectively.

Had the company adopted the fair value method in respect of options granted, the total amount that would have been amortised over the vesting period is Rs. 33,986,221 and the impact on the financial statements would be

	(In INR)	
	Year ended March 31, 2008	Year ended March 31, 2007
Increase in employee compensation cost	1,999,184	465,193
Decrease in profit after tax	1,999,184	465,193
Decrease in basic & diluted earning per share	(0.03)	(0.01)

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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	Grant dated 15 th July, 2006	Grant dated 30 th March, 2007	Grant dated 1 st November, 2007	Grant dated 4 th February, 2008
Risk free interest rate	7.82%	7.92%	7.72%	7.48%
Expected life	4.50	5.00	5.00	5.00
Expected volatility	Nil	Nil	Nil	Nil
Expected dividend yield	Nil	Nil	Nil	Nil

3. SECURITISATION :

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

(In INR)

	Year ended March 31,	
	2008	2007
Value of Accounts receivable	581,949,599	612,340,380
Less: Future interest receivable	95,198,158	78,927,353
Principal amount of receivables	486,751,441	533,413,027
Consideration received	500,000,000	542,300,000
Profit on securitisation	13,248,559	8,886,973
Less: Reversals in respect of cancelled members	1,122,394	1,652,395
Income from securitisation	12,126,165	7,234,578

4. SECURED LOANS:

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

5. CONTINGENT LIABILITIES:

(In INR)

	As at Mar 31, 2008	As at Mar 31, 2007
(a) Receivables securitised, with recourse.	713,890,874	613,613,000
<p>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.</p>		
(b) Claims against the company not acknowledged as debts	9,588,749	1,785,666
<p>Claims not acknowledged as debts represent luxury tax claimed on room revenue and the services which has been disputed by the company. The possibility of reimbursement depends on the outcome of the case pending before the adjudicating authority.</p>		

(c) 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, 2004-05 and 2005-06 for which assessments were subsequently completed in respect of which the Company has gone/will be going on appeal and exclusive of consequential effect of similar matter in respect of the assessments remaining to be completed) is Rs. 434,817,288/- (including interest of Rs. 58,051,475); As at 31st March, 2007 Rs. 291,371,524/- (including interest of Rs. 58,051,475).

(ii) Income tax matters in respect of which the Company has gone/will be going on appeal relating to disallowance of expenditure during construction – Rs. 10,084,277/- (previous year Rs. 4,223,744/-)

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

(d) Other matters under appeal

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

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

6. AMALGAMATION OF ASHTAMUDI RESORTS PRIVATE LIMITED WITH THE COMPANY:

- 1) Pursuant to the scheme of Amalgamation of the erstwhile Ashtamudi Resorts Private Limited (a wholly owned subsidiary of the company) with the Company as approved by the shareholders in the court – convened meeting held on 25th January 2008, and subsequently sanctioned by the Hon'ble High Court of Madras on 19th February 2008, the assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited were transferred to and vested with the Company with retrospective effect from 1st July, 2007. The Scheme has, accordingly, been given effect to in these accounts.
- 2) The amalgamation has been accounted for under the "Purchase Method" as prescribed by the Accounting Standard (AS-14) – Accounting for Amalgamation. However, pursuant to the Madras High Court Order, the accumulated losses of Rs. 8,076,889 of Ashtamudi Resorts Private Limited have been adjusted to the General Reserve of the Company. The assets and liabilities of the erstwhile Ashtamudi Resorts Private Limited as at 1st July, 2007 have been taken over resulting in a Capital Reserve of Rs. 516,600/-. Had AS-14 been followed, the accumulated losses would not have been adjusted to the General Reserve as per the scheme, which would have resulted in a Goodwill of Rs. 7,560,289/- and the Reserves and Surplus would have been higher to that extent.

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- 3) There was no allotment of shares to the amalgamating Company's equity shareholders since the amalgamating company was a wholly owned subsidiary of the Company.
- 4) Ashtamudi Resorts Private Limited has been in the hotel business.
- 5) The value at which the assets and liabilities have been transferred to the Company are itemized below:

Assets	Transfer value Considered (In INR)
Fixed Assets (as revalued)	56,854,108
Capital work in progress	48,871,234
Deferred tax asset	<u>3,056,637</u>
Accumulated losses (adjusted against general reserve)	8,076,889
Total	116,858,868
Less:	
Net current liabilities	<u>2,074,168</u>
Advance made by the company to Ashtamudi Resorts Private Limited adjusted	84,368,100
 Net Assets	 <u>30,416,600</u>
Investments made by the company in Ashtamudi Resorts Private Limited adjusted	29,900,000
Balance transferred to Capital Reserve	516,600

7. CAPITAL COMMITMENTS:

	As at March 31, 2008	(In INR) As at March 31, 2007
Estimated value of contracts remaining to be executed on capital account and not provided for (net of advances)	226,318,590	83,599,724

8. IN RESPECT OF HIRE PURCHASE TRANSACTIONS, THE DETAILS OF INSTALMENTS PAYABLE IN FUTURE ARE AS FOLLOWS:

	(In INR)	
	As at March 31, 2008	
	Not later than 1 year	Later than 1 year but not later than 5 years
Minimum instalment payable	1,578,254	738,479
Present value of instalments payable	1,466,960	712,333
	As at March 31, 2007	
	Not later than 1 year	Later than 1 year but not later than 5 years
Minimum instalment payable	2,153,544	2,773,203
Present value of instalments payable	1,885,911	2,628,245

9. EMPLOYEE BENEFITS:

	(In INR) Gratuity	
	As at March 31, 2008	As at March 31, 2007
a. Net Asset/ (Liability) recognized in the balance sheet		
Present value of funded obligation	7,194,235	5,707,856
Fair value of plan assets	7,699,235	5,707,856
(Deficit) / surplus	505,000	-
Net asset	505,000	-
b. Expense recognized in the Profit & Loss account		
Current service cost	1,501,022	939,957
Interest cost	384,356	355,540
Expected return on plan assets	(490,575)	(405,795)
Actuarial (gains) / losses	752,788	900,640
Total expense	2,147,591	1,790,342
c. Change in present value of obligation		
Present value of defined benefit obligation as at the beginning of the year	5,707,856	4,089,432
Current service cost	1,501,022	939,957
Interest cost	384,356	355,540
Actuarial (gains) / losses	767,213	900,640
Benefits paid	(1,166,212)	(577,713)
Present value of defined benefit obligation as at the end of the year	7,194,235	5,707,856
d. Change in fair value of plan assets		
Plan assets at the beginning of the year	5,707,856	4,089,432
Expected return on plan assets	490,575	405,795
Actuarial gains / (losses)	14,425	-
Contributions by employer	2,652,591	1,790,342
Benefits paid	(1,166,212)	(577,713)
Plan assets at the end of the year	7,699,235	5,707,856
e. Principal actuarial assumptions		
1. Discount rate	8.0%	7.5%
2. Expected return on plan assets	8.0%	8.1 %
3. Mortality table	LIC (94-96) Ultimate Mortality	LIC (94-96) Ultimate Mortality
f. Basis used to determine expected rate of return		
The information on major categories of plan assets and expected return on each class of plan assets are not readily available. However LIC has confirmed that the average rate of return on plan assets is	8.0%	8.1%
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. Gratuity	2,147,591	1,790,342
Leave salary	7,182,334	1,596,418
Provident fund	9,864,412	6,023,793
Superannuation fund	5,229,083	4,770,209

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10. DEFERRED TAX:

Particulars	(In INR)			
	As at 31.03.2007	Addition on Amalgamation	Movement during the year	As at 31.03.2008
Deferred tax asset				
Provision for doubtful debts	114,816	–	(56,089)	58,727
Provision for leave encashment	1,115,082	–	1,318,670	2,433,752
Amalgamation expenditure	–	–	151,216	151,216
Unabsorbed depreciation	–	2,861,388	(2,861,388)	–
Total	1,229,898	2,861,388	(1,447,591)	2,643,695
Deferred tax liability				
Difference between book and tax depreciation	(202,705,369)	195,250	(35,997,747)	(238,507,866)
Net deferred tax (liability) / asset	(201,475,471)	3,056,638	(37,445,338)	(235,864,171)
Previous year	(102,914,447)	–	(98,561,024)	(201,475,471)

11. SEGMENT REPORTING:

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

Secondary segment information :

(IN INR)

	Year ended March 31, 2008			Year ended March 31, 2007		
	Within India	Outside India	Total	Within India	Outside India	Total
Sales	3,463,801,533	63,479,174	3,527,280,707	2,258,481,049	64,580,296	2,323,016,345
Segment assets	7,357,636,958	99,707,617	7,457,344,575	4,680,300,854	39,012,134	4,719,312,988
Additions to fixed assets	731,892,741	22,400	731,915,141	466,727,009	6,162,228	472,889,237

12. RELATED PARTY TRANSACTIONS:

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

Name of the Related Party	Nature of Relationship
Mahindra & Mahindra Limited	Controlling Company
Mahindra Holdings & Finance Limited	Holding Company
Bristlecone Limited	Fellow Subsidiary
Bristlecone (Malaysia) SDN. BHD(w.e.f 30-5-07)	Fellow Subsidiary
Bristlecone (Singapore) Pte. Limited	Fellow Subsidiary
Bristlecone (UK) Limited	Fellow Subsidiary
Bristlecone GmbH	Fellow Subsidiary
Bristlecone Inc.	Fellow Subsidiary
Bristlecone India Limited	Fellow Subsidiary
CanvasM (Americas) Inc.	Fellow Subsidiary
CanvasM Technologies Limited	Fellow Subsidiary
Falkenroth Umformtechnik, GmbH	Fellow Subsidiary
Gesenkschmiede Schneider GmbH	Fellow Subsidiary
iPolicy Networks Limited	Fellow Subsidiary
JECO Holdings AG	Fellow Subsidiary
Jensand Limited	Fellow Subsidiary
Mahindra Hinoday Industries Limited	Fellow Subsidiary
Mahindra Logistics Limited (w.e.f 12-12-07)	Fellow Subsidiary
Mahindra & Mahindra Financial Services Limited	Fellow Subsidiary
Mahindra (China) Tractor Company Limited	Fellow Subsidiary
Mahindra and Mahindra South Africa (Proprietary) Limited	Fellow Subsidiary
Mahindra Automotive Limited(w.e.f 25-5-07)	Fellow Subsidiary
Mahindra Castings Private Limited (wef 30.8.2007)	Fellow Subsidiary
Mahindra Consulting Engineers Limited	Fellow Subsidiary
Mahindra Engineering and Chemical Products Limited	Fellow Subsidiary
Mahindra Engineering Design and Development Company Limited	Fellow Subsidiary
Mahindra Europe s.r.l.	Fellow Subsidiary
Mahindra Forgings International Limited	Fellow Subsidiary
Mahindra Forgings Global Limited	Fellow Subsidiary
Mahindra Gujarat Tractor Limited	Fellow Subsidiary
Mahindra Holdings Limited (w.e.f 2-11-07)	Fellow Subsidiary
Mahindra Infrastructure Developers Limited	Fellow Subsidiary
Mahindra Insurance Brokers Limited	Fellow Subsidiary
Mahindra Integrated Township Limited	Fellow Subsidiary
Mahindra International Limited	Fellow Subsidiary
Mahindra Intertrade Limited	Fellow Subsidiary
Mahindra Logisoft Business Solutions Limited	Fellow Subsidiary
Mahindra MiddleEast Electrical Steel Service Centre (FZC)	Fellow Subsidiary
Mahindra Overseas Investment Company (Mauritius) Ltd	Fellow Subsidiary
Mahindra Renault Private Limited	Fellow Subsidiary
Mahindra Retail Private Limited (wef 3.9.2007)	Fellow Subsidiary
Mahindra Rural Housing Finance Limited(w.e.f 9-4-07)	Fellow Subsidiary
Mahindra SAR Transmission Private Limited	Fellow Subsidiary

Mahindra Holidays & Resorts India Limited – Consolidated

Mahindra Shubhlabh Services Limited	Fellow Subsidiary
Mahindra Steel Service Centre Limited	Fellow Subsidiary
Mahindra Technology Park Limited (wef 28.9.2007)	Fellow Subsidiary
Mahindra Ugine Steel Company Limited	Fellow Subsidiary
Mahindra USA, Inc.	Fellow Subsidiary
Mahindra World City (Jaipur) Limited	Fellow Subsidiary
Mahindra World City (Maharashtra) Limited.	Fellow Subsidiary
Mahindra-BT Investment Company (Mauritius) Limited.	Fellow Subsidiary
NBS International Limited	Fellow Subsidiary
Plexion Technologies (UK) Limited	Fellow Subsidiary
Plexion Technologies GmbH	Fellow Subsidiary
Plexion Technologies Inc.	Fellow Subsidiary
PT Tech Mahindra Indonesia	Fellow Subsidiary
Punjab Tractors Limited (wef 6.7.2007)	Fellow Subsidiary
Schöneweiss & Co. GmbH	Fellow Subsidiary
Stokes Forgings Dudley Limited	Fellow Subsidiary
Stokes Forgings Limited	Fellow Subsidiary
Stokes Group Limited	Fellow Subsidiary
Tech Mahindra (R& D Services) Limited	Fellow Subsidiary
Tech Mahindra (Malaysia) SDN. BHD (w.e.f 11-6-07)	Fellow Subsidiary
Tech Mahindra (Americas) Inc.	Fellow Subsidiary
Tech Mahindra (R&D Services) Inc.	Fellow Subsidiary
Tech Mahindra (Singapore) Pte. Limited	Fellow Subsidiary
Tech Mahindra (Thailand) Limited	Fellow Subsidiary
Tech Mahindra (Beijing) IT Services Limited (w.e.f 21-12-07)	Fellow Subsidiary
Tech Mahindra Foundation	Fellow Subsidiary
Tech Mahindra GmbH	Fellow Subsidiary
Tech Mahindra Limited	Fellow Subsidiary
Mahindra First Choice Services Limited (w.e.f 24-3-08)	Fellow Subsidiary
Mahindra Forgings Europe AG	Fellow Subsidiary
Mahindra Forgings Limited.(w.e.f 1-4-07)	Fellow Subsidiary
Mahindra Graphic Research Design srl (w.e.f 20-2-08)	Fellow Subsidiary
Mahindra Lifespace Developers Limited	Fellow Subsidiary
Mahindra World City Developers Limited	Fellow Subsidiary
Mahindra Navistar Engines Private Limited(w.e.f 24-3-08)	Fellow Subsidiary
Mahindra Residential Developers Limited(w.e.f 1-2-08)	Fellow Subsidiary
First Choice Wheels Limited	Fellow Subsidiary
Mahindra Aerospace Pvt Limited(w.e.f 25-2-08)	Fellow Subsidiary
Ramesh Ramanathan (Managing Director)	Key Management Personnel

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(ii) The related party transactions are as under:

(In INR)

Nature of transactions	Controlling Company		Fellow Subsidiaries		Key Management Personnel	
	Year Ended					
	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007	March 31, 2008	March 31, 2007
Finance						
Deposit paid						
Mahindra World City Developers Ltd.	-	-	-	279,000	-	-
Mahindra Intertrade Limited	-	-	174,200	-	-	-
Purchases:						
Fixed assets Mahindra World City Developers Ltd.	-	-	-	25,500,000	-	-
Services Mahindra Logisoft Business Solution Ltd	-	-	19,866,698	18,182,880	-	-
Others Mahindra Intertrade Ltd	-	-	-	29,361	-	-
Sales:		19,986,887				
Other transactions:						
Reimbursements received	-	2,304,470	-	-	-	-
Mahindra World City Developers Limited	-	-	1,509,637	-	-	-
Mahindra Consulting Engineers Limited	-	-	-	293,543	-	-
Reimbursements made	12,238,863	10,665,919	-	-	-	-
Mahindra Life space Developers Ltd	-	-	-	206,960	-	-
Mahindra World City Developers Limited	-	-	170,100	-	-	-
Outstanding:						
Payable	1,143,095	5,893,010				
Mahindra Intertrade Ltd	-	-	-	14,577	-	-
Receivable	-	60,000	-	-	-	-
Mahindra World City Developers Ltd.	-	-	279,000	279,000	-	-
Mahindra Lifespace Developers Ltd	-	-	524,589	486,819	-	-
Mahindra World City (Jaipur) Limited	-	-	18,256	-	-	-
Mahindra Consulting Engineers Limited	-	-	305,714	293,543	-	-
Mahindra Water Utility Limited	-	-	12,171	-	-	-
Mahindra Intertrade Limited	-	-	174,200	-	-	-
Managerial remuneration	-	-	-	-	10,640,466	8,376,959

13. The company issued 48,995,228 equity shares of Rs 10/- each as bonus shares on 24th November 2007 in the ratio of 5 equity shares for every 3 shares held as on 5th November 2007 aggregating to Rs.489,952,280 by way of capitalisation of balance in Profit and Loss Account and General Reserve.

14. As approved at the Extraordinary General Meeting held on 18th March, 2006, 10,000,000 9% cumulative redeemable preference shares of Rs. 10 each were converted into 10,000,000 fully paid equity shares of Rs. 10 each and issued to the holding company on 27th March, 2006. Preference dividend upto the date of allotment of equity shares amounting to Rs. 51,336,986 has been waived by the holding company.

Mahindra Holidays & Resorts India Limited – Consolidated

15. Earnings per share:

	2007-08	2006-07
Net profit (In INR)	839,056,964	420,927,962
Weighted average number of Equity Shares used in computing basic earnings per share (Nos.)	76,291,122	75,828,530
Earnings Per Share – Basic (In INR)	11.00	5.55
Weighted average number of Equity Shares used in computing diluted earnings per share (Nos.)	78,044,961	77,293,838
Earnings per share – Diluted (In INR)	10.75	5.45
Nominal value of shares (In INR)	10	10

16. The Government of India, Ministry of Corporate Affairs, in exercise of the powers conferred by Section 212(8) of the Companies Act 1956, has vide its Order No. 47/268/2008-CL-III dated 19th May 2008 directed that the provisions contained in Section 212(1) of the Companies Act, 1956, pursuant to which the balance sheet etc., of the subsidiaries are required to be attached to the company's account, shall not apply for the financial year ended on 31st March 2008.

Information disclosed in accordance with the above order.

Particulars	Names of the Subsidiaries						
	Mahindra Holidays and Resorts USA Inc		MHR Hotel Management GmbH		Heritage Bird (M) Sdn Bhd		Mahindra Hotels and Residences India Limited
	INR	USD	INR	EURO	INR	MYR	INR
Capital	399	10	2,206,400	35,000	25	2	500,000
Reserves	37,878,826	949,344	(1,026,732)	(16,287)	-	-	(71,506)
Total Assets	231,492,419	5,801,815	1,704,539	27,039	25	2	500,000
Total Liabilities	231,492,419	5,801,815	1,704,539	27,039	25	2	500,000
Investments	-	-	-	-	-	-	-
Turnover (incl other income)	44,321,120	1,110,805	5,368,234	85,156	-	-	-
Profit before tax	33,755,520	846,003	(352,898)	(5,598)	-	-	(71,506)
Provision for taxation	30,723	770	68,840	1,092	-	-	-
Profit after tax	33,724,797	845,233	(421,738)	(6,690)	-	-	(71,506)
Proposed dividend	-	-	-	-	-	-	-

Translated at exchange rate prevailing as on 31.03.2008

1 USD=INR 39.90, 1 EURO=INR 63.04, 1 MYR = INR 12.65

For and on behalf of the Board of Directors

A.K. Nanda
Chairman

Ramesh Ramanathan
Managing Director

A. Sridhar
General Manager - Finance

Rajiv Balakrishnan
Company Secretary

Place : Mumbai

Date : 03-06-2008