

**CHALET HOTELS LIMITED**  
**ANNUAL REPORT 2004-2005**

# Chalet Hotels Limited



## DIRECTORS' REPORT

To  
The Members.

Reg. No. 11-28538  
Nominal Capital 2110 Crores  
A.C.M. Dt. 15.07.2005

We are pleased to submit the Twentieth Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2005 and the Auditors' Report thereon.

## FINANCIAL RESULTS

	(Rs. in Laacs)	
	<u>Current Year</u>	<u>Previous Year</u>
Profit before interest, depreciation and taxes	3736.07	3758.39
Less: Interest	(1077.87)	(938.81)
Depreciation	(865.04)	(844.42)
Profit for the year	1793.16	1975.16
Extraordinary Items +(-)	0	30.87
Net Profit after Extraordinary Items	1793.16	2006.03
Provision for Taxation	(154.66)	(7.00)
Net Profit after Taxation	1638.50	1999.03
Transfer to Furniture and Fixtures Renewal Reserve	(308.58)	(254.74)
Profit after appropriation	1329.92	1744.29
Profit/(Loss) brought forward	(2269.03)	(4013.31)
Balance Carried to Balance Sheet	(939.10)	(2269.02)

## OPERATIONS & PERFORMANCE

The year under review shows a strong performance in terms of growth in revenue and profitability. Occupancy in the Hotel and Apartment Rooms was higher at 80% and 86%, respectively and the property also maintained a higher average room rate. Room realizations and Food and Beverage Revenues increased by 14% each and Other Income by 59% over the previous year, leading to a Gross Revenue from Hotel operations at Rs.102.51 Crores compared to Rs.87.95 Crores in the previous year, an increase of 16%.

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The gross operating profit was Rs.36.82 Crores against the previous year's Rs.32.65 Crores an increase of 12%. The net profit in the current year is Rs.17.93 Crores compared to Rs.20.06 Crores in the previous year.

The year under review has been one of the best years for the tourism and hospitality industry. Tourist arrivals in India, for the first time, crossed the 3 million mark during the year, riding on the positive factors such as political stability, increased economic activity and economic growth reflected by the GDP growth of 6.9%. The distinct upward trend reflects in the performance of the Hotel. In fact, the Hotel has outperformed competition by picking up the larger share of the market.

As regards the industry in general, it is benefitting from various governmental initiatives viz. opening up of the Indian skies to allow international air carriers to operate more flights, allowing Indian private airlines such as Jet Airways and Air Sahara to operate international flights into the South Asian countries and beyond into Europe and U.S.A., steps towards building new airports and improving existing ones at Mumbai and Delhi and allocating funds to build state-of-art convention centers with a capacity of over 5000 people in both Mumbai and Delhi. The only negative factor right now is a lack of developed infrastructure, which hopefully, is being addressed by government and local authorities.

### **CURRENT AND FUTURE OUTLOOK**

After a long period of time, the parameters that enhance the success of this industry have simultaneously fallen in place. The robust economic growth and the continuing flow of foreign investments into the country is expected to be the main driver of the increasing trend in business travel. The improvement in road and airport infrastructure aids in promotion of tourism with a larger number of international leisure travelers visiting the country, and this trend is expected to continue. Domestic tourism is also on the rise due to increase in air connectivity at lower costs. With new domestic carriers supplementing the existing ones, air fares are bound to remain competitive, bringing down the overall cost of travel for businessmen and leisure tourists alike. The favourable macro and micro factors in India as well as across the globe are expected to boost the demand for hotel rooms and thereby enable hotels to realize significantly higher room rates and maintain high occupancy levels.

For any developing economy with the size and potential of this country, the figures of inbound tourism at 3 Million annually are still at rock bottom. This can only grow and while the demand can be increase rapidly from year to year, supply has a longer gestation period. As per industry estimates, India needs about 80,000 hotel rooms in the next five years to meet the growth in demand for quality rooms and services. Hotel supply is concentrated in the major cities of India viz. Delhi, Mumbai, Chennai and Bangalore. While these cities continue to offer opportunities for further investments in the sector due to the overall economic growth, the demand supply gap in cities like Hyderabad, Pune,

Trivandrum and other developing cities will soon witness greater investments in these locations, across all segments, one-two star to five star.

### **EXPANSION PLAN & ISSUE OF FURTHER EQUITY**

Your Board of Directors has decided to increase the Company's presence in the hospitality industry. Towards that objective, the Company has taken initial steps for three new hotel projects, viz. a 250 room project at Hyderabad, a 150 room project at Navi Mumbai and expansion of the existing Renaissance Mumbai Hotel & Convention Centre by construction of an additional tower comprising 271 rooms. These projects together involve a capital outlay of approx. Rs.275 Crores. Two/three other locations have been identified and the Board will move strategically to finalise its plans in those locations either as stand-alone hotels or mixed-use properties including hotels/apartments.

To finance a part of the funds required by the Company for expansion and to maintain a healthy debt equity ratio, the Company has issued 10 million Equity Shares of Rs.10/- each at a premium of Rs.40/- per share to India Development Fund (IDF), a private equity fund managed by IDFC Asset Management Co. Ltd. Out of the total infusion of Rs.50 Crores by IDF, an amount of Rs.10 Crores has been received during the financial year under report.

### **REAL ESTATE PROJECT**

In order to more fruitfully utilize the cash surplus from the current hotel operations, the Company availed of an opportunity to acquire development rights in respect of a piece of land at Mahim, Mumbai for construction of a residential building thereon. The project involves construction of flats having an aggregate carpet area of approx. 28,000 sq.ft. Plans for the building have been approved and the work on the project is in progress. The profit arising from the project will be utilized to meet a part of the cost of the new hotel projects.

### **SUBSIDIARY COMPANY & STATEMENT U/S. 212**

The Company has acquired 100% shares of a company known as Grandwell Properties & Leasing Private Limited, thus making it a 100% subsidiary of the Company. The subsidiary has acquired development rights in respect of two pieces of land, both of which abut the hotel property of the Company at Powai, Mumbai.

The statement related to the subsidiary under section 212 of the Companies Act, 1956 accompanies this report

### **DIRECTORS**

Mr. Luis Miranda, Nominee Director of IDF, was appointed as an Additional Director of the Company on 15<sup>th</sup> April, 2005 and he retires at the ensuing Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956. A notice has been

received from a shareholder under section 257 of the Companies Act, 1956, proposing to appoint Mr. Luis Miranda him as a Director of the Company at the Annual General Meeting of the Company.

Mr. Chandru L. Raheja and Mr. Ravi C. Raheja retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 217(2AA) read with Section 292A of the Companies Act, 1956, we, the Directors of the Company, state in respect of Financial Year 2004-05 that:

- a) in the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the Directors have prepared the Annual Accounts on a going concern basis.

### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year under consideration, the Company earned foreign exchange of Rs.39,85,59,602/- (Previous Year Rs.32,74,77,894/-) from services to hotel guests. The total foreign exchange outgo during the year was Rs.15,21,72,371/- (Previous Year Rs.12,63,09,969/-) towards import of capital goods, payment towards technical and consultation fees, design services, travelling expenses and reimbursement of costs and expenses to consultants and Marriott.

### **AUDITORS' REPORT**

With regard to qualifications in the Auditors' Report, the Directors have to state as under:-

The guidelines of the Institute of Chartered Accountants of India and the Circular of the Department of Company Affairs concerning issue of bonus shares out of the revaluation reserves are recommendatory in nature and not mandatory. The Company has received opinions in this regard and has acted in accordance with those opinions.

## **AUDITORS**

M/s. S. B. Billimoria & Co., Chartered Accountants, Mumbai. hold office as Auditors of the Company until the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from the Auditors to the effect that their reappointment, if made, would be within the prescribed limit u/s 224(1B) of the Companies Act, 1956.

## **OTHER INFORMATION**

- Your Company has received an approval dated 17<sup>th</sup> June, 2003 from the Department of Company Affairs u/s.211(4) of the Companies Act, 1956 exempting the Company from disclosure of certain quantitative particulars in the Annual Report.
- The Audit Committee of the Company comprises of Mr. Conrad D'Souza as Chairman, Mr. Hetal Gandhi, Mr. Luis Miranda and Mr. Neel Raheja, Managing Director. The Committee met three times during the year under review. The Audit Committee has reviewed the financial statements for the year at its meeting held on 17<sup>th</sup> June, 2005 and recommended the same for approval by the Board of Directors.
- Your Company's efforts towards conservation of energy resulting in surplus in consumption of electricity and gas, a significant component of energy and gas, is an on going process.

## **ACKNOWLEDGEMENTS**

Your Directors express their appreciation for the assistance and co-operation received from Banks and Financial Institutions. Your Directors are happy to place on record their gratitude to the employees at all levels. The Directors also thank you, the shareholders, for your continued support to the Company.

For and on behalf of the Board of Directors

**CHALET HOTELS LIMITED**



**CHANDRU L. RAHEJA  
CHAIRMAN**

Place: Mumbai

Date: 17<sup>th</sup> June, 2005

## **AUDITORS' REPORT TO THE MEMBERS OF CHALET HOTELS LIMITED**

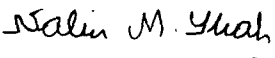
1. We have audited the attached Balance Sheet of **CHALET HOTELS LIMITED** as at 31<sup>st</sup> March, 2005, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO), issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *The Company had issued bonus shares in the year 1998-99, aggregating Rs.45 crores by capitalisation of revaluation reserve. The issue of bonus shares out of revaluation reserve is contrary to the recommendations of the Institute of Chartered Accountants of India and the circular issued by the Department of Company Affairs in this regard.*
5. Further to our comments in the Annexure referred to in paragraph 3 above:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books.
  - c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.



## S.B.Billimoria & Co.

- e. 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, *subject to our comments in paragraph 4 above regarding issue of bonus shares by capitalisation of revaluation reserve*, give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2005;
  - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
  - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
7. According to the information and explanations given to us and on the basis of the written representations from the directors as on 31<sup>st</sup> March, 2005, taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31<sup>st</sup> March, 2005 from being appointed as a director under Section 274 (1) (g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.  
Chartered Accountants



Nalin M Shah  
Partner  
(Membership No.15860)

MUMBAI, 17<sup>th</sup> June, 2005  
NMS/AVK/AR



# S.B.Billimoria & Co.

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's current business / activities and results for the year, clauses (viii), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) Physical verification of fixed assets has been carried out by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, reconciliation of physical verification with the fixed asset register is still pending.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventories:
  - (a) As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In respect of the unsecured loans granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

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## S.B. Billimoria & Co.

- (a) Loans aggregating Rs.252,800,000 were granted to two parties. At the year-end, the outstanding balances of such loans aggregated Rs. 250,300,000 and the maximum amount outstanding during the year amounted to Rs. 250,300,000.
  - (b) The rate of interest and other terms and conditions of such loan are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
  - (c) The receipt of principal amounts and interest has during the year been as per stipulations.
  - (d) There are no overdue amounts outstanding at the year-end.
- (v) In respect of the unsecured loans taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) Loans aggregating Rs.7,500,000 were taken from one party. At the year-end, the outstanding balances of such loans aggregated Rs. NIL and the maximum amount outstanding during the year amounted to Rs. 7,500,000.
  - (b) The rate of interest and other terms and conditions of such loan are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
  - (c) The payment of principal amounts and interest has during the year been as per stipulations.
- (vi) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct any major weakness in such internal controls.
- (vii) To the best of our knowledge and belief and according to the information and explanations given to us, in respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956:
- (a) Particulars of contracts or arrangements, referred to in Section 301 have been entered in the Register, except for transactions in the ordinary course of business, which in the opinion of the Management are not required to be entered in the Register.

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# S.B. Billimoria & Co.

- (b) Where such transactions (other than loans reported under paragraph (iv) and (v) above) are in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable, having regard to the prevailing market prices at the relevant time.
- (viii) According to the information and explanations given to us, the Company has not accepted deposits in terms of provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
- (ix) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (x) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material applicable statutory dues with the appropriate authorities during the year.
- (b) There are no undisputed amounts outstanding as at 31<sup>st</sup> March, 2005 for a period of more than six months from the date they became payable.
- (c) Disputed property tax dues under the B.M.C Act, 1888 of Rs. 15,756,078 have not been deposited for the financial years 2000-01 to 2004-05 since the matter is pending with the Small Causes Court, Mumbai. Disputed entertainment tax dues under the Bombay Entertainment & Duty Act, 1923 of Rs. 237,546 have not been deposited for the financial years 2002-03 to 2004-05 since the matter is pending with the Commissioner of Entertainment Tax Department, Mumbai.
- (xi) The accumulated losses of the Company have not exceeded fifty per cent of its net worth as at the end of the year. The Company has not incurred cash losses during the current financial year and the immediately preceding financial year.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xiii) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from bank and financial institutions.

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## **S.B.Billimoria & Co.**

- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were *prima facie* applied by the Company during the year for the purposes for which they were obtained.
- (xv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, no funds have been raised on short term basis.
- (xvi) To the best of our knowledge and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S.B.BILLIMORIA & CO.  
Chartered Accountants



Nalin M. Shah  
Partner  
(Membership No. 15860)

MUMBAI, 17<sup>th</sup> June, 2005  
NMS/AVK/AR

**CHALET HOTELS LIMITED**

**BALANCE SHEET AS AT 31 MARCH , 2005**

	SCHEDULE	Rs.	31st March, 2004 Rs.
<b>SOURCES OF FUNDS</b>			
<b>1. SHAREHOLDERS FUNDS</b>			
a) Share Capital	A	831,422,530	811,422,530
b) Reserves & Surplus	B	1,132,386,507	1,021,528,739
<b>2. LOAN FUNDS</b>			
a) Secured Loans	C	1,398,692,429	1,474,744,056
b) Unsecured Loans	D	-	8,218,759
	<b>TOTAL</b>	<b>3,362,501,466</b>	<b>3,315,914,084</b>
<b>APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS ( At cost Less Depreciation )</b>			
	E	2,956,392,243	2,997,042,438
<b>2. INVESTMENTS</b>			
	F	564,682	66,931,561
<b>3. CURRENT ASSETS ,LOANS AND ADVANCES</b>			
a) Interest accrued on investments		12,711	8,011
b) Inventories	G	142,121,444	36,924,901
c) Sundry Debtors	H	56,229,381	63,725,161
d) Cash & Bank Balances	I	24,694,534	26,964,443
e) Loans & Advances	J	295,186,961	38,342,507
		518,245,031	165,965,023
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
	K	207,013,301	142,617,578
<b>NET CURRENT ASSETS</b>			
		311,231,730	23,347,445
<b>4. MISCELLANEOUS EXPENDITURE ( To the extent not written off or adjusted ) Preliminary Expenses</b>			
		402,660	1,690,089
<b>5. PROFIT AND LOSS ACCOUNT</b>			
		93,910,151	226,902,551
	<b>TOTAL</b>	<b>3,362,501,466</b>	<b>3,315,914,084</b>
<b>The attached Notes and Significant Accounting Policies form part of the Accounts</b>			
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As per our report of even date attached.

**For S.B.Billimoria & Co.**

Chartered Accountants

*Nalin M. Shah*

Nalin M. Shah  
Partner

For and on behalf of the Board of directors

*Chandru L. Raheja*  
Chandru L. Raheja  
Chairman

*Neel C. Raheja*  
Neel C. Raheja  
Managing Director

*Dharmesh Shah*  
Dharmesh Shah  
Company Secretary

Mumbai, 17 June , 2005

**CHALÉT HOTELS LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31 MARCH , 2005**

	SCHEDULE	Rs	Previous year Rs
<b>INCOME</b>			
<b>OPERATING INCOME</b>			
Rooms , Food and Beverage and Other Services	L	1,025,143,792	877,217,180
<b>NON OPERATING INCOME/EXPENSE</b>			
Net Gain/(Loss) on Foreign Exchange ( Refer Note 18)		(23,007,639)	46,508,593
Other Income	M	7,397,651	7,323,768
	<b>TOTAL</b>	<b>1,009,533,804</b>	<b>931,049,541</b>
<b>EXPENDITURE</b>			
Opening Stock in trade		-	-
Cost of Development Right		92,450,840	-
Cost incurred during the year ( Refer Note 21 )		10,597,696	-
		103,048,536	-
Closing Stock in trade		(103,048,536)	-
Operating and General Expenses	N	634,144,256	553,018,632
Preliminary Expenses written off		1,287,429	1,287,429
Provision for Doubtful Debts		494,721	-
Provision for Dimunition in value of investments		158	904,616
<b>Profit before Interest , Depreciation and Taxes</b>		373,607,240	375,838,864
Interest & Other Finance Expenses	O	107,787,252	93,880,502
Depreciation		86,504,317	84,442,428
<b>Net Profit before Extraordinary Items</b>		179,315,671	197,515,934
Extraordinary Items ( Refer Note 17 )		-	(3,086,921)
<b>Net Profit After Extraordinary Items</b>		179,315,671	200,602,855
<b>Provision for Current Tax</b>		14,100,000	700,000
<b>Provision for Tax of Previous Year</b>		1,365,503	-
<b>Net Profit/(Loss ) After Taxes</b>		163,850,168	199,902,855
Add : Balance brought forward		(226,902,551)	(401,331,391)
<b>Loss before Appropriation</b>		(63,052,383)	(201,428,536)
Appropriations to Furniture , Fixtures & Equipments Renewal Reserve		30,857,768	25,474,015
<b>Balance carried to Balance Sheet</b>	<b>TOTAL</b>	<b>(93,910,151)</b>	<b>(226,902,551)</b>
<b>Earnings Per Share - Basic ( Refer Note 26 )</b>		<b>Rs. 2.02</b>	<b>Rs. 2.46</b>
<b>- Diluted ( Refer Note 26 )</b>		<b>Rs.1.72</b>	<b>Rs.1.59</b>
<b>The attached Notes and Significant Accounting Policies form part of the Accounts</b>	P		

As per our report of even date attached.

**For S.B.Billimoria & Co.**  
Chartered Accountants

*Nalin M. Shah*

Nalin M. Shah  
Partner

For and on behalf of the Board of directors

*Chandru L. Raheja*  
Chairman

*Neel C. Raheja*  
Managing Director

*Dharmesh Shah*  
Company Secretary

Mumbai, 17 June , 2005

## CHALET HOTELS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	2004-2005		2003-2004	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
<b>Net Profit/(Loss) before Tax and Extraordinary Items</b>		<b>179,315,671</b>		<b>197,515,934</b>
<b>Adjustments for :</b>				
Interest income from current Investment	(4,700)		-	
Dividend Income from current Investment	(908,209)		(2,712,666)	
Interest from Banks	(50,245)		(98,257)	
Interest from Others	(810,796)		(45,985)	
Interest on Income Tax / Sales Tax Refund	(271,585)		(314,499)	
Depreciation	86,504,317		84,442,428	
Interest and Other Finance Charges	107,787,252		93,880,502	
(Profit)/Loss on sale of Investments	(463,898)		77,255	
Loss on sale/retirement of Assets	80,232		5,304	
Preliminary expenses written off	1,287,429		1,287,429	
Provision for Doubtful Debts	494,721		-	
Provision for Doubtful Debts written back	-		(305,057)	
Provision for Diminution in value of Investments	158		904,616	
Provision for Gratuity	2,890,921		504,378	
Provision for Leave Encashment	3,731,731		1,709,550	
Provision for Wealth Tax	468,021		321,916	
Exchange loss / (gain)	11,048,032		(47,750,410)	
Share Issue Expenses	9,522,582		-	131,906,504
<b>Operating Profit before working capital changes</b>		<b>400,621,634</b>		<b>329,422,438</b>
<b>Adjustments for :</b>				
Trade and Other Receivables		(237,765,887)		11,467,854
Inventories		(105,196,543)		278,035
Trade Payables		40,788,332		(19,646,311)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>98,447,536</b>		<b>321,522,016</b>
Leave Encashment Paid		(1,472,389)		(944,419)
Gratuity Paid		(46,039)		(17,365)
Interest on Income Tax / Sales Tax Refund		271,585		314,499
Direct Tax Paid		(12,399,424)		(4,442,423)
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>		<b>84,801,269</b>		<b>316,432,308</b>
Extraordinary Items		-		3,086,921
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>		<b>84,801,269</b>		<b>319,519,229</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Purchase of Fixed Assets and CWIP		(52,286,281)		(65,468,779)
Sale of Fixed Assets and CWIP		6,335,041		24,833
Purchase of Investments		(297,547,375)		(240,182,944)
Sale of Investments		364,377,993		172,516,423
Dividend and Interest Received		1,769,250		3,452,791
<b>NET CASH FROM/(USED) IN INVESTING ACTIVITIES (B)</b>		<b>22,648,628</b>		<b>(129,657,676)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
Proceeds from Issue of Equity shares		100,000,000		-
Share Issue Expenses		(9,522,582)		-
Repayments of Long Term Borrowings		(106,318,247)		(141,167,479)
Short Term Borrowings (Net)		(8,299,472)		-
Interest and Other Finance Expenses paid		(85,579,505)		(73,395,443)
<b>NET CASH USED IN FINANCING ACTIVITIES (C)</b>		<b>(109,719,806)</b>		<b>(214,562,922)</b>
<b>NET (DECREASE) IN CASH &amp; CASH EQUIVALENTS (A) + (B) + (C)</b>		<b>(2,269,909)</b>		<b>(24,701,369)</b>
<b>OPENING CASH &amp; CASH EQUIVALENTS AS AT 1ST APRIL, 2004</b>		<b>26,964,443</b>		51,665,812
<b>CLOSING CASH &amp; CASH EQUIVALENTS AS AT 31ST MARCH, 2005</b>		<b>24,694,534</b>		26,964,443
		<b>(2,269,909)</b>		<b>(24,701,369)</b>
<b>Note: Cash and Cash Equivalents includes:</b>				
<b>CASH &amp; BANK BALANCES</b>				
Cash on Hand	1,139,587		1,636,090	
Cheques on hand	-		6,522,647	
<b>Balance with Scheduled Banks</b>				
On current accounts	23,554,947		18,028,666	
On deposit accounts			777,040	
		<b>24,694,534</b>		<b>26,964,443</b>

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

(1) The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

(2) Previous year's figures have been regrouped, wherever necessary.

As per our report of even date attached.

For S.B. Billimoria & Co.  
Chartered Accountants

*Nalin M. Shah*

Nalin M. Shah  
Partner

For and on behalf of the Board of Directors

*Chandru L. Raheja*  
Chairman

*Neel C. Raheja*  
Managing Director

*Dharmesh Shah*  
Company Secretary

## CHALET HOTELS LIMITED

## SCHEDULES ANNEXED TO &amp; FORMING PART OF THE BALANCE SHEET AS AT 31 MARCH , 2005

	Rs.	Rs.	31st March,2004 Rs.
<b>SCHEDULE 'A'</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
110,000,000 Equity Shares of Rs 10/- each		1,100,000,000	1,100,000,000
		<b>1,100,000,000</b>	<b>1,100,000,000</b>
<b>Issued and Subscribed</b>			
91,142,253 (Previous Year:81,142,253) Equity shares of Rs. 10/-each fully paid up		-	-
<b>Paid-up Capital</b>			
81,142,253 (Previous Year :Nil) Equity shares of Rs. 10/-each ( Out of the above 45,000,000 Equity Shares were issued as Bonus shares in the Financial Year 1998-99 ) ( Refer Note 2 )		811,422,530	811,422,530
10,000,000 (Previous Year:Nil) Equity shares of Rs.10/- each; Rs.2/- paid-up		20,000,000	-
		<b>831,422,530</b>	<b>811,422,530</b>
<b>SCHEDULE 'B'</b>			
<b>RESERVES &amp; SURPLUS</b>			
<b>Capital Redemption Reserve</b>			
Balance Brought Forward		52,000	52,000
<b>Securities Premium</b>			
Balance Brought Forward	276,097,235		276,097,235
Add: Additions during the year	80,000,000		-
		<b>356,097,235</b>	<b>276,097,235</b>
<b>Furniture, Fixtures &amp; Equipments Renewal Reserve</b>			
Balance Brought Forward	17,228,153		10,623,207
Add : Transferred from Profit and Loss Account	30,857,768		25,474,015
Less : Utilised during the year	22,597,330		(18,869,069)
		<b>25,488,591</b>	<b>17,228,153</b>
<b>Furniture, Fixtures &amp; Equipments Renewal Reserve Utilised</b>			
Balance Brought Forward	26,918,730		8,049,661
Add : Additions during the year	22,597,330		18,869,069
Less: Transferred to General Reserve	(49,516,060)		-
		<b>-</b>	<b>26,918,730</b>
<b>Revaluation Reserve</b>			
Balance Brought Forward		701,232,621	701,232,621
<b>General Reserve</b>			
Balance Brought Forward	-		-
Add : Furniture , Fixtures & Equipments Renewal Reserve Utilised transferred	49,516,060	49,516,060	-
		<b>1,132,386,507</b>	<b>1,021,528,739</b>
<b>SCHEDULE 'C'</b>			
<b>SECURED LOANS</b>			
<b>TERM LOANS</b>			
From Banks ( Refer Note 7 ) ( Repayable within one year Rs.66,000,000/-)		549,000,000	644,270,215
From Others ( Refer Note 6 )		849,600,752	829,582,692
(Secured by creation of a joint English mortgage on immovable properties of the Company, present and future, and hypothecation of moveable assets held by the Company, present and future )			
Other Loan from Banks ( Secured against hypothecation of vehicle ) (Secured by hypothecation of inventories, food and beverages, crockery and cutlery, groceries, linen. etc. held by the Company, present and future)		91,677	-
			891,149
		<b>1,398,692,429</b>	<b>1,474,744,056</b>
<b>SCHEDULE 'D'</b>			
<b>UNSECURED LOANS</b>			
<b>From Others</b>			
Inter-Corporate Deposits		-	7,500,000
Interest accrued and due		-	718,759



**Chalet Hotels Limited**  
**Schedule- E Fixed Assets Schedule for the year 2004-2005**

PARTICULARS	AS ON 1.04.2004		GROSS BLOCK ADDITIONS		DELETIONS		AS ON 31.03.2005		AS ON 1.04.2004		DEPRECIATION FOR THE YEAR		DELETIONS		AS ON 31.03.2005		NET BLOCK AS ON 31-3-05		NET BLOC AS ON 31-	
Freehold Land	1,303,642,902						1,303,642,902											1,303,642,902		1.3
Buildings	1,133,850,183	1,284,829	17,009		1,135,118,003	56,588,033	18,488,297	116	75,076,214	1,060,041,789							1,060,041,789		1.0	
Plant & Machinery	390,895,875	12,830,127			403,726,002	109,832,376	30,635,667		140,468,043	263,257,959							263,257,959		2	
Computer System & Accessories	23,718,926	4,782,049	2,536,544		25,964,431	11,682,793	4,184,959	1,806,628	14,061,124	11,903,307							11,903,307			
Electrical Installations	164,587,004	185,355			164,772,359	40,525,218	6,851,246		47,376,464	117,395,895							117,395,895		1.1	
Vehicles	28,323,624	11,185,399			39,509,023	3,137,614	3,471,109		6,608,723	32,900,300							32,900,300		1	
Office Equipments	19,118,509	776,661			19,895,170	7,244,563	1,090,066		8,334,629	11,560,541							11,560,541		1	
Porta Cabin	261,214	-			261,214	261,214	-		261,214	-							-			
Furniture & Fixtures	211,213,416	3,625,942			214,839,358	75,391,586	18,758,227		94,149,813	120,689,545							120,689,545		13	
<b>Intangible Assets</b>																				
Trade Marks	42,600	-	-		42,600	42,599	1		42,600	-							-			
Computer Software	14,508,468	1,963,324	184,823		16,286,969	8,767,723	3,024,745	89,331	11,703,137	4,583,832							4,583,832			
Capital work-in- progress																		30,416,173		2
																		( Refer Note 22 )		
<b>TOTAL</b>	<b>3,290,162,721</b>	<b>36,633,686</b>	<b>2,738,376</b>		<b>3,324,058,031</b>	<b>313,473,719</b>	<b>86,504,317</b>	<b>1,896,075</b>	<b>398,081,961</b>	<b>2,956,392,243</b>							<b>2,956,392,243</b>		<b>2,99</b>	
<b>PREVIOUS YEAR</b>	<b>3,235,580,980</b>	<b>54,687,745</b>	<b>106,004</b>		<b>3,290,162,721</b>	<b>229,079,232</b>	<b>84,442,428</b>	<b>47,941</b>	<b>313,473,719</b>	<b>2,997,042,438</b>							<b>2,997,042,438</b>			

Note : Freehold Land was revalued from Rs.152,410,281/- by Rs.1,151,232,621/- on 11th July , 1998.

*any*

	Number of Units	Rs.	31st March,2004 Rs.
<b>SCHEDULE 'F'</b>			
<b>INVESTMENTS ( NON-TRADE)</b>			
<b>CURRENT INVESTMENTS</b>			
<b>(Valued at cost or fair value whichever is lower)</b>			
<b>UNQUOTED</b>			
<b>In Mutual Fund Units</b>			
<b>Birla Monthly Income Plan</b>	-	-	7,467,832
(Purchased During the year Nil & sold 658,803.307 units)	(658,803.307)	-	-
<b>FT India Monthly Income Plan</b>	-	-	12,441,331
(Purchased During the year Nil & sold 1,053,054.512 units)	(1,053,054.512)	-	-
<b>HDFC MF Monthly Income Plan</b>	-	-	20,000,000
(Purchased During the year Nil & sold 1,961,948.312 units)	(1,961,948.312)	-	-
<b>Prudential ICICI Liquid Plan</b>	35,858.666	424,590	7,887,014
(Purchased During the year 25,126,611.70 & sold 25,757,165 units)	(666,411.966)	-	-
<b>Prudential ICICI Monthly Income Plan ( Half Yearly)</b>	-	-	5,000,000
(Purchased During the year Nil & sold 446,899.412 units)	(446,899.412)	-	-
<b>Prudential ICICI Monthly Income Plan ( Quarterly )</b>	-	-	10,000,000
(Purchased During the year Nil & sold 891,758.369 units)	(891,758.369)	-	-
<b>Tata Monthly Income Fund</b>	-	-	5,000,000
(Purchased During the year Nil & sold 426,858.894 units)	(426,858.894)	-	-
Less : Provision for Diminution		(158)	(904,616)
<b>LONG TERM INVESTMENTS</b>			
<b>( Valued at cost )</b>			
<b>UNQUOTED</b>			
<b>In Subsidiary Company</b>			
10,000 Equity Shares of Grandwell Properties & Leasing Private Ltd. of Rs. 10/- each , fully paid.		100,250	-
<b>National Saving Certificates</b>		40,000	40,000
		<b>564,682</b>	<b>66,931,561</b>
<b>SCHEDULE 'G'</b>			
<b>INVENTORIES</b>			
Stock in Trade ( Mahim Construction Project ) ( Refer Note 21 )		103,048,536	-
Stock of Stores and Operating Supplies		26,921,884	26,481,512
Stock of Unutilised Project Material		2,212,853	2,925,281
Stock of Food, Beverages and Tobacco		9,938,171	7,518,108
		<b>142,121,444</b>	<b>36,924,901</b>
<b>SCHEDULE 'H'</b>			
<b>Sundry Debtors ( unsecured )</b>			
a) outstanding over six months		-	809,354
Considered good		-	-
Considered Doubtful	494,721	-	-
b) others ( considered good )	56,229,381	-	62,915,807
	56,724,102	-	63,725,161
Less : Provision for Doubtful Debts (Refer Note 19)	(494,721)	-	-
	<b>56,229,381</b>	-	<b>63,725,161</b>

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	Rs.	Rs.	31st March, 2004 Rs.
<b>SCHEDULE 'I'</b>			
<b>CASH &amp; BANK BALANCES</b>			
Cash on Hand		1,139,587	1,636,090
Cheques on hand		-	6,522,647
<b>Balance with Scheduled Banks</b>			
On current accounts		23,554,947	18,028,666
On deposit accounts		-	777,040
		<b>24,694,534</b>	<b>26,964,443</b>
<b>SCHEDULE 'J'</b>			
<b>LOANS &amp; ADVANCES</b>			
(unsecured, considered good)			
<b>Loan to Company under same management</b>			
K. Raheja Corp. Private Limited		167,500,000	-
(Maximum balance during the year Rs. 167,500,000/-)			
<b>Loan to Subsidiary Company</b>			
Grandwell Properties and Leasing Private Ltd.		82,800,000	-
Advances Recoverable in cash or in kind		11,687,395	15,784,811
<b>Balance due from Subsidiary</b>			
Grandwell Properties and Leasing Private Ltd.		966,704	-
<b>Balance due from Company under same management</b>			
K. Raheja Corp. Private Limited		25,622	-
(Maximum balance during the year Rs. 25,622/-)			
Advance Tax & Tax deducted at source		21,103,830	9,026,322
Deposits		11,103,410	13,531,374
		<b>295,186,961</b>	<b>38,342,507</b>
<b>SCHEDULE 'K'</b>			
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>CURRENT LIABILITIES</b>			
<b>Sundry Creditors ( Refer Note 8 )</b>			
Small Scale Industrial Undertakings		1,624,298	4,175,384
Others		112,321,780	78,861,414
Due to Directors ( Maximum balance outstanding during the year Rs. 97,527 /-)		97,527	37,496
Other Liabilities		38,997,010	30,864,965
Advances from customers		8,528,258	6,858,169
Interest accrued but not due		18,505,574	15,597,128
		<b>180,074,447</b>	<b>136,394,556</b>
<b>PROVISIONS</b>			
For Income Tax		16,165,503	700,000
For Wealth Tax		468,021	321,916
For Gratuity		4,739,055	1,894,173
For Leave Encashment		5,566,275	3,306,933
		<b>26,938,854</b>	<b>6,223,022</b>
		<b>207,013,301</b>	<b>142,617,578</b>

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## CHALET HOTELS LIMITED

## SCHEDULE FORMING PART OF PROFIT &amp; LOSS ACCOUNT AS AT 31 MARCH , 2005

	Rs	Rs	Previous year Rs
<b>SCHEDULE 'L'</b>			
<b>ROOMS , FOOD AND BEVERAGE AND OTHER SERVICES</b>			
( Refer Note 10(a) )			
Rooms ( Tax deducted at source Rs.6,475,478/- ; Previous year Rs. 3,274,907/-)		620,178,597	543,166,392
Food ,Beverage and Tobacco Income		318,299,545	279,507,717
Other Services		86,665,650	54,543,071
		<b>1,025,143,792</b>	<b>877,217,180</b>
<b>SCHEDULE 'M'</b>			
<b>OTHER INCOME</b>			
Interest from Banks (Tax Deducted at source Rs.10,703 , Previous year Rs.2,201/- )		50,245	98,257
Interest from Others (Tax Deducted at source Rs.155,433/-, Previous year Rs. Nil )		810,796	45,985
Interest on Income Tax/Sales Tax Refund		271,585	314,499
Interest income from current Investment		4,700	-
Dividend Income from current Investment		908,209	2,712,666
Profit/(Loss) on sale of securities		463,898	(77,255)
Miscellaneous Income		4,676,557	2,682,742
Provision for Doubtful Debts written back		-	305,057
Net Gain on Foreign Exchange		211,660	1,241,817
		<b>7,397,654</b>	<b>7,323,768</b>
<b>SCHEDULE 'N'</b>			
<b>OPERATING AND GENERAL EXPENSES</b>			
<b>1.Operating Expenses</b>			
<b>Payments to and Provision for Employees</b>			
Salaries , Wages & Bonus ( Refer Note 16)		135,379,917	111,219,960
Gratuity		2,890,921	504,378
Contribution to Provident & Pension Funds		4,783,703	3,571,940
Leave Encashment ( Refer Note 16)		3,731,731	1,709,550
Staff Welfare		20,087,606	16,399,490
		<b>166,873,878</b>	<b>133,405,318</b>
<b>Food Beverages&amp; Tobacco Consumed</b>			
Opening Stock	7,518,108		6,860,849
Add Purchases	87,053,490		70,913,558
Less Closing Stock	9,938,171		7,518,108
		<b>84,633,427</b>	<b>70,256,299</b>
<b>Operating Supplies Consumed</b>			
Opening Stock	26,481,512		25,665,387
Add Purchases	42,160,261		37,693,001
Less Closing Stock	26,921,884		26,481,512
		<b>41,719,889</b>	<b>36,876,876</b>
		<b>293,227,194</b>	<b>240,538,493</b>
<b>2.Other Operating Expenses</b>			
Power and Fuel		70,500,661	67,409,918
Car Hire Charges		10,573,546	12,141,623
<b>Repairs &amp; Maintenance</b>			
- Buildings		9,368,995	10,077,530
- Plant & Machinery		14,996,834	15,304,642
- Others		10,953,520	10,335,994
Other Expenses		38,725,866	27,679,006
		<b>155,119,422</b>	<b>142,948,713</b>

## CHALET HOTELS LIMITED

## SCHEDULE FORMING PART OF PROFIT &amp; LOSS ACCOUNT AS AT 31 MARCH , 2005

	Rs	Rs	Previous year Rs
<b>3. General Expenses</b>			
Rent (Net of Recoveries Rs.1,476,728/-, Previous year Rs.903,095/-)		3,396,384	2,266,333
Rates, Taxes and Licence Fees		28,816,199	24,889,000
Operating Insurance		6,719,917	6,339,800
Business Promotion Expenses		34,223,553	33,639,137
Royalty		15,761,212	13,169,606
Management Fee		23,947,069	19,612,824
Travelling		5,083,241	5,252,680
Training		3,027,195	2,328,076
Telephone ,Postage & Telegram		6,757,396	7,748,353
Legal & Professional Charges		12,125,322	10,806,449
Printing & Stationery		4,147,328	4,196,620
Commission to other than sole selling agent		13,481,163	12,242,489
Directors' sitting fees		100,000	60,000
Payments to Auditors :			
Audit Fees	1,000,000		1,000,000
Tax Audit Fees	300,000		300,000
Other services	4,000		-
Out of pocket expenses	21,235		17,479
Service Tax	134,570	1,459,805	104,000
Provision for Wealth Tax		468,021	321,916
Donations ( Refer Note 13 )		207,000	117,000
Share Issue Expenses		9,522,582	-
Loss on sale/retirement of fixed asset		80,232	5,304
Other Expenses		16,474,020	25,114,360
		<b>185,797,639</b>	<b>169,531,426</b>
		<b>634,144,257</b>	<b>553,018,632</b>
<b>SCHEDULE 'O'</b>			
<b>Interest &amp; other finance cost</b>			
<b>Interest</b>			
- On Fixed Loans		84,220,286	66,017,511
- On Other Loans		530,968	749,488
- Others		2,184	1,495,207
Other Finance Costs		23,033,814	25,618,296
		<b>107,787,252</b>	<b>93,880,502</b>

**CHALET HOTELS LIMITED**  
**SCHEDULE 'P'**

Notes annexed to and forming part of the accounts for the year ended 31<sup>st</sup> March, 2005.

1. Significant Accounting Policies:

(a) Basis of Accounting:

The Company maintains its accounts on accrual basis following the historical cost convention [except for revaluation of freehold land stated in (c) hereunder] in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(b) Operating Income :

Operating Income comprises of Rooms, Food and Beverages and other services relating to hotel stay of guests. It excludes taxes collected and payable to the Central / State Government and is before deduction of commission and other charges payable to travel agents etc.

(c) Fixed Assets:

Fixed Assets (except Freehold Land) are stated at cost of acquisition/construction. Cost includes all amounts incurred during project implementation for bringing the assets to their condition and location and the allocated share of pre-operative expenses and borrowing costs during construction. Specific design know-how and professional fees are added to the cost of the respective assets.

Freehold Land held by the Company had been revalued during Financial Year 1998-99 as per Revaluation Report of an expert valuer.

(d) Depreciation:

Depreciation on fixed assets has been provided on straight-line basis at the rates prescribed under Schedule XIV of the Companies Act, 1956. Expenditure incurred by the Company on specialised application software is amortised over a period of 5 years. Additions during the year are depreciated from the date the asset was ready to put to use and for assets sold during the year, depreciation is provided upto the month in which the asset is sold.

(e) Investments:

Long term Investments are carried at cost, less diminution of a permanent nature if any.

Current Investments are stated at cost or fair value, whichever is lower.

(f) Inventories:

Cost of Stores, Operating supplies and Food, Beverages and Tobacco is computed on the weighted average method. Stock of Stores, Operating Supplies and Food, Beverage and Tobacco are carried at cost net of breakages, damages, spoilage and obsolescence.

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(g) Borrowing Costs: -

Borrowing costs that are attributable to the acquisition and construction of qualifying assets are capitalised as part of such assets. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use.

(h) Foreign Currency Transactions:

i) Foreign currency transactions including for acquisition of fixed assets are accounted for at the rates prevailing on the dates of the transactions, except those covered by forward contracts. Exchange gain/loss on settlement of transactions are charged/credited to Profit and Loss account, except in case of fixed assets wherein the cost of acquisition is adjusted for the change in exchange rates.

ii) For the Construction/acquisition of fixed assets for its Hotel project, the Company had procured Rupee Term Loans from Banks and Financial Institutions. Some of the loans have been subsequently denominated in foreign currency and/or converted into foreign currency loans, depending upon the arrangement the Company may have with the banks/financial institutions and the availability of foreign currency lines with the banks/institutions. Such of the foreign currency loans as are covered by forward foreign exchange contracts are translated at the rate ruling on the date of transaction as increased or decreased by the proportionate difference between the forward rate and the exchange rate at the date of transaction, the difference being recognised over the life of the contract and credited or charged to the Profit & Loss Account. Exchange gains/losses from loans not covered by forward contracts are also credited or charged to the Profit and Loss Account. No adjustment for the difference in exchange rates is made to the cost of the fixed assets since at the time the fixed assets were acquired/constructed, the loans were in rupee terms and were subsequently denominated in foreign currency.

iii) Foreign Currency assets/liabilities if any, are restated at year-end rates.

iv) Transactions in Foreign Currency on revenue account are accounted for at the rates prevailing on the dates of the transactions and exchange differences on settlement are adjusted to the Profit & Loss Account.

(i) Retirement Benefits:

Provisions for / contribution to retirement benefits are made as follows:

(i) Provident Fund on actual liability basis, contributed to the Regional Provident Fund.

(ii) Gratuity on actuarial liability valuation as at the year end.

(iii) There has been a change in the accounting policy of Leave encashment benefit for Head Office Employees in the current year as compared to the previous year. In the current year for Head Office Employees leave encashment is accounted on the basis of actuarial valuation vis-à-vis accrual accounting in the previous year. If the Company would have continued to account for leave encashment benefit for Head Office employees on accrual basis, the charge to

the Profit and Loss Account would have been higher by Rs.4,161/-. Liability in respect of Hotel staff continues to be accounted for on actuarial basis.

(j) Preliminary Expenditure:

Preliminary expenditure incurred during the construction of the Hotel Project is written off over a period of 5 years.

(k) Trademarks:

Entire expenditure incurred upto last financial year has been fully written off in the previous year.

(l) Deferred Taxation

Deferred Tax Asset and Liabilities are recognised for the future tax consequences of timing differences between the carrying value of assets and liabilities and their respective tax bases , and operating loss carried forward. Deferred Tax Assets and Liabilities are recognised subject to Management's judgement that realisation is more likely than not. Deferred Tax Assets and Liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the timing differences are expected to be reversed or settled. The effect on Deferred Tax Assets and Liabilities of change in tax rates is recognised in the Profit and Loss Account.

(m) Impairment of Fixed Assets :

The carrying value of fixed assets of the cash-generating units at each balance sheet date are reviewed for impairment. If any indication of such impairment exists, the recoverable amount of those assets are estimated and impairment loss is recognized, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is greater of the net selling price and value in use. Value in use is arrived at by discounting the estimated future cash flows to their present values based on an appropriate discount factor.

(n) Accounting for Provisions, Contingent Liabilities and Contingent Assets :

A provision is recognized when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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ii) The nature and volume of transactions of the Company with the above related parties were as follows:

PARTICULARS	Key Management Personnel  (Rs.)	Enterprises over which any person described in (a),(b) or (c) exercises significant influence and with which the Company had transactions during the year.  (Rs.)	Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by , or are under common control with, the reporting enterprise including holding companies, subsidiaries and fellow subsidiaries.  (Rs.)
<b>INCOME</b>			
Sale of Asset	Nil (Nil)	7,000,110 (Nil)	Nil (Nil)
Sale of Unsold Stores	Nil (Nil)	Nil (8,525)	Nil (Nil)
Sale of Rooms, Food and Beverage	Nil (25,652)	1,434,609 (2,060,022)	Nil (Nil)
Interest	Nil (Nil)	729,000 (Nil)	Nil (Nil)
<b>EXPENDITURE</b>			
Interest & Other Finance Charges	Nil (Nil)	530,959 (749,488)	Nil (Nil)
Salaries , Wages & Bonus	2,016,000 (806,400)	Nil (Nil)	Nil (Nil)
Staff Welfare	Nil (Nil)	113,750 (47,790)	Nil (Nil)
Other Expenses	Nil (Nil)	53,379 (1,309,218)	Nil (Nil)
<b>ASSETS</b>			
Investments	Nil (Nil)	Nil (Nil)	100,250 (Nil)
Loans given	Nil (Nil)	170,000,000 (Nil)	82,800,000 (Nil)
Outstanding Loan Balance	Nil (Nil)	167,500,000 (Nil)	82,800,000 (Nil)
Deposit given	Nil (Nil)	600,000 (600,000)	Nil (Nil)
Advances Recoverable	Nil (Nil)	Nil (878,664)	966,704 (Nil)
Debtors	Nil (Nil)	Nil (25,652)	Nil (Nil)
<b>LIABILITIES</b>			
Inter Corporate Deposit	Nil (Nil)	Nil (7,500,000)	Nil (Nil)
Sundry Creditors	84,223 (29,704)	351,153 (54,769)	Nil (Nil)
Due to Directors	97,527 (37,496)	Nil (Nil)	Nil (Nil)
Interest payable	Nil (Nil)	Nil (718,759)	Nil (Nil)

July

Material Transactions with Related Parties individually

Particulars	Name of Related Party	Key Management Personnel	Enterprises over which any person described in (a),(b) or (c) exercises significant influence and with which the Company had transactions during the year.	Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise including holding companies, subsidiaries and fellow subsidiaries.
Sales of Rooms, Food and Beverages	K. Raheja Corp. Private Limited	Nil	781,324	Nil
	Inorbit Malls (India) Private Limited	Nil	273,621	Nil
	Shopper's Stop Limited	Nil	148,043	Nil
Sale of Asset	Inorbit Malls (India) Private Limited	Nil	7,000,110	Nil
Interest income	K. Raheja Corp. Private Limited	Nil	729,000	Nil
Interest Expense	K. Raheja Corp. Private Limited	Nil	530,959	Nil
Staff Welfare	Juhu Beach Resorts Limited	Nil	113,750	Nil
Salaries/Wages	Mr. Neel C. Raheja	2,016,000	Nil	Nil
Investments	Grandwell Properties and Leasing Private Limited	Nil	Nil	100,250
Loans given	K. Raheja Corp. Private Limited	Nil	170,000,000	Nil
Outstanding Loan Balance	K. Raheja Corp. Private Limited	Nil	167,500,000	Nil
Loans given	Grandwell Properties and Leasing Private Limited	Nil	Nil	82,800,000
Outstanding Loan Balance	Grandwell Properties and Leasing Private Limited	Nil	Nil	82,800,000

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Particulars	Name of Related Party	Key Management Personnel	Enterprises over which any person described in (a),(b) or (c) exercises significant influence and with which the Company had transactions during the year.	Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise including holding companies, subsidiaries and fellow subsidiaries.
Advances Recoverable	Grandwell Properties and Leasing Private Limited	Nil	Nil	966,704
Deposit placed	Juhu Beach Resorts Limited	Nil	600,000	Nil
Sundry Creditors	K. Raheja Corp. Private Limited	Nil	192,531	Nil
Sundry Creditors	Ivory Properties & Hotels Private Limited	Nil	119,284	Nil
Due to Directors	Mr. Neel C. Raheja	97,527	Nil	Nil

25. A. In accordance with Accounting Standard 19 on Leases , the following disclosure is made in respect of shops in the Hotel that have been let out.

- a) The shops leased are part of the Hotel Building shown under Fixed Assets in the Balance Sheet. Similarly, depreciation thereon is included in the depreciation of the Hotel Building.
- b) Income from lease of shops included in other income amounts to Rs.2,342,718/- (Previous Year Rs. 2,274,300/-)
- c) Future minimum lease receipts as on 31<sup>st</sup> March , 2005 are :-
  - i) Receivable not later than 1 year Rs.2,055,365/- ( Previous Year Rs. 2,232,725/-)
  - ii) Receivable later than 1 year but not later than 5 years. Rs.1,539,603/-(Previous Year Rs. 2,388,390/-)
- d) There are no direct costs incurred to earn revenues from the assets given on operating leases.

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B. As regards flats/office premises taken on operating lease by the Company , the details are as under :-

- a) Lease payments shown in the Profit and Loss Account Rs.5,467,766/- ( Previous Year Rs. 2,266,333/-)
- b) None of the agreements are non-cancellable since they are terminable at short notice.

26. In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), issued by the Institute of Chartered Accountants of India :

- (i) The Basic Earning Per Equity Share is calculated as stated below:

Particulars	Current Year	Previous Year
Net Profit after tax	163,850,168	199,902,855
Weighted average numbers of equity shares	81,197,048	81,142,253
Basic earning per equity share ( EPS )	Rs. 2.02	Rs.2.46
Nominal value per share	Rs.10	Rs.10

- (ii) The reconciliation between the Basic and the Diluted Earnings Per Share is as follows :-

Particulars	Current Year	Previous Year
Basic Earnings Per Share	2.02	2.46
Effect of Convertible Loan	(0.30)	(0.87)
Diluted Earnings Per Share	1.72	1.59

- (iii) The Diluted Earnings Per Share has been computed by dividing the Profit After Tax by the weighted average number of equity shares, after giving dilutive effect of the Convertible loan for the respective periods. The relevant details as described above are as follows:

Particulars	Current Year	Previous Year
Weighted average number of shares for computation of Basic Earnings Per Share	81,197,048	81,142,253
Diluted effect of Convertible Loan	29,181,863	37,488,178
Weighted average number of shares for computation of Diluted Earnings Per Share	110,378,911	118,630,431

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27. The Company has a deferred tax liability of Rs.211,389,000/- arising on the timing difference of book and tax depreciation. The Company also has a deferred tax asset arising on the timing difference of payment of statutory dues of Rs.9,986,000/- and Rs.203,361,000/- on account of tax carry forward of depreciation ,which have been restricted to Rs.211,389,000/-on grounds of prudence. Consequently there is no net deferred tax asset/liability arising.
28. Previous Year's figures have been regrouped and reclassified wherever necessary to make them comparable with those of the current year.

**For and on behalf of the Board of directors**

  
**CHANDRU L. RAHEJA**  
Chairman

  
**NEEL C. RAHEJA**  
Managing Director

  
**DHARMESH SHAH**  
Company Secretary

Place : Mumbai  
Dated : 17 June , 2005



## CHALET HOTELS LIMITED

### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

#### I Registration Details:

Registration No.	:	38538	State Code	:	11
Balance Sheet Date	:	31/03/2005			

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

Public Issue	:	Nil	Right Issue	:	Nil
Bonus Issue	:	Nil	Private Placement	:	100,000

#### III Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands):

Total Liabilities	:	3,362,501	Total Assets	:	3,362,501
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#### Sources of Funds:

Paid-up Capital	:	831,423	Reserves & Surplus	:	1,132,386
Secured Loans	:	1,398,692	Unsecured Loans	:	-

#### Application of Funds:

Net Fixed Assets	:	2,956,392	Investments	:	565
Pre-operative Expenditure	:		Misc. Expenditure	:	402
Pending Allocation	:	Nil			
Net Current Assets	:	311,232			
Accumulated Losses	:	93,910			

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

Turnover	:	1,009,534	Total Expenditure	:	830,218
Profit/(Loss) before Tax	:	179,316	Profit/(Loss) after tax	:	163,850
Earning per Share - Basic (Rs.)	:	2.02	Dividend	:	Nil
- Diluted (Rs.)	:	1.72			

#### V Generic names of Three Principal Products/Services of Company (as per monetary terms):

Item Code No.	:	Nil
(ITC Code)	:	
Product Description	:	Hotel and Property Development.

  
CHANDRU L. RAHEJA  
Chairman

  
NEEL C. RAHEJA  
Managing Director


  
DHARMESH SHAH  
Company Secretary


Place: Mumbai  
Date: 17 June, 2005

## CHALET HOTELS LIMITED

### Statement pursuant to Section 212 of The Companies Act, 1956 relating to the Subsidiary Companies.

- |  |   |   |
|--|---|---|
| 1. Name of the Company   | : | Grandwell Properties and Leasing Pvt. Ltd.  |
| 2. Financial Year End of the Subsidiary Company.   | : | 31/03/2005  |
| 3. Number of shares of the subsidiary company held by K. Raheja Corp Pvt. Ltd. as at the above date.   | : | 10,000 Equity shares of Rs.10/- each fully paid-up.   |
| 4. Extent of Chalet Hotels Ltd. interest in the Subsidiary Company as at the end of its financial year.  | : | 100%  |
| 5. Whether there has been any, and if, so what change, in the holding company's interest in the subsidiary between the end of the financial year or of the last of the financial years of the subsidiary and the end of the holding company's financial year.  | : | Not applicable since the financial year of the subsidiary company is the same as that of the Company. |
| 6. Whether any material changes which have occurred between the end of the financial year or of the last of the financial years of the subsidiary and the end of the holding company's financial year.<br>i) The Subsidiary's Fixed Assets<br>ii) The Subsidiary's Investment<br>iii) The moneys lent by the Subsidiary<br>iv) The moneys borrowed by the Subsidiary for any purpose other than that of meeting current liabilities. | : | Not applicable since the financial year of the subsidiary company is the same as that of the company. |
| 7. The net aggregate of the profits / (losses) of the subsidiary Company so far as it concerns the members of Chalet Hotels Limited.   | : | Rs.434,656/-  |
| i) Dealt with in the accounts of Chalet Hotels Ltd. --<br>a) For the subsidiary Company's financial year ended 31/03/2005.<br>b) For the previous financial year of the Subsidiary Company since it became a Subsidiary of Chalet Hotels Ltd.  | : | Nil<br>Nil  |
| ii) Not Dealt with in the accounts of Chalet Hotels Ltd. amounted to:-<br>a) For the Subsidiary Company's financial year ended 31/03/2005.<br>b) For the previous financial year of the Subsidiary company since it became a Subsidiary of Chalet Hotels.Ltd.  | : | Rs. 434,656/-<br>Not Applicable.  |

  
Chandru L. Raheja  
Chairman

  
Neel C. Raheja  
Managing Director

2. Issue of Bonus Shares:

The Company had issued bonus shares in the year 1998-99 aggregating Rs.45 crores by capitalisation of revaluation reserve. Accordingly, the paid-up Equity Capital of the Company stands increased by Rs.45 crores and the revaluation reserve stands reduced by that amount. The issue of bonus shares out of revaluation reserves is contrary to the recommendations of the Institute of Chartered Accountants of India and the Circular issued by Department of Company Affairs in this regard. The Company has capitalised the revaluation reserve on the basis of professional opinion received in the matter.

3. As per the contract with the Hotel Operator, a Reserve known as Furniture, Fixtures and Equipments Renewal Reserve for repairs, replacements and renewal of assets is required to be created every month at a specified percentage of the turnover, by appropriation from the Profit & Loss Account. The Reserve so created is to be utilised for the purposes as stated in the Operating Agreement and is capable of being utilised in the same Financial Year. Accordingly, an aggregate amount of Rs.30,857,768/- (Previous Year Rs.25,474,015/-) has been appropriated to the Reserve during the Financial Year and an amount of Rs.22,597,366/- (Previous Year Rs. 18,869,069/-) has been utilised out of the said Reserves.
4. Estimated amount of contracts remaining to be executed on capital account (Net of advances): Rs.32,383,064/-(Previous Year Rs. 7,091,375/-).

5. Contingent Liabilities:

	Current Year (Rs.)	Previous Year (Rs.)
(a) Claims against the Company not acknowledged as debts	322,314	4,781,987
(b) Letters of Credit established by Bankers on behalf of the Company	Nil	2,814,797
(c) Guarantees issued by Bankers to Customs and Octroi authorities under EPCG Scheme and to State Excise for Liquor Licence, Indemnity issued by the Company to Mahanagar Gas, Compliance Bond.	87,285,256	96,391,770
(d) Customs Duty and Octroi liabilities under the EPCG Scheme	49,213,991	59,812,538

6. In the Financial Year 2001-2002, the Company had taken Foreign Currency Denominated Term Loan from Housing Development Finance Corporation Limited (converted from a Rupee Term Loan of Rs. 40 crores at the exchange rate prevailing on

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the date of conversion) to be repaid at a pre-determined exchange rate. The difference between the value of the currency on the date of conversion and the value payable at maturity is amortised over the period of the loan.

7. The loan from Indian Overseas Bank carries an option to convert any unpaid instalment of the loan into equity shares of the Company, at par. Since no instalment of the loans has been defaulted during the year under report, the question of the consequent conversion of the instalment into equity shares does not arise.
8. According to the information available with the Company regarding suppliers who constituted a "Small Scale Undertaking", and as certified by the Management, amounts due for more than thirty days were in respect of the following parties:
  - Arjundas & Associates
  - Bhavani Lights
  - Mekaul Industries
  - Ocean Enterprises
  - United Bakery
  - Prakash Avikem(I) Pvt.Ltd.
  - Gupta Soaps
9. Earnings in Foreign Exchange from sale of goods and services ( cash basis )

Current Year Rs.	Previous Year Rs.
398,559,602	327,477,894

10. As the Turnover of the Company includes sale of food and beverages, it is not possible to give quantity-wise details of the turnover and food & beverages consumed. In terms of the Department of Company Affairs' Order dated 17<sup>th</sup> June , 2003, an exemption has been granted to the Company from disclosure of quantitative details of Turnover and Consumption.

	Current Year Rs. -----	Previous Year Rs. -----
a) <u>Income from Rooms, Restaurant &amp; Other Services Includes</u>		
i) Income from sale of Wine, Beer & Spirit	60,174,792	35,236,100
ii) Income from Telephone & Telex	11,949,301	14,733,059
b) <u>Food and Beverages consumed (Excluding Wine and Liquor) and Tobacco.</u>		
i) Opening Stock	3,047,812	3,742,928
ii) Purchases	7,1152,001	60,820,305
iii) Less :Closing Stock	2,999,438	3,047,812
iv) Consumption	71,200,375	61,515,421

The above amount excludes cost of Food & Beverage amounting to Rs.20,328,613/- (Previous Year Rs.19,366,467/- ) debited to other operating expenses.

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c) Wine and Liquor.

i) Opening Stock	4,470,296	3,117,921
ii) Purchases	15,901,489	10,093,253
iii) Less: Closing Stock	6,938,733	4,470,296
iv) Consumption	13,433,052	8,740,878

11. Consumption of Raw Materials

( Food and Beverages , wines and liquor and tobacco )

	Current Year		Previous Year	
	Amount	%	Amount	%
Imported	Nil	0.00	369,500	0.53
Indigenous	84,633,427	100.00	69,886,799	99.47
Total	<u>84,633,427</u>	<u>100.00</u>	<u>70,256,299</u>	<u>100.00</u>

Note: Purchases of Food and Beverages, wine, liquor and tobacco from bonded warehouse on which customs duty is assessable are considered as Indigenous.

12. Value of Imports (CIF Value)

	Current Year Rs.	Previous Year Rs.
a) Capital Goods	18,360,654	9,854,618
b) Food	Nil	27,575
c) Components and spare parts	923,462	981,450

13. Schedule 'N' to the Profit and Loss Account includes an amount of Rs.206,500/- (Previous Year Rs. 117,000/-) pertaining to donations and, out of which Rs.14,000/- is paid to Shiv Sena Shakha ( Previous Year Rs.11,000/- ).

14. Expenditure in Foreign Currency includes:

	Current Year Rs.	Previous Year Rs.
a) Professional/Consultancy Fees & Technical Services	450,450	1,112,670
b) Travel costs and related expenses	1,318,367	858,310
c) Interest Paid	61,744,227	63,958,855
d) Other expenses (Includes Royalty Rs.15,761,212/- Previous Year Rs. 11,815,520/-)	69,375,211	49,516,491

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15. Managerial Remuneration:

Remuneration	Rs.1,800,000/-(Previous Year Rs.720,000/-)
Employer's Contribution to Provident Fund	Rs. 216,000/- (Previous Year Rs.86,400/-)

16. Salary Wages & Bonus includes an amount of Rs.15,856,999/- (Previous Year Rs. 15,124,880/-) & Leave Encashment includes an amount of Rs.547,980/- (Previous Year Rs. 613,792/-) reimbursed to staff on Deputation from the Hotel Operator as per the Agreement with them.

17. There are no Extraordinary items in the current year. In the Previous Year, Extraordinary Income was Rs.3,086,921/- comprising Rs.812,775/- which pertained to invoices of Marriott International Inc. towards pre-opening expenditure, which had been accounted in the previous year and amount written back amounting to Rs.3,899,696/- relating to full and final payment made to Marriott Inter Design & Construction Services Inc. during the previous year.

18. Net Gain/(Loss) on foreign exchange (Rs.23,007,639/-) (Previous Year 46,508,593) shown under non-operating income in the Profit & Loss Account, represents realised and unrealised gains on Foreign Currency Denominated Loans of the Company. Since these do not arise from day-to-day operations of the Company, they are reported under sub head "Non Operating Income"

19. Sundry Debtors includes Rs.Nil (Previous Year Rs.25,652/-) due from a Director.

20. Out of the premium payable on forward exchange contracts, an amount of Rs.20,018,060/- (Previous Year Rs. 20,072,904/-) is debited to the Profit and Loss Account during the year and an amount of Rs.31,754,676/- (Previous Year Rs.51,772,736/-) will be charged to the Profit and Loss Account in the subsequent years.

21. During the year, the Company has acquired development rights in respect of a piece of land at Mahim, Mumbai for construction of a residential building thereon. As on the Balance Sheet date, the Company has spent Rs.103,048,536/-(Including Rs.92,450,840/- towards Cost of Development Rights).In the books of accounts, the Company has debited the following natural account heads and thereafter at year end, the accumulated amount has been transferred to Work In Progress Account.

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Details are given hereunder :-

		Rs.
Cost of Materials		729,701
Contractual payments and other expenses		
Legal & Professional Charges	1,365,620	
Others	<u>65,385</u>	1,431,005
Operating and Administrative Expenses		
Rates , Taxes and Licence Fees	6,957,846	
Car Hire Charges	116,300	
Power and Fuel	16,430	
Staff Welfare	335	
Telephone , Postage & Telegram	611	
Travelling	636	
Others	<u>1,344,832</u>	8,436,990
		10,597,696
Cost of Development Right		<u>92,450,840</u>
Total Work in Progress		<u>103,048,536</u>

22. During the year , the Company has undertaken extension of the Renaissance Hotel project at Powai and a new Swimming Pool. As on the Balance Sheet date, the Company has spent Rs.30,416,173/-. In the books of accounts, the Company has debited the following natural account heads and thereafter at year end, the accumulated amount has been transferred to Capital Work In Progress Account.

Details are given hereunder :-

		Rs.
Cost of Materials		467,084
Contractual payments and other expenses		
Legal and Professional Charges	3,967,731	
Others	<u>7,020,744</u>	10,988,475
Operating and Administrative Expenses		
Rates , Taxes and Licence Fees	18,212,382	
Car Hire Charges	220,487	
Power and Fuel	85,140	
Staff Welfare	2,499	
Travelling	79,621	
Others	<u>360,485</u>	18,960,614
Total Capital Work In Progress		<u>30,416,173</u>

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23. The Company is in the hospitality industry and as such , there are no separate reportable segments as per Accounting Standard on “Segment Reporting” (AS-17) issued by the Institute of Chartered Accountants of India.

#### 24. Related Party Disclosures

- i) As per Accounting Standard on “Related Party Disclosures” (AS-18) , issued by the Institute of Chartered Accountants of India , the related parties of the Company are as follows:
- a) Individuals owning , directly or indirectly an interest in the voting power that gives them control or significant influence, and their relatives  
Mr. Chandru L. Raheja  
Mrs. Jyoti C. Raheja  
Mr. Ravi C. Raheja  
Mr. Neel C. Raheja
  - b) Key management personnel :  
Mr. Neel C. Raheja – Managing Director
  - c) Relatives of key management personnel :  
Mr. C. L. Raheja  
Mr. Ravi Raheja  
Mrs. Jyoti Raheja  
Mrs. Jaya Raheja  
Ms. Rhea Raheja
  - d) Enterprises over which any person described in (a),(b) or (c) exercises significant influence and with which the Company had transactions during the year.  
  
K. Raheja Corporation Private Limited  
Shoppers Stop Limited  
Juhu Beach Resorts Limited  
K.Raheja IT Park (Hyderabad) Private Limited  
Inorbit Malls (India) Private Limited  
Ivory Properties & Hotels Private Limited
  - e) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise including holding companies, subsidiaries and fellow subsidiaries.

Grandwell Properties and Leasing Private Limited ( a subsidiary )

**GRANDWELL PROPERTIES & LEASING  
PVT.LTD.,**

**BALANCE SHEET AS ON 31<sup>ST</sup> MARCH,2005.**

## **DIRECTORS' REPORT**

To,  
The Members,

We have pleasure in submitting our First Annual Report together with the audited statements of account for the period ended 31<sup>st</sup> March, 2005.

### **FINANCIAL RESULTS:**

The period under report has resulted in a net loss of Rs.4,34,656/-, which is mainly due to statutory expenses and security charges.

### **INCORPORATION AND CAPITAL:**

The Company was incorporated on 12<sup>th</sup> May, 2004 with an Authorised Capital of Rs.500,000/- divided into 50,000 Equity Shares of Rs. 10/- each. The entire ~~pending~~<sup>paid-up</sup> share capital of Rs.100,000/- is held by Chalet Hotels Limited and thus the Company is a wholly owned subsidiary of Chalet Hotels Limited.

### **ACTIVITIES:**

The Company was incorporated with the main object of carrying on the business of builders, real estate developers, development of land, leasing and renting of inter alia lands, buildings. Towards that purpose, the Company has acquired two plots of land adjacent to the hotel owned by Chalet Hotels Ltd. at Powai.

### **DEPOSITS:**

The Company has not accepted any deposits from the public.

### **DIRECTORATE:**

Mr. Ravi C. Raheja and Mr. Neel C. Raheja are the First Directors of the Company. Neither of them are liable to retire as per the provisions of the Articles of Association of the Company.

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

In terms of Section 217(2AA) read with Section 292A of the Companies Act 1956, we, Directors of the Company, state in respect of the period from the date of incorporation of the Company upto 31<sup>st</sup> March 2005 that:

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures, wherever applicable;

(ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the loss of the Company for that period;

(iii) The Directors have taken proper and sufficient care 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 Directors have prepared the annual accounts on a going concern basis.

**AUDITORS:**

You are requested to appoint the auditors for the current year and to determine their remuneration. M/s. G. M. Kapadia & Co., Chartered Accountants were appointed as the first auditors of the Company by the Board of Directors and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

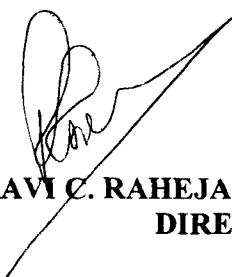
**PARTICULARS OF EMPLOYEES:**

During the period under review, the Company had no employees.

**PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EARNINGS AND OUTGO:**

There were no foreign exchange earnings or expenditure during the period under review. Since, your Company does not own any manufacturing facility, the other particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

On behalf of the Board of Directors

  
(RAVI C. RAHEJA) (NEEL C. RAHEJA)  
DIRECTORS

PLACE: MUMBAI

DATE : 16 JUN 2005



# G. M. KAPADIA & CO.

(REGISTERED)

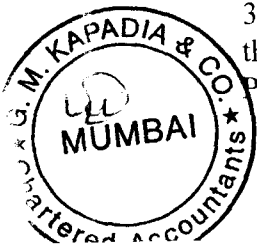
CHARTERED ACCOUNTANTS

TAMARIND HOUSE, 36-B, TAMARIND LANE, MUMBAI 400 001, INDIA

PHONES : (91-22) 2265 3996, 2265 5362 FAX : (91-22) 2265 5472

## AUDITOR'S REPORT TO THE MEMBERS OF GRANDWELL PROPERTIES AND LEASING PRIVATE LIMITED

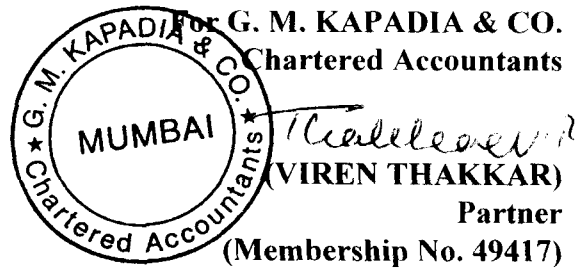
1. We have audited the attached Balance Sheet of **GRANDWELL PROPERTIES AND LEASING PRIVATE LIMITED** as at 31st March, 2005, the Profit and Loss Account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 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 preparation. We believe that our audit provides a reasonable basis for our opinion.
3. This report does not include a statement on the matters specified in Paragraph 4 of the Companies (Auditor's Report) Order, 2003, issued by the Department of Company Affairs, in terms of section 227(4A) of the Companies Act, 1956, since in our opinion and according to the information and explanation given to us, the said Order is not applicable to the Company.
4. 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 & 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 & 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 31<sup>st</sup> March, 2005 and taken on record by the Board of Directors, we report that none of the directors of the Company, i.e. GRANDWELL PROPERTIES PRIVATE LIMITED as on 31<sup>st</sup> March, 2005 is disqualified



for appointment as a director in the aforementioned Company 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 read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and also 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 2005, and
  - b. In the case of the Profit & Loss Account, of the losses of the Company for the period ended on that date.
  - c. In the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

Mumbai  
Dated: 16 JUN 2005



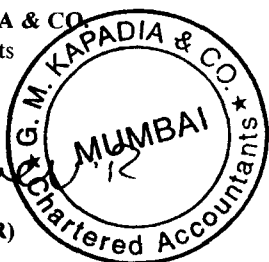
**GRANDWELL PROPERTIES & LEASING PRIVATE LIMITED**

**BALANCE SHEET AS ON 31ST MARCH, 2005**

Particulars	Schedule		As at 31st March, 2005 Rupees
<b>SOURCES OF FUNDS:</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	A	100,000	
(b) Reserves & Surplus		-	100,000
<b>2. LOAN FUNDS</b>			
(a) Secured Loans		-	
(b) Unsecured Loans	B	82,800,000	82,800,000
<b>TOTAL</b>			<b>82,900,000</b>
<b>APPLICATION OF FUNDS:</b>			
<b>1. FIXED ASSETS</b>			
Gross Block		-	
Less: Depreciation		-	
Net Block		-	
Capital Work in Progress	C	84,518,340	84,518,340
<b>2. INVESTMENTS</b>			
			-
<b>3. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
(a) Cash & Bank Balances	D	12,635	
(b) Loans & advances	E	76,250	
		88,885	
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>			
(a) Current liabilities	F	2,141,881	
(b) Provisions		-	
		2,141,881	
<b>NET CURRENT ASSETS</b>			(2,052,996)
<b>4.(A) MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)			
Preliminary Expenses			-
<b>(B) Profit &amp; Loss Account</b>			434,656
<b>TOTAL</b>			<b>82,900,000</b>
Significant Accounting Policies And Notes to Accounts	G		

As Per Our Report Of Even Date  
For G. M. KAPADIA & CO.  
Chartered Accountants

*Viren Thakkar*  
(VIREN THAKKAR)  
Partner



For & On Behalf Of The Board

*Ravi C. Raheja*  
(RAVI C. RAHEJA)

*Neel C. Raheja*  
(NEEL C. RAHEJA)  
Directors

MUMBAI  
DATED: 16 JUN 2005

MUMBAI  
DATED: 16 JUN 2005

**GRANDWELL PROPERTIES & LEASING PRIVATE LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDING 31ST MARCH, 2005**

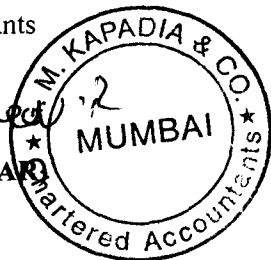
Particulars	Schedule	From 12th May,2004 to 31st March,2005
<b><u>INCOME</u></b>		-
<b>TOTAL</b>		-
<b><u>EXPENDITURE:</u></b>		
Bank Charges		5,933
Legal Fees		325
Miscellaneous expenses		155
Profession Tax		1,700
Printing & Stationery		1,679
Security Expenses		295,588
Property Tax		106,290
Statutory Audit Fees		3,306
Stamping Charges		430
Preliminary Expenses written off		19,250
<b>TOTAL</b>		<b>434,656</b>
Net Loss		<b>434,656</b>
<b>Balance carried forward to Balance Sheet</b>		<b>434,656</b>
<b>Earning Per Share (Basic &amp; Diluted)</b>		<b>(43.47)</b>
<b>Significant Accounting Policies And Notes to Accounts</b>	<b>G</b>	

As Per Our Report Of Even Date  
For G. M. KAPADIA & CO.  
Chartered Accountants

*Viren Thakkar*  
(VIREN THAKKAR)  
Partner

MUMBAI

Dated: 16 JUN 2005



For & on Behalf of the Board

*Ravi C. Raheja*  
(RAVI C. RAHEJA)

*Neel C. Raheja*  
(NEEL C. RAHEJA)  
Directors

MUMBAI

Dated: 16 JUN 2005

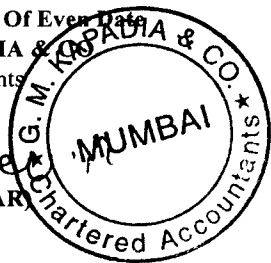
**GRANDWELL PROPERTIES & LEASING PRIVATE LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2005**

Sr No.	Particulars		Year Ended 31st March, 2005 Rs.
<b>A</b>	<b>Cash Flow From Operating Activities</b>		
	Net Loss as per Profit & Loss Account	434,656	
	<u>Less: Adjustments for non cash / non operating Expenditure:</u>		
	Preliminary Expenses	19,250	
	Operating Profit / ( Loss ) before Working Capital Changes		415,406
	Add / (Less): Changes in Working Capital Assets & Liabilities		
	Increase in Loans and Advances	76,250	
	Increase in Trade Payables and Other Liabilities	(2,141,881)	
	Net Cash Utilised for Operating Activities		(2,065,631)
			(1,650,225)
<b>B</b>	<b>Cash Flow From Investing Activities</b>		
	Additions to Capital Work in Progress		84,518,340
	Net Cash Used in Investing Activities		84,518,340
<b>C</b>	<b>Cash Flow From Financing Activities</b>		
	Share Capital	(100,000)	
	Preliminary Expenses	19,250	
	Loans Taken	(225,950,000)	
	Loans Repaid	143,150,000	
	Net Cash realised from Financial Activities		(82,880,750)
	<b>Cash &amp; Cash equivalents as on 31st March,2005</b>		<b>12,635</b>

As Per Our Report Of Even Date  
For G. M. KAPADIA & CO.  
Chartered Accountants

*Viren Thakkar*  
(VIREN THAKKAR)  
Partner



MUMBAI  
Dated: 16 JUN 2005

For & on Behalf of the Board

*Ravi C. Raheja*  
(RAVI C. RAHEJA)

*Neel C. Raheja*  
(NEEL C. RAHEJA)  
Directors

MUMBAI  
Dated: 16 JUN 2005

**GRANDWELL PROPERTIES & LEASING PRIVATE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF ACCOUNTS**  
**AS ON 31ST MARCH, 2005**

Particulars	As at 31st March, 2005 Rupees
<b><u>SCHEDULE 'A'</u></b>	
<b><u>SHARE CAPITAL :</u></b>	
<b><u>Authorised Share Capital:</u></b>	
50,000 Equity shares of Rs.10 each	500,000
	<b>500,000</b>
<b><u>Issued, Subscribed &amp; Paid-up:</u></b>	
10,000 Equity shares of Rs.10 each fully paid ( All the shares are held by the holding company Chalet Hotels Limited )	100,000
<b>TOTAL</b>	<b>100,000</b>
<b><u>SCHEDULE 'B'</u></b>	
<b><u>UNSECURED LOANS:</u></b>	
<b><u>From Holding Company</u></b>	
Chalet Hotels Limited	82,800,000
<b>TOTAL</b>	<b>82,800,000</b>
<b><u>SCHEDULE 'C'</u></b>	
<b><u>CAPITAL WORK IN PROGRESS</u></b>	
Payments under Development Rights	77,000,000
Stamp Duty & Registration Charges	1,213,350
Professional & Consultation Fees	686,794
Interest	849,355
<b><u>MATERIAL</u></b>	
Cement	139,500
Steel	649,570
Building Material	162,545
Bricks	275,543
Hardware	20,494
Precast R.C.C.Items	3,593
<b><u>CONTRACTUAL &amp; OTHER WORK</u></b>	
Miscellaneous Labour	167,269
Garden work	669,018
Compound Wall & Fencing	135,205
Concrete,Designing,Mixing & Pumping work	218,300
Miscellaneous work	144,067
Contractual Work.	1,184,554



**GRANDWELL PROPERTIES & LEASING PRIVATE LIMITED**

**SCHEDULE ANNEXED TO AND FORMING PART OF ACCOUNTS**  
**AS ON 31ST MARCH, 2005**

Particulars	As at 31st March, 2005 Rupees
Technical Professional Fees	181,279
Hire Charges	26,480
Transport Charges	22,574
BMC Charges	768,850
<b>TOTAL</b>	<b>84,518,340</b>
<b><u>SCHEDULE 'D'</u></b>	
<b><u>CASH &amp; BANK BALANCES:</u></b>	
Cash on Hand	160
<b><u>Balances in current Account with Scheduled Bank</u></b>	
Indian Overseas Bank - Bandra	12,475
<b>TOTAL</b>	<b>12,635</b>
<b><u>SCHEDULE 'E'</u></b>	
<b><u>Loans &amp; Advances.</u></b>	
(Advance Recoverable in cash or kind or for value to be received )	
Deposit with Municipal Authority	76,250
<b>TOTAL</b>	<b>76,250</b>
<b><u>SCHEDULE 'F'</u></b>	
<b><u>CURRENT LIABLITIES:</u></b>	
Retention Money Payable	63,678
TDS Payables	25,386
Sundry Creditors for Expenses	604,652
Sundry Creditors for Supplies	427,397
<b><u>Balance Due To</u></b>	
Chalet Hotels Ltd.	966,704
K.Raheja Corp Pvt.Ltd.	54,064
<b>TOTAL</b>	<b>2,141,881</b>

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**GRANDWELL PROPERTIES AND LEASING PRIVATE LIMITED**

**NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE PERIOD ENDED ON MARCH 31, 2005.**

**Schedule - G**

**1. Significant Accounting Policies:**

**(a) System of Accounting:**

The financial statements are prepared on the basis of historical cost and in accordance with the Generally Accepted Accounting Principles and comply with the Accounting Standards specified under section 211(3C) of the Companies Act, 1956. The Company follows the accrual system of accounting.

**(b) Fixed Assets:**

Fixed Assets are stated at cost of acquisition/construction. Cost includes all amounts incurred during project implementation for bringing the assets to their condition and location and the allocated share of pre-operative expenses and borrowing costs during construction. Specific design know-how and professional fees are added to the cost of the respective assets.

**(c) Borrowing costs:**

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are treated as direct cost and capitalized as part of the cost of such asset. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

**(d) Contingent Liabilities:**

There are no contingent liabilities.

**(e) Taxes on Income :**

There are no Deferred Tax Assets or liabilities as at the close of the period under report. However as a matter of policy, deferred Tax Asset and Liabilities are to be recognized for the future tax consequences of timing differences between the accounting income and taxable income for the year and measured using enacted tax rates expected to apply to taxable income in the years in which the timing differences are expected to be reversed or settled. Deferred Tax Assets arising on account of carried forward losses are to be recognized and carried forward to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such Deferred Tax Asset can be realized. In other cases, Deferred Tax Assets are to be recognized and carried forward based on reasonable certainty of future taxable income.

**2. Notes to Accounts:**

- (a)** The Company was incorporated on May 12, 2004. Hence, the figures shown are from May 12, 2004 to March 31, 2005. This being the first accounting period, the figures relating to Previous year are not applicable.





- (b) In the opinion of the management, all current assets have a realisable value in the ordinary course of business not less than the amount at which they are stated in the Balance Sheet and provision for all known liabilities and doubtful assets have been made.
- (c) The amount of Borrowing costs capitalized to the respective qualifying assets is Rs.8,49,355/-
- (d) Capital Commitments: Estimated amount of contracts remaining to be executed on capital account for the period is Rs.39,225,055/-
- (e) Claims against the Company not acknowledged as liability is Rs. Nil.
- (f) Additional information under part II of Schedule VI to the Companies Act, 1956 have been given to the extent applicable to the Company for the period.

Sr. No.		From May 12, 2004 to March 31, 2005.
a)	CIF Value of Import	NIL
b)	Expenditure in Foreign Currency	NIL
c)	Earning in Foreign Exchange	NIL
d)	Outstanding dues to Small Scale Industrial Undertaking.	NIL

- (g) Earnings Per Share (EPS) computed in accordance with Accounting Standards – 20 “Earning Per Share”

	From May 12, 2004 to March 31, 2005.
Profit/(Loss) after Tax as per Profit & Loss Account	(4,34,656)
Weighted average numbers of Equity Shares outstanding	10,000.00
Basic & Diluted EPS (Rupees) of face value of Rs. 10 each	(43.47)

*Ud*

- (h) For the financial year, the Company has a taxable loss and accordingly, no provision for current tax is required. As a matter of prudence, the Company has not recognized deferred tax asset on such losses.

**SIGNATURES TO SCHEDULES 'A' TO 'G'**

**As per Our Report of Even Date**  
**G. M. KAPADIA & CO.**  
Chartered Accountants



*Viren Thakkar*  
**(VIREN THAKKAR)**  
Partner

**Mumbai**  
Dated: 16 JUN 2005

**For and on behalf of the Board**

*Ravi C. Raheja*  
**(RAVI C. RAHEJA)**  
Director

*Neel C. Raheja*  
**(NEEL C. RAHEJA)**  
Director

**Mumbai**  
Dated: 16 JUN 2005

## GRANDWELL PROPERTIES AND LEASING PRIVATE LIMITED.

Information pursuant to Part IV of the schedule VI of the Companies Act 1956. Balance Sheet abstract and company's general business profile:

### **I Registration Details**

Registration No:	U 70101 MH 2004 PTC 146226
State Code	11
Balance Sheet Date	31-03-2005

*(Rupees in '000)*

### **II Capital Raised during the Period**

a) Public Issue	Nil
b) Rights Issue	Nil
c) Bonus Issue	Nil
d) Private Placement	100

### **III Position of Mobilisation and Development of Funds**

a) Total Liabilities	85042
b) Total Assets	85042

#### **Sources of Funds**

a) Paid-Up-Capital	100
b) Reserves and Surplus	Nil
c) Secured Loans	Nil
d) Unsecured Loans	82800

#### **Application of Funds**

a) Net Fixed Assets	84518
b) Investments	Nil
c) Net Current assets	(2053)
d) Misc. Expenditure	Nil
e) Accumulated Losses	435

### **IV Performance of the Company**

a) Turnover	Nil
b) Total expenditure	435
c) Profit/(Loss) Before Tax	(435)
d) Profit/(Loss) After Tax	(435)
e) Basic & Diluted Earnings Per Share in Rs.	(43.47)
f) Dividend rate %	Nil

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


Item Code No. (ITC Code)

Not Applicable

Product Description

Not Applicable

**For and on behalf of the Board**

  
**(NEEL C. RAHEJA)**  
**Director**

  
**(RAVI C. RAHEJA)**  
**Director**

**Mumbai**

**Dated: 16 JUN 2005**