

Directors' Report

To,
 The Members of
 Lavasa Hotel Limited

1. Report

Your Directors are pleased to present the 3rd Annual Report together with the Audited Accounts for the financial year ended March 31, 2010.

2. Financial Information

| | (Rs. In Lacs) | |
|--|------------------------------|------------------------------|
| | Year Ended March 31, 2010 | Year Ended March 31, 2009 |
| Income from operations | 915.45 | 64.58 |
| Other Income | 0.03 | 0.47 |
| Profit/(Loss) before Depreciation & Tax | (173.56) | (48.99) |
| Depreciation | 153.10 | 22.61 |
| Profit / (Loss) for the year | (326.66) | (71.60) |
| Provision for Taxation | 0.00 | 0.20 |
| Profit / (Loss) after Taxation | (326.66) | (71.80) |
| Add: Balance of Profit / (Loss) brought forward from last year | (73.87) | (2.07) |
| Balance of Profit / (Loss) carried forward to next year. | (466.27) | (73.87) |

3. Dividend

Your directors do not recommend any dividend on equity shares for the financial year ended March 31, 2010.

4. Operations and Future outlook

Lavasa Hotel Limited has set up Fortune Select Dasve. Fortune Select Dasve commenced its operations at Lavasa in March 2009. The 60 room, 4 star hotel on the Warasgaon lakefront has been set up in partnership with Fortune Park Hotels Ltd., a subsidiary of ITC Limited. This elegant property has been created with a carefully crafted blend of contemporary style and aesthetics. A wide range of dining facilities is available within the hotel including

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Zodiac, offering global cuisine as well as a speciality restaurant, Earthen Oven. State-of-the-art banquet facilities are available for exclusive events. There is also a swimming pool and indoor play facilities for children.

Fortune Select Dasve was inaugurated by the Honourable Home Minister of Maharashtra, Mr. Jayant Patil.

5. Capital Structure

Your Company was incorporated with paid up capital of Rs.5,00,000/- consisting 50,000 fully paid equity shares of Rs.10/- each. During the period under review, your company has not issued any further shares.

6. Holding Company

Lavasa Corporation Limited owns the entire paid-up equity share capital of your Company aggregating to Rs.5,00,000/- and therefore is your Company's holding company.

7. Directors

Mr. Vithal P. Kulkarni, the Director of the Company retires at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

8. Particulars of Employees and other additional information

Your Company has no employees requiring disclosure under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

9. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The information as required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report on the Board of Directors) Rules, 1988 is not applicable to your Company.

During the period under review, there was no expenditure or income in foreign currency.

10. Directors' Responsibility Statement

The Board of Directors of your Company confirms that:

- a) in the preparation of your Accounts, the applicable accounting standards have been followed and there has been no material departure;

- b) the selected accounting policies were applied consistently and the Directors 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 March 31, 2010 and of the loss of the Company for the period ended on that date;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Annual Accounts have been prepared on a going concern basis.

11. Auditors

The Auditors of your Company, M/s K.S. Aiyar & Co., Chartered Accountants, Mumbai, hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have furnished a certificate to the effect that the proposed re-appointment, if made, will be in accordance with the limits specified under Section 224(1-B) of the Companies Act, 1956.

12. Auditors' Report

The Auditors' Report to the shareholders does not contain any qualifications.

13. Acknowledgements

Your Directors place on record their appreciation for the co-operation and assistance received from the bankers, Central and State Government authorities and members during the period under review.

For and on behalf of the Board of Directors

Sd/-

Rajgopal Nogja
Chairman

Place : Mumbai

Date : April 19, 2010.

Registered Office :

Hincon House,
Lal Bahadur Shastri Marg,
Vikhroli (West),
Mumbai-400 083

Auditors' Report

**To the Members of
Lavasa Hotel Limited**

Report on the Accounts for the year ended March 31, 2010 in compliance with Section 227(2) of the Companies Act, 1956.

1. We have audited the attached Balance Sheet of **LAVASA HOTEL LIMITED**, as at March 31, 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 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. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;
 - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) on the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on March 31, 2010 from being appointed as a director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For K. S. Aiyar & Co,
Chartered Accountants
Registration No: 100186W

Sd/-


Place: Mumbai
Date: April 19, 2010

Raghuvir M. Aiyar
Partner
Membership No.: 38128



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our Report of even date on the Accounts for the year ended on March 31, 2010, of Lavasa Hotel Limited)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets
 - (b) A substantial portion of the fixed assets have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) No fixed assets are disposed off during the year. Accordingly there is no effect on the going concern status of the Company.
 - (ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are 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 is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
 - (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (b), (c) and (d) are not applicable.
 - (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clause (f) and (g) are not applicable.
 - (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
 - (v) (a) Based upon the audit procedures performed and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of section 301 of the Companies Act, 1956.
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Accordingly, sub-clause (b) is not applicable.

- (vi) The Company has not accepted any deposits from the public to which the provisions of section 58A, 58AA, or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules 1975 apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have been informed that the Company is not required to maintain cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, which has been relied upon.
- (ix) (a) According to the records of the Company, 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 statutory dues applicable to it have been generally regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, there are no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty and Cess which have not been deposited on account of any dispute.
 - (x) The Company has been registered for a period of less than five years hence clause (4) (x) of Companies (Auditor's Report) Order, 2003 is not applicable.
 - (xi) According to the information and explanations given to us, the Company has not taken any money from any financial institution, bank or debenture holder, and hence clause 4(xi) is not applicable to the Company.
 - (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 - (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
- [REDACTED]**

LAVASA HOTEL LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. in Lakhs)

| Particulars | SCH. | 31 st March 2010 | 31st March 2009 |
|--|------|---------------------|--------------------|
| SOURCES OF FUNDS | | | |
| Share Capital | A | 5.00 | 5.00 |
| Total Shareholders' Funds | | 5.00 | 5.00 |
| Loan Funds | | | |
| (a) Unsecured Loans | B | 1,463.72 | 613.69 |
| Total Loans | | 1,463.72 | 613.69 |
| TOTAL | | 1,468.72 | 618.69 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | C | | |
| (a) Gross Block | | 917.83 | 374.12 |
| (b) Less : Depreciation/ Amortisation | | 175.71 | 22.61 |
| (c) Net Block | | 742.12 | 351.51 |
| (d) Capital work In Progress | | - | 83.46 |
| Current Assets, Loans & Advances | | | |
| A) Current Assets | D | | |
| (a) Inventories | | 21.34 | 4.41 |
| (b) Sundry Debtors | | 146.34 | 27.34 |
| (c) Cash and Bank Balances | | 69.39 | 21.88 |
| | | 237.06 | 53.63 |
| B) Loans and Advances | E | 116.25 | 108.65 |
| Total Current Assets, Loans and Advances | | 353.32 | 162.28 |
| Less: Current Liabilities & Provisions | F | | |
| (a) Current Liabilities | | 89.02 | 52.01 |
| (b) Provisions | | 3.95 | 0.42 |
| | | 92.97 | 52.43 |
| Net Current Assets | | 260.34 | 109.85 |
| Profit & Loss Account | | 466.26 | 73.87 |
| TOTAL | | 1,468.72 | 618.69 |

The Annexed Notes (Schedule 'N') form an integral part of the accounts.

As per our Report of even date

For and on behalf of Board of Directors

For K. S. Aiyar & Co.
Chartered Accountants
Registration No. 100186W

Sd/-

Raghuvir M Aiyar
Partner
Membership No.38128

Sd/-

Praveen Sood
Director

Sd/-

Rajgopal Nogja
Director

Sd/-

Vithal Kulkarni
Director

Place : Mumbai
Date : 19th April 2010

Place : Mumbai
Date : 19th April 2010

LAVASA HOTEL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2010

(Rs. in Lakhs)

| Particulars | SCH. | 31 st March 2010 | 31st March 2009 |
|---|------|---------------------|--------------------|
| INCOME | | | |
| Income from Room, Food & Beverages, and Others | G | 915.45 | 64.58 |
| Interest on Fixed deposit | | 0.03 | 0.47 |
| TOTAL | | 915.48 | 65.05 |
| EXPENDITURE | | | |
| Materials Consumed | H | 117.92 | 18.15 |
| Operating Expenses | I | 459.42 | 4.76 |
| Staff Cost | J | 170.40 | 25.82 |
| Administrative Expenses | K | 97.66 | 46.36 |
| Licence Fees | L | 84.15 | 4.83 |
| Finance Charges | M | 159.48 | 14.12 |
| Depreciation/Amortization | | 153.10 | 22.61 |
| | | 1,242.14 | 136.65 |
| Profit/(Loss) before Tax | | (326.66) | (71.60) |
| Less: Provision for tax: | | - | - |
| Profit/(Loss) for the year | | (326.66) | (71.80) |
| Less : Prior Period Expenses | | 65.74 | - |
| PROFIT / (LOSS) AFTER TAX | | (392.41) | (71.80) |
| Add: Balance brought forward from last year | | (73.87) | (2.07) |
| Balance carried to Balance Sheet | | (466.27) | (73.87) |
| Basic & diluted earning per share (Rs.) + / (-) | | (784.81) | (147.72) |

The annexed Notes (Schedule 'N') form an integral part of the accounts.

As per our Report of even date

For K. S. Aiyar & Co.
Chartered Accountants
Registration No. 100186W

Sd/-
Raghuvir M Aiyar
Partner
Membership No.38128

Place : Mumbai
Date : 19th April 2010

For and on behalf of Board of Directors

Sd/-
Praveen Sood
Director

Sd/-
Rajgopal Nogja
Director

Sd/-
Vithal Kulkarni
Director

Place : Mumbai
Date : 19th April 2010

Schedules forming part of Balance Sheet

SCHEDULE 'A' :

(Rs. in Lakhs)

| SHARE CAPITAL | 31 st March 2010 | 31st March 2009 |
|--|---------------------|--------------------|
| AUTHORISED | | |
| 10,00,000 Equity Shares of Rs. 10/- each | 100.00 | 100.00 |
| | <u>100.00</u> | <u>100.00</u> |
| ISSUED, SUBSCRIBED AND PAID UP | | |
| Equity Share Capital | | |
| 50,000 (Previous Year 50,000) Equity Shares of Rs.10/- each fully paid up (All shares are held by Lavasa Corporation Limited and its nominees) | 5.00 | 5.00 |
| Total | <u>5.00</u> | <u>5.00</u> |

SCHEDULE 'B' :

(Rs. in Lakhs)

| UNSECURED LOANS | 31 st March 2009 | 31st March 2009 |
|--|---------------------|--------------------|
| Inter Corporate Deposit from Holding Company | 1,463.72 | 613.69 |
| Total | <u>1,463.72</u> | <u>613.69</u> |

SCHEDULE 'D' :

(Rs. in Lakhs)

| Current Assets | 31 st March 2010 | 31st March 2009 |
|--|---------------------|--------------------|
| Inventories | | |
| Closing Stock | | |
| Foods & Beverages | 16.13 | 4.41 |
| General Stores | 5.21 | - |
| Total | 21.34 | 4.41 |
| Sundry Debtors | | |
| Unsecured, Considered Good : | | |
| (a) Outstanding over Six Months | 7.73 | - |
| (b) Other | 138.61 | 27.34 |
| Total | 146.34 | 27.34 |
| (a) Cash and Bank Balance | | |
| Cash in hand | 0.79 | 1.81 |
| Bank Balances | | |
| With Scheduled Banks in Current Accounts | 68.60 | 20.08 |
| Total | 69.39 | 21.89 |
| SCHEDULE 'E' : | | |
| Loans & Advances | | |
| (Unsecured, Considered Good, unless otherwise stated) | | |
| Advances recoverable in cash or kind or for value to be received | | |
| Advances to Suppliers | 76.58 | 70.19 |
| Advance Payments of Taxes | 4.53 | - |
| Deposits | 7.19 | 5.00 |
| Other amounts recoverable | 27.95 | 33.46 |
| Total | 116.25 | 108.65 |
| SCHEDULE "F" | | |
| CURRENT LIABILITIES & PROVISIONS | | |
| Current Liabilities | | |
| Sundry Creditors | | |
| (i) Micro, small and medium Enterprises (Refer Note no 11 of sch) | - | - |
| (ii) Others | 89.02 | 52.01 |
| Total | 89.02 | 52.01 |
| Provisions | | |
| Leave Encashment | 2.11 | 0.43 |
| Gratuity | 1.85 | - |
| Total | 3.95 | 0.43 |

Schedules forming part of Balance Sheet

(Rs. in Lakhs)

| | 31 st March 2010 | 31st March 2009 |
|--|---------------------|--------------------|
| SCHEDULE 'G' : | | |
| Income From Operations | | |
| Income from Room, Food & Beverages, and Others | | |
| Room Revenue | 492.89 | 38.43 |
| Food & Beverages | 408.99 | 26.15 |
| Other income | 13.58 | 0.47 |
| | <u>915.45</u> | <u>65.05</u> |
| SCHEDULE 'H' : | | |
| Materials Consumed | | |
| Food and Beverages | | |
| Opening stock | 3.03 | - |
| Add : Purchases | 131.02 | 21.18 |
| Less : Closing stock | 16.13 | 3.03 |
| | <u>117.92</u> | <u>18.15</u> |
| SCHEDULE 'I' : | | |
| Operating Expenses | | |
| Power & Fuel Expenses | 289.49 | 0.95 |
| Repair others | 27.28 | 2.59 |
| Guest Entertainment Expense | 7.37 | - |
| Linen & Room Supplies | 14.67 | 0.01 |
| Other Expenses | 104.21 | - |
| Laundry Charges | 16.39 | 1.21 |
| | <u>459.42</u> | <u>4.76</u> |
| SCHEDULE 'J' : | | |
| Employee's Remuneration And Benefits | | |
| Salary, Wages, Bonus and Gratuity | 129.19 | 19.15 |
| Contribution / Provisions to and for provident and other funds | 5.39 | 0.76 |
| Security Services | 14.51 | 5.91 |
| Staff Welfare | 21.31 | - |
| | <u>170.40</u> | <u>25.82</u> |
| SCHEDULE 'K' : | | |
| Administrative Expenses | | |
| Printing & Stationery | 10.40 | 1.51 |
| Selling & Marketing Expenses | 23.68 | 9.45 |
| Travelling & Conveyance | 9.03 | 1.74 |
| Insurance Charges | 12.41 | 5.53 |
| Professional Charges | 18.10 | 16.05 |
| Rent Rates & Taxes | 13.06 | 3.53 |
| Auditors Remuneration | 0.70 | 0.56 |
| Fees & Subscription | 1.20 | - |
| Telephone Chgs | 3.96 | 1.20 |
| Bank commission & Other Charges | 0.61 | 0.08 |
| Postage & Courier | 0.43 | 0.01 |
| Internet Expenses | 4.09 | 1.96 |
| Office & General Expenses | - | 4.74 |
| | <u>97.66</u> | <u>46.36</u> |

| SCHEDULE 'J' : | | (Rs. in Lakhs) | |
|-------------------------------------|---------------------|--------------------|--|
| | 31 st March 2010 | 31st March 2009 | |
| SCHEDULE 'L' : | | | |
| <u>Licence Fees</u> | | | |
| Management & Franchisees fees | 84.15 | 4.83 | |
| | - | - | |
| | <u>84.15</u> | <u>4.83</u> | |
| SCHEDULE 'M' : | | | |
| <u>Finance Charges</u> | | | |
| Interest On Inter Corporate Deposit | 159.48 | 14.12 | |
| | <u>159.48</u> | <u>14.12</u> | |

LAVASA HOTEL LIMITED

Cash Flow Statement for the year ended 31st March 2010

(Rs. in Lakhs)

| Particulars | 31 st March 2010 | 31st March 2009 |
|---|------------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| - Net profit / (loss) before tax and Exceptional items | (392.40) | (71.79) |
| Adjustment for : | | |
| - Depreciation | 153.10 | 22.61 |
| Operating Cash Flow before working Capital changes | (239.29) | (49.18) |
| - (Increase) / Decrease in Inventories | (16.93) | |
| - (Increase) / Decrease in Sundry Debtors | (119.00) | (31.76) |
| - (Increase) / Decrease in Loans and Advances | (7.60) | (108.65) |
| - Increase / (Decrease) in Current Liabilities and Provisions | 40.54 | 52.16 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | (342.28) | (137.43) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| - (Purchase)/ Sale of fixed assets | (460.25) | (457.58) |
| NET CASH FROM INVESTING ACTIVITIES | (460.25) | (457.58) |
| B. CASH FLOW FROM FINANCING ACTIVITIES | | |
| - Proceeds from / (Repayment of) short term Borrowings | 850.03 | 611.85 |
| NET CASH FROM FINANCING ACTIVITIES | 850.03 | 611.85 |
| Net increase / (decrease) in Cash and Cash Equivalents | 47.50 | 16.84 |
| Cash and Cash Equivalents | | |
| Cash and Cash Equivalents at Beginning of period | 21.89 | 5.05 |
| Cash and Cash Equivalents at end of period | 69.39 | 21.89 |

As per our Report of even date

For and on behalf of Board of Directors

For K. S. Aiyar & Co.
Chartered Accountants
Registration No. 100186W

Sd/-

Raghuvir M Aiyar
Partner
Membership No.38128

Sd/-

Praveen Sood
Director

Sd/-

Rajgopal Nogja
Director

Sd/-

Vithal Kulkarni
Director

Place : Mumbai
Date : 19th April 2010

SCHEDULE :

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS AS AT 31st March 2010.

- 1 The Company maintains its accounts on accrual basis following historical cost convention, in compliance with Accounting Standards issued by the Institute of Chartered Accountants of India, relevant provisions of the Companies Act, 1956 and the Rules. Management makes estimates and technical & other assumptions regarding the amount of income and expenses, assets & liabilities, and disclosure of contingencies, in accordance with Generally Accepted Accounting Principles in India in the preparation of the financial statements. Difference between the actual results and estimates are recognized in the period in which determined
- 2 **SIGNIFICANT ACCOUNTING POLICIES:**
 - A) **Fixed Assets**
Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.
 - B) **Depreciation**
Depreciation on Fixed Assets other than Intangible Assets has been provided on written down value method at the rates specified in Schedule XIV of the Companies Act, 1956 on pro-rata basis
 - C) **Inventories**
Stock of groceries and provision, food and beverages and other guest amenities are carried at cost or Net Realisable value, whichever ever is lower on First In First Out (FIFO) method.
 - D) **Taxation :**
Tax on income for the current year is computed in accordance with the provisions of the Income Tax Act, 1961.
Deferred Tax Assets are not recognized unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.
 - E) **Foreign Currency Transactions**
Foreign currency transactions during the year are accounted at the prevailing rate on the date of transaction. Current assets and current liabilities are translated at the exchange rate prevailing on the last day of the year. Gains or losses arising out of remittance/ translations at the yearend are credited/ debited to the profit and loss account for the year.
 - F) **Revenue Recognition**
Sales comprise of revenue from room, allied services relating to hotel operation. Revenue is recognised upon rendering of services.
Miscellaneous and other income is accounted on accrual basis.
 - G) **Borrowing Costs**
Borrowing costs (less any income on the temporary investments of those borrowings) attributable to qualifying assets are capitalised. Other borrowing costs are charged to profit and Loss account.
 - H) **Employee Benefits**
 - i) **Defined Contribution Plans**
Company Contribution Paid / Payable during the year to Provident Fund, Officer's Superannuation Fund and Labour welfare fund are recognised in the Profit and Loss Account.
 - ii) **Defined Benefit Plan**
Companies Liability towards Gratuity and Leave Encashment are determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to built up the final obligation. Actuarial gain and loss are recognised immediately in the statement of Profit and Loss Account as income or expenses. Obligation is measured at the present value of estimated future cash flows using a discounted rate i.e. determined by reference to market yield at the Balance Sheet on Government Bonds where the Currency and the terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligations.
 - I) **Contingencies / Provisions**
A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Contingent liabilities are not provided for unless a reliable estimate of probable outflow to the Company exists as at the Balance Sheet date. Contingent assets are neither recognised nor disclosed in the financial statements
 - J) **Earning Per Share**
Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to the equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of shares outstanding during the year. For the purpose of calculating diluted earning per share, net profit & loss for the year attributable to equity shareholders and weighted number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.
 - K) **Foreign Currency Transactions**
Foreign currency transactions during the year are accounted at the prevailing rate on the date of transaction. Current assets and current liabilities are translated at the exchange rate prevailing on the last day of the year. Gains or losses arising out of remittance/ translations at the yearend are credited/ debited to the profit and loss account for the year.
- 3 **Segmental Reporting :**
The Company is going to operate only in one significant business segment i.e. Hotel, hence segment information as per Accounting Standard 17 is not required to be disclosed. The Company is going to cater mainly to the need of the domestic market, as such there is no reportable Geographical Segments.

4 Related Party Disclosure

i) Particulars of Related Parties, which control or are under common control with the Company

| A) Parent Company and Fellow Subsidiaries | |
|---|--|
| 1 | Lavasa Corporation Limited |
| 2 | Apollo Lavasa Health Corporation Limited |
| 3 | Lakeshore Watersports Company Limited |
| 4 | Ecomotel Hotel Limited |
| 5 | Dasve Convention Center Limited |
| 6 | Dasve Business Hotel Limited |
| 7 | Lakeview Clubs Limited |
| 8 | Dasve Hospitality Institutes Limited |
| 9 | Dasve Retail Limited |
| 10 | Full Spectrum Adventure Limited |
| 11 | Warasgaon Lake View Hotels Limited |
| 12 | Lavasa Bamboocrafts Limited |
| 13 | Knowledge Vistas Limited |
| 14 | Spotless Laundry Services Limited |
| 15 | Reasonable Housing Limited |
| 16 | My City Technology Limited |
| 17 | Minfur Interior Technologies Limited |
| 18 | Verzon Hospitality Limited |
| 19 | Rhapsody Hospitality Limited |
| 20 | Valley View Entertainment Limited |
| 21 | Andromeda Hotels Limited |
| 22 | Sirrah Palace Hotels Limited |
| 23 | Whistling Thrush Facilities Services Limited |
| 24 | Green Hills Residences Limited |
| 25 | Warasgaon Tourism Limited |
| 26 | Warasgaon Power Supply Limited |
| 27 | Sahyadri City Management Limited |
| 28 | Our Home Service Apartments Limited |
| 29 | Hill City Service Apartments Limited |
| B) Ultimate Holding Company and its Subsidiaries | |
| 1 | Hindustan Construction Company Limited (HCC) |
| 2 | HCC Real Estate Limited (HREL) |
| 3 | Hincon Technoconsult Limited |
| 4 | Western Securities Limited |
| 5 | Pune Paud Toll Road Company Limited |
| 6 | Nirmal BOT Limited |
| 7 | HCC Singapore Enterprises PTE. Limited |
| 8 | HCC Mauritius Enterprises PTE. Limited |
| 9 | HCC Infrastructure Limited |
| 10 | HCC Aviation Limited |
| 11 | Badrapur Faridabad Tollways Limited |
| 12 | HCC Construction Limited |
| 13 | Highbar Technologies Limited |
| 14 | Baharampore-Farakka Highways Limited |
| 15 | Farakka-Raiganj Highways Limited |
| 16 | Raiganj-Dalkhola Highways Limited |
| 17 | HREL (Thane) Real Estate Limited |
| 18 | HREL Township Developers Limited |
| 19 | Panchkutir Developers Limited |
| 20 | Maan Township Developers Limited |
| 21 | Charosa Wineries Limited |
| 22 | Nashik Township Developers Limited |
| 23 | Powai Real Estate Developers Limited |
| 24 | HCC Realty Limited |
| C) Other Related Parties | |
| 1 | Bona Sera Hotels Limited |
| 2 | Palmetto Hospitality Limited |
| 3 | Vikhroli Corporate Park (Firm) |
| 4 | Hincon Holdings Limited |
| 5 | Hincon Finance Limited |
| 6 | SOL Hospitality Limited |

ii) Transactions with Related Parties during the year :

(Rs. in Lakhs)

| Nature of Transactions | Parent Company and Fellow Subsidiaries | |
|--------------------------------|--|---------------|
| | 31 March 2010 | 31 March 2009 |
| Operating Income | | |
| Hindustan Construction Company | 9.65 | - |
| Lavasa Corporation Limited | 187.97 | 14.58 |

| | | |
|---|----------|--------|
| Bona Sera Hotels Limited | 0.53 | - |
| SOL Hospitality Limited | 2.28 | - |
| Lakeview Club | 0.05 | - |
| Purchase of Fixed Asset | | |
| Lavasa Corporation Limited | 131.64 | 2.82 |
| Inter corporate Deposit Received | | |
| Lavasa Corporation Limited | 973.50 | 653.39 |
| Inter corporate Deposit Paid | | |
| Lavasa Corporation Limited | 133.66 | 29.51 |
| Interest Paid on Inter corporate Deposit | | |
| Lavasa Corporation Limited | 159.48 | 14.11 |
| Project and Other Services Received | | |
| Lavasa Corporation Limited | 398.17 | 381.43 |
| Inter corporate Deposit Outstanding | | |
| Lavasa Corporation Limited | 1,463.72 | 623.88 |
| Equity Share Capital | | |
| Lavasa Corporation Limited | 5.00 | 5.00 |
| Included In Sundry Debtors | | |
| Lavasa Corporation Limited | 113.05 | - |
| Bona Sera Hotels Limited | 0.53 | - |
| SOL Hospitality Limited | 2.28 | - |
| Hindustan Construction Company Limited | 1.00 | - |
| Lakeview Club Limited | 0.05 | - |
| Reasonable Housing Limited | 3.84 | - |
| Included In Sundry Creditors | | |
| Lakeshore Watersports Company Limited | 4.22 | - |
| Reasonable Housing Limited | 1.89 | - |

5 Earnings Per Share:

| Particulars | (Rs. in Lakhs) | |
|---|----------------|---------------|
| | 31 March 2010 | 31 March 2009 |
| Profit/(Loss) after taxation as per Profit and Loss account | (326.66) | (71.79) |
| Weighted average number of Equity shares outstanding | 0.50 | 0.50 |
| Basic earnings per share (Weighted Average) in Rupees (face value-Rs. 10 per) | (653.32) | (143.58) |
| Diluted earnings per share in Rupees | (653.32) | (143.58) |

6 Employee Benefits

a) Defined Benefit Plans / Long Term Compensated Absences – As per Actuarial Valuation on March 31, 2010

| Sr. No | Particulars | (Rs. in Lakhs) | |
|--------|--|--------------------------|-----------------------|
| | | Gratuity | Leave Encashment |
| | | Unfunded Rs. Lakhs | Unfunded Rs. Lakhs |
| I | Expenses recognized in the Statement of Profit & Loss | | |
| 1 | Current Service Cost | 1.85 | 2.11 |
| | Total Expense | - | - |
| II | Net Asset / (Liability) recognized in the Balance Sheet as | | |
| 1 | Present value of Defined Benefit Obligation as at 31st March, 2010 | 1.85 | 2.11 |
| 2 | Fair value of plan assets as at March 31st, 2010 | - | - |
| 3 | Net Asset / (Liability) as at March 31st, 2010 | 1.85 | 2.11 |
| III | Actuarial Assumptions: | As at 31/03/2010 | |
| 1 | Discounted Rate | 8% p.a | |
| 2 | Mortality Table | LIC (1994-96) (ultimate) | |

b) Defined Contribution Plans-

Amount recognized as an expenses and included in the schedule G - contribution/ provision to and for provident and other funds" of Profit and Loss account- Rs.5.39 Lakhs (Previous Year Rs Nil)

7 Particulars of unhedged foreign currency exposure as at balance sheet date - Rs.NIL | Previous year Rs Nil

8 No provision for current and deferred tax are considered necessary in view of the loss for the Year

9 Disclosure required by Micro, Small and Medium Enterprises (Development) Act, 2006.

As per requirement of Section of 22 of Micro, Small & Medium Enterprises Development Act,2006 following information is disclosed:

| Sr No | Particulars | 31 March 2010 | 31 March 2009 |
|-------|--|---------------|---------------|
| I | Principal amount remaining unpaid to any supplier as at the end of each accounting year | Nil | Nil |
| II | Interest due on (I) above remaining unpaid | Nil | Nil |
| III | Amounts paid beyond the appointed day during the accounting year | Nil | Nil |
| IV | Interest paid on (III) above | Nil | Nil |
| V | Interest due and payable on (III) above | Nil | Nil |
| VI | Interest accrued and remaining unpaid at the end of the accounting year | Nil | Nil |
| VIII | Interest remaining unpaid of the previous years for the purpose of disallowance under the Income Tax Act, 1961 | Nil | Nil |

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

10 **Operating Lease**

| | |
|---|----------------|
| a) Future Lease Rental payments | (Rs. in Lakhs) |
| (i) Not later than one year | 3.84 |
| (ii) Later than one year and not later than five years | 12.77 |
| (iii) Later than five years | 18.92 |
| b) Lease payment recognised during the year | 3.84 |
| c) General description of the leasing arrangement: | |
| i) Leased Assets - Residential Apartments | |
| ii) Future lease rental payments are determined on the basis of lease payable as per the agreement. | |

11 **Auditors Remuneration**

(Rs. in Lakhs)

| Sr. No. | Particulars | 31 March 2010 | 31 March 2009 |
|---------|-----------------------------|---------------|---------------|
| 1 | Audit fees | 0.40 | 0.30 |
| 2 | Review & Certification Fees | 0.30 | 0.20 |
| 3 | Service Tax | 0.07 | 0.06 |

12 Other Additional information Pursuant to the Provisions of Paragraph 3 & 4 Of Part II of Schedule VI To The Companies Act, 1956 is either Nil or not applicable to the Company. Further, the Company has obtained exemption from giving quantitative details in compliance of para 3(i)(a) of Part II, Schedule - VI to the Companies Act, 1956 for the period of three years with effect from financial year 2009-10 vide order no.46/75/2010-CL-III dated March 19, 2010 from the Ministry of Corporate Affairs, New Delhi.

13 Previous year figures have been regrouped / re-classified wherever necessary.
As per our Report of even date

For and on behalf of the Board of Directors

For **K. S. Aiyar & Co.**
Chartered Accountants
Registration No. 100186W

Sd/-

Raghuvir M. Aiyar
Partner
Membership No. 38128

Place : Mumbai
Date : 19 April 2010

Sd/-
Praveen Sood
Director

Sd/-
Rajgopal Negia
Director

Sd/-
Vithal Kulkarni
Director

Place : Mumbai
Date : 19 April 2010

LAVASA HOTEL LIMITED

Balance Sheet Abstract and Company's General Business Profile

I REGISTRATION DETAILS

Registration No.

| | | | | | | | | |
|--|--|--|---|---|---|---|---|---|
| | | | 1 | 7 | 3 | 7 | 2 | 8 |
|--|--|--|---|---|---|---|---|---|

State Code

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|
| | | | | | | | | 1 | 1 |
|--|--|--|--|--|--|--|--|---|---|

Balance Sheet Date

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 3 | 1 | 0 | 3 | 2 | 0 | 1 | 0 |
|---|---|---|---|---|---|---|---|

II CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSAND)

Public Issue
(Issue through the prospectus)

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

Right Issue

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

Bonus Issue

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

Private Placement (Allotted to Holding Company)

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

III POSITION OF MOBILISATION AND EMPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSAND)

TOTAL LIABILITY

| | | | | | | | | |
|--|--|--|---|---|---|---|---|---|
| | | | 1 | 5 | 6 | 1 | 6 | 9 |
|--|--|--|---|---|---|---|---|---|

TOTAL ASSETS

| | | | | | | | | |
|--|--|--|---|---|---|---|---|---|
| | | | 1 | 5 | 6 | 1 | 6 | 9 |
|--|--|--|---|---|---|---|---|---|

SOURCES OF FUNDS

PAID-UP CAPITAL (Including share application money)

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | 5 | 0 | 0 |
|--|--|--|--|--|--|--|--|---|---|---|

RESERVES & SURPLUS

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

SECURED LOAN

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

UNSECURED LOAN

| | | | | | | | | |
|--|--|--|---|---|---|---|---|---|
| | | | 1 | 4 | 6 | 3 | 7 | 2 |
|--|--|--|---|---|---|---|---|---|

DEFERRED TAX ASSETS (Liability)

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

APPLICATION OF FUNDS

NET FIXED ASSETS

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|---|---|
| | | | | | | | | 7 | 4 | 2 | 1 | 2 |
|--|--|--|--|--|--|--|--|---|---|---|---|---|

INVESTMENTS

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|--|--|---|---|---|

DEFERRED TAX ASSETS (Net)

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

NET CURRENT ASSETS

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|---|---|
| | | | | | | | | 2 | 6 | 0 | 3 | 4 |
|--|--|--|--|--|--|--|--|---|---|---|---|---|

MISC. EXPENDITURE

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|--|--|---|---|---|

ACCUMULATED LOSSES

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|---|---|
| | | | | | | | | 4 | 6 | 6 | 2 | 6 |
|--|--|--|--|--|--|--|--|---|---|---|---|---|

IV PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSAND)

TURN OVER

| | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|---|---|
| | | | | | | | | 9 | 1 | 5 | 4 | 8 |
|--|--|--|--|--|--|--|--|---|---|---|---|---|

TOTAL EXPENDITURE

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|---|---|---|
| | | | | | | | | 1 | 2 | 4 | 2 | 1 | 4 |
|--|--|--|--|--|--|--|--|---|---|---|---|---|---|

PROFIT / (LOSS) BEFORE TAX

| | | | | | | | | | |
|--|--|--|---|---|---|---|---|---|---|
| | | | (| 3 | 2 | 6 | 6 | 6 |) |
|--|--|--|---|---|---|---|---|---|---|

PROFIT / (LOSS) AF

| | | | | | | | | | |
|--|--|--|---|---|---|---|---|---|---|
| | | | (| 3 | 9 | 2 | 4 | 1 |) |
|--|--|--|---|---|---|---|---|---|---|

PRIOR PERIOD EXPENSES

| | | | | | | | | |
|--|--|--|---|---|---|---|---|---|
| | | | (| 6 | 5 | 7 | 4 |) |
|--|--|--|---|---|---|---|---|---|

EARNING PER SHARE Rs.

| | | | | | | | | | |
|--|--|--|---|---|---|---|---|---|---|
| | | | (| 7 | 8 | 4 | 8 | 1 |) |
|--|--|--|---|---|---|---|---|---|---|

DIVIDEND RATE

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

V GENERIC NAME OF PRINCIPAL PRODUCT OF COMPANY (As per Monetary Terms)

Item code (ITC Code)

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|---|---|---|
| | | | | | | | | N | I | L |
|--|--|--|--|--|--|--|--|---|---|---|

Product Description HOTEL

LAVASA HOTEL LIMITED

Registered Office: Hincon House, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai 400083.

Attendance Slip

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall.

Shares held _____

Regd. Folio No: _____ DP ID No. _____ Client ID No. _____

(Name in BLOCK letters) _____

I/We hereby record my/our presence at the Third Annual General Meeting of the Company at Hincon House, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai - 400083 on Monday, May 31, 2010 at 3.30 p.m.

Member's/Proxy's Signature

Note: Members/Proxy holders are requested to bring their copy of the Annual Report with them at the Meeting.

LAVASA HOTEL LIMITED

Registered Office: Hincon House, Lal Bahadur Shastri Marg, Vikhroli (West), Mumbai 400083.

Proxy Form

Shares held _____

Regd. Folio No: _____ DP ID No. _____ Client ID No. _____

(Name in BLOCK letters) _____

I/We _____ of _____ in the district of _____ being a Member / Members of the above name Company, hereby appoint _____ of _____ in the district of _____ or failing him/her _____ of _____ in the district of _____ as my/our proxy to attend and vote for me/us and on my/our behalf at the Third Annual General Meeting of the Company to be held on Monday, May 31, 2010 at 3:30 p.m. or at any adjournment/s thereof.

Signed this _____ day of _____ 2010.

Signature _____

Affix Rs.1
Revenue
Stamp

Note: The proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.