

Change is constant.

Change is good.

Change is
a new beginning.

We're changing.



The logo formation depicts the feeling of a completely relaxed vacation. The tree, sun and water graphics surrounding the resort capture the amazing locations of the resorts. They also symbolize the elements that make the holiday and the world seem truly wonderful.

Sterling Holiday Resorts (India) Limited

BOARD OF DIRECTORS	R.Subramanian S.Sidharth Shankar K. Chandrasekaran M.N.Rangamani E.S.Ganapathy G.Sundaram S.Sethuraman Amit Jatia	Chairman & Managing Director Joint-Managing Director Director Director Director Director Director Director
COMPANY SECRETARY	M.Balasubramaniyan	
BANKERS	Syndicate Bank HDFC Bank Limited Axis Bank Limited ICICI Bank Limited	
AUDITORS	M/s. R.Subramanian and Company Chartered Accountants Chennai 600 004.	
	M/s.V.SANKAR AIYAR & CO., Chartered Accountants Chennai - 600 024.	
REGISTERED OFFICE	No.163, T.T.K. Road, Alwarpet, Chennai 600 018.	
REGISTRAR & SHARE TRANSFER AGENTS	M/s.Cameo Corporate Services Limited Subramanian Building , No.1, Club House Road, Chennai 600 002.	

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of **M/S.Sterling Holiday Resorts (India) Limited** will be held on **Wednesday, the 29th day of September, 2010, at 2.30 p.m., at RANI SEETHAI HALL, NO.603, ANNA SALAI, CHENNAI - 600 006** to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the Financial Year ended 31st March, 2010 and the Reports of the Board of Directors and Auditors' thereon.
2. To appoint a Director in the place of Mr.M.N.Rangamani, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. S.Sethuraman, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors for the current financial year and to fix their remuneration. M/s.R.Subramanian and Company, Chartered Accountants and M/s.V. Sankar Aiyar & Co., Chartered Accountants, the retiring Joint-Statutory Auditors are eligible for re-appointment.

SPECIAL BUSINESS

5.To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution

RESOLVED THAT pursuant to the provisions of section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956 (**the Act**) including any amendments thereto, and in terms of the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as **the**

Guidelines) and any other law in force, and subject to any such other approvals, consents, permissions and sanctions as may be required from appropriate authorities or bodies, and subject to such conditions and modifications, as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as **the Board** and which term shall include any Committee including Compensation Committee of the Board), or as may be prescribed while granting such approvals, consents, permissions and sanctions, which may be accepted by the Board in its sole discretion, the consent and approval of the Shareholders be and is hereby accorded to offer, grant and issue in one or more tranches an aggregate of 21,00,000 Equity Shares of Rs. 10/- each in the Equity Capital of the company, whether directly or through a Trust, to such employees of the Company, Directors of the Company whether Whole-time Directors or otherwise (hereinafter collectively referred to as the **Employees**), as may be decided by the Board under the Employees Stock Purchase Scheme to be evolved and made pursuant to these resolutions under the name and style of the Sterling Holiday Resorts (India) Limited - Employees Stock Purchase Scheme 2010 (**ESPS 2010** or **Scheme**) on such terms and conditions as may be determined by the Board in accordance with these resolutions, the Guidelines and other applicable provisions of any law as may be prevailing at that time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve, finalize and decide upon and bring into effect the ESPS 2010 on such terms and conditions as contained in these resolutions read with the Explanatory Statement and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of ESPS 2010 from time to time including but not limited to, amendment(s)

with respect to the offer price, eligibility criteria or to suspend, withdraw, terminate or revise the ESPS 2010, without requiring the Board to secure any further consent or approval of the Shareholders of the Company in this regard.

RESOLVED FURTHER THAT the Equity Share(s) under ESPS 2010 may be allotted through an existing trust or trust which may be set up in any permissible manner and that it may also envisage for providing any financial assistance to the trust to enable it to acquire, purchase or subscribe Equity Shares of the Company.

RESOLVED FURTHER THAT the Equity Shares to be issued and allotted by the Company in the manner aforesaid and in accordance with ESPS 2010 shall rank pari-passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT all the Directors and Mr.M.Balasubramaniyan, Company Secretary of the Company, be and are hereby severally authorized to take necessary steps for listing of the Equity Shares proposed to be allotted under ESPS 2010 on the Stock Exchanges where the Equity Shares of the Company are listed as per the provisions of the Listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, all the Directors, the Chief Executive Officer, Finance Head and Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of the Equity Shares, without requiring to secure any further consent or approval of the Shareholders of the Company in this regard.

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution

RESOLVED THAT pursuant to the provisions of the **Guidelines** and any amendment thereto, the consent and approval of the Shareholders be and is hereby accorded to the Board to offer, allot and issue equity shares, whether directly or through a trust in one or more tranches, under the ESPS 2010, in accordance with the terms and conditions of the said ESPS 2010, to any Employee of the Company and Directors of the Company whether Whole-time Directors or not (hereinafter collectively referred to as **Employees**), in excess of 1% of the issued capital during any year to any one Employee provided that such allotment/issue/offer to any one Employee shall not be more than 10% of the issued capital of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and to settle any question, difficulty or doubt that may arise in this regard, all the Directors and Mr.M.Balasubramaniyan, Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, matters and things and execute all such documents, instruments, and writings as they may, in their sole and absolute discretion, deem necessary or expedient.

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution

RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act 1956 (including any statutory modification or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreement entered into with the Stock Exchanges and subject

to the provisions of Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, the provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer of issue of security by a Person Resident Outside India) Regulations 2000 applicable rules, guidelines or laws and /or any approval, consent, permission or sanction of the Central Government, Reserve Bank of India or any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as the "**appropriate authorities**") and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission and / or sanction (hereinafter referred to as the "**requisite approvals**") which may be agreed to by the Board of Directors of the Company (hereinafter called the "**Board**" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution) the Board be and is hereby authorized to issue offer and allot equity shares / fully convertible debentures / partly convertible debentures / non convertible debentures with warrants / any other securities (other than warrants) (**Securities**) which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "**Qualified Institutional Placement ("QIP")**") of the Securities to the Qualified Institutional Buyers (QIBs) as per Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, on the basis of placement document(s) at such time in one or more tranche or tranches at par or at such price or prices and on such terms and conditions and in such price or prices and on such terms and conditions and in such manner as the Board may in its absolute discretion

determine in consultation with the Lead Managers, Advisors or other intermediaries for an amount not exceeding Rs.100 Crores (Rupees One Hundred Crores Only) including such premium amount as may be finalized by the Board.

"RESOLVED FURTHER THAT the relevant date (**Relevant Date**) for the determination of applicable price for the issue of the "QIP" Securities shall be (i) in case of allotment of equity shares, the date of the meeting in which the Board or the committee of directors duly authorised by the Board decides to open the proposed issue; (ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the Board or the committee of directors duly authorised by the Board of the issuer decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with the issue of the Securities and to give effect to these resolutions, including, without limitation, the following:

(i) giving or authorizing the giving of such declarations, affidavits, certificates, consents and authorities as may be required from time to time by concerned persons; and

(ii) settling any questions, difficulties or doubts that may arise in regard to any such issue or allotment of Securities as it may in its absolute discretion deem fit;

RESOLVED FURTHER THAT the Board be and is hereby authorized to open one or more bank accounts in the name of the Company in Indian currency or foreign currency(ies) with such bank or banks in India as may be required in connection with

the aforesaid issue, subject to requisite approvals from Reserve Bank of India, If any, and the director or directors of the Company or other officer or officers of the Company authorized by the Board be and is or are hereby authorized to sign and execute the application form and other documents required for opening the account, to operate the said account, and to give such instructions including closure thereof as may be required and deemed appropriate by these signatories, and that the said bank/s be and is/are hereby authorized to honor all cheques and other negotiable instruments drawn, accepted or endorsed and instructions given by the aforesaid signatories on behalf of the Company.

RESOLVED FURTHER THAT the common seal of the Company, if required to be affixed in India on any agreement, undertaking, deed or other document, the same be affixed in the presence of anyone or more of the directors of the Company or anyone or more of the officers of the Company as may be authorized by the Board in accordance with the Articles of Association of the Company.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to in paragraph above or as may be necessary in accordance with the terms of offering all such shares shall be subject to the provisions of Memorandum of Association & Articles of Association of the Company and being pari- passu with the then existing shares of the Company in all respects as may be provided under the terms of issue and in the offering document.

RESOLVED FURTHER THAT such of these Securities to be issued as are not subscribed may be disposed off by the Board to such persons and in such manner and on such terms as the Board in its

absolute discretion thinks fit in accordance with the provisions of law.

"RESOLVED FURTHER THAT the issue to the holders of the Securities with equity shares underlying such Securities shall be inter alia, subject to suitable adjustment in the number of shares the price and the time period etc., in the event of any change in the equity capital structure of the Company consequent upon any merger, amalgamation, takeover or any other re-organisation or restructuring in the Company.

"RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of securities or instruments representing the same as described in paragraph above the Board be and is hereby authorised on behalf of the Company to do all such acts deeds, matters and things as it may in its absolute discretion deem necessary or desirable for such purpose, including without limitation:

- (i) entering into of underwriting, marketing and institution / trustees / agents and similar agreements
- (ii) to remunerate the managers, underwriters and all other agencies / intermediaries by way of commission, brokerage, fees and the like as may be involved or connected with such offerings of such securities
- (iii) finalization of the allotment of the Securities on the basis of the bids/applications received
- (iv) finalization of and arrangement for the submission of the preliminary and final offer document(s), and any amendments supplements thereto, with any applicable statutory and/or regulatory authorities, institutions or bodies, as may be required
- (v) approval of the preliminary and final offer document (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead manager(s) / underwriter(s) / advisor(s), in accordance with all applicable statutory

and/or regulatory requirements

- (vi) finalization of the basis of allotment in the event of over-subscription
- (vii) acceptance and appropriation of the proceeds of the issue of the Securities
- (viii) authorization of the maintenance of a register of holders of the Securities
- (ix) authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of powers of attorney, to do such acts, deeds and things, as authorized person(s) in his / her / their absolute discretion may deem necessary or desirable in connection with the issue and allotment of the Securities
- (x) seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India, and any other consents that may be required in connection with the issue and allotment of the Securities
- (xi) seeking the listing of the Securities on any Indian stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing
- (xii) giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time, and
- (xiii) deciding the pricing and terms of the Securities as per applicable law, and all other related matters

RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to issue, offer or allotment of securities and utilization of the issue proceeds including but without limitation to the creation of such mortgage / charge under section 293(1)(a) of the said Act

in respect of the aforesaid Securities either on pari-passu basis or other wise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint such consultants, book runners, lead managers, underwriters, guarantors, depositories, custodians, registrars, trustees, bankers, lawyers, merchant bankers and any other advisors and professionals as may be required and to pay them such fees, commission and other expenses as they deem fit.

"RESOLVED FURTHER THAT the allotment of Securities pursuant to this Qualified Institutional Placement shall only be to Qualified Institutional Buyers in accordance with Regulation 2(1)(zd) of the SEBI (Issue of Capital And Disclosure Requirements) Regulations 2009, such Securities shall be fully paid-up and the allotment of such Securities shall be completed within 12 months from the date of this resolution without the need for fresh approval from the shareholders and placements made in pursuance of this resolution, if approved shall be separated by at least six months between each placement or such other time as may be allowed by SEBI from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors / Managing Director / Joint-Managing Director / Directors / any other officers / Authorised representatives of the Company to give effect to the aforesaid resolution.

**By Order of the Board
for Sterling Holiday Resorts
(India) Limited**

**Place: Chennai M.BALASUBRAMANIYAN
Date : 28-08-2010 Company Secretary**

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a Proxy to attend and vote instead of himself / herself (proxy form is annexed herewith).

2. Such Proxy need not be a Member of the Company.

3. The proxy form duly completed and in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not later than 48 hours before the time fixed for the commencement of the Meeting.

4. The Register of Members and Share Transfer Books of Equity Shares of the Company will remain closed from **Thursday, the 23rd day of September, 2010 to Wednesday, the 29th day of September, 2010 (both days inclusive).**

5. As per Clause 49(IV)(G) of the Listing Agreement with the Stock Exchanges, the brief resume, functional expertise of the Directors proposed for appointment are furnished below along with the details of Companies in which they are Directors and the Board Committees of which they are members.

(i) Mr. M.N.Rangamani, aged about 59 years, is a Fellow Member of The Institute of Chartered Accountants of India with corporate experience of more than 35 years in various fields. He joined the Company's Board on 04.07.2005. He is also a Member of the Audit Committee with effect from 31.10.2005. His academic qualification and experience would be a boon to the Company.

Details of other directorships / committee memberships held by him is given hereunder:

Sl. No.	Name of the Companies	Nature of Interest
1.	Emmennar Information Technology Private Limited	Director
2.	Sai Casting Private Limited	Director
3.	Sterling Resorts Management Services Limited	Director

Shareholding in the Company

Mr.M.N.Rangamani, holds 5,53,010 equity shares in the Company.

(ii) Mr.S.Sethuraman, aged about 77 years, is a Mechanical Engineer with over 40 years of experience in the Manufacturing and Engineering Sector. He was a Special Director with Ashok Leyland Limited for over 9 years in the development of a green field independent power project of installed capacity of 1000MW. He joined the Company's Board as an Additional Director on 04.07.2005. His academic qualification and experience would be a boon to the Company. He is a Member of the Audit Committee, Remuneration Committee and Compensation Committee with effect from 04.07.2005.

Details of other Directorships / Committee Memberships held by him - Nil.

Shareholding in the Company

Mr.S.SETHURAMAN, holds Nil equity shares in the Company.

6. Under the provisions of the Companies Act, 1956, as amended, with effect from 31st October, 1998, Members may file Nomination Forms in respect of their shareholdings. Any Member who has not yet availed of this facility may submit the prescribed Form 2B to the Company's Registrar and Share Transfer Agent: Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai - 600 002.

7. Members are requested to notify immediately any change of address to their Depositories Participants (DPs) in respect of their electronic share accounts and to the Company's Registrar and Share Transfer Agent Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai - 600 002, in respect of their physical share folios, if any.

8. Members who are desirous of seeking any further information or clarification, if any, particularly with regard to the accounts are requested to write to the Company atleast seven days in advance of the meeting so that the information can be made available at the meeting.

9. Members are requested to note that the Company's Equity Shares are under Compulsory Demat trading with effect from 28.08.2000 for all investors. Members are therefore requested to demat their shareholding to avoid inconvenience in future.

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT
PURSUANT TO SECTION 173(2) OF
THE COMPANIES ACT, 1956. READ
WITH CLAUSE 49 OF LISTING
AGREEMENT**

**In Regard to the Proposed
Resolutions at Item No. 5 and 6**

Sterling Holiday Resorts (India) Limited (hereinafter referred to as the **Company**) has always believed in rewarding its employees and Directors for their continuous hard work, dedication and support, thereby

ensuring that Company returns on a path of continuous growth. To enable more and more employees to enjoy the fruits of the growth that the Company expects, it is proposed to implement the Employees Stock Purchase Scheme 2010 (**ESPS 2010** or **Scheme**). The main objective of the ESPS 2010 is to give well performing employees, a certain minimum opportunity to gain from the Company's performance thereby acting as a retention tool and also to attract best talent available in the industry.

Stock plans have long been recognized internationally, as an effective instrument, to align the interests of the employees with those of the company and its shareholders, providing an opportunity to the employees to share growth of the company, and to create long-term wealth in the hands of the employees.

Stock plans create a sense of common ownership between the company and its employees, paving the way for unified approach to the common objective of enhancing overall shareholders value.

The Board therefore has proposed ESPS 2010 for the benefits of its

permanent employees and Directors of the Company whether Whole time Director or otherwise, and such other persons/ entities as may be prescribed by SEBI from time to time, and in accordance with the provisions of the prevailing regulations.

Under the Employees Stock Option Scheme 2005, the Company allotted 12,00,000 Equity shares of Rs.10/- each.

Under the Employees Stock Option Scheme 2007, the Company allotted 19,44,000 Equity shares of Rs.10/- each and 5,56,000 Options are granted.

Under the Employees Stock Option Scheme 2009, the Company granted 15,00,000 Options.

Given below are the various disclosures as required under Clause 17 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as the **Guidelines**).

Particulars	Salient features of the ESPS 2010
Equity share(s)	Equity shares shall mean the equity shares of the Company of par value as appearing in the Company's books.
Total number of Equity Shares to be issued under the ESPS 2010	Total number of Equity Shares to be issued under this ESPS 2010 shall initially be 21,00,000 shares; Maximum Equity Shares per eligible Employees may exceed 1% of the issued capital during any year to any one Employee provided that such allotment to any one such Employee shall not be more than 10% of the issued capital of the Company on a fully diluted basis;

Particulars	Salient features of the ESPS 2010
Classes of employees entitled to participate	<p>Following classes of employees shall be entitled to participate in ESPS 2010:</p> <ul style="list-style-type: none"> (a) A permanent employee of the Company (b) A Director of the Company, whether Whole Time or otherwise; or <p>However, Employees:</p> <ul style="list-style-type: none"> " who are either promoters or belong to the promoter group of the Company as defined in the Guidelines; or " holding 10% of the outstanding share capital of the Company's Equity Share capital at anytime after the commencement of this Scheme <p>will not be eligible for issue of Equity Shares under ESPS 2010.</p>
Offer Price	<p>The Offer Price will be decided by the Board/Compensation Committee, provided that the Offer Price shall not be less than the par value of the Equity Shares of the Company and shall not be more than the price prescribed under Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 or the market price (as defined in the Guidelines), whichever is more.</p>
Offer Date	<p>Offer Date means the date on which the Equity Shares are offered to eligible Employees by the Board/Compensation Committee.</p>
Lock in requirements	<p>Equity Shares issued pursuant to the ESPS 2010 shall be subject to a lock in for a period as may be decided by the Board/Compensation Committee provided that there shall be a minimum lock in period of one year from the date of the allotment to the eligible Employees in accordance with the Guidelines.</p>
Offer Process	<p>Eligible Employees to deliver an acceptance form, in such form as the Board/Compensation Committee may prescribe, duly completed as required therein to the Board/Compensation Committee, with a copy to the trustees, on or before the closing date stated in the offer letter.</p>
Appraisal process	<p>Equity Shares would be distributed based on:</p> <ul style="list-style-type: none"> a) past profile of the Employee including experience before joining the company b). future performance potential of the Employee c). grade and merit of the Employee d). the criticality of the Employee in furthering Company's interests e). the Employee's present potential contribution to the success of the company f). Any other criteria as may be decided by the Board / Compensation committee in its discretion.
Method of Accounting/ Accounting policies and adherence to the Guidelines	<p>The Company shall comply with the disclosure and accounting policies prescribed by SEBI under Clause 19.2 of the Guidelines and The Institute of Chartered Accountants of India.</p>

In case the Company calculates the employee compensation cost using the intrinsic value of the shares, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of shares, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on Earnings Per Share of the Company shall also be disclosed in the Directors' Report.

None of the Directors of the Company are in any way, concerned or interested in the resolutions, except to the extent of the Equity Shares that may be offered to them under the ESPS 2010.

As per Clause 17(5) of the Guidelines, approval of the Shareholders by way of a separate resolution is required to be obtained, in case of issue of Equity Shares to Employees under ESPS 2010, during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of issue of Equity Shares is proposed to be made. Accordingly the resolution set out at Item No. 5 and 6 are being placed for approval of Shareholders.

In Regard to the Proposed Resolutions at item No.7.

Your Company, in order to increase the ability to compete with the existing time share market, to complete the ongoing projects and to refurbish and restructure the resorts needs to strengthen its financial position by augmenting long term resources from time to time.

The proposed special resolution seeks the enabling authorization of the Members to the Board of Directors without the need of any further approval from the shareholders under the **Qualified Institutional Placements ("QIP")** with the **Qualified Institutional Buyers ("QIB")** in accordance with the provisions of Chapter VIII of **SEBI** (Issue

of Capital and Disclosure Requirements) Regulations, 2009. Pursuant to the above, the Board, may in one or more tranches, issue and allot equity shares / fully convertible debentures / partly convertible debentures / non convertible debenture with warrant / any other securities (other than warrants) which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "**QIP Securities**").

The said QIP by the Board shall be subject to the provisions of the Chapter VIII of **SEBI** (Issue of Capital and Disclosure Requirements) Regulations, 2009 (as amended from time to time) including the pricing which will not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two week preceding the relevant date. The relevant date for the determination of applicable price for the issue of the QIP securities shall be the date of the meeting in which the Board of the Company decide to open the proposed issue or in case of securities which are convertible into or exchangeable with equity shares at a later date the date on which the holder of such securities becomes entitled to apply for the said shares, as the case may be. For reason aforesaid an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalize the terms of issue. The securities issued pursuant to the offering would be listed on the Indian stock exchange(s).

The securities issued under QIP issue pursuant to offer may, if necessary be secured by way of mortgage / hypothecation on the Company's assets as may be finalized by the Board of Directors in consultation with the Security Holder / Trustees in favor of security holder /

Trustees for the holders of said securities and the Company may contain the power to take over the management of the Company in certain events, enabling approval is also sought under section 293(1)(a) of the Companies Act, 1956.

Section 81(1A) of the Companies Act, 1956 and the Listing Agreement entered with the Stock Exchanges provide, inter alia that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons who on the date of the offer are holder of the equity shares of the Company in proportion to the Capital paid up on those shares as of that date unless the Members decide otherwise. The Special Resolution seeks the consent and authorization of the Members to the Board of Directors to make the proposed issue of securities in consultation with the lead mangers, legal advisors and other intermediaries and in the event it is decided to issue Securities convertible into equity shares to issue to the holders of such convertible securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules and regulations or guidelines.

The Board recommends passing of this resolution

None of the directors is interested or concerned in this resolution

**By Order of the Board
for Sterling Holiday Resorts
(India) Limited**

**Place: Chennai M.BALASUBRAMANIYAN
Date : 28-08-2010 Company Secretary**

DIRECTORS' REPORT

The Directors of your Company hereby present the 23rd Annual Report of the Company together with the Accounts for the Year ended 31st March, 2010.

FINANCIAL RESULTS

	2009-2010 Rs in crores	2008-2009 Rs in crores
Sales	30.59 =====	31.02 =====
Profit before Interest Depreciation & Tax	5.25	(15.49)
Less: Interest	10.06	1.34
Profit / (Loss) before Depreciation & Tax	(4.81)	(16.83)
Less: Depreciation	4.12	4.84
Profit / (Loss) before Tax	(8.93)	(21.67)
Less: Provision for Fringe Benefit Tax	0.09	0.15
Profit / Loss for the year	(9.02)	(21.82)

OPERATIONS AND BUSINESS PLAN

During the year, under review your company has achieved total sale of Rs.30.59 crores, comprising the sale of Time Shares Rs.7.46 crores and through Resort operations Rs.23.13 crores.

A strengthened financial position has helped your company to clear its past liabilities and become a totally debt-free company. The immediate focus is the refurbishment of resorts. 15 % of rooms have been taken up for refurbishment and over the next three years, your company intends to complete the entire refurbishment efforts across all existing properties. With 10 owned and 3 leased resorts, plans are on to open 11 new resorts in the next 10 years. And construction permission is available for 1,150 rooms in current and new resorts.

A professional sales team is being hired and trained to drive the Vacation Ownership Sales and increase membership to 2,60,000 from 1,08,251 with 55% active members, in the next ten years. Your company's endeavor to provide customer delight will also extend

to providing contemporary Customer Service experience to vacation ownership customers and hotel guests. Finally, on the Marketing front, your company has got itself a new brand identity. And major alliances and cross selling arrangements are being rolled out to take the brand to every target family in the country and make it a brand to remember in the product category.

Settlement of Loans and Liabilities

Your Company has settled substantial creditors including Banks and Financial Institutions such as ICICI, GIIC, TFCI, SIDBI, Bank of Punjab Limited (HDFC), Catholic Syrian Bank Limited, South Indian Bank Limited and other trade creditors and also settled most of the Statutory dues and employees dues with the money raised in the above allotment of Equity Shares on preferential basis. In addition, a part of the money raised was used for refurbishing of resorts.

Refurbishment of Resorts

As reported in previous report, internal painting, change of upholstery, replacement of furniture, changing of flooring and up-gradation of Toilets and other Amenities were taken up wherever required. All out efforts have been taken to complete the balance developmental work with the funds available and the same is expected to be completed shortly. The customer feed back on the developmental work, amenities provided and renovation of resorts are satisfactory and encouraging.

Directors

Your Directors, Mr. M.N. Rangamani and Mr. S. Sethuraman retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

EMPLOYEES STOCK OPTION SCHEME

Under the Employees Stock Option Scheme - 2007, 19,44,000 of Equity shares of Rs.10/- each were allotted.

Also 5,56,000 options which were surrendered are included in the Common pool and was granted to eligible employees on 30-10-2009.

Under the Employees Stock Option Scheme 2009, 15,00,000 Stock Options were granted to employees on 07-10-2009.

The details of options granted under ESOS 2007 and ESOS 2009 are given in Annexure A in accordance with SEBI (Employees Stock Option Scheme & Employees Stock Purchase Scheme) Guidelines 1999 and any modifications thereto.

SHARE CAPITAL

Your Company has raised Rs.33.34 crores through issue of 95,26,500 equity shares of Rs.10/- each at a price of Rs.35/- (including the premium of Rs.25/- per equity share) and Rs.0.44 crores through issue of 5,00,000 warrants of Rs.35/- each (being 25%) on 04-06-2009. Also your Company has raised Rs.0.83 crores through issue of 8,34,000 equity shares of Rs.10/- each at par, under ESOS-2007 and Rs.4.06 crores (being 90%) through issue of 12,90,000 equity shares of Rs.10/- at a price of Rs.35/- (including a premium of Rs.25/- per equity share) on conversion of warrants on 25-03-2010.

Further during the Current year your Company has raised Rs.1.11 Crores through issue of 11,10,000 Equity Shares under ESOS-2007 on 05-04-2010, Rs.2 Crores (being 90%) through issue of 6,35,000 equity shares of Rs.10/- at a price of Rs.35/- (including a premium of Rs.25/- per equity share) on conversion of warrants on 08-04-2010 and Rs.3.39 Crores (being 90%) through issue of 10,75,000 equity shares of Rs.10/- at a price of Rs.35/- (including a premium of Rs.25/- per equity share)

On conversion of warrants on 04-08-2010, and Rs.1.05 Crores (being 75%) through issue of 4,00,000 equity shares of Rs.10/- at a price of Rs.35/- (including a premium of Rs.25/- per equity share) on conversion of warrants on 20-08-2010.

ISSUE OF 30,00,000 WARRANTS ON PREFERENTIAL BASIS.

The Members at the Extraordinary General Meeting held on 28-01-2009 have passed a special resolution for issue and allotment of 30,00,000 warrants at a price of Rs.35/- per warrant on preferential basis. Subsequently, 30,00,000 Warrants were allotted at the Board Meeting held on 12-02-2009. The In-principle approval was granted by both Bombay Stock Exchange Limited (BSE) and Madras Stock Exchange Limited (MSE). The 12,90,000 Warrants were converted into 12,90,000 equity shares on 25th March, 2010, 6,35,000 Warrants were converted into 6,35,000 equity shares on 8th April, 2010 and the balance 10,75,000 Warrants were converted into 10,75,000 equity shares on 4th August 2010.

ISSUE OF 5,00,000 WARRANTS ON PREFERENTIAL BASIS.

The Members at the Extraordinary General Meeting held on 25-05-2009 have passed a special resolution for issue and allotment of 5,00,000 warrants at a price of Rs.35/- per warrant on preferential basis. Subsequently, 5,00,000 Warrants were allotted at the Board Meeting held on 04-06-2009. The In-principle approval was granted by both Bombay Stock Exchange Limited (BSE) and Madras Stock Exchange Limited (MSE). Out of the above, 4,00,000 warrants were converted into 4,00,000 equity shares on 20th August, 2010.

ISSUE OF 95,26,500 EQUITY SHARES ALLOTTED ON PREFERENTIAL BASIS.

The Members at the Extraordinary General Meeting held on 25-05-2009 have passed a special resolution for issue and allotment of 95,26,500 Equity

shares of Rs. 10/- each at a price of Rs.35/- per share (including the premium of Rs.25/- per equity share). Subsequently, 95,26,500 Equity shares were allotted at the Board Meeting held on 04-06-2009. The said Equity Shares are listed with Madras Stock Exchange Limited and Bombay Stock Exchange Limited.

PROCEEDS OF PREFERENTIAL ISSUES

The details of utilization of proceeds of Preferential issues upto 31st March, 2010 are setout in the statement attached herewith in Annexure B.

STATUS OF PROCEEDINGS UNDER SECTION 408 OF THE COMPANIES ACT, 1956

The Members are informed that the Hon'ble High Court was pleased to pass an Order, granting stay of the Orders of the Hon'ble Company Law Board, Chennai, pending disposal of the Appeal under CMA No.3647 of 2005. The stay is still in force.

FIXED DEPOSIT

Your Company has not accepted any fresh Deposits from the public during the current year.

AUDITORS

The Joint-Auditors of the Company M/s.R.Subramanian and Company, Chartered Accountants, Chennai, and M/s.V.Sankar Aiyar & Co., Chartered Accountants, Chennai, retire at the Conclusion of this Annual General Meeting and are eligible for re-appointment.

The Company has received confirmation that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Audit Committee of the Board has recommended their appointment. The necessary resolution is being placed before the shareholders for approval.

AUDIT, INVESTOR GRIEVANCES, REMUNERATION AND COMPENSATION COMMITTEES

In terms of Clause 49 of the Listing

Agreement of the Stock Exchanges and pursuant to the provisions of Section 292A of the Companies Act, 1956, the details pertaining to Audit Committee, Investor Grievances Committee, Remuneration Committee, Share Transfer Committee and Compensation Committee are furnished in the Report on Corporate Governance which is annexed herewith.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement of the Stock Exchanges, Management Discussion and Analysis Report is annexed herewith and forms part of this Report.

REPORT ON CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. A separate section on Corporate Governance, along with a certificate from the Statutory Auditors of the Company confirming the compliance is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors' to the best of their knowledge and belief confirm that:

1. in the preparation of the Profit and Loss Account for the Financial Year ended 31st March, 2010 and the Balance Sheet as at that date (Annual Accounts), the applicable accounting standards have been followed;

2. that the Directors' had 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 and loss of the Company for that year;

3. that the Directors had 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;

4. that the Directors had prepared the Annual Accounts for the Financial Year ended 31st March, 2010 on a going concern basis.

Subsidiary Companies

As on 31st March, 2010, Your Company had three Subsidiary Companies namely,

1. M/s.Sterling Holidays (Ooty) Limited
2. M/s.Sterling Holiday Resorts (Kodaikanal) Limited and
3. M/s. Manchanda Resorts Private Limited

The accounts of the subsidiaries are consolidated with the accounts of the Company in accordance with Accounting Standards 21 (AS 21) prescribed by The Institute of Chartered Accountants of India. The consolidated accounts duly audited by the Statutory Auditors and the consolidated financial information of the subsidiaries form part of the annual report.

An application in terms of Section 212(8) of the Companies Act, 1956 has been made to the Central Government, seeking exemption from attaching the balance sheet and profit and loss account of the subsidiaries along with the report of the Board of Directors and

that of the auditors' thereon, with the Company's accounts and the Company awaits the approval of the Central Government.

The annual accounts, reports and other documents of the subsidiary companies will be made available to the Members and investors on receipt of a request from them.

The annual accounts of the subsidiary companies will be available at the registered office of the Company and at the respective subsidiary companies concerned, if any member or investor wishes to inspect the same during the business hours of any working day.

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, the particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure C which forms part of the Directors' Report.

PARTICULARS OF EMPLOYEES

Details of remuneration paid for the Financial Year ended 31.03.2010, as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) (Amendment) Rules, 2002, are provided in Annexure- D which forms part of the Directors' Report.

DEMATERIALISATION OF EQUITY SHARES

As mentioned in our earlier Annual Reports, the Company's Equity Shares are in the compulsory demat mode with effect from 28th August, 2000, as per Circular No.SMDRP / Policy / CIR-23/2000 dated 29th May, 2000 issued by

Securities and Exchange Board of India (SEBI). This has been facilitated through arrangement with M/s.National Securities Depository Limited (NSDL) and M/s.Central Depository Services (India) Limited (CDSL). A large number of our shareholders have taken advantage of dematerialisation facility. M/s.Cameo Corporate Services Limited, Chennai, has been appointed as the Registrar and Share Transfer Agents of the Company.

CEO / CFO CERTIFICATION

The Joint-Managing Director and the Senior Vice President Finance have submitted a certificate to the Board regarding the Financial statements and other matters as required under Clause 49V of the Listing Agreement.

OPEN OFFER ANNOUNCED BY M/S.INDUS HOSPITALITY FUND LTD AND M/S.INDIA DISCOVERY FUND LTD.

The Board of Directors of the Company at their meeting held on 04-06-2009 have allotted 78,82,200 equity shares to M/s.Indus Hospitality Fund Ltd, pursuant to the Special resolution passed at the Extraordinary General Meeting held on 25-05-2009. M/s.Indus Hospitality Fund Ltd along with M/s.India Discovery Fund Ltd have issued Public Announcement on 08-06-2009, to acquire 95,85,717 fully paid Equity Shares of the Company at an offer price at Rs.36.25/- per share in accordance with the Regulations and Guidelines issued by SEBI.

M/s.Gujarat Industrial Investment Corporation Limited (GIIC) have filed a Civil suit in the Hon'ble Court of 2nd Additional Senior Civil Judge at Gandhinagar, Gujrat in connection with the convening of Extraordinary General Meeting on 25th May, 2009, wherein the allotment of Equity Shares on preferential basis to M/s.Indus Hospitality Fund Limited and M/s.Blue Ocean Investment Trust was approved

by the Shareholders. However, the Company has taken necessary legal action to defend the case in this regard. Subsequently, a settlement has been arrived at between the Company and GIIC. As per the settlement, the above mentioned Civil Suit was withdrawn by GIIC.

Necessary steps are being taken by the Investors to complete the Open Offer.

ACKNOWLEDGEMENTS

The Board of Directors take this opportunity to express their sincere thanks to the Central and State Governments, Financial Institutions and Bankers and other Creditors for their valuable support and assistance during this period. The Directors also wish to thank the Shareholders and Timeshare Customers who have supported the Company in this hour of need. Our Directors look forward to receiving continued support from them.

The Directors also wish to thank the employees of the Company for their dedicated performance and also place on record their wholehearted commitments to the Company and combined efforts to turnaround the Company.

For and on behalf of the Board

Place: Chennai

R.SUBRAMANIAN

Date : 28-08-2010

**Chairman and
Managing Director**

ANNEXURE “A” FORMING PART OF THE DIRECTORS’ REPORT

Disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 2005, as amended, are set out below.

Sl. No.	Description	ESOS-2007		ESOS-2009	
1.	Total number of options under the Plan	25,00,000		15,00,000	
2.	Options granted	25,00,000		15,00,000	
3.	Pricing formula	Face Value		Face Value	
4.	Options vested	25,00,000		Nil	
5.	Options exercised	19,44,000		Nil	
6.	Total number of shares arising as a result of exercise of option	19,44,000		Nil	
7.	Options lapsed during the year	Nil		Nil	
8.	Variation of terms of options	Nil		Nil	
9.	Money realised by exercise of options	Rs.1,94,40,000/-		Nil	
10.	Total number of options in force	5,56,000		15,00,000	
11.	Employee wise details of options granted to: (1) Senior Management Number of Employees (2) Employees holding 5% or more of the total number of options granted during the year (3) Identified employees who were granted option, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	N. Chandrasekaran Annadurai M. Balasubramanian Nil Nil	4,12,000 1,44,000 Nil	K. Chandrasekaran M.N. Rangamani R. Mohan M. Balasubramanian Nil Nil	4,12,000 4,12,000 4,12,000 2,64,000
12.	Diluted Earnings per share pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20	(2.15)		(2.08)	
13.	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company.	Not Applicable		Not Applicable	
14.	Weighted average exercise prices and weighted average fair values of options separately for options whose exercise either equals or exceeds or is less than the market price of the stock.	Nil		Nil	
15.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (1) risk free interest rate (2) expected life (3) expected volatility (4) expected dividends and (5) the price of the underlying share in market at the time of option grant	Market Price at the time of option grant		Market Price at the time of option grant	

ANNEXURE - B TO THE DIRECTORS' REPORT

Details of Utilization of Preferential Issues up to 31st March, 2010

(Rs. in Lakhs)

Particulars	As on 31st March, 2010
Allotment of 95,26,500 Equity Shares to other than Promoter	3334.27
Allotment of 5,00,000 Warrants to other than Promoter 25% amount received (Rs.8.75 per Warrant)	43.75
Allotment of 12,90,000 Equity shares on conversion of Warrants to Promoter's Group - 90% amount received (Rs.31.5/- per warrant)	406.35
Allotment of 8,34,000 Equity shares under Employees Stock Option Scheme 2007 (Rs.10 per share)	83.40
Total Funds received	3867.77
Settlement of Loans, Creditors, Statutory Liabilities & Refurbishments of Resorts	3213.42

ANNEXURE C - TO THE DIRECTORS' REPORT

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. Conservation Energy	Not Applicable
B. Technology Absorption	Not Applicable
C. Foreign Exchange Earnings and Outgo:	
(i) Activities relating to exports incentives taken to increase Exports development of new export and markets for products and services and export plans	Nil
(ii) Total Foreign exchange earned	Nil
(iii) Total Foreign exchange used	Nil

ANNEXURE D - TO THE DIRECTORS' REPORT

Information as per section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) (amendment) rules, 2002 and forming part of the Directors' Report - details of remuneration paid for the Financial Year ended 31st March, 2010

Sl. No.	Name of the Employee	Age	Designation of the Employee / Nature of duties	Qualification & Experience	Date of Commencement of Employment	Previous Employment	Remuneration (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	R. Mohan*	47	Sr. Vice President - Finance	B.Com, ACA 23 Years	04-04-2005	Regimanual Grey Ltd., Ghana, W. Africa	24,32,684/-
2.	Praveen Tonge**	40	Zonal Head - TS Sales	B.Sc., 20 Years	19-01-2010	Ramee Holidays & Resorts Pvt. Ltd.,	7,23,141/-

*Holds more than 2% of the Equity shares of the company
** Employed for part of the year

Note :

- Remuneration as shown above includes Salary, Allowances, Leave Travel Assistance, Medical facilities and perquisites value in terms of actual expenditure incurred by the Company in providing the benefits to the employee excepting in case, perquisites value as per Income Tax Rules, has been adopted. In addition to the above the Employees are eligible for Provident Fund and Gratuity in accordance with the rules of the Company.
- The employees are the whole-time employees of the Company and the employment is subject to the rules and regulations of the Company.
- None of the employee is related to any Director of the Company.

For and on behalf of the Board

Place: Chennai
Date : 28-08-2010

R.SUBRAMANIAN
Chairman and Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

World Tourism Outlook

The downturn in the world economy since September 2008 has adversely impacted the travel and tourism industry of every country. London's World Travel Market has long been the most important travel trade show in the world, and figures launched at the show were depressing for 2009, but offered hope for 2010 and beyond. The year 2009 has seen the worst recession since the 1930s. While there are tentative signs that the economic cycle is now turning, recovery is expected to be gradual, and a second dip into recession early next year cannot yet be ruled out.

Jean-Claude Baumgarten of the World Travel & Tourism Council (WTTC) reports, "Travel and tourism is forecast to decline by 5.5% in 2009. Activity in 2010 is likely to be flat at best."

Given the deeper-than-expected global recession and tourism indicators for the year so far, the contraction in activity is now expected to be larger than anticipated. Corporate travel cuts, household curtailment of leisure travel (especially international trips) and the postponement of investment plans for tourism infrastructure have all been as bad as expected. These trends are reflected in the fact that international air passenger traffic contracted by 6% year on year in the first eight months of 2009*.

However, on the positive side, updated forecasts from WTTC show that there has been no change in the projected long-term trend growth of 4% per annum forecast for travel and tourism over the coming decade.

" Monthly data for 68 countries covering 80% of global tourist trips showing overnight visitor arrivals on a

similar path (January to September growth is estimated at 6% year on year).

The UNWTO World Tourism Barometer suggests that the decline in international tourism may have started to bottom out. International tourist arrivals declined by 7% between January and August 2009*, but the rate of decline has eased in the past few months. This confirms UNWTO's initial forecast of a 5% decline in international tourist arrivals for the full year 2009. International tourist arrivals worldwide are estimated to have declined by 7% between January and August 2009. Destinations worldwide recorded a total of 600 million arrivals, down from 643 million in the same period of 2008. But the downward trend that started in September last year may have begun to bottom out. Arrivals in the two high-season months of July and August declined by 3% compared with a decrease of 8% in the first half of the year, and data available for September points to a continuation of this upward trend. Tourism earnings, with a 10% drop, have suffered more than arrivals as consumers tend to trade down, stay closer to home and travel for shorter periods of time.

For 2010, UNWTO expects a moderate growth of up to 5%. Asia will show the strongest rebound, while Europe and the Americas will probably take longer to recover. Growth is also expected to return to Africa and the Middle East. 2010 will still be a difficult year.

Although the financial crisis of 2009 greatly affected all sectors of the travel industry, the World Travel Trends report released on Wednesday, the 10th of March 2010 in Berlin predicted a slight recovery from some regions, including a strong boom commencing from China.

In 2010, IPK's travel research envisions that Chinese outbound travel

will bolster a four-percent increase in tourism compared to Europe's stagnation and a five-percent decrease in the United States[#].

According to statistics presented at the 44th annual ITB Tourism Trade Show in Berlin, the tourism sector in Europe and North America has been hardest hit in the crisis, with a 19-percent decrease in 2009.

For the ITB travel trade fair, which has been held in Berlin for the past 44 years, the number of participating exhibitors has risen to 11,127 this year from 11,098 in 2009. This might be a sign that business remains at least steady in the tourism industry.

The risks associated with the influenza virus remain on the horizon and the pace of economic recovery is expected to be modest. On the positive side, consumer confidence is showing signs of picking up.

Indian Tourism Scenario

India's Ministry of Tourism has projected the number of foreign tourists' arrival in India to rise to 10 million by 2010. According to the estimates, India epitomizes one of the most potential tourism markets in the world.

In the last few years, the Indian tourism sector has expanded rapidly and due to the unprecedented and unbound support from all levels of government, upgraded income level and inauguration of various International sports events (Cricket 20/20 and Commonwealth Games), the India Tourism Industry is poised to continue to grow at a high level in the years to come.

Commonwealth Games is the additional opportunity for the Travel Industry to gain some additional business, by offering special tour packages to the tourists. As per the reports, it is estimated that more than

3.5 million tourists are going to reach India in 2010* to be a part of the eminent Commonwealth Games that are scheduled to be held in Delhi - the capital city of India. This bodes well for India's Tourism Industry, as foreign tourists will be heavily dependent upon the travel trade for flight bookings, hotel reservations, travel itineraries and visas.

The growth of India's Tourism market is also equally beneficial to several associated industries such as aviation, medical tourism and the hotel industry. Further, the year 2008 also saw a whopping rise in the arrival of eco tourists in the country. And recently, a new concept 'Rural Tourism' has been launched by the Government of India, which is doing well.

It is believed that in the next few years the Indian Tourism Industry will gain new heights and the percentage of India's share in the global tourism will grow to 1.5% by 2010*. The Industry is going to fetch maximum business from Agra (Taj Mahal), Andhra Pradesh, Tamil Nadu, Kerala and Rajasthan, which are expected to receive the maximum number of tourists.

According to the Ministry of Tourism, Foreign Tourist Arrivals (FTAs) for the period January to March in 2009 was 1.461 million. For the month of March 2009 the FTAs was 4,72,000. The reason for the decline is attributed to the ongoing economic crisis. However, the Indian Tourism Industry has continued to grow irrespective of the global economic uncertainties and has been fuelled by domestic demand. The future trends of the Indian Tourism industry can be summed up thus;

" The real GDP growth for travel and tourism economy is expected to be 0.2 per cent in 2009 and is expected to grow at an average of 7.7 per cent per annum in the coming decadeÆ

" Earning through exports from

international visitors and tourism goods are expected to generate 6.0 per cent of total exports (nearly \$16.9 billion) in 2009 and expected to increase to US\$ 51.4 billion by 2019Æ

In spite of the short term and medium term impediment due to the global meltdown the revenues from tourism is expected to increase by 42 per cent between 2007 to 2017Æ

Sterling's Strategies and Plans

The company has strengthened its financial position through the equity funding raised in this financial year. This has helped the company clear its past liabilities and achieve the position of being a totally debt-free company.

With the financial position of the company getting stronger, the immediate focus is on six core functional areas of the company namely;

- " Resort Operations
- " Vacation Ownership Sales
- " Resort Development and Projects
- " Customer Services
- " Hotel Sales and
- " Marketing

On the Resort Operations front, the immediate focus is to get the resort properties in good shape, and to ensure that the resorts achieve the desired levels of excellence in the areas of unit quality, guest facilities and service standards. A core operations team has been instituted at the corporate office to focus on key service delivery areas like Inventory optimization, front office management, food & beverage production and service, house keeping, spa and wellness, and holiday activities, among other things.

We have commenced the soft refurbishment of all our resort properties and are on the verge of

completion as this report goes to print. We have replaced and repaired furniture, given a fresh coat of paint to the properties, installed LCD Televisions in the hotel rooms and better televisions in the Vacation Ownership rooms, upgraded the cutlery and crockery, etc.

The hard refurbishment that involves major civil and structural work will commence shortly. Our projects team has prepared mock rooms in all the properties and right now is working on finalizing the design and budgets to commence work. The strategy is to do a complete overhaul and refurbish the rooms on a continuous basis. A certain % of rooms will be taken up for refurbishment and over a period of the next three years, we intend to complete the entire refurbishment efforts across all our existing properties.

Plans are on to commence work on the pending Resort Development and Projects arena shortly. We have identified critical destinations and are planning to take up the construction of resort properties at Goa, Mahabaleshwar, Lonavala, Coorg and Yelagiri over the next three to four years. Following this, we will consider the other pending projects as well.

A professional sales team is being hired and trained to drive the Vacation Ownership Sales to a quantum growth which can support the resort development and operations and also drive the organization to the planned growth trajectory. We are building expert teams in the areas of Direct-to-Home, Venue, Onsite and Franchisee sales models and we expect the deliveries to happen over the last two quarters of the current financial year i.e., 2010-11.

Our endeavor to provide customer delight will also extend to providing contemporary Customer Service

experience to our vacation ownership customers and hotel guests. A new website www.sterlingholidays.in is in place and two more phases of development of this website is currently underway. The completed website, expected to go fully live by April 2011, will have online reservations, real-time customer service interface, a Sterling Community platform for our customers to interact, apart from other things that will make the Sterling experience truly world class.

The Hotel Sales teams are being built across the country. Industry veterans and ace performers are being hired to fuel growth in the MICE (Meetings, Incentives, Conventions & Expositions), Corporate Holidays, Honeymoons and Travel Agents business. We have commenced selling our hotel rooms inventory through leading GDS (Global Distribution Systems) across the world and we intend to commence online booking facilities with an integrated payment gateway. This facility is currently under beta testing, and post testing will go live for guests.

Finally, on the Marketing front, we have got ourselves a new brand identity, beginning with a change in the brand name from Sterling Resorts to Sterling Holidays. In another two months we intend to begin our marketing communication, starting with a campaign to reconnect with our existing customers followed by a campaign to promote the Sterling Holidays brand as a position leader in the vacation ownership category. This effort will be continued with tactical promotions to help with sales leads. We have already started tactical online promotions to ensure brand visibility as well as lead generation. Major alliances and cross selling arrangements are being rolled out by our marketing team to take the brand to every target family in the country and make it a brand to remember in our product category.

We have also resumed our customer

communication through our newsletter Sterling World. The first refurbished issue with a new look and feel is being sent to our customers by the 1st Week of October 2010 and we plan to increase the frequency appropriately to keep in continuous touch with our customers.

The Future

With the core functional areas getting intense management attention, the company will begin to position itself on a strong fundamental with best-in-class service levels and facilities to enhance the overall holiday experience. The marketing communications effort will drive fresh impetus in terms of hotel guests and enhanced vacation ownership sales that will add to the cash flows available for resort growth and development. Thus we foresee the company entering a phase of self-propelled growth and over the next three to four years, we aim to achieve the position of one of the largest vacation ownership and hospitality services company in Asia, and the clear industry leader in India.

For and on behalf of the Board
R.SUBRAMANIAN
Chairman and Managing Director

Place: Chennai
Date : 28-08-2010

Source:

- * www.imtj.com
- # www.chinadaily.com
- + www.ezinearticles.com
- ^ www.tradechakra.com

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2009-2010

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

The Directors have pleasure in presenting the Corporate Governance Report for the Financial Year ended 31st March, 2010.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Board of Directors and the Management of Sterling Resorts commit themselves to:

- " Strive towards enhancement of shareholder value through sound business decisions, prudent financial management and High standards of Ethics throughout the Organization

" Ensure Transparency and Professionalism in all decisions and transactions of the Company

" Achieve excellence in Corporate Governance by conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance, regularly reviewing the processes and the Management systems for further development.

The Company has implemented the new Code of Conduct for members of the Board and senior management to the extent it is applicable to the Company.

2. BOARD OF DIRECTORS ('BOARD')

2.1 Composition and Category of Directors & Number of other Directorships and Membership on other Board Committees

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors with not less than 50% of the Board comprising of Non-Executive Directors. The Board of your Company consisted of eight Directors as on 31st March, 2010 comprising of a Chairman and Managing Director, Joint-Managing Director, Two Non-Executive Directors and Four Independent Directors.

The composition of the Board of Directors as at 31st March, 2010 and the number of other Directorships / Committee Memberships held by them and attendance particulars for the Board / AGM are as under:

Name of Director	Category	No. of		Total Number of Board Meetings	Attendance		Other Boards / Committees		
		Shares	ESOS Stock Options granted	Held during tenure of Directors	Board	Whether attended the last AGM	Directorship in other companies	Committee	
								Chairman	Membership
R.Subramanian	Chairman Executive Promoter	57,174	Nil	8	7	Yes	14	0	0
S.Sidharth Shankar	Joint-Managing Director Executive Promoter	29,32,700	Nil	8	7	Yes	1	0	0
K.Chandrasekaran	Non Executive Independent	5,50,828	412000	8	7	Yes	5	0	0
M.N.Rangamani	Non Executive Independent	5,43,010	412000	8	7	Yes	3	0	0
E.S.Ganapathy	Non Executive Independent	50,000	Nil	8	8	Yes	Nil	0	0
G.Sundaram	Non Executive Independent	3,28,000	Nil	8	8	Yes	Nil	0	0
S.Sethuraman	Non Executive Independent	Nil	Nil	8	6	Yes	Nil	0	0
Amit Jatia	Non Executive Independent	Nil	Nil	8	Nil	No	17	0	0

2.2 Number of Board of Directors Meeting held and the dates on which held:

The Board of Directors met 8 times during the Financial Year 2009-2010 (12 Months), i.e. on 28th April 2009, 30th April 2009, 04th June .2009, 31st July 2009, 01st September 2009, 30 October 2009, 29th January 2010 and 25th March 2010. Required quorum was present at all meetings.

3. AUDIT COMMITTEE

3.1 Terms of Reference

The terms of reference of this Committee cover matters specified for Audit Committee under Clause 49 of the Listing Agreements as well as in Section 292A of the Companies Act, 1956. This inter-alia includes overseeing the Financial Reporting Process and disclosure of Financial Information, reviewing any change in Accounting Policies and Practices, Compliance with Accounting standards and reviewing the adequacy of Internal Control System.

The company had formulated a Whistle Blower Policy, which mainly covers the information on suspected unethical and improper practices or wrongful conduct, which employees, in good faith, believe exist.

During the Financial Year, there was no such incident that necessitated the Audit Committee to investigate according to the Whistle blower Policy.

3.2 Composition & Meetings

The Audit Committee comprised of Four Non-Executive Directors. All the members have a sound Financial knowledge. The Committee met 5 times during the Financial Year ended 31st March, 2010, on 30th April 2009, 31st July 2009, 1st September 2009, 30th October 2009, and 29th January 2010. Required quorum was present at all meetings.

The composition of the Audit Committee and the attendance of the members are given below:

Sl. No.	Name of the Member	Category	Number of Meetings	
			Held	Attended
1.	E.S.Ganapathy	Chairman Independent Director	5	5
2.	M.N.Rangamani	Independent Director	5	4
3.	G.Sundaram	Independent Director	5	5
4.	S.Sethuraman	Independent Director	5	3

The Company Secretary acts as the Secretary of the Audit Committee. As and when necessary, senior officials are called to attend the meeting to assist the Committee. Mr.E.S.Ganapathy, Chairman of the Audit Committee was present at the 22nd Annual

General Meeting held on 29th September, 2009.

4. REMUNERATION COMMITTEE

4.1 Terms of Reference

The terms of reference of this Committee cover the matters specified for Remuneration Committee under Clause 49 of the Listing Agreement. This inter-alia includes determining the remuneration packages of the executive directors including pension rights and any compensation payment.

4.2 Composition & Meetings

The Committee comprised of Non-Executive Directors with an Independent Director as Chairman. All the members have a sound Financial knowledge. The Committee met on 01st September, 2009 during the Financial Year ended 31st March, 2010. Required quorum was present at the meeting. The details of composition and attendance of the members are given below:

Sl. No.	Name of the Member	Category	Number of Meetings	
			Held	Attended
1.	E.S.Ganapathy	Chairman Independent Director	1	1
2.	G.Sundaram	Independent Director	1	1
3.	S.Sethuraman	Independent Director	1	Nil

4.3 Remuneration for the Year

No remuneration was paid to Mr.R.Subramanian, Chairman and Managing Director, Mr.S.Sidharth Shankar, Joint-Managing Director, for the services rendered by them to the Company for the Financial Year ended 31st March, 2010.

The details of remuneration provided to Non-Executive Directors who are entitled only to sitting fees for attending the meetings of the Board / Committee(s) thereof for the Financial Year ended 31st March, 2010 are as follows:

Sl. No.	Name of the Director	Sitting Fees Paid (Rs.)
1.	E.S.Ganapathy	65,000/-
2.	G.Sundaram	65,000/-
3.	K.Chandrasekaran	35,000/-
4.	M.N.Rangamani	55,000/-
5.	S.Sethuraman	45,000/-
6.	Amit Jatia	Nil

5. SHARE HOLDERS / INVESTORS GRIEVANCE COMMITTEE

5.1 Terms of Reference

The role of the committee includes formulation of shareholders servicing Plans and Policies, monitoring and reviewing the mechanism of Share Transfers and Dematerialization of shares, payment of Dividends, etc., and looking into the redressing of shareholders' complaints and to determine, monitor and review the standards for resolution of shareholders grievances.

5.2 Composition and Meetings

The Committee comprised of Non-Executive Directors with an Independent Director as Chairman. During the Financial Year ended 31st March, 2010, the Committee met 4 times on 06th April 2009, 14th July 2009, 30th October 2009 and 29th January 2010 to review the shareholders' correspondence including the grievances received from the shareholders and their redressal. Required quorum was present at all meetings. The details of the members of the Committee and their attendance at the above meetings are given below:

Sl. No.	Name of the Member	Category	Number of Meetings	
			Held	Attended
1.	G.Sundaram	Chairman Independent Director	4	4
2.	E.S.Ganapathy	Independent Director	4	4

Name & Designation of the Compliance Officer:
Mr.M.Balasubramaniyan Company Secretary

The Shareholders / Investors' Grievance Committee has prescribed norms for attending to the shareholders' requests and these norms have been complied with. The Committee generally meets every quarter to review the Investor query / complaints.

Shareholder / Investor Complaints:

Complaints pending as on 1st April, 2009	- Nil
During the period 1st April, 2009 to 31st March, 2010, complaints	
Identified and reported under Clause 41 of the Listing Agreement	- 14
Complaints disposed off during the year ended 31st March, 2010	- 14
Complaints unresolved to the satisfaction of shareholders as on 31st March, 2010	- Nil
No. of pending share transfers as on 31st March, 2010	- Nil

6. COMPENSATION COMMITTEE

6.1 Terms of Reference

The role of the Compensation Committee includes powers to

decide on the matters relating to giving Equity Options / Shares to the permanent employees (including the Directors of the Company whether Whole-time Directors or not).

6.2 Composition and Meetings

The Committee comprised of Non-Executive Directors with an Independent Director as Chairman. All the members have a sound Financial knowledge. The Committee met Three times on 07th October 2009, 30th October 2009 and 25th March, 2010 during the Financial Year ended 31st March, 2010. Required quorum was present at all meetings. The details of composition and attendance of the members are given below:

Sl. No.	Name of the Member	Category	Number of Meetings	
			Held	Attended
1.	S.Sethuraman	Chairman Independent Director	3	3
2.	G.Sundaram	Independent Director	3	3
3.	E.S.Ganapathy	Independent Director	3	3

7. SHARE TRANSFER COMMITTEE

7.1 Terms of Reference

The role of the committee includes power to approve Transfers and Transmission of shares / debentures and Transpositions, Issue of new share certificates, Issue of powers of attorney and such other powers the Board may delegate.

7.2 Composition and Meetings

The Committee consists of Two Executive Directors and Two Non-Executive Directors. The Committee met 13 times on 15th May 2009, 30th June 2009, 15th July 2009, 31st July 2009, 20th August 2009, 29th September 2009, 21st October 2009, 18th November 2009, 15th December 2009, 31st December 2009, 27th January 2010, 22nd February 2010 and 18th March 2010 during the Financial Year ended 31st March 2010. Required quorum was present at all meetings. The details of composition and attendance of the members are given below:

Sl. No.	Name of the Member	Category	Number of Meetings	
			Held	Attended
1.	R.Subramanian	Chairman Independent Director	13	12
2.	K.Chandrasekaran	Independent Director	13	9
3.	G.Sundaram	Independent Director	13	13
4.	E.S.Ganapathy	Independent Director	13	13

8. GENERAL BODY MEETINGS

The details of Annual General Meetings held during the past three years and resolution passed

Year	Venue	Date & Time	No. of Special Resolutions Passed
31.03.2007	Rani Seethai Hall, No.603, Anna Salai, Chennai 600 006	29.09.2007 11.00 A.M.	Nil
31.03.2008	Sathguru Gnanandha Hall, Narada Gana Sabha, New No.314, (Old No.254), T.T.K.Road, Chennai 18	30.09.2008 02.30 P.M.	1
31.03.2009	Rani Seethai Hall, No.603, Anna Salai, Chennai 600 006	29.09.2009 2.30 P.M.	1

9. POSTAL BALLOTS:

During the year there were no Ordinary or Special Resolution passed by the Members through Postal Ballot this year.

No special resolution is proposed to be put through Postal Ballot this year.

10. SUBSIDIARIES:

As per the revised Clause 49 of the Stock Exchange Listing Agreement, your Company does not have any Material non-listed Subsidiary Company whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively of the Company and its subsidiaries in the immediately preceding accounting year.

11. DISCLOSURES

(a) There have been no materially significant related party transactions with the Company's Promoters, Directors and the Management, their Subsidiaries or relatives which may have potential conflict with the interests of the Company at large. The necessary disclosures regarding the transactions are given in the Notes to the Accounts.

(b) The Company affirms that no personnel has been denied access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and that it has provided protection to whistle blowers from unfair termination and other unfair or prejudicial employment practices.

(c) The Company has complied with the reporting of mandatory requirements as contained in the Annexure 1C and has also reasonably complied with reporting of non mandatory requirements, as contained in the Annexure 1D to Clause 49 of the Listing Agreement

12. SECRETARIAL AUDIT

A secretarial audit was carried out by a qualified practicing Company Secretary on quarterly basis for reconciling the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit inter-

alia confirms that total issued / paid-up capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL.

13. MEANS OF COMMUNICATION

The Quarterly Results published in the proforma prescribed by the Stock Exchanges are approved and taken on record by the Board of Directors of the Company within one month of the close of the relevant quarter. The approved results are forthwith sent to all the stock exchanges with which the Company has listing arrangements. Further, the results in the prescribed proforma are published within 48 hours in the English daily Newspaper - Trinity Mirror and Tamil daily Newspaper - Makkal Kural. The Company sends the Unaudited Financial Results within the stipulated period of thirty days from the end of each quarter as required by the Listing Agreement with the Stock Exchanges.

The Annual Report is sent to the Shareholders individually before the Annual General Meeting and the same is placed in Company's Website - www.sterlingholidays.in

The Management Discussion and Analysis Report forms part of the Annual Report.

14. GENERAL SHAREHOLDER INFORMATION

(a) Registered Office	No.163, T.T.K. Road Alwarpet, Chennai - 600 018. Phone.044-24998044; 66937000 Fax.: 044-2499 8043
(b) Annual General Meeting Date, Time and Venue of the Annual General Meeting	Wednesday, 29th September, 2010 at 2.30 p.m., at RANI SEETHAI HALL NO.603, ANNA SALAI CHENNAI - 600 006.
(c) Tentative Financial Calendar	1st April, 2010 to 31st March, 2011
1 Quarter ended 30.06.2010	11.08.2010
Annual General Meeting	29.09.2010
II Quarter ending 30.09.2010	2 nd week of November, 2010
III Quarter ending 31.12.2010	2 nd week of February, 2011
Iv Quarter ending 31.03.2011	2 nd week of May, 2011
Audited Results for the Financial Year ending 31.03.2011	Last week of August, 2011

(d) Book Closure Date Thursday, the 23rd day of September, 2010 to Wednesday, the 29th day of September, 2010 (Both days inclusive)

(e) Dividend Payment Date No dividend has been recommended by the Board of Directors of the Company.

(f) Listing on Stock Exchanges

Name of Stock Exchange	Address	Stock Code (Equity)	Status of payment of listing fees for the year 2009-10
The Stock Exchange, Madras [MSE]	Post Box No.183 No. 30, Second Line Beach, Chennai 600001	STERLHOLID	Paid
Bombay Stock Exchange Limited [BSE]	P.J.Towers Dalal Street, Fort, Mumbai 400001	523363	Paid

Demat ISIN Code for NSDL & CDSL - INE657A01019

(g) Market Price Data

High, Low during each month in the last Financial Year

Month	Bombay Stock Exchange Limited		BSE SENSEX	
	HIGH PRICE Rs. P.	LOW PRICE Rs. P.	HIGH	LOW
April 2009	41.65	26.15	11403.25	9901.99
May 2009	53.45	35.50	14625.25	11682.99
June 2009	65.60	53.45	15466.81	14265.53
July 2009	62.15	43.75	15670.31	13400.32
August 2009	58.95	48.90	15924.23	14784.92
September 2009	66.85	52.75	17126.84	15398.33
October 2009	68.45	53.30	17326.01	15896.28
November 2009	64.30	58.55	17198.95	15404.94
December 2009	72.90	61.45	17464.81	16601.20
January 2010	81.60	68.50	17701.13	16289.82
February 2010	71.05	67.60	16496.05	15790.93
March 2010	85.70	69.50	17711.35	16772.56

There was no trading on the Equity Shares of the Company on the Madras Stock Exchange Limited for the period 1st April, 2009 to 31st March, 2010.

(h) Performance in comparison to broad-based indices

Sterling Holiday Resorts share price performance relative to BSE Sensex during the year 2009-2010.

Name of Stock Exchange	(% change) Sterling Holiday's Share Price	(% change) in Sensex	(% change) Sterling Holiday's to Sensex
BSE Sensex	105.76%	55.32%	0.12%

(i) Registrar & Share Transfer Agents

M/s.Cameo Corporate Services Limited
Subramanian Building No.1, Club House Road
Chennai - 600 002. Phone: 044 - 28460390 (5 Lines)
Fax : 044 - 28460129
E-mail: investor@cameoindia.com

(j) Share Transfer System

A Committee of the Board constituted for this purpose approves the share transfers in the Physical Form on Fortnightly basis, subject to the documents being valid and complete in all respects. The Board has also authorised the Members of the Share Transfer Committee to approve the Transfers, Transmissions and Transpositions. As per the directions of SEBI, the Company immediately on transfer of shares, endorse their name on the Share Certificates and send them to the investors and also inform them simultaneously about the dematerialisation option available for the shares transferred to their names. The Committee met 13 times during the Financial Year commencing from 1st April, 2009 to 31st March, 2010.

(k) Shareholding Pattern / Distribution of Shareholding

Shareholding Pattern as on 31st March, 2010

Category	No. of Shares held	% of Shareholding
A PROMOTER'S HOLDING		
(i) Indian Promoters	7730274	17.548
(ii) Acquirers & PAC	-	-
B NON-PROMOTER HOLDING		
1. Institutional Investors		
(a) Mutual Fund	7450	0.017
(b) Banks, Financial Institutions, Insurance Companies	4650	0.011
(c) Foreign Institutional Investors	7048632	16.000
2. Others		
(a) Private Corporate Bodies	4356456	9.889
(b) Indian Public	13816972	31.365
(c) Non Resident Indians / Overseas Bodies Corporate	8198505	18.611
(d) Foreign Nationals	-	-
(e) Trusts	2840608	6.448
(f) Clearing Member	49038	0.111
Total	44052585	100.000

Distribution of Shareholding as on 31st March, 2010

Category	No. of Holders	% to Total	No. of Shares	% to Total
1 - 500	18328	90.321	2318395	5.263
501 - 1000	872	4.297	735512	1.670
1001 - 2000	435	2.144	684990	1.555
2001 - 3000	150	0.739	390349	0.886
3001 - 4000	61	0.301	223231	0.507
4001 - 5000	98	0.483	470113	1.067
5001 - 10000	142	0.700	1093350	2.482
Above 10000	206	1.015	38136645	86.571
Total	20292	100.000	44052585	100.000

(l) Nomination Facility

The Shareholders may avail themselves of the nomination facility under Section 109A of the Companies Act, 1956. The Nomination Form (Form 2B) along with instructions will be provided to the members on request. In case the members wish to avail this facility, they are requested to write to Mr.M.Balasubramanian, Company Secretary at the Registered Office of the Company.

(m) Dematerialization of Equity Shares and Liquidity

The Equity shares of the Company are compulsorily traded in dematerialized form with effect from 28th August, 2000 as per the directives issued by SEBI. The Code Number allotted by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to Sterling Holiday Resorts (India) Limited is **ISIN - INE 657A01019**.

As on 31st March, 2010, 89.51% of the Company's total Equity Shares representing 39431337 Equity Shares were held in Dematerialized Form and the balance 10.49% representing 4621248 Equity Shares were held in Physical Form.

The Company has received 304 requests for Dematerialization of shares during the 12 months' period commencing from 1st April, 2009 to 31st March, 2010. The time taken for processing the dematerialization requests is detailed below.

For the period 01.04.2009 to 31.03.2010						
Days taken for Processing	No. of requisitions accepted	No. of shares accepted	% to Total	No. of requisitions rejected	No. of shares rejected	% of Total
1-10 days	268	4191461	9.515	29	204890	0.465
11-15 days	7	1267	0.003	-	-	-
Total	275	4192728	9.518	29	204890	0.465

(n) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments,

Conversion date and likely impact on equity.

The Company has not issued any GDRs / ADRs

i) Pursuant to the resolution passed by the Members at the Extraordinary General Meeting held on 28th January, 2009, 30,00,000 Warrants convertible into 30,00,000 equity shares of Rs.10/- each at a price of Rs.35/- (including a premium of Rs.25/- per warrant) were allotted at the Board Meeting held on 12th February, 2009 and these warrants are convertible within 18 months from the date of allotment, i.e. on or before 11th August, 2010. The Board of Directors at their Meeting held on 25th March, 2010 have allotted 12,90,000 equity shares on conversion of warrants and 17,10,000 warrants are outstanding as on 31st March, 2010.

ii) Pursuant to the resolution passed by the Members at the Extraordinary General Meeting held on 25th May, 2009, 5,00,000 Warrants convertible into 5,00,000 equity shares of Rs.10/- each at a price of Rs.35/- (including a premium of Rs.25/- per warrant) were allotted at the Board Meeting held on 4th June, 2009 and these warrants are convertible within 18 months from the date of allotment, i.e. on or before 3rd December, 2010 and the same are outstanding as on 31st March, 2010.

(o) Resort Locations Ooty, Kodaikanal, Yercaud, Munnar, Darjeeling, Manali, Yelagiri, Lonavala, Puri, Mussoorie and Goa.

(p) Address for Correspondence Shares and Secretarial Department Sterling Holiday Resorts (India) Limited NO.163, T.T.K. Road Alwarpet, Chennai - 600 018. Phone No.044 - 66937000 (5 Lines) Fax No.044 - 24998043
E-mail investorsmail@Sterlingresorts.org

For and On Behalf of the Board
Place: Chennai **R. SUBRAMANIAN**
Date : 28.08.2010 **Chairman and Managing Director**

CONFIRMATION ON CODE OF CONDUCT

To

The Members of M/s. Sterling Holiday Resorts (India) Limited

This is to inform that the Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. It is further confirmed that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company as at 31st March, 2010, as envisaged in Clause 49 of the Listing Agreement with Stock Exchanges.

For and on Behalf of the Board

Place: Chennai
Date : 28-08 2010

R.SUBRAMANIAN
Chairman and Managing Director

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

To the Members of M/s. Sterling Holiday Resorts (India) Limited,

We have examined the compliance of the conditions of Corporate Governance by M/s. Sterling Holiday Resorts (India) Limited for the financial year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company, with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the condition of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of the information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

Based on the information and explanations given to us there are no investor grievances pending for a period exceeding one month against the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor that efficiency or effectiveness with which the management has conducted the affairs of the Company.

For V.Sankar Aiyar & Co
Chartered Accountants
ICAI regd. No. 109208W

For R.Subramanian and Company
Chartered Accountants
ICAI regd. No. 004137S

S.Venkataraman
Partner
Membership No : 23116

A.S.Ramanathan
Partner
Membership No : 011072

Place : Chennai
Date : 28-08-2010

STERLING HOLIDAY RESORTS (INDIA) LIMITED

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

The Board of Directors,
Sterling Holiday Resorts (India) Limited.

We S.Sidharth Shankar, Joint Managing Director, in the capacity as Chief Executive Officer (CEO) and R.Mohan, Senior Vice President Finance, in the capacity as Chief Finance Officer (CFO) of M/s.Sterling Holiday Resorts (India) Limited ("the Company"), to the best of our knowledge and belief certify that:

(a) We have reviewed the financial statements and the cash flow statement for the year ended 31st March, 2010 and that to the best of our knowledge and belief, we state that:

(i) these statements do not contain any materially untrue statements or omit any material fact or contain any statement that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and evaluating the effectiveness of the same over the financial reporting of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated based on our most recent evaluation, wherever applicable, to the Company's Auditors and Audit Committee;

(i) significant changes, if any, in the internal control over financial reporting during the year;

(ii) significant changes, if any, in the accounting policies made during the year and the same has been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

S.SIDHARTH SHANKAR (CEO)
Joint Managing Director

R.MOHAN (CFO)
Senior Vice President - Finance

Place : Chennai
Date : 28-08-2010

AUDITORS' REPORT TO THE SHAREHOLDERS OF STERLING HOLIDAY RESORTS (INDIA) LIMITED

1. We have audited the attached Balance Sheet of Sterling Holiday Resorts (India) Limited as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the cash flow statement of the Company thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 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 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 it appears from our examination of those books;

iii. The Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of Account;

iv. In our opinion, the Balance Sheet and 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 to the extent applicable;

v. On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the significant accounting policies and other notes thereon, give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the Balance

Sheet, of the state of affairs of the Company as at 31st March 2010,

(b) In the case of the Profit and Loss account of the loss for the year ended on that date and

(c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for **R.SUBRAMANIAN AND COMPANY**

Chartered Accountants,

ICAI regd. No. 004137S

A.S.Ramanathan

Partner

M.No : 011072

for **V. SANKAR AIYAR & Co**

Chartered Accountants

ICAI regd. No. 109208W

S.VENKATARAMAN

Partner

M.NO : 23116

Place: Chennai

Date : 28th August 2010

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE.

1.(a) The Company has maintained records showing full particulars including quantitative details and situation of Fixed Assets except in respect of plant and machinery office equipments and furniture and fixtures.

(b) We are informed that during the year, Fixed Assets located at Resorts and at Head office have been physically verified by Management. According to the information and explanations given to us, no material discrepancies were noticed on such verification. In our opinion, frequency of verification is reasonable.

(c) As per information and explanations given to us, the disposals of fixed assets during the year were not substantial and hence it does not affect the going concern assumptions.

2.(a) Inventories have been physically verified at the end of the year by the management. In our opinion, the frequency of verification was reasonable.

(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

(c) On the basis of the records examined by us and relying on the information provided to us, in our opinion, the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification as compared to the record of inventories.

3.(a) The Company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(b) A director of the Company has settled a loan of Rs. 128.77 lacs, taken by the Company and requested for reimbursement. The loan is unsecured, interest free and is repayable on demand. The terms and conditions of the loan are not prima facie prejudicial to the interest of the Company.

4. In our opinion and according to the information and explanations given to us, the internal control procedures are commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets, sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

5. Based on the audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, the company has not entered into

contracts or arrangements referred to in Section 301 of the Companies Act, 1956 and consequently reporting under clause 4(v) (a), (b) does not arise.

6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. We are informed by the Management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal under Sections 58A and 58AA of the Companies Act, 1956.

7. The Company has an internal audit system commensurate with the size of the Company and the nature of its business.

8. According to the information and explanations given to us, the Central Govt. has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for the services rendered by the Company.

9.(a) According to the information and explanations given to us, the Company has been regular in depositing, undisputed statutory dues representing, Provident Fund, Investor Education

and Protection Fund, Employees State Insurance, Income Tax, Sales Tax (VAT), Service tax, cess and other statutory dues with appropriate authorities. We are informed that there is no liability to remit Wealth tax, customs duty and Excise duty.

(b) According to the information and explanations given to us, undisputed statutory dues representing Fringe Benefit Tax of Rs. 101.34 lacs was outstanding at the year end for a period of more than 6 months from the date they become payable. To the best of our knowledge and belief and based on information given to us, no other undisputed statutory dues namely Provident Fund, Employees State Insurance, Income Tax, Sales Tax (VAT), Service tax, Cess are outstanding for more than six months.

(c) According to the information and explanations given to us on the basis of examination of records of the Company the dues of income tax/wealth tax/service tax/cess as at 31st March 2010 which have not been deposited on account of any dispute are as follows:

(Rs. In Lacs)

Name of Statute / nature of dues	Period	Forum where dispute is pending				
		High Court	Appellate Tribunal \$	Appellate Authority @	Assessing Officer	Grand total
Income Tax Act, 1961 (Income tax including penalty & interest wherever applicable)	2006-07	-	-	38.34	-	38.34
Central Excise Act, 1944 (Service tax including penalty & interest wherever applicable)	16.06.05 to 30.09.06	227.03	-	-	-	227.03
Sales Tax	2003-04 to 2005-06	-	-	-	53.46	53.46

\$ Appellate Tribunal includes STAT, ITAT

@ Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, and Joint Commissioner Appeals

10. Taking the view that Advance Subscription towards Customer Facilities forms part of net worth, in our opinion, the accumulated losses of the Company have not exceeded fifty percent of its net worth as at the end of the financial year. The Company has incurred cash losses during the current financial year and not in the immediate preceding financial year (by considering the 'Provision for Doubtful Advances and Debts' created as non cash nature during the previous year).

11. In our opinion and according to the information and explanations given to us, the company has defaulted in the repayment of dues to a Financial Institution of Rs.162 lacs which is outstanding since January 2001.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of clause 4 (xiii) of the Order are not applicable to the Company.

14. In our opinion, the Company is not dealing or trading in shares, securities, debtors and other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

15. According to the information and explanations given to us, the Company has not given any guarantee for any loan taken by others from any bank or financial institution.

16. According to the information and explanations given to us, the Company has not availed any term loan during the year.

17. According to the information and explanations given to us, based on an overall examination of the balance sheet of the Company, related information made available to us and as represented to us by the Management, funds raised on short term basis, prima facie, have not been used during the year for long term

investment.

18. According to the information and explanations given to us, the Company has during the year made preferential allotment of shares warrants to parties covered in register maintained under section 301 of the Companies Act, 1956. The price of share warrants has been determined in accordance SEBI (Disclosure and Investor Protection) Guidelines 2000. In our opinion, the terms of such preferential allotment of share warrants are not prima facie prejudicial to the interest of the Company.

19. The Company has not issued any debentures during the year and therefore the question of creating security or charge in respect thereof does not arise.

20. The Company has not made any public issue of any securities during the year and therefore the question of disclosing the end-use of money raised by any public issue does not arise.

21. Based on the audit procedures performed and on the basis of representation obtained from the management, we report that no instance of fraud on or by the Company, have been noticed or reported by the management, during the year.

for **R.SUBRAMANIAN AND COMPANY**

Chartered Accountants,

ICAI regd. No. 004137S

A.S.Ramanathan

Partner

M.No : 011072

For **V. SANKAR AIYAR & CO**

Chartered Accountants

ICAI regd. No. 109208W

S.VENKATARAMAN

Partner

M.NO : 23116

Place : Chennai

Date : 28th August 2010

BALANCE SHEET AS AT 31ST MARCH 2010

	SCHEDULE NO.	Rs.	As At 31st March 10 Rs.	As At 31st March 09 Rs.
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1		440,526,600	324,021,600
Share Warrants (Note No: B26 of Sch 13)			10,485,500	10,500,000
Reserves & Surplus	2		1,550,705,607	1,274,029,436
LOAN FUNDS				
Secured	3		16,216,593	227,382,811
Unsecured	4		162,222,462	73,400,643
DEFERRED INCOME				
Advance Subscription towards Customer Facilities (B 17 of Schedule 13)			2,079,550,578	2,126,071,427
Total			<u>4,259,707,340</u>	<u>4,035,405,917</u>
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block		2,514,478,381		2,473,174,805
Less : Depreciation		733,461,741		692,239,901
Net Block		<u>1,781,016,640</u>		<u>1,780,934,904</u>
Capital work in Progress (at cost) (Note No: B12 of Sch 13)		<u>485,609,137</u>		<u>484,059,135</u>
			2,266,625,777	2,264,994,039
Investments	6		114,821,500	97,833,000
Current Assets, Loans & Advances:				
Current Assets				
Inventories		3,426,371		4,196,552
Sundry Debtors		2,440,514		17,128,045
Cash and Bank Balances		65,454,724		14,302,518
Loans and advances		<u>331,327,940</u>		<u>285,885,270</u>
		402,649,549		321,512,386
Less : Current Liabilities & Provisions				
Current Liabilities	8	221,920,834		260,122,100
Provisions		<u>33,258,359</u>		<u>29,378,572</u>
		255,179,193		289,500,672
Net Current Assets			147,470,355	32,011,714
PROFIT AND LOSS ACCOUNT				
Debit Balance in Profit & Loss Account		2,125,329,707		2,035,107,164
Less General Reserve as per Contra		<u>394,540,000</u>		<u>394,540,000</u>
			1,730,789,707	1,640,567,164
Total			<u>4,259,707,340</u>	<u>4,035,405,917</u>
Significant Accounting Policies and Notes on Accounts	13			
The Schedules referred to above form an Integral part of the Balance Sheet				

for and on behalf of the board

R.SUBRAMANIAN
Chairman & Managing DirectorM.BALASUBRAMANIYAN
Company SecretaryFor R.Subramanian and Company
Chartered Accountants
ICAI regd. No. 004137SA.S. Ramanathan
Partner
Membership No : 011072
Place : Chennai
Date : 28.08.2010

As per our report of even date

S.SIDHARTH SHANKAR
Joint Managing DirectorR.MOHAN
Senior Vice President- FinanceFor V.Sankar Aiyar & Co
Chartered Accountants
ICAI regd. No. 109208WS.Venkataraman
Partner
Membership No : 23116

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

	SCHEDULE NO.	Year ended 31st March 10 Amt in Rs.	Year ended 31st March 09 Amt in Rs.
INCOME			
Sales	9	305,933,909	310,177,021
Other Income	10	13,374,070	17,119,476
		<u>319,307,979</u>	<u>327,296,497</u>
EXPENDITURE:			
Consumption of Food & Beverages	11	29,757,419	37,865,298
Administration and other expenses	12	319,278,312	571,081,724
Loss before Interest, Depreciation and Exceptional Items		(29,727,753)	(281,650,525)
Interest		14,619,569	13,418,900
Depreciation / Amorisation	5	41,221,840	48,443,135
Loss for the year before Tax and Exceptional Items		<u>(85,569,161)</u>	<u>(343,512,560)</u>
Exceptional Items			
- Interest on Loan from Financial Institutions (Vide Note No.6(b) of Sch. 13)		(86,019,490)	(14,992,310)
- Provision no longer required, Written Back		64,203,330	-
- Unclaimed Credit Balances Written Back		12,048,814	-
- Profit on Sale of Assets		6,057,377	141,830,027
Loss for the year before Tax after Exceptional Item		<u>(89,279,130)</u>	<u>(216,674,843)</u>
PROVISION FOR TAX:			
Fringe Benefit Tax Interest for delayed remittance		943,413	1,512,319
Loss for the year after Tax		(90,222,543)	(218,187,162)
Add : Deficit brought forward from previous year		(2,035,107,164)	(1,816,920,002)
		<u>(2,125,329,707)</u>	<u>(2,035,107,164)</u>
EARNINGS PER SHARE: (EPS)			
Profit available to Members			
- Before Exceptional Items		(84,625,748)	(342,000,241)
- After Exceptional Items		(90,222,543)	(218,187,162)
Weighted Average Number of Equity Shares used as Denominator for calculating EPS		40,264,079	28,428,581
Basic and Diluted Earnings Per Share			
- Before Exceptional Items		(2.10)	(12.03)
- After Exceptional Items		(2.24)	(7.67)
Significant Accounting Policies and Notes on Accounts	13		
The Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board

R.SUBRAMANIAN
Chairman & Managing Director

M.BALASUBRAMANIYAN
Company Secretary

For **R.Subramanian and Company**
Chartered Accountants
ICAI regd. No. 004137S

A.S. Ramanathan
Partner
Membership No : 011072

Place : Chennai
Date : 28.08.2010

As per our report of even date

S.SIDHARTH SHANKAR
Joint Managing Director

R.MOHAN
Senior Vice President- Finance

For **V.Sankar Aiyar & Co**
Chartered Accountants
ICAI regd. No. 109208W

S.Venkataraman
Partner
Membership No : 23116

CASH FLOW STATEMENT - FINANCIAL YEAR ENDED ON 31.03.2010

	Amt in Rs.	Year ended 31st March 10 Amt in Rs.	Year ended 31st March 09 Amt in Rs.
Cash flow from operating activities			
Loss before Tax & Exceptional items		(89,279,130)	(216,674,843)
Adjustments for			
Depreciation/Amortisation	41,221,840		48,443,133
Interest	14,619,569		28,411,210
Interest on Loan from Financial Institutions (Exceptional items)	86,019,490		
Amortisation of Employee Stock Option Cost	6,263,671		53,800,000
Provision for Doubtful Advances and Debts	40,112,569		210,033,710
Provision for Contingencies	10,000,000		-
Provision no longer required written back	(64,203,330)		-
Unclaimed Credit Balances written back	(12,048,814)		-
Dividend from Mutual Funds	(4,418,362)		-
Interest earned	(5,888,217)		(15,529,410)
Profit on sale / repossession of assets	(6,057,377)		(141,830,027)
	<u>105,621,039</u>	<u>105,621,039</u>	<u>183,328,616</u>
Operating Profit / (Loss) before Working Capital changes		16,341,908	(33,346,227)
Adjustments for:			
Decrease/(Increase) in Advance Subscription towards Customer Facilities	(46,520,849)		(35,009,994)
Increase/(decrease) in Trade Receivables	(68,444,207)		(51,151,671)
Decrease/(Increase) in Trade Payables	30,987,252		(552,680,951)
Inventories	770,181		879,517
	<u>(83,207,622)</u>	<u>(83,207,622)</u>	<u>(637,963,099)</u>
Net Cash used in Operating activities	(A)	(66,865,714)	(671,309,326)
Cash flow from investing activities			
Advance received for sale of property		-	9,500,000
Purchase of Fixed Assets		(43,946,199)	(6,294,275)
Sale of Fixed Asset		8,700,000	606,084,084
Increase in Capital Work in progress		(1,550,002)	(4,144,930)
Investment in Shares of Subsidiaries		(2,423,500)	-
Dividend from Mutual Funds		4,418,362	-
Interest earned		5,888,217	15,529,410
Sale/(Purchase) of Investments		(16,988,500)	-

CASH FLOW STATEMENT - FINANCIAL YEAR ENDED ON 31.03.2010 Contd...

	Amt in Rs.	Year ended 31st March 10 Amt in Rs.	Year ended 31st March 09 Amt in Rs.
Net Cash used in Investing activities (B)		(45,901,622)	620,674,289
Issue of equity shares	351,628,400		159,722,225
Issue of Share Warrants	4,500,000		10,500,000
Issue of equity shares under ESOS 2007	30,774,600		-
Interest paid	(14,619,569)		(28,411,210)
Interest on Loan from Financial Institutions (Exceptional items)	(86,019,490)		
Repayment of Loan	<u>(122,344,399)</u>		<u>(146,689,836)</u>
Net Cash from Financing activities (C)		163,919,542	(4,878,821)
Net increase / (decrease) in Cash & Cash equivalents - (A+B+C)		<u>51,152,206</u>	<u>(55,513,859)</u>
Cash and cash equivalents as at 31st March 2009		14,302,518	69,816,377
Cash and cash equivalents as at 31st March 2010		<u>65,454,724</u>	<u>14,302,518</u>
Increase/Decrease in cash equivalents		<u>51,152,206</u>	<u>(55,513,859)</u>

Notes:

- 1.Above statement has been prepared in indirect method.
- 2.Cash and cash equivalents consists of cash on hand and balance with banks
- 3.Trade and other receivables include other current assets and loans and advances.
- 4.Previous year figures have been regrouped where ever necessary, to confirm to current year grouping.

For and on behalf of the Board

R.SUBRAMANIAN
Chairman & Managing Director

S.SIDHARTH SHANKAR
Joint Managing Director

M.BALASUBRAMANIYAN
Company Secretary

R.MOHAN
Senior Vice President- Finance

As per our report of even date

For **R.Subramanian and Company**
Chartered Accountants
ICAI regd. No. 004137S

For **V.Sankar Aiyar & Co**
Chartered Accountants
ICAI regd. No. 109208W

A.S. Ramanathan
Partner
Membership No : 011072

S.Venkataraman
Partner
Membership No : 23116

Place : Chennai
Date : 28.08.2010

	Amt in Rs.	As At 31st March 10 Amt in Rs.	As At 31st March 09 Amt in Rs.
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
6,50,00,000 (6,50,00,000) Equity Shares of Rs.10/- each		650,000,000	650,000,000
		<u>650,000,000</u>	<u>650,000,000</u>
Issued, Subscribed and Paid up(Note B25 and B 26 of Sch.13)			
4,40,52,585 (3,24,02,085) Equity shares of Rs.10/- each, fully paid up	440,525,850		324,020,850
Add: Share capital pending allotment	<u>750</u>		<u>750</u>
		440,526,600	324,021,600
		<u>440,526,600</u>	<u>324,021,600</u>
SCHEDULE 2			
RESERVES & SURPLUS			
Capital Reserve			
As per last Balance Sheet		9,309,500	9,309,500
Fixed Assets Revaluation Reserve			
As per last Balance Sheet (Note B7 Sch 13)		208,196,781	387,773,726
Less: Deletion during the year		-	179,576,945
		<u>208,196,781</u>	<u>208,196,781</u>
Share Premium Account			
As per last Balance Sheet	989,273,155		875,185,850
Add : Received during the year	<u>292,847,100</u>		<u>114,087,305</u>
		1,282,120,255	989,273,155
General Reserve			
As per last Balance Sheet	394,540,000		394,540,000
Less : Transfer to Profit & Loss account	<u>394,540,000</u>		<u>394,540,000</u>
		-	-
Employee Stock Option Outstanding:			
(Vide Note B25 of Sch 13)			
As per last Balance Sheet	67,250,000		67,250,000
Options Granted during the year	64,950,000		-
Less: Transfer to Share Premium on Vesting	<u>22,434,600</u>		<u>-</u>
Total (A)	<u>109,765,400</u>		<u>67,250,000</u>
Deferred Stock Compensation Cost			
As per last Balance Sheet	-		53,800,000
Options Granted during the year	64,950,000		-
Less: Amortisation during the year	<u>6,263,671</u>		<u>53,800,000</u>
Total (B)	<u>58,686,329</u>		<u>-</u>
Total (A - B)		<u>51,079,071</u>	<u>67,250,000</u>
		<u>1,550,705,607</u>	<u>1,274,029,436</u>

	As At 31st March 10 Amt in Rs.	As At 31st March 09 Amt in Rs.
SCHEDULE 3		
SECURED LOANS (Notes B6(a) and B16 of sch 13)		
From Banks		
Zero Percent Term Loan (ZTL) from ICICI Bank Ltd	-	50,000,000
Other Loans from Banks	-	22,000,000
From Financial Institutions	16,216,593	132,382,811
Inter Corporate Loans *	-	23,000,000
	16,216,593	227,382,811

* Reclassified as Unsecured loan in the current year

	As At 31st March 10 Amt in Rs.	As At 31st March 09 Amt in Rs.
SCHEDULE 4		
UNSECURED LOANS (Notes B6(a) and B6(c) of sch 13)		
Short Term Loan		
From Financial Institutions	134,405,620	54,083,801
From Others	24,939,842	19,316,842
From Director	2,877,000	-
	162,222,462	73,400,643

SCHEDULE 5

	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	As at 1st April 2009 Rs.	Additions during the year Rs.	Deletions/ Adjustments during the year Rs.	As at 31st March 2010 Rs.	As at 1st April 2009 Rs.	Depreciation/ Amortisation for the year Rs.	Deletions during the year Rs.	As at 31st Mar 2010 Rs.	As at 31st Mar 2010 Rs.	As at 1st April 2009 Rs.
FIXED ASSETS										
TANGIBLE ASSETS										
Freehold land *	386,065,316	-	2,642,623	383,422,693	-	-	-	383,422,693	386,065,316	
Lease Hold Land*	349,788,523	39,722,500	-	389,511,023	5,659,425	3,659,924	-	9,319,349	380,191,674	344,129,098
Buildings *	1,204,911,985	118,000	-	1,205,029,985	241,318,859	20,015,086	-	261,333,945	943,696,040	963,593,126
Plant & Machinery	116,654,699	987,066	-	117,641,765	94,015,206	5,244,322	-	99,259,528	18,382,237	22,639,493
Office equipments	144,808,360	1,547,555	--	146,355,915	123,622,643	3,525,697	-	127,148,340	19,207,575	21,185,717
Electrical Fittings	69,259,597	431,331	-	69,690,928	46,393,242	3,242,863	-	49,636,105	20,054,823	22,866,355
Furniture & Fixtures	196,508,612	-	-	196,508,612	176,093,718	5,494,474	-	181,588,192	14,920,420	20,414,894
Vehicles	5,177,715	46,119	-	5,223,835	5,136,808	6,470	-	5,143,278	80,556	40,907
(A)	2,473,174,806	42,852,571	2,642,623	2,513,384,753	692,239,901	41,188,836	-	733,428,737	1,779,956,016	1,780,934,905
INTANGIBLE ASSETS										
Software	-	1,093,628	-	1,093,628	-	33,004	-	33,004	1,060,624	-
(B)	-	1,093,628	-	1,093,628	-	33,004	-	33,004	1,060,624	-
Total (A+B)	2,473,174,806	43,946,199	2,642,623	2,514,478,381	692,239,901	41,221,840	-	733,461,741	1,781,016,640	1,780,934,905
Capital Work in Progress*	484,059,135	1,550,002	-	485,609,137	-	-	-	-	-	-
Previous Year Figures	2,800,638,961	6,294,275	333,758,429	2,473,174,807	678,226,288	44,779,173	30,765,560	692,239,901	1,780,934,906	2,122,412,673

* Refer Not B 8 to B12 of Schedule 13 Buildings Includes Rs. 5,27,87,223 (Rs. 5,27,87,223) towards cost of 4117 (4117) PTS weeks retained by the Company.

	As At 31st March 10 Amt in Rs.	As At 31st March 09 Amt in Rs.
SCHEDULE 6 - INVESTMENTS AT COST		
LONG TERM INVESTMENTS:		
Unquoted Trade		
Investment in Subsidiary Companies (fully paid up)		
19,00,000 (4,56,500) equity shares of Rs.10/- each in Manchanda Resorts Pvt Ltd	6,008,500	4,565,000
49,000 (NIL) equity shares of Rs.10/- each in Sterling Holidays (Ooty) Ltd	490,000	-
49,000 (NIL) equity shares of Rs.10/- each in Sterling Holiday Resorts (Kodai) Ltd	490,000	-
Investment in Associate Companies (fully paid up)		
75 (75) equity shares of Bahrain Dinars 50 each in Sterling Middle East WLL - a foreign company	313,523	313,523
Less: Written off during the year	313,523	-
	-	313,523
Others		
Trade: (fully paid up)		
1,00,000 (1,00,000) equity shares of Rs.10/- each in Sterling Holiday Finvest Ltd	1,000,000	1,000,000
1,00,000 (100000)equity shares of Rs.10/- each in Sterling Securites and Futures Ltd	1,000,000	1,000,000
520000 (520000) equity shares of Rs.10/- each in Sterling Resorts Home Finance Ltd	5,200,000	5,200,000
700000 (700000) equity shares of Rs.10/- each in Sterling Holiday Financial Services Ltd	9,500,000	9,500,000
Non - Trade: (fully paid up)		
Quoted		
1100 (1100) equity shares of Rs.10/- each in Tourism Finance Corporation India Ltd	33,000	33,000
Unquoted - Non- Trade		
28765 no._of Teak units of Sterling Tree Magnum (India) Ltd (vide note no. B13 of sch13)	97,800,000	97,800,000
	121,521,500	119,411,523
Less: Provision for diminution in value (net of provision withdrawn of Rs.45,65,000 during the year)	16,700,000	21,578,523
(A)	104,821,500	97,833,000
Aggregate cost of quoted Investments	33,000	33,000
Aggregate market value of quoted investments (Amount in Rs.)	30,470	14,905
CURRENT INVESTMENTS:		
Units of Mutual Fund	10,000,000	0
(NAV as on 31-03-2010 Rs.1,00,14,505)	10,000,000	-
(B)	10,000,000	-
(A + B)	114,821,500	97,833,000
Purchased during the year		
	Qty - in units	Value in Rs.
Axis Treasury Advantage Fund	30,000	30,000,000
Birla Sun Life Savings Fund	24,983,012	250,000,000
Sold during the year		
Axis Treasury Advantage Fund	20,000	20,000,000
Birla Sun Life Savings Fund	24,983,012	250,000,000

	Amt in Rs.	As At 31st March 10 Amt in Rs.	As At 31st March 09 Amt in Rs.
SCHEDULE 7			
CURRENT ASSETS, LOANS & ADVANCES			
CURRENT ASSETS			
Inventories			
Food & Beverages		3,426,371	4,196,552
		<u>3,426,371</u>	<u>4,196,552</u>
Sundry debtors - unsecured (Vide Note B18 of Sch.13)			
(a) Debts outstanding for a period exceeding six months			
Considered Good	-		12,931,518
Considered Doubtful	188,757,483		184,763,700
(b) Other Debts -considered good	2,440,514		4,196,528
	<u>191,197,997</u>		<u>201,891,746</u>
Less: Provision for Doubtful debts	<u>188,757,483</u>		184,763,700
		<u>2,440,514</u>	17,128,046
Cash balance on hand		977,860	249,342
Balances with Scheduled Banks			
On current accounts	58,210,149		9,913,903
On deposit accounts *	<u>6,266,715</u>		<u>4,139,273</u>
		<u>64,476,864</u>	<u>14,053,176</u>
		<u>65,454,724</u>	<u>14,302,518</u>
*Includes Margin Deposit with Banks Rs 16,95,327/- (Rs.15,76,359/-) towards guarantees obtained			
LOANS AND ADVANCES			
(Unsecured & Considered good, Otherwise stated Vide Note B14,B15, and B18 of Sch.13			
Advances recoverable in cash or in kind			
or for value to be received-			
Secured	118,776,919		119,117,941
Unsecured	188,771,252		138,138,256
Unsecured & Considered doubtful	<u>387,654,905</u>		<u>341,536,119</u>
	695,203,076		598,792,316
Less Provision for Doubtful advances	<u>387,654,905</u>		<u>341,536,119</u>
		307,548,171	257,256,197
Advance income tax and TDS Receivable		11,724,708	14,536,237
Deposits		12,055,061	14,092,836
		<u>331,327,940</u>	<u>285,885,270</u>

	For the Year ended 31st March 10 Rs.	For the Year ended 31st March 09 Rs.
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Acceptances	-	4,192,500
Sundry Creditors (Vide Note B18 of Sch.13)		
Total outstanding dues to Micro, Small and Medium Enterprises	-	-
Total outstanding dues to creditors other than Micro, Small and Medium Enterprises	51,101,925	83,117,322
Other Liabilities	166,048,457	158,454,902
On current accounts - cheques issued	3,970,453	2,197,277
Advances received	800,000	12,160,100
	<u>221,920,834</u>	<u>260,122,100</u>
PROVISIONS		
For Fringe Benefit tax	11,796,422	10,134,329
For Leave encashment	4,198,181	3,604,481
For Gratuity	7,263,756	10,139,762
For Contingencies	10,000,000	5,500,000
	<u>33,258,359</u>	<u>29,378,572</u>
SCHEDULE 9		
Sales less Returns		
Time Shares and Others	78,322,980	82,563,427
Less: Sales Returns	3,732,207	6,762,361
	<u>74,590,773</u>	75,801,066
Resort Operations (Note B27(a) of Sch.13)	231,343,136	234,375,955
	<u>305,933,909</u>	<u>310,177,021</u>
SCHEDULE 10		
OTHER INCOME		
Interest (Tax Deducted at Source Rs.14,890/- (previous year - Rs. 4,50,299/-)	5,888,217	15,529,410
Dividend from Mutual Fund Units	4,418,362	-
Miscellaneous	3,067,491	1,590,066
	<u>13,374,070</u>	<u>17,119,476</u>
SCHEDULE 11		
CONSUMPTION OF FOOD & BEVERAGES		
Opening Stock	4,196,552	5,076,069
Add : Purchases during the Year		
Food & Beverages	28,987,238	36,985,781
	<u>33,183,790</u>	<u>42,061,850</u>
Less: Closing Stock	3,426,371	4,196,552
	<u>29,757,419</u>	<u>37,865,298</u>

		For the Year ended 31st March 10 Rs.	For the Year ended 31st March 09 Rs.
SCHEDULE 12			
Administration and other expenses			
Salaries, Wages & Bonus		89,053,628	117,347,408
Contribution to Provident Fund/ESI/Gratuity		4,313,853	6,284,167
Staff Welfare		711,577	1,524,187
Amortisation of deferred stock compensation cost		6,263,671	53,800,000
Rent		27,878,523	16,008,205
Rates & Taxes		4,592,900	10,211,734
Repairs & Maintenance			
Building	2,304,235		3,037,008
Plant & Machinery	5,765,087		7,598,452
Others	<u>3,420,635</u>	11,489,957	<u>1,353,113</u>
Recruitment & Training		25,082	809,223
Insurance		351,432	608,081
Director's Sitting fees		280,000	266,545
Audit Fees (Note 27(c) of Sch. 13)		1,655,230	1,136,333
Postage & Telegram		1,836,743	2,232,333
Telephone & Fax		2,664,966	5,096,778
Printing & Stationery		1,643,217	1,651,935
Travelling & Conveyance		11,315,710	7,590,739
Professional Charges		13,755,803	14,770,612
Resort Operational Expenses		23,174,192	39,089,250
Power Fuel		33,246,426	27,131,783
Discount		1,262,120	1,779,678
Advertisement		2,410,626	245,761
Sales Commission, Brokerage & Incentive		4,161,612	3,649,377
Provision for Doubtful Debts/Advances	34,612,569		204,533,710
Less: Provision for doubtful - written back	<u>313,523</u>	34,299,046	<u>-</u>
Provision for Contingencies		10,000,000	5,500,000
Bad debts written off		313,523	-
Management Charges		-	16,162,371
Finance Charges		1,534,118	1,084,299
Sales Promotion		2,306,910	2,519,353
Freight Charges		177,267	72,408
Miscellaneous Expenses		9,932,278	12,364,132
Assured Return to customers		4,087,095	926,470
Compensation to customers / Vendors		8,941,212	2,807,628
Legal expenses		5,599,596	1,888,651
		<u>319,278,312</u>	<u>571,081,724</u>

SCHEDULE - 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010.

A. SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING

A. The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis, unless and other wise specified.

The financial statements have been prepared in all material respects in compliance to mandatory Accounting Standards as notified in the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

B. Financial statements are prepared on historical cost basis and as a going concern.

2. USE OF ESTIMATES

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Differences between actual results and estimates are recognized in the period in which they materialize.

3. FIXED ASSETS AND DEPRECIATION:

A) Fixed Assets

Fixed Assets are stated at their original cost (including expenses related to acquisition and installation) less depreciation except certain lands, owned by the Company which have been adjusted for revaluation.

B) Depreciation and Amortization

Depreciation is charged in the

Accounts on straight line method as under:

a) On fixed assets of the company at the rates specified in Schedule XIV to the Companies Act, 1956

b) On fixed assets added/disposed off during the year, on pro- rata basis with reference to the month of addition/disposal;

c) Cost of leasehold land and building is amortized over the period of lease.

d) Intangible assets, namely Software are depreciated over a period of 6 years.

4. BORROWING COSTS

Borrowing costs attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset, where it is possible that they will result in future economic benefit. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

5. REVENUE RECOGNITION

Revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefit will accrue to the company.

a. In respect of Sterling Silver Streak Holiday Plan, Sterling Happy Vistas, Holiday Units, Sterling Holiday Flexi Club Units, TRUMPS and Sterling Holiday plan, the cost portion of the time share consideration (net of discount), namely 45% of the sale value is treated as income in the year of sale.

b. Advance subscription towards Customer Facilities (ASCF), being the balance 55%, of the sale value in respect of Holiday products is accounted as income, in equal

proportion, from the year in which the Holiday entitlement is allotted, over the period for which the customers are entitled for holidays.

c. Income from resorts comprising of room rent, food and beverages sales, other services etc., are recognized when these items are sold and services are rendered.

d. Income in respect of amenity charges are accounted on cash basis, in view of uncertainty in collection.

e. Dividend is accounted for when the right to receive the same is established. Interest is accounted on time proportionate basis.

6. INVESTMENTS

a. Long term investments are stated at cost. Provision for diminution in value, considered on individual basis, is recognized, if in the opinion of the management such a decline is other than temporary.

b. Current investments are valued at lower of cost and fair value, determined on individual basis.

7. INVENTORIES

Inventories comprising of provisions, perishables, beverages and consumables are valued at lower of cost or net realizable value. Cost is computed on First in first out basis.

8. FOREIGN CURRENCY TRANSACTIONS

Transactions in Foreign Currency are recorded at the exchange rates prevailing on the date of Transactions. Monetary items denominated in foreign currencies (such as cash, receivables, payables, etc.) outstanding at the year end, are translated at exchange rate applicable as of that date. Non-monetary items denominated in foreign currency (such as investments, fixed assets, etc) are valued at the exchange rate prevailing on the date of transaction. Any gains or losses arising due to

exchange differences at the time of translation or settlement are accounted in the Profit & Loss Account.

9. EMPLOYEE BENEFITS

a. Contribution to Provident Fund, which is a defined contribution retirement plan, is made monthly at predetermined rate to the Provident Fund authorities and debited to the Profit and Loss Account on accrual basis.

b. Company makes annual contribution to Gratuity funds administered by Insurance Companies, which is considered as defined benefit plan. The present value of the defined benefit is measured using the 'Projected unit Credit' Method with actuarial valuation being carried out at each Balance Sheet date by an independent valuer. Actuarial gains and losses are immediately recognized in the Profit and Loss Account. Amount of contribution, computed by the insurers is paid by the company and charged to Profit and Loss account. No additional liability is anticipated under the scheme administered by the insurance Companies.

c. The Company makes provision for leave encashment based on actuarial valuation carried out by an independent actuary at the Balance Sheet date.

10. PROVISIONS & CONTINGENCIES

a. A provision arising out of a present obligation is recognized when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated

b. Wherever there is a possible obligation that may, but probably will not require an outflow of resources, the same is disclosed by way of contingent liability.

c. Show Cause Notices are not considered as Contingent Liabilities unless converted into demand.

11. TAXES ON INCOME

Current tax is determined in accordance with Income Tax Act 1961 on the amount of tax payable in respect of the income for the year. Deferred tax assets / liabilities are measured by applying tax rate and tax laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax asset arising on account of loss and unabsorbed depreciation under tax laws is recognized only to the extent there is virtual certainty of its realization supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is reasonable certainty of its realization. At each Balance Sheet date, the carrying amount of Deferred Tax Asset is reviewed based on developments to reassess realization.

12. IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each balance sheet date for indication of any impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount. Any such impairment loss is recognized by charging it to the profit and loss account. A previously recognized impairment loss is reversed where it is no longer required and the asset is restated to that effect

13. SEGMENT REPORTING:

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under Unallocated Corporate Expenses .

There are no inter segment revenues and therefore their basis of

measurement does not arise

14.EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Company measures the compensation cost relating to ESOS using the fair market value of equity shares. The compensation cost is amortized on a straight line basis over the total vesting period of the stock options.

15. LEASE ACCOUNTING

The lease payments made on the assets comprising of land and building taken on operating lease, are recognized as an expense on straight line basis over the lease term.

B. NOTES ON ACCOUNTS

1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for is Nil (Previous year Rs. Nil)
2. Claims against the company not acknowledged as debts Rs.60.47 lacs (Previous year Rs.Nil)
3. Contingent liabilities not provided for :a) Rs. 517.81 lacs (previous year Rs.492.26 lacs), comprises of Customer related cases - Rs.332.03 lacs, Vendor related cases -Rs.89.02 lacs, Employee related cases- Rs.23.70 lacs, property related cases - Rs.6.36 lacs and sales tax cases - Rs.66.70 lacs.
b) Rs. 433.64 lacs, (previous year Rs.312 lacs), in respect of a suit filed by NOIDA creditors, in which company was included as one of the defendants.
4. Service tax, Interest, penalty and additional penalty aggregating to Rs.557.03 lacs (previous year Rs. 557.03 lacs) has been demanded by Service Tax Authorities. The company has appealed against the above said order before CESTAT and pre deposited a sum of Rs. 30 lacs. The company is advised by its legal counsel that the stand taken by the company is valid and

no provision is considered necessary at this stage.

5. The Income Tax Appellate Tribunal (ITAT) has disallowed certain claims of the company with reference to treatment of ASCF in respect of Assessment years 1996-97 to 2000-01. Though there is no tax demand, the company has appealed against the above order before the High Court of Madras. In respect of assessment year 2006-07, the company has filed appeal before the Commissioner of Income Tax Appeals, in respect of tax demand of Rs.38.34 lacs on similar grounds.

6. A) A financial institution has taken symbolic possession of a property situated at Ooty - Fernhill under the Securitization and Reconstruction of Financial Asset and Enforcement of Security Interest Act (SARFAESI) for default in repayment of principal of Rs.159 lacs along with interest/penal interest. The company is in the process of negotiating with the institution for an One Time Settlement (OTS) of liability. Pending such settlement, the company has deposited with the institution a sum of Rs. 426 lacs towards the total liability. The company has also filed an appeal before the Debt Recovery Appellate Tribunal (DRAT) against the order passed by Debt Recovery Tribunal (DRAT). Any incremental liability which may accrue pursuant to the OTS will be accounted in the year of such settlement.

b) One time settlement (OTS) has been reached with Gujarat Industrial Investment Corporation (GIIC) in June 10 and as per the terms of OTS, the Company will have to settle before 24.12.2010, a sum of Rs. 1331.72 lacs (Net) in installment after appropriating the amount already pre-deposited with High Court of Gujarat. The promoters shares pledged with them is retained as security till the repayment of dues as per OTS. Pursuant to OTS, additional

liability of Rs. 860.19 lacs has been accounted as interest in the current year.

c) Interest on Loans:

Particulars	31.03.10	31.03.09
Interest on;		
Unsecured Loans	158.27	61.73
Total	158.27	61.73

No provision is considered necessary in respect of above interest / penal interest as the company has obtained or in the process of obtaining waiver of such interest / penal interest and expects favorable outcome in all the above cases.

7. The company had revalued certain lands in the years 1989, 1992 and 1999 by appointing an external valuer based on the then prevailing market value. The surplus on revaluation amounting to Rs. 2081.96 lacs (after making adjustment for sale effected in the interim period), stands credited to Revaluation Reserve.

8. The company has entered into an agreement of sale in respect of certain Free hold land at Cochin-Vypeen (book value of Rs. 60.60 lacs), in the year 2001 and the buyer has the possession of the same. Due to non compliance of certain terms of the agreement, the company has filed a suit for repossession of the property which has been dismissed against the company. The company has gone on appeal before the High Court of Kerala.

9. Registration of Lease hold lands and buildings situated at Peermedu (Rs.1684 lacs), Shirdi (Rs. 80 lacs) and Kulumanali (Rs.2053.68 lacs) taken on lease are pending and action is being taken to get them registered.

10. Manchanda Resorts Private Ltd (MRPL), has become a wholly owned subsidiary of the company effective from 30th April 2009. The company has given a sum of Rs.2053.68 lacs towards long term lease of the property owned by MRPL at Kulu Manali. The company has also invested a sum of Rs.60.08 lacs in

the equity of MRPL. MRPL has accumulated loss of Rs 1420.03 lacs as on 31.03.2010. However, MRPL has become wholly owned subsidiary of the company and since present market value of the property is Rs.2857.00 lacs as per valuation report dated 29-07-2010, management is of the opinion that no provision is required in respect of such deposit / investment. Consequently a sum of Rs.45.65 lacs being provision made in the previous year against such investments have been withdrawn in the current year.

11. Five cottages located at Ooty-Fern hill and included under 'Buildings' are given on lease for a period of 99 years to a customer.

12. The capital work in progress (CWIP) represents value of buildings under construction for more than 10 years. The company intends to develop such properties during the ensuing year. In the opinion of the company, no impairment provision is required in respect of such assets as the estimated market value of the properties, (as supported by a valuation report taken earlier) exceeds the book value.

13. The company has invested Rs.978 lacs (previous year Rs. 978 lacs) in teak units of Sterling Tree Magnum Co Ltd. (STM) acquired from the unit holders and also has paid Rs.93.77 lacs (previous year Rs. 93.77 lacs) towards further investment and is pending for transfer of teak units by STM. Considering the present status of Teak farm and the future prospects, the management is of the opinion that there is no permanent diminution in the value of investment.

14. The company has transferred land and buildings at Goa and Himachal Pradesh as per the Arbitration Award in respect of disputes with certain parties. As per the terms of the Arbitration, one of the parties has agreed to hand over possession of certain building valued at

Rs. 130.00 lacs (previous year Rs. 130.00 lacs) and the same is shown as receivable which in the opinion of the Company is good and recoverable.

15. Against dues of Rs. 1692.44 lacs (previous year Rs. 1692.44 lacs) from Sterling Holiday Resorts International Limited, the company holds the documents relating to the property valued at Rs.1191.18 lacs. The company has made provision of Rs.501.26 lacs in respect of shortfall in the security value.

16. Securities offered as Hypothecation/mortgage for borrowings referred to in schedule 3 are as follows.

Term Loan from a Financial Institution is secured by: -

i) Deposit of title deeds of the immovable assets (other than Time share portion) both present and future at Fernhill Ooty.

ii) Guarantee of the Managing Director and a former Director of the Company.

17. (a) Advance Subscription towards Customer Facilities (ASCF) referred to under Accounting policies represent income to be taken credit for in the profit & Loss Account of future years, spread over the holiday entitlement period and the same is shown under the head Deferred Income in the Balance Sheet under Sources of Funds . The Company has made an application dated 28.06.2002, under section 211 (4) of the Companies Act, 1956, to the Department of Company Affairs, New Delhi, seeking their approval for the presentation of the same.

(b) Since the amount of ASCF is not refundable to the customers, in the opinion of the management the same is to be treated as part of Net worth .

(c) The accounts of the company have been compiled on Going Concern Assumption , in view of the improved operating performance for the

Past few years. The management is confident of further improving the operating performance and progress in the ensuing year. During the year the company has infused additional capital and has substantially restructured its debts. It has a comfortable working capital cycle. Hence in the view of the management, the Going Concern Assumption is valid and appropriate.

18. Debtors, Creditors balances and Loans and advances are subject to confirmation.

(a) The list of Related Parties as identified by the Management is as under:

Key Management Personnel	1) Mr.R.Subramanian Chairman and MD 2) Mr. S. Sidarth Shankar Joint MD
Subsidiary Companies	1) Sterling Holidays (Ooty) Limited 2) Sterling Holiday Resorts (Kodaikanal) Limited 3) Manchanda Resorts Private Limited
Enterprise owned by/ over which Key Managerial Personnel is able to exercise significant influence	1) Sterling Tree Magnum India Limited 2) Brindavan Farms Private Limited 3) Madurai Meenakshi Farms Private Limited 4) CGK Finvest (Madras) Private Limited 5) Kamadhenu Business Fortune Limited 6) Concorde Digital Technologies Pvt.Ltd 7) V Serve India Manpower Limited 8) Srivari Farms Pvt Ltd 9) Spring Field Holiday Services Private Ltd

b) The following transactions were carried out with the related parties:

(Rs. in Lacs)

S.No	Particulars	Enterprise owned by/over which KMP is able to exercise significant influence & Subsidiary Companies	
		2009-10	2008-09
1.	Balance outstanding as on 31.03.2010 - Advances - Payable - Investments - Long Term Lease on Property	801.38 18.64 Nil Nil	591.45 1.55 Nil Nil
2.	Transactions during the year: - Professional and Consultancy - Advances Given - Advances Recovered - Rooms Revenue - Investment - Long Term Lease on Property	Nil 209.93 Nil Nil Nil Nil	Nil 168.00 121.00 Nil Nil Nil

21. SEGMENT REPORTING

(Rs.in Lacs)

Particulars	Time Share		Resorts & Hotels		Total	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
1.Revenue						
External Sales	745.91	758.01	2313.43	2343.76	3059.34	3101.77
2.Result						
Segment Results (Gross Profit / Loss Before Tax & Interest	(1172.10)	(3813.14)	328.86	341.01	(843.24)	(3472.13)
unallocated (Expenses) / Income	-	-	-	-	853.77	1434.20
Interest / Expenses	-	-	-	-	(1006.39)	(284.11)
Interest . Dividend Income	-	-	-	-	103.07	155.29
Fringe Benefit Tax	-	-	-	-	(9.43)	(15.12)
Net Profit / (Loss)	-	-	-	-	(902.22)	(2181.87)
3.Other Information:						
Segment Assets	20020.60	19399.05	6617.19	6466.01	26637.75	25865.06
unallocated Corporate Assets	-	-	-	-	1148.22	978.33
Total Assets	20020.60	19399.05	6617.19	6466.01	27785.97	25843.39
Segment Liabilities	3251.13	4336.88	1085.05	1444.96	4336.18	5781.84
unallocated Corporate Liabilities	-	-	-	-	-	121.00
Total Liabilities	3251.13	4336.88	1085.05	1444.96	4336.18	5902.84
Capital Expenditure	309.17	335.84	103.05	111.95	412.22	447.79

Notes on Segment Reporting**a. Business Segments**

The Company has considered business segment as the primary segment for disclosure.

The business segments are: Time Share Sales & Resorts and Hotel Sales.

The above segments have been identified taking into account the organization structure as well as the differing risks and returns of the segments

b. Segment Assets include all operating assets used by the respective segment and consist principally of operating cash, debtors, inventories and fixed assets net of allowances and provisions. Segment Liabilities include all operating liabilities and consist primarily of creditors and accrued liabilities. Segment Assets and Liabilities do not include Income Tax Assets and Liabilities

22. The lists of undertaking covered under the Micro, Small and Medium Enterprises Development Act (MSMDA), 2006

were determined by the company on the basis of information available with the company. As explained by the company, there were no principal and /or interest due remaining unpaid as at 31st March 2010 in respect of undertakings covered by the MSMDA.

23. Disclosure pursuant to Accounting Standard - 15 (Revised) Employee Benefits

a. Effective 1st April'07, the company has adopted accounting standard 15 (revised 2005) Employee Benefits issued by ICAI. The Company has classified the various benefits provided to employees as under:

b. Defined Contribution Plans:

The Company has recognized the following amounts in the Profit & Loss Account which are included under contribution to Provident Fund and Other Funds:

	Rs. In Lacs
Provident Fund	3.26
Employees Pension Scheme, 1995	7.41

c. Defined Benefit Plans, in respect of time share employees in service

		Gratuity Rs. Lacs Funded	Leave Wages Rs. Lacs Unfunded
1.	<u>Change in Benefit Obligation</u>		
	Liability at the beginning of the year 1st April'09	57.79	27.89
	Interest Cost	4.80	2.23
	Current Service Cost	15.67	4.96
	Benefit Paid	(7.66)	(0.08)
	Actuarial (Gain) / Loss on obligation	(1.42)	(9.76)
	Liability at the end of the year	69.18	25.24
	<u>Changes in the Fair Value of Plan Assets</u>		
a.	Present Value of Plan Assets as at 1st April 09	13.16	-
b.	Expected Return on Plan Assets	1.32	-
c.	Actuarial (Gain) / Loss	0.83	-
d.	Employers Contributions	11.89	-
e.	Benefits Paid	(7.17)	-
f.	Present Value of Planned Assets as at 31st March 2010	20.03	-
	<u>Amount Recognized in the Balance Sheet including a reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets</u>		
a.	Present Value of defined benefit obligation as at 31st March 2010	69.18	25.24
b.	Fair Value of Plan Assets as at 31st March 2010	20.03	-
c.	Net Liability recognised in the Balance Sheet as at 31st March 2010	49.15	25.24
	<u>Expenses Recognized in the Profit and Loss Account</u>		
a.	Service Cost	15.67	-
b.	Interest Cost	4.80	-
c.	Expected Return on Plan Assets	(1.32)	-
d.	Curtailement Cost / (Credit)	-	-
e.	Settlement Cost / (Credit)	-	-
f.	Net Actuarial (Gain) / Loss	-	-
g.	Total Expenses recognised in the Profit and Loss Account	-	-
	<u>Actual Return on Plan Assets</u>		
	Estimated Contribution to be made in the next annual year		
	The Composition of Plan Assets: ie. Percentage of each category of Plan Assets to Total Fair Value of Plan Assets as at 31st March, 2010		
a.	Insurance Managed Funds**(LIC)	1.32	-
	Total	100%	-
		100%	-

c. Defined Benefit Plans, in respect of time share employees in service

(Contd...)

		Gratuity Funded Rs. Lacs	Leave Wages Funded Rs. Lacs
1.	Actuarial Assumptions		
	Retirement Age	58	58
	Discount rate	8.00%	8.00%
	Mortality rate	*	*
	Withdrawal rate	2.00%	2.00%
	Salary escalation	5.00%	5.00%

* - as per LIC (1994-96) (ultimate) Mortality Table

** partly funded during the year

24. Earnings per share (EPS) as per Accounting Standard 20

	2009-10	2008-09
Net Loss for the year (Rs in Lacs)	(902.22)	(2181.87)
Weighted Average number of Equity shares of Rs.10 each as the year end	4,02,64,079	2,84,28,581
EPS Basic and Diluted Before Exceptional Items	(2.10)	(12.03)
EPS Basic and Diluted After Exceptional Items (Rs.)	(2.24)	(7.67)

25. Employees Stock Options :

Employee Stock Option Scheme 2007 (ESOS 2007)

Number of Options Granted, Exercised and Forfeited	Year ended 31.03.2010	Year ended 31.03.2009
Options Exercised during the year	8,34,000	Nil
Options Forfeited	Nil	Nil
Options outstanding at the end the year	16,66,000	25,00,000

Employee Stock Option Scheme 2009 (ESOS 2009)

In 2009 - 2010, the Company instituted Employee Stock Option Scheme 2009 (ESOS 2009). The Board of Directors and the Shareholders approved the scheme on 01.09. 2009 and 29-09-2009 respectively. The Scheme provides for issue of 15,00,000 options convertible into one Equity Share of Rs.10 each at par to the Employees / Directors. The Compensation Committee administers the Employees Stock Option Scheme 2009. During the year 2009 - 2010, the Company has recognized a sum of Rs.6,49,50,000 as Deferred Employee Compensation Expense, being the difference between Fair Value of Options and the Exercise Price, of which a sum of Rs.62,63,671 has been recognized as expense in the current year in accordance with SEBI Guidelines.

Number of Options Granted, Exercised and Forfeited	Year ended 31.03.2010	Year ended 31.03.2009
Options Granted during the year	15,00,000	Nil
Options Vested	Nil	Nil
Options Exercised	Nil	Nil
Options Forfeited	Nil	Nil
Options Outstanding at the end of the year	15,00,000	Nil

26. Particulars of Share Warrants (preferential basis) Issued, converted and outstanding at the year end is detailed below

Date of Issue	12-02-2009	04-06-2009
No. of warrants	30,00,000	5,00,000
Price per share (in Rs.)	35	35
Total Value (in Rs.)	10,50,00,000	1,75,00,000
Upfront Payment received (in Rs.)	1,05,00,000	43,75,000
Date of Conversion	25-03-2010	-
No. Of Warrants Converted	12,90,000	-
Amount Received on Conversion (in Rs.)	4,06,35,000	-
Outstanding Warrant	17,10,000	5,00,000
Due date for conversion	11-08-2010	03-12-2010

27. Additional information required under Schedule VI of the Companies Act, 1956, to the extent applicable:

a) Resort Operations Income comprises of:

Rs. In Lacs

	Year ended 31.03.2010	Year ended 31.03.2009
Room Revenue	971.77	1016.11
Food & Beverage	610.18	542.09
Annual Amenity Charges	534.40	538.34
Minor Operating Department	197.08	247.22
Total	2313.43	2343.76

b) Interest

Rs. In lacs

	Year ended 31.03.2010	Year ended 31.03.2009
Interest on Term Loan	939.03	149.92
Others	67.36	134.19
Total	1006.39	151.26

c) Remuneration to Auditors

(Rs. in Lacs)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
Statutory Audit	15.34	11.36
Tax Audit	1.10	Nil
Certification	0.11	0.17
Total	15.45	11.53

d) Value of Imports calculated on CIF basis Rs.Nil
(Previous Year Rs. Nil)

e) Expenditure in foreign currency Rs.NIL
(Previous Year Rs. Nil)

f) Earnings in foreign currency Rs.NIL
(Previous Year Rs. Nil)

28 In the opinion of the management and to the best of their knowledge and belief the value on realization of current assets and loans and advances would not be less than the amount at which they are stated in the balance sheet.

29 The figures are rounded off to the nearest rupee. Previous year figures, are regrouped wherever necessary, to match with current year's grouping

For and on behalf of the Board

R.SUBRAMANIAN Chairman & Managing Director
S.SIDHARTH SHANKAR Joint Managing Director

M.BALASUBRAMANIYAN Company Secretary
R.MOHAN Senior Vice President- Finance

As per our report of even date.

For **R.Subramanian and Company** Chartered Accountants
ICAI regd. No. 004137S

For **V.Sankar Aiyar & Co** Chartered Accountants
ICAI regd. No. 109208W

A.S. Ramanathan
Partner
Membership No : 011072

S.Venkataraman
Partner
Membership No : 23116

Place : Chennai
Date : 28.08.2010

Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

REGISTRATION DETAILS

Registration No.	18-13044
State code	18
Balance Sheet Date	31/03/2010

CAPITAL RAISED DURING THE YEAR (AMOUNT RS IN LAKHS)

Public Issue	Nil
Rights issue	Nil
Bonus issue	Nil
Private Placement	3867.78

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS in LAKHS)

Total Liabilities	42597.07
Total Assets	42597.07

SOURCE OF FUNDS

Paid-up Share Capital	4405.27
Equity Share Warrant	0
Reserve & Surplus	15507.06
Secured loans	162.17
Unsecured Loans	1622.22
Deferred Income	20795.51

APPLICATION OF FUNDS

Net Fixed Assets	22666.26
Investments	1148.22
Net Current Assets	1474.70
Profit and Loss Account	17307.90

PERFORMANCE OF THE COMPANY (AMOUNT RS IN LAKHS)

Turnover / Other Income	3193.08
Total Expenditure	4048.77
Profit before Tax	(855.69)
Profit after Tax	(902.22)
Earning per Share (in Rs)	(2.10)
Dividend Rate (%)	0

R.SUBRAMANIAN
Chairman & Managing Director

S.SIDHARTH SHANKAR
Joint Managing Director

M.BALASUBRAMANIYAN
Company Secretary

R.MOHAN
Senior Vice President- Finance

Place : Chennai
Date : 28.08.2010

AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENT OF STERLING HOLIDAY RESORTS (INDIA) LIMITED AND ITS SUBSIDIARIES

1. We have audited the attached Consolidated Balance Sheet of Sterling Holiday Resorts (India) Limited and its subsidiaries, (known as SHRIL group), as at 31st March, 2010 and its related Profit and Loss Account of SHRIL group for the year ended on that date. As this is the first year of consolidation of financial statements, cash flow statement is not prepared. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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. The financial statements of the subsidiaries namely Sterling Holiday Resorts (Kodaikanal) Limited and Sterling Holidays (Ooty) limited are audited by one of the joint auditors namely M/S R.Subramanian and company. The financial statements of Manchanda Resorts Private Limited were audited by an independent auditor.

We have not audited the financial statements of Manchanda Resorts Private Limited whose financial statements reflect net assets of Rs.1602.01 lacs as at March 31st 2010 and total revenue of Rs.175.13 lacs for the year ended on that date.

4. We report that consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting standard (AS) 21 issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company.

5. In our opinion consolidated financial statements give 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 SHRIL group as at 31st March 2010;
- (b) In the case of the Profit and Loss account, of the Loss of the SHRIL group for the year ended on that date;

for **R. SUBRAMANIAN AND COMPANY**

Chartered Accountants,
ICAI regd. No. 004137S
A.S.Ramanathan
Partner
M.No : 011072

For **V. SANKAR AIYAR & CO**

Chartered Accountants
ICAI regd. No. 109208W
S.VENKATARAMAN
Partner
M.NO : 23116

Place : Chennai

Date : 28th August 2010

CONSOLIDATED BALANCE SHEET AS AT 31.03.2010

SOURCES OF FUNDS	Schedule No	As at 31.03.2010
SHAREHOLDERS' FUNDS		
Share Capital	1	440,526,600
Share Warrants (Note No. 25 of Notes on accounts in Sch 13)		10,485,500
Reserves & Surplus	2	1,563,697,107
Minority Interest		20,000
LOAN FUNDS		
Secured	3	16,216,593
Unsecured	4	162,222,462
DEFERRED INCOME		
Advance Subscription towards Customer Facilities (NoteNo. 16 of Notes on Accounts in sch 13)		2,079,550,578
Total		4,272,718,840
APPLICATION OF FUNDS		
FIXED ASSETS		
Gross Block	5	2,428,950,922
Less : Depreciation		761,686,731
Net Block		1,667,264,191
Capital Work in Progress at cost (NoteNo. 11 of Notes on Accounts in sch 13)		520,766,918
Investments	6	107,833,000
Current Assets, Loans & Advances:	7	
(a) Inventories		3,762,228
(b) Sundry Debtors		3,174,563
(c) Cash and Bank Balances		65,974,058
(d) Loans and advances		254,701,514
Less : Current Liabilities & Provisions	8	
(a) Current Liabilities		277,128,368
(b) Provisions		33,258,359
Net Current Assets		17,225,636
PROFIT AND LOSS ACCOUNT		
Debit Balance in Profit & Loss Account		2,354,169,095
Less : General Reserve as per Contra		(394,540,000)
Total		4,272,718,840

Significant Accounting Policies and Notes on Accounts 13

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

For and on behalf of the Board

R.SUBRAMANIAN
Chairman & Managing Director

S.SIDHARTH SHANKAR
Joint Managing Director

M.BALASUBRAMANIYAN
Company Secretary

R.MOHAN
Senior Vice President- Finance

As per our report of even date

For **R.Subramanian and Company**
Chartered Accountants
ICAI regd. No. 004137S

For **V.Sankar Aiyar & Co**
Chartered Accountants
ICAI regd. No. 109208W

A.S. Ramanathan
Partner
Membership No : 011072

S.Venkataraman
Partner
Membership No : 23116

Place : Chennai
Date : 28.08.2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

	Schedule No	For the year ended 31.03.2010
Sales	9	334,809,674
Other Income	10	27,355,635
Total		362,165,309
DEDUCT		
Consumption of Food & Beverages	11	35,810,555
Administration and other expenses	12	446,893,942
Loss before Interest and Depreciation and Exceptional Items		(120,539,188)
Interest		14,619,569
Depreciation / Amorisation		41,502,543
Loss for the year before Tax and Exceptional Items		(176,661,300)
Exceptional Items		
- Interest on Loan from Financial Institutions (Vide Note No.6 (b) of Notes on accounts in Sec 13)		(86,019,490)
- Provision no longer required, Written Back		64,203,330
- Unclaimed Credit Balances Written Back		12,048,814
- Profit on Sale of Assets		6,057,377
Loss for the year before Tax after Exceptional Items		(180,371,269)
Less:		
Fringe Benefit Tax - Interest for delayed remittance		943,413
Loss for the year after Tax		(181,314,682)
Add : (Deficit) brought forward from previous year		(2,172,854,413)
Balance carried to Balance Sheet		(2,354,169,095)
EARNINGS PER SHARE : (EPS)		
Profit available to Members		
Before Exceptional items		(175,717,887)
After Exceptional items		(181,314,682)
Weighted Average Number of Equity Shares used as Denominator for calculating EPS		40,264,079
Basic and diluted earning per share		
Before Exceptional items		(4.36)
After Exceptional items		(4.50)
Significant Accounting Policies and Notes on Accounts		
The Schedules referred to above form an integral part of the Profit and Loss account		
For and on behalf of the Board		
R.SUBRAMANIAN Chairman & Managing Director		S.SIDHARTH SHANKAR Joint Managing Director
M.BALASUBRAMANIYAN Company Secretary		R.MOHAN Senior Vice President- Finance
For R.Subramanian and Company Chartered Accountants ICAI regd. No. 004137S		For V.Sankar Aiyar & Co Chartered Accountants ICAI regd. No. 109208W
A.S. Ramanathan Partner Membership No : 011072		S.Venkataraman Partner Membership No : 23116
Place : Chennai Date : 28.08.2010		

SCHEDULE 1

SHARE CAPITAL		As at 31st Mar-2010 Rs.
Authorised		
6,50,00,000 Equity Shares of Rs.10/- each		650,000,000
Issued, Subscribed and Paid up		650,000,000
(Notes No.24 and 25 of Notes on Accounts in Sch 13)		
4,40,52,585 Equity shares of Rs.10/- each, fully paid up	440,525,850	
Add: Share capital pending allotment	750	
	<hr/>	<hr/>
		440,526,600

SCHEDULE 2

RESERVES & SURPLUS		As at 31st Mar-2010 Rs.
Capital Reserve		9,309,500
Capital Reserve on Consolidation		12,991,500
Fixed Assets Revaluation Reserve (Note No.7 of Notes on Accounts in Sch 13)		208,196,781
Share Premium Account		
As per last Balance sheet	989,273,155	
Add: Received during the year	292,847,100	
	<hr/>	1,282,120,255
General Reserve		
Opening Reserve	394,540,000	
Less: Transfer to Profit & Loss Account	394,540,000	
	<hr/>	
<u>Employee Stock Option Outstanding (A)</u> (Note No.24 of Notes on Accounts in Sch 13)	109,765,400	
<u>Deferred Stock Compensation Cost (B)</u>	58,686,329	
Total (A-B)		51,079,071
		<hr/>
		1,563,697,107

SCHEDULE 3

SECURED LOANS (Note No.6(a) and 15 of Notes on Accounts in Sch 13)	As at 31st Mar-2010 Rs.
From Financial Institutions	16,216,593
	<hr/>
	16,216,593

SCHEDULE 4

UNSECURED LOANS (Note No.6(b) and 6(c) of Notes on Accounts in Sch 13)	As at 31st Mar-2010 Rs.
Short Term Loan	
From Financial Institutions	134,405,620
From Others	24,939,842
From Directors	2,877,000
	<hr/>
	162,222,462

SCHEDULE 5

FIXED ASSETS	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK
	As at 1st April 2009 Rs.	Additions during the year Rs.	Deletions/ Adjustments during the year Rs.	As at 31st March 2010 Rs.	As at 1st April 2009 Rs.	Depreciation/ Amortised during the year Rs.	Deletions during the year Rs.	As at 31st March 2010 Rs.
TANGIBLE ASSETS								
Freehold land *	392,343,592	-	2,642,623	389,700,969	-	-	-	389,700,969
Lease Hold Land*	184,143,877	39,722,500	-	223,866,377	5,659,425	1,859,380	-	216,347,572
Buildings *	1,253,557,633	118,000	-	1,253,675,633	252,396,906	20,808,010	-	980,470,717
Plant & Machinery	127,598,240	987,066	-	128,585,306	101,346,383	5,763,837	-	21,475,086
Office equipments	147,768,067	1,733,505	-	149,501,572	125,010,779	3,908,368	-	20,582,425
Electrical Fittings	73,747,126	431,331	-	74,178,457	49,099,609	3,456,021	-	21,622,827
Furniture & Fixtures	202,904,854	-	-	202,904,854	181,534,279	5,667,452	-	15,703,122
Vehicles	5,177,717	46,119	-	5,223,836	5,136,808	6,470	-	80,558
(A)	2,387,241,106	43,038,521	2,642,623	2,427,637,004	720,184,189	41,469,537	-	1,665,983,277
INTANGIBLE ASSETS								
Software	-	1,313,918	-	1,313,918	-	33,004	-	1,280,914
(B)	-	1,313,918	-	1,313,918	-	33,004	-	1,280,914
Total	2,387,241,106	44,352,439	2,642,623	2,428,950,922	720,184,189	41,502,541	-	1,667,264,191
Capital Work in Progress	519,216,916	1,550,002	-	520,766,918				

* Refer Note 8 to 11 of Notes on Accounts in Schedule 13
Buildings includes Rs. 5,27,87,223 towards cost of 4117 PTS weeks retained by the Company.

SCHEDULE 6**INVESTMENTS AT COST****As at 31st Mar-2010****Rs.****LONG TERM INVESTMENTS IN FULLY PAID SHARES****Unquoted - Trade Investment in Associate Companies**

75 (75) equity shares of Bahrain Dinars 50 each in Sterling Middle East WLL - a foreign company	313,523
Less: Written off during the year	313,523

Others**Trade:(fully paid up)**

1,00,000 (1,00,000) equity shares of Rs.10/- each in Sterling Holiday Finvest Ltd	1,000,000
1,00,000 (100000)equity shares of Rs.10/- each in Sterling Securites and Futures Lrd	1,000,000
520000 (520000) equity shares of Rs.10/- each in Sterling Resorts Home Finance Ltd	5,200,000
700000 (700000) equity shares of Rs.10/- each in Sterling Holiday Financial Services Ltd	9,500,000

Non - Trade: (fully paid up)

1100 (1100) equity shares of Rs.10/- each in Tourism Finance Corporation of India Ltd	33,000
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Unquoted - Non- Trade (fully paid up)

28765 no.of Teak units of Sterling Tree Magnum (India) Ltd	
(Note No.12 of Notes on Accounts in Sch 13)	97,800,000

Less: Provision for diminution in value	16,700,000
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(net of provison withdrawn of Rs.45,65,000 during the year)

(A)

Aggregate cost of quoted Investments,	33,000
---------------------------------------	--------

Aggregate market value of quoted investments (Amount in Rs.)	30,470
--	--------

CURRENT INVESTMENTS

Units of Mutual Fund (NAV as on 31-03-2010 Rs.1,00,14,505)	10,000,000
--	------------

(B)

(A + B)

Purchased during the year

Qty-in units

Value in Rs

Axis Treasury Advantage Fund	30,000	30,000,000
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Birla Sun Life Savings Fund	24,983,012	250,000,000
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Sold during the year

Axis Treasury Advantage Fund	20,000	20,000,000
------------------------------	--------	------------

Birla Sun Life Savings Fund	24,983,012	250,000,000
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SCHEDULE 7**CURRENT ASSETS, LOANS & ADVANCES****As at 31st Mar-2010****Rs****CURRENT ASSETS**

Inventories

Food & Beverages

3,762,228

3,762,228

Sundry debtors - unsecured (Note No.17 of Notes on Accounts in Sch 13)

(a) Debts outstanding for a period exceeding six months

Considered Good

287,179

Considered Doubtful

190,181,924

(b) Other Debts -considered good

2,887,384

193,356,488

Less: Provision for Doubtful debts

190,181,9243,174,563

Cash balance on hand

1,146,503

Balances with Scheduled Banks

- On current accounts

58,560,840

- On deposit accounts*

6,266,71564,827,55565,974,058

* Includes Margin Deposit with Banks Rs.1,695,327/-

towards guarantees obtained.

LOANS AND ADVANCES (Note No.13,14 and 17 of Notes on Accounts in Sch 13)**Unsecured & Considered good, Otherwise stated**

Advances recoverable in cash or in kind

or for value to be received

Secured

118,776,919

Unsecured

110,483,649

Unsecured & Considered doubtful

377,654,907

606,915,475

Less : Provision for Doubtful advances

377,654,905

229,260,570

Advance income tax and TDS Receivable

12,426,118

Deposits

13,014,826254,701,514

SCHEDULE 8

CURRENT LIABILITIES AND PROVISIONS	As at 31st Mar-2010 Rs.
CURRENT LIABILITIES	
Sundry Creditors (Note No.17 of Notes on Accounts in Sch 13)	
Total outstanding dues to Micro, Small and Medium Enterprises	
Total outstanding dues to creditors other than Micro, small and Medium Enterprises	64,273,197
Other Liabilities	207,970,718
On current Liabilities - cheques issued	4,084,454
Advances received	800,000
	277,128,368
PROVISIONS	
For Fringe Benefit Taxes	11,796,422
For Leave encashment	4,198,181
For Gratuity	7,263,756
For Contingencies	10,000,000
	33,258,359

SCHEDULE 9

SALES	As at 31st Mar-2010 Rs.
Sales Less Returns	
Time Shares and others	78,322,980
Less: Sales Return	3,732,207
	74,590,773
Resort Operations (Note No.26(a) of Notes on Accounts in Sch 13)	260,218,901
	334,809,674

SCHEDULE 10

OTHER INCOME	As at 31st Mar-2010 Rs.
Interest (Tax Deducted at Source Rs. 14,890/-)	5,888,217
Dividend on Mutual Fund Units	4,418,362
Miscellaneous	17,049,056
	27,355,635

SCHEDULE 11

CONSUMPTION OF FOOD & BEVERAGES	As at 31st Mar-2010 Rs.
Opening Stock	4,412,701
Add : Purchases during the year - Food & Beverages	35,160,082
	39,572,783
Less: Closing Stock	3,762,228
	35,810,555

SCHEDULE 12**ADMINISTRATION AND OTHER EXPENSES****As at 31st Mar-2010**

		Rs.
Salaries, Wages & Bonus		97,382,282
Contribution to Provident Fund/ESI/Gratuity		4,828,633
Staff Welfare		1,223,217
Amortisation of deferred stock compensation cost		6,263,671
Rent		8,231,634
Rates & Taxes		6,285,558
Repairs & Maintenance		
- Building	6,046,406	
- Plant & Machinery	6,460,895	
- Others	<u>1,677,445</u>	14,184,745
Recruitment & Training		25,082
Insurance		351,432
Director's Sitting fees		280,000
Audit Fees (Note No.27(c) of Notes on Accounts in Sch 13)		1,881,345
Postage & Telegram		2,022,416
Telephone & Fax		2,790,173
Printing & Stationery		1,836,080
Travelling & Conveyance		12,605,525
Professional Charges		13,455,803
Resort Operational Expenses		88,163,840
Discount		1,466,637
Advertisement		287,817
Sales Commission,Brokerage & Incentive		4,161,612
Provision for Doubtful Debts/Advances	34,612,569	
Less: Provision for Doubtful investments	<u>313,523</u>	
		34,299,046
Provision for Contingencies		10,000,000
Bad debts written off		100,313,523
Service charges		330,900
Management Charges		-
Finance Charges		1,637,153
Sales Promotion		2,306,910
Freight Charges		197,209
Miscellaneous Expenses		11,453,798
Assured Return to customers		4,087,095
Compensation to customers / Vendors		8,941,212
Legal expenses		5,599,596
		<u>446,893,942</u>

SCHEDULE - 13**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010.****1. Company Background**

Sterling Holiday Resorts (India) Limited known as SHRIL, (the parent company) was incorporated in the year 1986 as Private Limited Company and converted into Public Limited in the year 1989 under the provisions of the companies Act 1956. The parent company is engaged in the business of Time Share Sales & Resorts and Hotel Sales.

2. Significant accounting policies**Principles of Consolidation**

The consolidated financial statement relate to Sterling Holiday Resorts India Limited, its subsidiaries (collectively the company). The consolidated financial statements have been prepared on the following basis.

- a) The financial statements of the Company and its subsidiary companies are combined on line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - Consolidated Financial Statements .
- b) Subsidiary companies are those in which Sterling Holiday Resorts India Limited directly or indirectly has an interest of more than one half of the voting power or otherwise has power to exercise significant control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the

company until the date of cessation of parent subsidiary relationship.

- c) The difference between the costs of investments in the subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill / Capital Reserve as the case may be.
- d) The difference between the proceeds from disposal of investments in subsidiaries and carrying amount of investments as of the date of disposal is recognized in the consolidated statement of profit and loss account being the profit or loss on disposal of investment in subsidiary.
- e) Minority interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.
- f) Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the company's shareholders.
- g) As far as possible, the consolidated financial statements are prepared using uniform accounting policies except to the extent disclosed herein below, for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements. The effects arising out of variant accounting policies among the Group companies are neither dealt nor disclosed in the Consolidated Financial Statements since it is impracticable to do so.
- h) The subsidiary companies considered in the consolidated financial statements are:

Name of the Subsidiaries	Country of Incorporation	Proportion of Ownership Interest
Sterling Holidays (Ooty) Limited	India	98 %
Sterling Holiday Resorts (Kodaikanal) Limited	India	98 %
Manchanda Resorts Private Limited	India	100 %

3. Basis of preparation of financial statements

The consolidated financial statements of Sterling Resorts India Limited are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India (ICAI) and provisions of the Companies Act, 1956.

4. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of incomes and expenses during the period. Actual results could differ from these estimates. Any revision to accounting estimate is recognized prospectively.

5. Fixed Asset and Depreciation**5.1 PARENT COMPANY****A) Fixed Assets**

Fixed Assets are stated at their original cost (including expenses related to acquisition and installation) less depreciation except certain lands, owned by the Company which have been adjusted for revaluation.

B) Depreciation and Amortization

Depreciation in case of Holding Company is charged in the Accounts on straight line method as under:

- a) On fixed assets of the company at the rates specified in Schedule XIV to the Companies Act, 1956
- b) On fixed assets added/disposed off during the year, on pro- rata basis with reference to the month of addition/disposal;
- c) Cost of leasehold land and building is amortized over the period of lease.
- d) Intangible assets, namely Software are depreciated for a period of 6 years.

5.2. Subsidiary Companies

In case of Sterling holiday resorts (Kodai) limited and sterling holiday resorts (Ooty) limited, depreciation is charged on Written Down Value (WDV) method at the rates provided in Schedule XIV of the companies Act, 1956.

In Case of Manchanda Holiday resorts private limited Depreciation is charged on Straight lime method at the rates provided in Schedule XIV of the companies Act 1956.

6. Borrowing Costs

Borrowing costs attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset, where it is possible that they will result in future economic benefit. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

7. Revenue Recognition

Revenue is recognized to the extent that it can be reliably measured and is probable that the economic benefit will accrue to the company.

- a) In respect of Sterling Silver Streak

Holiday Plan, Sterling Happy Vistas, Holiday Units, Sterling Holiday Flexi Club Units, TRUMPS and Sterling Holiday plan, the cost portion of the time share consideration (net of discount), namely 45% of the sale value is treated as income in the year of sale.

- b) Advance subscription towards Customer Facilities (ASCF), being the balance 55%, of the sale value in respect of Holiday products is accounted as income, in equal proportion, from the year in which the Holiday entitlement is allotted, over the period for which the customers are entitled for holidays.
- c) Income from resorts comprising of room rent, food and beverages sales, other services etc., are recognized when the items are sold and services are rendered.
- d) Income in respect of amenity charges are accounted on cash basis, in view of uncertainty in collection.
- e) Dividend is accounted for when the right to receive the same is established. Interest is accounted on time proportionate basis.

8. Investments

Long term investments are stated at cost. Provision for diminution in value, considered on individual basis, is recognized if in the opinion of the management such a decline is other than temporary.

Current investments are valued at lower of cost and fair value, determined on individual basis.

9. Inventories

Inventories comprising of provisions, perishables, beverages and consumables are valued at lower of cost or net realizable value. Cost is computed on First in first out basis.

10. Foreign Currency Transactions

Transactions in Foreign Currency are

recorded at the exchange rates prevailing on the date of Transactions. Monetary items denominated in foreign currencies (such as cash receivables, payables, etc.) outstanding at the year end, are translated at exchange rate applicable as of that date. Non-monetary items denominated in foreign currency (such as investments, fixed assets, etc) are valued at the exchange rate prevailing on the date of transaction. Any gains or losses arising due to exchange differences at the time of translation or settlement are accounted in the Profit & Loss Account.

11. Employee Benefits

In case of Holding Company:

- a) Contribution to Provident Fund, which is a defined contribution retirement plan, is made monthly at predetermined rate to the Provident Fund authorities and debited to the Profit and Loss Account on accrual basis.
- b) Company makes annual contribution to Gratuity funds administered by Insurance Companies, which is considered as defined benefit plan. The present value of the defined benefit is measured using the ' Projected unit Credit' Method with actuarial valuation being carried out at each Balance Sheet date by an independent valuer. Actuarial gain and losses are immediately recognized in the Profit and Loss Account. Amount of contribution, computed by the insurers is paid by the company and charged to Profit and Loss account. No additional liability is anticipated under the scheme administered by the insurance Companies.
- c) The Company makes provision for leave encashment based on actuarial valuation carried out by an independent actuary at the Balance Sheet date.

In case of Subsidiary Company:

- a) Contribution to Provident Fund, which is a defined contribution retirement plan, is made monthly at predetermined rate to the Provident Fund authorities and debited to the Profit and Loss Account on accrual basis.
- b) Gratuity and Leave encashment is accounted on accrual basis, based on estimation by the Company.

12. Provisions & Contingencies

A provision arising out of a present obligation is recognized when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated

Wherever there is a possible obligation that may, but probably will not require an outflow of resources, the same is disclosed by way of contingent liability.

Show Cause Notices are not considered as Contingent Liabilities, unless converted into demand.

13. Taxes on Income

Current tax is determined in accordance with Income Tax Act 1961 on the amount of tax payable in respect of the income for the year. Deferred tax assets / liabilities are measured by applying tax rate and tax laws that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax asset arising on account of loss and unabsorbed depreciation under tax laws is recognized only to the extent there is virtual certainty of its realization supported by convincing evidence. Deferred tax assets on account of other timing differences are recognized only to the extent there is reasonable certainty of its realization. At each Balance Sheet date, the carrying amount of Deferred Tax Asset is reviewed based on developments to reassess realization.

14. Impairment of Asset

The carrying amounts of assets are reviewed at each balance sheet date for

indication of any impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount. Any such impairment loss is recognized by charging it to the profit and loss account. A previously recognized impairment loss is reversed where it is no longer required and the asset is restated to that effect

15. Segment Reporting

In case of Holding Company

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under Unallocated Corporate Expenses .

There are no inter segment revenues and therefore their basis of measurement does not arise.

In case of Subsidiary Company:

Subsidiary companies mainly operate in one segment, viz., Resort business.

16. Employee Stock Option Scheme (ESOS)

The Company measures the compensation cost relating to ESOS using the fair market value of equity shares. The compensation cost is amortized on a straight line basis over the total vesting period of the stock options.

17. LEASE ACCOUNTING

The lease payments made on the assets comprising of land and building taken on operating lease, are recognized as an expense on straight line basis over the lease term.

Notes on Accounts

- 1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for is Nil
- 2. Claims against the company not acknowledged as debts Rs.60.47 lacs

- 3. Contingent liabilities not provided for
 - a) Rs. 517.81 lacs, comprises of Customer related cases - Rs.332.03 lacs, Vendor related cases - Rs.89.02 lacs, Employee related cases- Rs.23.70 lacs, property related cases - Rs.6.36 lacs and sales tax cases - Rs.66.70 lacs.
 - b) Rs. 433.64 lacs, in respect of a suit filed by NOIDA creditors, in which company was included as one of the defendants.
- 4. Service tax, Interest, penalty and additional penalty aggregating to Rs.557.03 lacs has been demanded by Service Tax Authorities. The company has appealed against the above said order before CESTAT and pre deposited a sum of Rs. 30 lacs. The company is advised by its legal counsel that the stand taken by the company is valid and no provision is considered necessary at this stage.
- 5. The Income Tax Appellate Tribunal (ITAT) has disallowed certain claims of the company with reference to treatment of ASCF in respect of Assessment years 1996-97 to 2000-01, though there is no tax demand, the company has applied against the above order before the High Court of Madras. In respect of asst. year 2006-07, the company has filed appealed before the Commissioner of Income Tax Appeals, in respect of tax demand of Rs.38.34 lacs on the similar grounds.
- 6. (a) A financial institution has taken symbolic possession of a property situated at Ooty - Fernhill under the Securitization and Reconstruction of Financial Asset and Enforcement of Security Interest Act (SARFAESI) for default in repayment of principal of Rs.159 lacs along with interest/penal interest. The company is in the process of negotiating with the institution for an One Time Settlement (OTS) of liability. Pending

such settlement the company has deposited with the institution a sum of Rs. 426 lacs towards the total liability. The company has also filed an appeal before the Debt Recovery Appellate Tribunal (DRAT) against the order passed by Debt Recovery Tribunal (DRT). Any incremental liability which may accrue pursuant to the OTS will be accounted in the year of such settlement.

- b) One time settlement (OTS) has been arrived with GIIC in June 10 and as per its term, the Company will have to settle before 24.12.2010, a sum of Rs. 1331.72 lacs (Net) in installment after appropriating the amount already pre-deposited with High Court of Gujarat . The promoters shares pledged with them will be considered as security till the repayment of dues as per OTS. Pursuant to OTS the additional liability of Rs. 860.19 lacs has been accounted as interest for the year.

c) Interest on Loans

Particulars	31.03.10
Interest on :	
Unsecured Loans	158.27
TOTAL	158.27

No provision is considered necessary in respect of above interest / penal interest as the company has obtained or in the process of taking waiver of such interest / penal interest and expects favorable outcome in all the above cases.

7. The company had revalued certain lands in the years 1989, 1992 and 1999 by appointing an external valuer based on the then prevailing market value. The surplus on revaluation amounting to Rs. 2081.96 lacs determined, stands credited to Revaluation Reserve.
8. Free hold land at Cochin-Vypeen

(book value of Rs.60.60 lacs), for which the company had entered into an agreement for sale in the year 2001 and the buyer has the possession of the same. Due to non compliance of certain terms of the agreement, the company has filed a suit for repossession of the property which has been dismissed against the company. The company has gone on appeal against the same to High Court of Kerala.

9. Registration of Lease hold lands and buildings situated at Peermedu (Rs.1684 lacs), Shirdi (Rs. 80 lacs) and Kulumanali (Rs.2053.68 lacs) taken on lease are pending and action is being taken to get them registered.

10. Five cottages located at Ooty-Fern hill and included under 'Buildings' are given on lease for a period of 99 years to a customer.

11. The capital work in progress (CWIP) represents the value of buildings under construction for more than 10 years. The company intends to develop such properties during the ensuing year. In the opinion of the company (supported by a valuation report taken earlier), the estimated market value together with the land on which it is constructed exceeds the book value and hence the CWIP is not impaired.

12. The company has invested Rs.978 lacs in teak units of Sterling Tree Magnum Co Ltd. (STM) acquired from the unit holders. It has paid Rs.93.77 lacs towards further investment and is pending for transfer of teak units by STM. Considering the present status of Teak farm and the future prospects, the management is of the opinion that there is no permanent diminution in the value of investment.

13. The company has transferred land and buildings at Goa and Himachal Pradesh as per the Arbitration Award in respect of disputes with certain parties. As per the terms of the Arbitration the one of the party has agreed to hand over

possession of certain building valued at Rs. 130.00 lacs and shown as receivable which in the opinion of the Company is good and recoverable.

14. Against the dues of Rs. 1692.44 lacs from Sterling Holiday Resorts International Limited, the company holds the documents relating to the property valued at Rs.1191.18 lacs. The company has made provision of Rs.501.26 lacs in respect of shortfall in the security value. In the opinion of the management, the amount due from the said company is good and recoverable.

15. Securities offered as Hypothecation/ mortgage for borrowings referred to in schedule 3 are as follows.

Term Loan from a Financial Institution is secured by:-

- i) Deposit of title deeds of the immovable assets (other than Time share portion) both present and future at Fernhill Ooty.
- ii) Guarantee of the Managing Director and a former Director of the Company.

16. (a) Advance Subscription towards Customer Facilities (ASCF) referred to under Accounting policies represent income to be taken credit for in the profit & Loss Account of future years, spread over the holiday entitlement period and the same is shown under the head Deferred Income in the Balance Sheet under Sources of Funds . The Company has made an application dated 28.06.2002, under section 211 (4) of the Companies Act, 1956, to the Department of Company Affairs, New Delhi, seeking their opinion for the presentation of the same.

(b) Since the amount of ASCF is not refundable, in the opinion of the management the same is to be treated as part of Net worth .

(c) The accounts of the company have been complied on Going Concern Assumption , in view of the improved operating performance for the past few years. The management is confident of further improving the operating performance and progress in the ensuing year. During the year the company has infused additional capital and has substantially relinquished its debts. It has a comfortable working capital cycle. Hence in the view of the management, the Going Concern Assumption is valid and appropriate

17. Debtors, Creditors balances and Loans and advances are subject to confirmation.

18. The Company has not recognized the Deferred Tax Asset, since in the opinion of management there is no virtual certainty that sufficient future taxable income will be available against which, such deferred tax assets can be realized.

19. Related Party Information.

Disclosure of related party transactions in accordance with Account Standard (AS - 18) Related Party Disclosure issued by the Institute of Chartered Accountants India.

(a) The list of Related Parties as identified by the Management is as under:

Key Management Personnel	1) Mr.R.Subramanian 2) Mr. S. Sidarth Shankar
Enterprise owned by/ over which Key Managerial Personnel is able to exercise significant influence	1) Sterling Tree Magnum India Limited 2) Brindavan Farms Private Limited 3) Madurai Meenakshi Farms Private Limited 4) CGK Finvest (Madras) Private Limited 5) Kamadhenu Business Fortune Limited 6) Concorde Digital Technologies Pvt.Ltd 7) V Serve India Manpower Limited 8) Srivari Farms Pvt Ltd 9) Spring Field Holiday Services Private Ltd

b) The following transactions were carried out with the related parties:

(Rs. in Lacs)

Sl. No.	Particulars	Enterprise owned by/over which KMP is able to exercise significant influence 2009-10
1	Balance outstanding as on 31.03.2010 - Advances - Payable - Investments - Long term lease of property	386.47 18.64 Nil Nil
2	Transactions during the year: - Professional and Consultancy - Advances Given - Advances Recovered - Rooms Revenue - Investment - Long Term Lease of Property	Nil 452.62 10.37 Nil Nil Nil

20. SEGMENT REPORTING

Particulars	(Rs.in Lacs)		
	Time Share 31.03.10	Resorts & Hotels 31.03.10	Total 31.03.10
1.Revenue			
External Sales	745.91	2602.19	3348.1
2.Result			
Segment Results (Gross Profit /(Loss)) Before tax and interest)	(1114.38)	(779.59)	(1893.97)
Unallocated (Expenses)/Income	-	-	993.58
Interest Expenses	-	-	(1006.39)
Interest/ Dividend income	-	-	103.07
Fringe Benefit Tax	-	-	(9.43)
Net Profit/(Loss)	-	-	(1813.14)

20. SEGMENT REPORTING

Particulars	(Rs.in lacs)		
	Time Share 31.03.10	Resorts & Hotels 31.03.10	Total 31.03.10
3. Other Information:			
Segment Assets	22346.98	5586.74	27933.72
Unallocated Corporate Assets	-	-	1078.33
Total Assets	22346.98	5586.74	29012.05
Segment Liabilities	3250.69	1637.57	4888.26
Unallocated Corporate Liabilities	-	-	-
Total Liabilities	3250.69	1637.57	4888.26
Capital Expenditure	311.27	103.75	415.02

Notes on Segment Reporting

a. Business Segments

The Company has considered business segment as the primary segment for disclosure.

The business segments are: Time Share Sales & Resorts and Hotel Sales.

The above segments have been identified taking into account the organization structure as well as the differing risks and returns of the segments

b. Segment Assets include all operating assets used by the respective segment and consist principally of operating cash, debtors, inventories and fixed assets net of allowances and provisions. Segment Liabilities include all operating liabilities and consist primarily of creditors and accrued liabilities. Segment Assets and Liabilities do not include Income Tax Assets and Liabilities

21. The lists of undertaking covered under the Micro, Small and Medium Enterprises Development Act (MSMDA), 2006 were determined by the company on the basis of information available with the company. As explained by the company, there were no principal and /or interest due remaining unpaid as at 31st March 2010 in respect of undertakings covered by the MSMDA.

22. Disclosure pursuant to Accounting Standard 15 (Revised)

Employee Benefits

a. Effective 1st April'07, the company has adopted accounting standard 15 (revised 2005) Employee Benefits issued by ICAI. The Company has classified the various benefits provided to employees as under:

b. Defined Contribution Plans:

The Company has recognized the following amounts in the Profit & Loss Account which are included under contribution to Provident Fund and Other Funds:

	Rs. in Lacs
Provident Fund	3.26
Employees Pension Scheme, 1995	7.41

c. Defined Benefit Plans, in respect of time share employees in service

		Gratuity Rs. Lacs (Funded)	Leave Wages Rs. Lacs (Un funded)
1.	<u>Change in Benefit Obligation</u>		
	Liability at the beginning of the year 1st April'09	57.79	27.89
	Interest Cost	4.80	2.23
	Current Service Cost	15.67	4.96
	Benefit Paid	(7.66)	(0.08)
	Actuarial (Gain) / Loss on obligation	(1.42)	(9.76)
	Liability at the end of the year	69.18	25.24
	<u>Changes in the Fair Value of Plan Assets</u>		
a.	Present Value of Plan Assets as at 1st April 09	13.16	-
b.	Expected Return on Plan Assets	1.32	-
c.	Actuarial (Gain) / Loss	0.83	-
d.	Employers Contributions	11.89	-
e.	Benefits Paid	(7.17)	-
f.	Present Value of Planned Assets as at 31st March 2010	20.03	-
	<u>Amount Recognized in the Balance Sheet including a reconciliation of the Present Value of Defined Benefit Obligation and the Fair Value of Assets</u>		
a.	Present Value of defined benefit obligation as at 31st March 2010	69.18	25.24
b.	Fair Value of Plan Assets as at 31st March 2010	20.03	-
c.	Net Liability recognised in the Balance Sheet as at 31st March 2010	49.15	25.24
	<u>Expenses Recognized in the Profit and Loss Account</u>		
a.	Service Cost	15.67	-
b.	Interest Cost	4.80	-
c.	Expected Return on Plan Assets	(1.32)	-
d.	Curtailement Cost / (Credit)	-	-
e.	Settlement Cost / (Credit)	-	-
f.	Net Actuarial (Gain) / Loss	-	-
G.	Total Expenses recognised in the Profit and Loss Account	-	-
	<u>Actual Return on Plan Assets</u>		
	<u>Estimated Contribution to be made in the next annual year</u>		
	<u>The Composition of Plan Assets:</u> ie. Percentage of each category of Plan Assets to Total Fair Value of Plan Assets as at 31st March, 2010		
a.	Insurance Managed Funds**(LIC)	1.32	-
	Total	100%	-
		100%	-
	<u>Actuarial Assumptions</u>		
	Retirement Age	58	58
	Discount rate	8.00%	8.00%
	Mortality rate	*	*
	Withdrawal rate	2.00%	2.00%
	Salary escalation	5.00%	5.00%

* - as per LIC (1994-96) (ultimate) Mortality Table

** Partly funded during the year

23. Earnings per share (EPS) as per Accounting Standard 20

	2009-10
Net Loss for the year (Rs in Lacs)	(1813.15)
No. of Equity shares of Rs.10 each as the year end Basic	4,02,64,079
Diluted	4,02,64,079
EPS Basic (Rs.)	(4.36)
EPS Diluted (Rs.)	(4.50)

24. Employees Stock Options :

Employee Stock Option Scheme 2007 (ESOS 2007)

Number of Options Granted, Exercised and Forfeited	Year ended 31.03.2010
Options granted during the year	Nil
Options Vested	Nil
Options Exercised	8,34,000
Options Forfeited	Nil
Options Outstanding at the end of the year	16,66,000

Employee Stock Option Scheme 2009 (ESOS 2009)

In 2009-2010, the Company instituted Employee Stock Option Scheme 2009 (ESOS 2009). The Board of Directors and the Shareholders approved the scheme on 01.09.2009 and 29-09-2009 respectively. The Scheme provides for issue of 15,00,000 options convertible into one Equity Share of Rs.10 each at par to the Employees / Directors. The Compensation Committee administers the Employees Stock Option Scheme 2009. During the year 2009 - 2010, the Company has recognized a sum of Rs.6,49,50,000 as Deferred Employee Compensation Expense, being the difference between Fair Value of Options and the Exercise Price, of which a sum of Rs.62,63,671 has been recognized as expense in the current year in accordance with SEBI Guidelines.

Number of Options Granted, Exercised and Forfeited	Year ended 31.03.2010
Options Granted during the year	15,00,000
Options Vested	Nil
Options Exercised	Nil
Options Forfeited	Nil
Options Outstanding at the end of the year	15,00,000

25. Particulars of Share Warrants Issued, during the year is detailed below:

	12-02-2009	04-06-2009
Date of Issue	12-02-2009	04-06-2009
No. of warrants	30,00,000	5,00,000
Price per share (in Rs.)	35	35
Total Value (in Rs.)	10,50,00,000	1,75,00,000
Upfront Payment received (in Rs.)	1,05,00,000	43,75,000
Date of Conversion	25-03-2010	-
No. Of Warrants Converted	12,90,000	-
Amount Received on Conversion (in Rs.)	4,06,35,000	-
Outstanding Warrant	17,10,000	5,00,000
Due Date for conversion	11-08-2010	03-12-2010

26. Additional information required under Schedule VI of the Companies Act, 1956, to the extent applicable:

a) Resort Operations Income comprises of:

	Rs. In Lacs
	Year ended 31.03.2010
Room Revenue	1026.84
Food & Beverage	717.61
Annual Amenity Charges	534.40
Minor Operating Department	323.33
Total	2602.18

b) Interest

Rs. In Lacs	
	Year ended 31.03.2010
Interest on Term Loan	939.03
Others	67.36
Total	1006.39

- d) Value of Imports calculated on CIF basis Rs.Nil
 e) Expenditure in foreign currency Rs.NIL
 f) Earnings in foreign currency Rs.NIL

c) Remuneration to Auditors

Rs. In Lacs	
Particulars	Year ended 31.03.2010
Statutory Audit	17.60
Tax Audit	1.10
Certification	0.11
Total	18.81

27. In the opinion of the management and to the best of their knowledge and belief the value on realization of current assets and loans and advances would not be less than the amount at which they are stated in the balance sheet.

28. The figures are rounded off to the nearest rupee. Previous year figures have not been given as this is the first year consolidation.

For and on behalf of the Board

R.SUBRAMANIAN
Chairman & Managing Director

S.SIDHARTH SHANKAR
Joint Managing Director

M.BALASUBRAMANIYAN
Company Secretary

R.MOHAN
Senior Vice President- Finance

As per our report of even date

For **R.Subramanian and Company**
Chartered Accountants
ICAI regd. No. 004137S

For **V.Sankar Aiyar & Co**
Chartered Accountants
ICAI regd. No. 109208W

A.S. Ramanathan
Partner
Membership No : 011072

S.Venkataraman
Partner
Membership No : 23116

Place : Chennai
Date : 28.08.2010

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

Sl. No.	Particulars	Name of Subsidiaries		
		Sterling Holidays (Ooty) Limited	Sterling Holiday Resorts (Kodaikanal) Limited	Manchanda Resorts Private Limited
		Rs. In Lakhs	Rs. In Lakhs	Rs. In Lakhs
1	Financial year of the subsidiary ended on	31-Mar-10	31-Mar-10	31-Mar-10
2	Date from which it became subsidiary	30-Apr-09	30-Apr-09	30-Apr-09
3	Shares of Subsidiary Company held on the above date and extent of holding			
	(i). Equity Shares	49000	49000	1900000
	(ii). Extent of Holding (%)	98.00%	98.00%	100.00%
4	Capital	5.00	5.00	190.00
5	Reserves	-	-	-
6	Total Assets	5.00	5.00	190.00
7	Total Liabilities	5.00	5.00	190.00
8	Details of Investment	-	-	-
9	Turnover including other income	93.59	198.87	157.12
10	Profit before taxation (Loss)	(33.05)	(19.50)	(858.38)
11	Provision for taxation	-	-	-
12	Profit after taxation (Loss)	(33.05)	(19.50)	(858.38)
13	Proposed dividend	-	-	-

Notes :

1. In the consolidation, the accounts of subsidiaries have been re-stated in line with Indian GAAP and as required by the Accounting Standards 21 issued by the The Institute of Chartered Accountants of India, wherever applicable.

STERLING HOLIDAY RESORTS (INDIA) LIMITED
 Regd. Office : No.163, T.T.K. Road, Alwarpet, Chennai 600 018.

ATTENDANCE SLIP
 TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL

MEMBER'S FOLIO NUMBER	Name of the attending Member (in Block Letters)	No. of Shares held
DP ID #	Name of Proxy (in Block Letter)	
CLIENT ID #	(To be filled in if the Proxy attends instead of the Member)	

I hereby record my presence at the 23rd Annual General Meeting held at Rani Seethai Hall, No.603, Anna Salai, Chennai 600 006 on Wednesday, the 29th September, 2010 at 02.30 p.m

SIGNATURE OF SHAREHOLDER / PROXY*

Note: For the convenience of the Member / Proxies attending the AGM and to facilitate quicker registration of attendance, Member / Proxy holders are requested to bring Attendance Slips duly filling Folio Number / DP ID and Client ID and affixing signature in it to the AGM. For immediate reference Folio Number / DP ID and Client ID is given on the address slip of the envelope.

* Strike out whichever is not applicable

Applicable for investors holding shares in electronic form

Folio No.	<input style="width:95%;" type="text"/>		
DP ID #	<input style="width:95%;" type="text"/>	No. of Shares	<input style="width:95%;" type="text"/>
CLIENT ID #	<input style="width:95%;" type="text"/>		

STERLING HOLIDAY RESORTS (INDIA) LIMITED
 Regd. Office : No.163, T.T.K. Road, Alwarpet, Chennai 600 018.

PROXY FORM

I/We _____ of _____
 being a Member / Members of STERLING HOLIDAY RESORTS (INDIA) LIMITED do hereby appoint _____
 of _____ or failing him _____
 of _____ as my / our proxy to attend and vote for me / us on my / our behalf at the **23rd Annual General Meeting held at Rani Seethai Hall, No.603, Anna Salai, Chennai 600 006 at 02.30 p.m. on Wednesday, the 29th September, 2010 and at any adjournment thereof.**

Dated ____ day of _____ 2010

SIGNATURE BY THE SAID _____



Note: The Proxy Form must be deposited at the Registration Office of the Company not less than 48 hours before the time for holding the meeting.



Corporate Office:

Sterling Holiday Resorts (India) Limited
163, TTK Road, Alwarpet, Chennai 600 018
Tel: +91 44 6693 7000
www.sterlingholidays.in