

**STERLING HOLIDAY RESORTS (INDIA) LIMITED**

**BOARD OF DIRECTORS**

Mr.Siddharth Mehta	Chairman
Mr.S.Sidharth Shankar	Vice Chairman
Mr.Ramesh Ramanathan	Managing Director
Mr.K.Chandrasekaran	Director
Mr.M.N.Rangamani	Director
Mr.Amit Jatia	Director
Mr.Shahzaad Siraj Dalal	Director

**COMPANY SECRETARY**

Mr.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 AGENT**

M/s.Cameo Corporate Services Limited  
"Subramanian Building"  
No.1, Club House Road  
Chennai - 600 002



<b>CONTENTS</b>	<b>PAGE NO.</b>
Chairman's Message .....	3
Notice .....	5
Directors' Report .....	15
Management Discussion and Analysis Report .....	23
Report on Corporate Governance .....	27
Auditors' Report .....	40
Balance Sheet .....	45
Profit and Loss Account .....	47
Cash Flow Statement .....	49
Schedules .....	52
Notes on Accounts .....	63
Balance Sheet Abstract .....	74
Auditors Report on Consolidated Accounts .....	75
Consolidated Accounts .....	76
Financial Information of Subsidiaries .....	106

## Chairman's Message



Dear Shareholders,

It is my pleasure and privilege to write to you on the occasion of our Company completing 25 years of its operations.

Prior to Sterling's existence, the concept of holidaying in India was the preserve of the affluent and elite classes. That was until May 1986 when Mr.R.Subramanian with a vision of providing affordable, fun-filled holidays to the masses, founded Sterling Holidays. He, as a visionary, had the foresight to build Sterling into one of Asia's largest vacation businesses. He steps down as the Chairman this year and leaves behind a legacy which will be a hard act to follow.

Fortunately, we are currently operating in an environment where the Indian economy is not just growing at a healthy rate but doing so in the backdrop of a Global economy which, at best, can be said to be in a state of flux. We can also expect India's growth to continue to be powered by the huge demographic dividend it possesses and the

inevitable continued expansion of the middle income consuming class.

According to various estimates, India will become the most populous country in 2028, overtaking China. India's population is expected to grow by 152 million and 118 million people in the decade of 2020 and 2030 respectively. The more important statistic perhaps is the estimated median age of population which is likely to be 31 by 2013. It is also significant that the size of India's middle income households is expected to increase from 10% of the population today to 90% of the population in the next three decades.

As India transforms itself into an urban, middle income economy in the next 20 years, the discretionary spend in the economy on non-food items is expected to grow substantially leading to a significant growth in demand for travel and holidaying. Already, the number of people going on holidays in India has gone up from 200 million in 2000 to 700 million in 2010. India is also one of the fastest growing outbound travel markets in the world, clocking an impressive



growth of 20% in the last few years. These growth trends indicate that the business opportunity for our Company is significant.

It is in this context that I am happy to inform you that as our Company completes its 25th year of operations, it does so, in a position of strength and is well placed to benefit from the opportunity that beckons.

Success in our business depends a great deal on our ability to build on soft skills; the foundation for delivering excellent holiday experiences. Today, as we gear up to regain our erstwhile leadership position, we have added over 400 experienced people in various divisions to improve the efficiency and service standards of our operations. The enhancement in our human capital, we believe, will enable us to deliver the outstanding 'Sterling' holiday experience that we will continuously aim to deliver.

The most recent addition to the Sterling family is one that deserves a special mention. Mr. Ramesh Ramanathan has re-joined the Company as Managing Director and he brings with him over two decades of experience in the Vacation Ownership business. I am also happy to report that with his joining, we have completed the rebuilding of the senior management team of Sterling.

While our efforts over the last two years have begun yielding results, a great deal remains to be done, if we are to firmly establish Sterling as India's leading Holiday Company. With our latest round of fund raising, our Company is now well capitalized for its next leg of growth and I hope to be in a position to report strong growth in revenue and profitability in the coming years.

As a shareholder, you have shown a great deal of faith in our Company's potential and I would like to assure you that this faith will be rewarded.

The entire Sterling family would like to thank you for your support and assure you that we are working hard to create long term value for all our stakeholders.

Together lets make "India Holiday".

With best wishes,

**Siddharth Mehta**

## NOTICE TO SHAREHOLDERS

**NOTICE** is hereby given that the 24<sup>th</sup> Annual General Meeting of the Members of Sterling Holiday Resorts (India) Limited will be held on **Wednesday, the 28<sup>th</sup> day of September, 2011, at 02.30 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, 2011 and the Profit and Loss Account for the Financial Year ended 31st March, 2011 and the Reports of the Board of Directors and Auditors' thereon.
2. To appoint a Director in the place of Mr.K.Chandrasekaran, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr.S.Sidharth Shankar, 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 (ICAI Registration Number 004137S) and M/s.V.Sankar Aiyar & Co., Chartered Accountants, (ICAI Registration Number 109208W) 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(s), the following resolution as an Ordinary Resolution**

**“RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 and any statutory modification(s) or re-enactment thereof for the time being in force, Mr.Siddharth Mehta who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 57 of the Articles of Association of

the Company, and who ceases to hold office at the ensuing Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the Office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

6. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution**

**“RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 and any statutory modification(s) or re-enactment thereof for the time being in force, Mr.Shahzaad Siraj Dalal, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 57 of the Articles of Association of the Company, and who ceases to hold office at the ensuing Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the Office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

7. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution**

**“RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 and any statutory modification(s) or re-enactment thereof for the time being in force, Mr.Ramesh Ramanathan, Managing Director, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 57 of the Articles of Association of the Company, and who ceases to hold office at the ensuing Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing



his candidature for the Office of Director, be and is hereby appointed as a Director of the Company not liable to retire by rotation till such time he holds office as Managing Director of the Company.”

#### 8. Alteration to Articles of Association of the Company.

**To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

“**RESOLVED THAT** pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as given below:”

- 1). *The existing Article 3 be deleted and substituted by the following as Article 3.*

#### DEFINITIONS

3. Unless the context otherwise requires, the words or expressions contained in Table `A' or these Articles shall bear the same meaning as in the Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force (hereinafter referred to as “the Act”).

- 2). *The existing Article 3-A be deleted*

- 3). *The existing Article 8-A be deleted*

- 4). *The existing Article 10 be deleted and substituted by the following as Article 10.*

#### TRANSFER AND TRANSMISSION OF SHARES

10. The Company shall not register a transfer of shares in, or debentures of, the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee, has been delivered to the Company alongwith the certificate relating to the shares or debentures, or if no such certificate is in existence, along

with the letter of allotment of the shares or debentures. Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit.

- 5). *To add after Article 19 the following as 19-A*

#### DEFINITIONS

- 19-A. For the purpose of this Article:-

“Beneficial Owner” means a person whose name is recorded as such with a Depository.

“SEBI” means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

“Depositories Act” means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time being in force.

“Depository” means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

“Member” means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a Beneficial Owner in the records of the Depository.

“Debenture holder” means the duly registered holder from time to time of the debentures of the Company.

“Regulations” means the regulations made by the SEBI.

“Security” means such security as may be specified by the SEBI.

Words imparting the singular number only include

the plural number and vice versa.

Words imparting persons include Corporations.

Words and expressions used and not defined in this Article shall have the same meanings respectively assigned to them in the Depositories Act.

- 6). *The existing Article 20, 20-A, 20-B, 20-C and 20-D be deleted*
- 7). *The existing Article 20-E be re-numbered as Article 19-B*
- 8). *The existing Article 20-F be re-numbered as Article 19-C*
- 9). *The existing Article 20-G be re-numbered as Article 19-D*
- 10). *The existing Article 20-H be re-numbered as Article 19-E*
- 11). *The existing Article 20-I be re-numbered as Article 19-F*
- 12). *The existing Article 20-J be re-numbered as Article 19-G*
- 13). *The existing Article 20-K be re-numbered as Article 19-H*
- 14). *The existing Article 20-L be re-numbered as Article 19-I*
- 15). *The existing Article 20-M be re-numbered as Article 19-J*
- 16). *The existing Article 20-N be re-numbered as Article 19-K*
- 17). *The existing Article 21 be re-numbered as Article 20*
- 18). *The existing Article 22 be re-numbered as Article 21*
- 19). *The existing Article 23 be re-numbered as Article 22*
- 20). *The existing Article 24 be re-numbered as Article 23*
- 21). *The existing Article 25 be re-numbered as*

#### *Article 24*

- 22). *The existing Article 26 be re-numbered as Article 25*
- 23). *The existing Article 27 be re-numbered as Article 25-A*
- 24). *To add after Article 25-A the following as Article 25-B.*

25-B No unclaimed dividends shall be forfeited by the Board and the Company shall comply with the provisions of Section 205A of the Companies Act, 1956 in respect of such dividends.
- 25). *The existing Article 28 be deleted*
- 26). *The existing Article 29 be re-numbered as Article 26*
- 27). *The existing Article 30 be re-numbered as Article 27*
- 28). *The existing Article 31 be re-numbered as Article 28*
- 29). *The existing Article 32 be re-numbered as Article 29*
- 30). *The existing Article 33 be re-numbered as Article 30*
- 31). *The existing Article 34 be re-numbered as Article 31*
- 32). *The existing Article 35 be re-numbered as Article 32*
- 33). *The existing Article 36-A be re-numbered as Article 32-A*
- 34). *The existing Article 36-B be re-numbered as Article 32-B*
- 35). *The existing Article 36-C be re-numbered as Article 32-C*
- 36). *The existing Article 36-D be re-numbered as Article 32-D*
- 37). *The existing Article 37 be re-numbered as Article 33*





38). *The existing Article 38 be re-numbered as Article 34*

39). *The existing Article 39 be re-numbered as Article 35*

40). *The existing Article 40 be re-numbered as Article 36*

41). *The existing Article 40-A be re-numbered as Article 37*

42). *The existing Article 41 be re-numbered as Article 38*

43). *To add after Article 38 the following as Article 39*

39. The Company shall have not less than three and not more than twelve Directors.

44). *The existing Article 42 be re-numbered as Article 40*

45). *To add after Article 40 the following as Article 41*

41. The promoters of the Company shall, so long as they hold not less than 10% of the Issued Share Capital, have the right to appoint four Directors.

46). *The existing Article 43 be deleted*

47). *The existing Article 44 be deleted*

48). *The existing Article 45 be deleted*

49). *The existing Article 46 and 46(a) be deleted*

50). *The existing Article 47 be deleted*

51). *The existing Article 48 be deleted*

52). *The existing Article 49 be deleted*

53). *The existing Article 50 be deleted*

54). *The existing Article 50-A be re-numbered as Article 42*

55). *The existing Article 50-B be re-numbered as Article 43*

56). *The existing Article 50-C be deleted*

57). *The existing Article 50-D be re-numbered as Article 44*

58). *The existing Article 50-E be re-numbered as Article 45*

59). *The existing Article 50-F be re-numbered as Article 46*

60). *The existing Article 50-G be re-numbered as Article 47*

61). *The existing Article 50-H be re-numbered as Article 48*

62). *The existing Article 50-I be re-numbered as Article 49*

63). *The existing Article 50-J be re-numbered as Article 50*

64). *The existing Article 55 be deleted and substituted by the following as Article 55*

55. Save as otherwise expressly provided in the Act, a resolution in writing circulated and signed by all or majority of the members of the Board or of a Committee thereof for the time being entitled to receive notice of a meeting of the Board or Committee shall be as valid and effectual as if it had been passed at a meeting of the Board or Committee, duly convened and held. In the event of the signature of any one or more of the Directors to any such resolution being affixed on different dates the said resolution shall be deemed to be passed on the date of signature of the Director signing last.

65). *The existing Article 59-B be deleted and substituted by the following as Article 59-B*

#### **HOLDING OF BOARD / COMMITTEE MEETING BY WAY OF VIDEO / TELECONFERENCING**

59-B. The Company shall have the power to hold Board or Committee Meetings through the means of Video or teleconferencing, and also allow the Directors to participate in the Board or Committee Meetings through the means of Video or teleconferencing, subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant articles dealing with Board or Committee Meetings shall be read mutatis mutandis.

66). *The existing Article 60 be deleted and substituted by the following as Article 60*

#### **QUORUM**

60. The quorum for a Board Meeting shall be two Directors or one third of the total strength (any fraction contained in one third being rounded off as one) whichever is higher. The Board shall meet at least once in every three months and at least four such meetings shall be held in every year.

67). *The existing Article 60-A be deleted*

68). *The existing Article 61 be deleted*

69). *To add after Article 60 the following as Article 61*

#### **MANAGING DIRECTOR NOT TO RETIRE BY ROTATION**

61. A Managing Director shall not while he continues to hold that office be subject to retirement by rotation and shall not be taken into account in determining the rotation or retirement of Directors, but he shall be subject to the same provisions as to resignation, etc. as the other Directors of the Company and if he ceases to hold the office of a Director he shall ipso facto and immediately cease to be a Managing Director, or if the Company in a General Meeting resolve that his or her term of the office of Managing Director or Manager be determined.

70). *The existing Article 62 be deleted and substituted by the following as Article 62*

#### **MANAGING DIRECTOR / WHOLE-TIME DIRECTOR**

62. The powers of the Managing Director / Whole-Time Director shall be determined by the Board by passing a resolution at the Board Meeting from time to time. Subject to the terms of such resolution and the Superintendence, Control and Direction of the Board of Directors, the General Management of the Company shall be in the hands of the Managing Director / Whole-time Director who shall have the powers

to manage, conduct and transact all the Business affairs and operations of the Company including the powers to enter into Contracts and to vary and rescind them.

71). *The existing Article 67 be deleted and substituted by the following as Article 67*

#### **SEAL**

67. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors and except in the presence of at least any two Directors or a Director and the Secretary or any other person authorised for the purpose if any, and they shall sign every instrument to which the seal of the Company is so affixed in their presence.

72). *The existing Article 70 be deleted and substituted by the following as Article 70*

#### **INDEMNITY**

70. Subject to provisions of the Companies Act, 1956 every Director, Managing Director, Secretary or Manager of the Company shall be indemnified by the Company against and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses which any such Officer may incur or become liable to by reason of any contract entered into, act or deed done by him as such Officer or in any way in the discharging of his duties including travelling expenses and the amount for which such indemnity is provided shall be immediately attached as a lien on the property of the Company and have the priority as between the members over all other claims.

73). *The existing Article 72 be deleted*

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

**Place: Chennai**

**Date : 13<sup>th</sup> August 2011**

**M.BALASUBRAMANIYAN**

**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 22nd day of September, 2011 to Wednesday, the 28th day of September, 2011 (both days inclusive).**
5. As per Clause 49(IV)(G) of the Listing Agreement entered into by the Company 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.K.Chandrasekaran, aged about 61 years, is a Fellow Member of the Institute of Company Secretaries of India and also a Law Graduate with corporate experience of more than 36 years in various fields and is the Managing Director of M/s Sterling Holiday Financial Services Limited. He joined the Company's Board on 04.07.2005. His academic qualification and experience would be a boon to the Company.

**Details of other Directorships / Committee Memberships held by him are given hereunder:**

Sl. No.	Name of the Company	Nature of Interest
1.	Sterling Holiday Financial Services Limited	Managing Director
2.	Sterling Resorts Home Finance Limited	Director

3.	Sterling Securities & Futures Limited	Director
4.	Sterling Holiday Finvest Limited	Director
5.	C.G.K. Finvest (Madras) Private Limited	Director

**Shareholding in the Company**

Mr.K.Chandrasekaran, holds 4,69,635 equity shares in the Company.

- (ii) Mr.S.Sidharth Shankar, aged about 38 years, holds a Management Degree from the University of IOWA, USA with around 10 years of experience in the corporate sector in various fields. He joined the Company's Board on 25-10-2006. He was appointed as Whole-Time Director with effect from 03-09-2007 and re-designated as Joint-Managing Director with effect from 01-04-2008. Subsequently, he was designated as Vice Chairman of the Company with effect from 01-07-2011.

**Details of other Directorships / Committee Memberships held by him are given hereunder:**

Sl. No	Name of the Company	Nature of Interest
1.	Concorde Digital Technologies Private Limited	Director

**Shareholding in the Company**

Mr.S.Sidharth Shankar holds 37,80,500 Equity Shares in the Company.

6. As per 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: M/s.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 M/s.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 at least 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.
10. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
11. Members are requested to bring their Attendance Slip along with their copy of the Annual Report to the Meeting.
12. **As part of "Green Initiative" in Corporate Governance, Ministry of Corporate Affairs (MCA) vide circular No.18/2011 dated 29.04.2011, has permitted paperless compliances by recognizing communication through electronic mode to shareholders under the Companies Act, 1956. Accordingly, it has been decided to send all future communication from the Company including Notices, Annual Reports, Attendance Slip, Proxy Form etc., to the shareholders in electronic form to their registered email address. Investors are requested to update their e-mail IDs with Depository Participants (DP) for shares held in electronic form or with the Registrar and Share Transfer Agent M/s.Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, Chennai - 600 002 (RTA) or the Company / RTA in case the shares are held in physical form.**

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

**Item No. 5**

Mr.Siddharth Mehta holds a degree in Business Management and Finance from King's College, University of London. Mr.Siddharth Mehta, Founder of Bay Capital Partners, has had a career spanning over 10 years in Asset Management. Mr.Siddharth Mehta was responsible for building Kotak's international institutional Asset Management business in Europe. Previously, he also established the "WM India Fund", one of the first India-focused hedge funds, together with the Kotak Mahindra group. He has held various positions in Fixed Income Division with Schroder's Investment Management and Barings Asset Management.

He was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 07-02-2011, pursuant to Section 260 of the Companies Act, 1956, and was designated as Vice Chairman. Subsequently he was designated as Chairman from 01-07-2011. He will hold office up to the ensuing Annual General Meeting.

A notice under Section 257 of the Companies Act, 1956 along with a cheque for Rs.500/- has been received from a Member of the Company proposing the name of Mr.Siddharth Mehta for appointment as a Director of the Company, liable to retire by rotation.

Mr.Siddharth Mehta has confirmed that he is not disqualified from being appointed as a Director of the Company under Section 274(1)(g) of the Companies Act, 1956.

Details of other Directorships / Committee Memberships held by him are NIL.

Mr.Siddharth Mehta does not hold any equity shares in the Company.

Except Mr.Siddharth Mehta no other Director of the Company is interested in this Resolution.



A Copy of the existing Memorandum and Articles of Association of the Company and the notice under Section 257 of the Companies Act, 1956 received from a Member are kept open for inspection of the shareholders at the Registered Office of the Company on any working day between 10.00 a.m. to 1.00 p.m. till the date of Annual General Meeting.

The Board recommends this Ordinary Resolution as set out in Item No. 5 of the Notice.

#### Item No. 6

Mr.Shahzaad Dalal is a Management Graduate from the Northeast Louisiana University with over 28 years of experience. Mr.Shahzaad Dalal has wide experience in Private Equity Business across sectors such as Telecom, Transport, Power, Oil and Gas as well as emerging areas in Hospitality, Real Estate Technology, Retail, Life Science and Consumer Services. Mr.Shahzaad Dalal is also on the Boards of various companies to guide their growth plans and other strategic developments. Presently Mr. Shahzaad Dalal is the Chief Executive Officer and Executive Director of IL&FS Investment Advisors LLC. He is also acting as the Vice Chairman of IL&FS Investment Managers Limited (IIML), one of India's leading Private Equity Fund Managers with US\$ 2.5 billion under Management. Prior to IIML, Mr.Shahzaad Dalal was in charge of the Asset Management business of the IL&FS Group. He was also responsible for the overall planning and raising of resources for IL&FS and other group companies and project finance for IL&FS sponsor.

He was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 07-02-2011, pursuant to Section 260 of the Companies Act, 1956, and he will hold office up to the ensuing Annual General Meeting.

A notice under Section 257 of the Companies Act, 1956 along with a cheque for Rs.500/- has been received from a Member of the Company proposing the name of Mr. Shahzaad Dalal for appointment as a Director of the Company, liable to retire by rotation.

**Details of other Directorships / Committee Memberships held by Mr.Shahzaad Dalal as per Clause 49(I)(C) of the Listing Agreement are provided herein below :**

Sl. No.	Name of the Company	Nature of Interest
1.	IL&FS Investment Managers Limited	Vice Chairman
2.	IL&FS Financial Services Limited	Director
3.	Shoppers Stop Limited	Director
4.	Datamatics Global Services Limited (formerly known as Datamatics Technologies Limited)	Director
5.	ibn18 Broadcast Limited (formerly known as Global Broadcast News Limited)	Director
6.	ABG Shipyard Limited	Director
7.	Indian Green Grid Group Limited (formerly known as ETL Infrastructure Services Limited)	Director
8.	IL&FS Asian Infrastructure Managers Limited	Alternate Director
9.	DEN Networks Limited (formerly known as DEN Digital Entertainment Networks Private Limited)	Director
10.	Ramky Enviro Engineers Limited	Director
11.	Orbit Corporation Limited	Director
12.	Yatra Capital Limited	Director
13.	K2 Property Limited	Director

Mr.Shahzaad Dalal has confirmed that he is not disqualified from being appointed as a Director of the Company under Section 274(1)(g) of the Companies Act, 1956.

Mr.Shahzaad Dalal does not hold any Equity Shares in the Company.

Except Mr.Shahzaad Dalal no other Director of the Company is interested in this Resolution.

A Copy of the existing Memorandum and Articles of Association of the Company and the notice under Section 257 of the Companies Act, 1956 received from a Member are kept open for inspection of the shareholders at the Registered Office of the Company on any working day between 10.00 a.m. to 1.00 p.m. till the date of Annual General Meeting.

The Board recommends this Ordinary Resolution as set out in Item No. 6 of the Notice.

#### Item No. 7

Mr.Ramesh Ramanathan, Managing Director was appointed as an Additional Director, pursuant to Section 260 of the Companies Act, 1956, on the Board of the Company by the Board of Directors at their meeting held on 1st July, 2011 and holds office up to the date of the ensuing Annual General Meeting.

Mr.Ramesh Ramanathan, aged 56 years, is an Economics Graduate and a Rank Holder from Madras University, with a Management Degree from the Indian Institute of Management, Kolkata. He has over 33 years of work experience over a range of Industries, starting with the intensely competitive Paint Industry. A successful stint of over 10 years in that industry was followed by other consumer durable industries, hospitality, internet, tyres and organized retail.

Mr.Ramesh Ramanathan has been one of the pioneers in the Holiday Industry in India and was successful in establishing the concept.

Prior to joining this Company he was the Managing Director of Mahindra Holidays & Resorts India Limited, a Company setup and successfully managed for a period of 11½ years. He was a Group Executive Board Member of the Mahindra Group.

Mr.Ramesh Ramanathan is the founder member of the All India Resort Developers Association (AIRDA).

The Board is of the view that his vast experience, his track record in the Hospitality Industry, and his ability to lead, develop and improve the business of the Company would be much more advantageous to the future growth

of the Company. The Board, therefore, recommend to the members his appointment as a Director on the Board of the Company.

A notice under Section 257 of the Companies Act, 1956 along with a cheque for Rs.500/- has been received from a Member of the Company proposing the name of Mr.Ramesh Ramanathan for appointment as a Director of the Company.

Mr.Ramesh Ramanathan has confirmed that he is not disqualified from being appointed as a Director of the Company under Section 274(1)(g) of the Companies Act, 1956.

#### Details of other Directorships / Committee Memberships held by him are given below:

Sl. No.	Name of the Company	Nature of Interest
1	RGR Finance & Investments Private Limited	Director
2	Infrastructure Independent Company (a division of L&T)	Director

Except Mr.Ramesh Ramanathan no other Directors of the company are concerned or interested in this Resolution.

A Copy of the existing Memorandum and Articles of Association of the Company and the notice under Section 257 of the Companies Act, 1956 received from a Member are kept open for inspection of the shareholders at the Registered Office of the Company on any working day between 10.00 a.m., to 1.00 p.m. till the date of Annual General Meeting.

The Board recommends this Ordinary Resolution as set out in Item No. 7 of the Notice.

#### Item No. 8

In order to bring in efficiency in its operations and effectiveness in the discharge of its functions, your Company proposes to amend its existing Articles of Association. The amendments enable the Company to regulate the operations that could transform into productive results.



It is proposed to amend Articles of Association of the Company in the manner set out in the Resolution No. 8.

In terms of Section 31 of the Companies Act, 1956, any alteration to the Articles of Association requires the Approval of the Members by way of Special Resolution.

A copy of the amended Articles of Association of the Company is kept open for inspection of the shareholders at the Registered Office of the Company on any working day between 10.00 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.

None of the Directors of the Company, is, any way, concerned or interested in this resolution

The Board Commends this resolution as set out in Item No. 8 of the Notice.

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

**Place: Chennai**

**M.BALASUBRAMANIYAN**

**Date: 13<sup>th</sup> August 2011**

**COMPANY SECRETARY**

## DIRECTORS' REPORT

The Directors of your Company hereby present the 24th Annual Report of the Company together with the Accounts for the year ended 31st March, 2011.

<b>FINANCIAL RESULTS</b>	(Rs. in Crores)	
	<b>2010 - 2011</b>	<b>2009 - 2010</b>
Sales	38.66	30.65
	=====	=====
Profit before Interest		
Depreciation & Tax	(23.35)	5.25
Less: Interest	2.23	10.06
Profit / (Loss) before Depreciation & Tax	(25.58)	(4.81)
Less: Depreciation	4.26	4.12
Profit / (Loss) before tax	(29.84)	(8.93)
Less: Provision for fringe benefit tax	0.20	0.09
Profit / (Loss) for the year	(30.04)	(9.02)

## OPERATIONS AND BUSINESS PLAN

During the year under review your company has achieved the total sale of Rs.38.66 crores, comprising the sale of Time Shares Rs.9.9 crores and through Resort Operations Rs.28.76 crores.

### Resort Operations

During the year, the Company embarked on a renovation program of its resorts in order to raise the standards of the accommodation and resort ambience to contemporary standards. Renovation and refurbishment work commenced in August of last year. Painting of the exteriors and interiors of all resorts was undertaken, along with considerable work in landscaping and ground maintenance. New linen, television sets and room amenities have been introduced across the network. In addition, considerable progress was achieved in the area of replacing mattresses and furnishings. It is to be noted that approximately 70 rooms have been completely

renovated to modern design standards.

In 2010-11, the Company also focused on considerably raising the service standards of the resorts. To achieve this, the Company inducted new management teams at all resorts and added 400 employees to its resort team strength. Simultaneously, the Company redefined its product and service design standards to meet the expectations of India's increasingly discerning consumers. In the area of Food & Beverage, service infrastructure was upgraded and considerable effort taken to train staff to deliver a superior Food & Beverage experience. New menus were introduced to serve guests a choice of Indian and Global cuisine.

In addition to the above efforts, the Company also added several new facilities in the areas of in-house and destination related Holiday Activities and Recreation. Each resort has a Holiday Activities team who interact with guests, encouraging them to participate in fun-filled activities during the day and entertainment filled with games, music and dance in the evenings.

One major initiative undertaken during the year has been the introduction of Wellness Spas at several of the Company's resorts. Staffed with trained personnel in wellness regimes, the spas offer guests a menu of timeless therapies to rejuvenate the mind, body and spirit.

## DIRECTORS

Your Directors, Mr.Sidharth Shankar and Mr.K.Chandrasekaran retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr.E.S.Ganapathy, Mr.G.Sundaram and Mr.S.Sethuraman, have resigned as Directors from the Board of the Company with effect from 07-02-2011. The Board placed on record its appreciation for the excellent services rendered by them during their tenure as Directors of the Company.

Mr.Siddharth Mehta and Mr.Shahzaad Dalal have been appointed as Additional Directors on the Board of the Company with effect from 07-02-2011 and shall hold





office up to the date of the Annual General Meeting. The Company has received notices under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- from the Members signifying their intention to propose Mr.Siddharth Mehta and Mr.Shahzaad Dalal for the Office of Director of the Company.

Mr.R.Subramanian resigned as Chairman and Managing Director from the Board of the Company on 1st July, 2011. He pioneered the then novel concept of Vacation Ownership (or Time Sharing as it was popularly known) in the Holiday Industry in India. This made Holidays hassle-free and affordable to more than one lakh members who joined the Sterling family. He steered the Company from a single resort started in 1988 to 14 resorts spread across the country in all important tourism destinations. His timely professional guidance enabled the Company to overcome the challenges faced during the period of Global economic crisis particularly in the Hospitality segment. The Board of Directors recorded their sincere appreciation for the valuable services rendered by Mr.R.Subramanian during the past 25 years.

Mr.Ramesh Ramanathan has been appointed as an Additional Director and as Managing Director & CEO of the Company for a period of 5 (Five) years with effect from 1st July, 2011. He holds office up to the date of the ensuing Annual General Meeting. The Company has received a Notice under Section 257 of the Companies Act 1956, along with the deposit of Rs.500/- from a member signifying his intention to propose Mr.Ramesh Ramanathan as candidate for the Office of the Director.

Mr.Siddharth Mehta has been designated as Chairman of the Company with effect from 1st July, 2011. Mr.Sidharth Shankar has been designated as Vice Chairman of the Company with effect 1st July, 2011.

#### **EMPLOYEE STOCK OPTION SCHEME / EMPLOYEES STOCK PURCHASE SCHEME**

Under the Employees Stock Option Scheme-2007, 16,66,000 Equity Shares of Rs.10/- each were allotted and no options are pending.

Under the Employees Stock Option Scheme-2009, 14,12,000 equity shares were allotted. The Balance 88,000 options are yet to be exercised.

Under the Employees Stock Purchase Scheme-2010, 4,85,000 shares have been allotted. The balance 16,15,000 shares are yet to be allotted 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.538.65 lakhs (being 90%) through issue of 17,10,000 Equity Shares of Rs.10/- each at a price of Rs.35/- (including a premium of Rs.25/- per Equity Share) on conversion of Warrants.

Your Company has raised Rs.131.25 lakhs (being 75%) through issue of 5,00,000 Equity Shares of Rs.10/- each at a price of Rs.35/- (including a premium of Rs.25/- per Equity Share) on conversion of Warrants.

Your Company has raised Rs.166.60 lakhs through issue of 16,66,000 Equity Shares of Rs.10/- each at par, under ESOS-2007 .

Your Company has raised Rs.100.00 lakhs through issue of 10,00,000 Equity Shares of Rs.10/- each at par, under ESOS-2007 and ESOS – 2009.

Further, during the current year your Company has raised Rs.41.20 lakhs through issue of 4,12,000 Equity shares of Rs.10/- each under ESOS-2009 on 14-07-2011 and Rs.48.50 lakhs through issue of 4,85,000 Equity Shares of Rs.10/- each under ESOS-2010 on 14-07-2011.

#### **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. The said Equity Shares are listed on the Madras Stock Exchange Limited and Bombay Stock Exchange Limited.

#### **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 and the balance 1,00,000 Warrants were converted into 1,00,000 Equity Shares on 02-12-2010. The said Equity Shares are listed on the 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, 2011 are set out 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 passed 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 year.

#### **AUDITORS**

The Joint-Auditors of the Company M/s.R.Subramanian and Company, Chartered Accountants, Chennai, and M/s.V.Sankar Aiyar & Co., 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, 2011 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, 2011 on a going concern basis.

### **SUBSIDIARY COMPANIES**

As on 31st March, 2011, 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.

There has been no material change in the nature of business of the subsidiaries. A statement containing brief financial details of the subsidiaries is included in the Annual Report.

In compliance with the provisions of the Listing Agreements entered into by the Company with the Stock Exchanges, a Consolidated Financial Statement of the Company and all its subsidiaries is attached. The Consolidated Financial Statements have been prepared in accordance with the relevant Accounting Standards as prescribed under Section 211(3C) of the Companies Act, 1956 ("Act"). These financial statements disclose the assets, liabilities, income, expenses and other details of the Company and its subsidiaries.

Pursuant to the provision of Section 212(8) of the Act, the Ministry of Corporate Affairs vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company's subsidiaries for

the Financial Year ended 31st March, 2011 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the company/its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company/its subsidiaries at the registered office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head offices/registered offices of the respective subsidiary companies. The Company shall furnish a copy of details of annual accounts of subsidiaries to any member on demand.

### **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**

There are no employees of your Company who come within the purview of Sec. 217(2A) of the Companies Act, 1956 during the year under review.

### **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 Agent of the Company.

**CEO / CFO CERTIFICATION**

The 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 49 V 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.

The Company has taken necessary legal action to defend the case in this regard. Subsequently, a One Time Settlement has been reached between the Company and GIIC. The Open Offer opened on 10-11-2010 and closed on 29-11-2010 and 6,518 Equity Shares have been acquired by the Acquirer.

**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  
Date: 13<sup>th</sup> August 2011**

**SIDDHARTH MEHTA  
CHAIRMAN**



**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 and Employee Stock Purchase Scheme) Guidelines, 1999 for the Financial Year ended 31-03-2011, 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 Vale	Face Value
4.	Options vested	25,00,000	15,00,000
5.	Options exercised	25,00,000	10,00,000
6.	Total number of shares arising as a result of exercise of option	25,00,000	10,00,000
7.	Options lapsed during the year	NIL	Nil
8.	Variation of terms of options	NIL	Nil
9.	Money realised by exercise of options	Rs.2,50,00,000/-	Rs.1,00,00,000
10.	Total number of options in force	Nil	5,00,000

11..	Employee wise details of options granted to:	ESOS-2007 Name	No. of Options Granted & Exercised	ESOS-2009 Name	No. of Options Granted & Exercised
	(1) Senior Management Employees	Mr.R.Mohan Mrs.R.Rajakumari Mr.M.Asokan Mr.P.Subbaiyan Mr.N.Chandrasekaran Annadurai Mr.M.Balasubramaniyan	2,78,000 2,78,000 2,78,000 2,76,000 4,12,000 1,44,000	Mr.R.Mohan Mr.M.Balasubramaniyan Mr.K.Chandrasekaran	4,12,000 1,76,000 4,12,000
	(2) Employees holding 5% or more of the total number of options granted during the year	NIL	NIL	NIL	NIL
	(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.	NIL	NIL	NIL	NIL

12.	Diluted Earnings Per Share pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20	(6.33)	
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 price either equals or exceeds or is less than the market price of the stock.	NIL	NIL
	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 funds raised under Preferential Issues and ESOS upto 31st March, 2011

Particulars	As on 31st March, 2011 (Rs. in Lakhs)
Allotment of 17,10,000 Equity Shares on conversion of Warrants to Promoter's Group - 90% amount received (Rs.31.50 per Warrant)	538.65
Allotment of 5,00,000 Equity Shares on conversion of Warrants to other than Promoter - 75% amount received (Rs.26.25 per Warrant)	131.25
Allotment of 16,66,000 Equity Shares under Employees Stock Option Scheme - 2007 (Rs.10/- per share)	166.60
Allotment of 10,00,000 Equity Shares under Employees Stock Option Scheme - 2009 (Rs.10/- per share)	100.00
<b>Total Funds Received</b>	<b>936.50</b>
Utilised for Settlement of Loans, Creditors, Statutory Liabilities & Refurbishments of Resorts	936.50



**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	:	Rs.9.81 lakhs

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

Sterling Holiday Resorts (India) Limited is a pioneer in Vacation Ownership and a leading leisure hospitality Company in India. Established in May 1986, Sterling will be celebrating its Silver Jubilee year in 2011-12.

Sterling's founding vision was to deliver Great Holiday Experiences to Indian families. To achieve this vision, the Company pioneered Vacation Ownership in India and set about building a network of leisure resorts at some of the best holiday destinations in India. It is notable that currently, Sterling has a national footprint of 12 scenic holiday destinations in India and a total inventory of 1205 rooms spread across a network of 10 owned and 4 leased resorts. This places Sterling as one of the clear leaders in the leisure hospitality industry in India as only a couple of other players in the industry can claim to have equal or more inventory.

This section presents an overview of the economic and market environment in which Sterling operates as well as the operational and financial performance of the Company during the year in review. The section also covers important initiatives taken by the Company during the year to achieve its performance goals.

### INTRODUCTION

The year 2010-11 was a year of fragile and uncertain recovery for the Global economy with the developed world still struggling to recover from the Global financial crisis of 2008. However, the recovery was much stronger in emerging and developing countries. The Indian economy, in particular, stood out growing at 8.6% in 2010-11 as compared to 8.0% in 2009-10. The healthy performance of the Indian Economy and the anticipated continued growth in the near future at around 8% per annum bodes well for the leisure hospitality sector as it creates greater business and consumer interest in travel and holiday services.

### THE TOURISM INDUSTRY: AN OVERVIEW

Even though the year under review saw an uncertain and uneven recovery across the globe, the International Tourism Industry rebounded strongly. The Indian economy, too, saw a revival in tourism with 5.58 million inbound tourist arrivals in CY 2010, representing a

growth of 8.1% as compared to a negative 2.2% in 2009. Though India has been witnessing a growth in its tourism industry, the country has yet to fully tap into its vast tourism potential with the country's inbound tourism market still in its nascent stage with a share of just 0.60% of the Global market in 2010.

India also has vast potential in its domestic tourism sector. The Indian tourism sector has been seeing continued growth in the first decade of the twenty-first century, driven by the aspirations of a burgeoning middle class segment and increased Central and State Government investment in promoting tourism. As a result, the number of domestic tourist visits has been steadily increasing, touching 705 million in CY 2010 from a little over 200 million in 2000. In terms of year-on-year growth, India saw its domestic tourism figures grow by 8.4% with 55 million more domestic tourists in 2010 as compared to 2009. The growing interest in travel by the Indian populace is also reflected in the fact that India is one of the fastest growing outbound travel markets in the world today, clocking an impressive growth of 20% over the last few years.

However, if India is to fully realize the potential in its tourism sector, the country will have to encourage investment in the availability of good quality and affordable hotel rooms since presently there are just 1593 classified hotels with a capacity of 95,087 rooms. The need for more investments in the hospitality sector has also been highlighted by several studies which have identified the demand-supply gap in hotel rooms in India as around 1,00,000 rooms.

### TRENDS IN VACATION OWNERSHIP

The Vacation Ownership (traditionally called Timeshare) concept originated in Europe in the late 1960s. Currently, the industry is the largest in the United States followed by the United Kingdom, Germany and Italy. The emergence of a strong Asia has now changed the focus of Global leaders in the Vacation Ownership Industry as the Asia Pacific region expands and is seen to hold tremendous potential for growth.

Globally, the Vacation Ownership Industry is over US\$ 13.17 billion in sales volume generated by selling Vacation Ownership Outright-Deeded purchase, Right-





to-Use plans, and from fees earned through exchange services and maintenance charges. There are currently 7,638 Vacation Ownership resorts in operation worldwide which service 9.3 million owners in 200 countries.

The Vacation Ownership concept has also generated more interest recently as it is seen to be less vulnerable to economic recessions. In the United States, nearly 80% of Vacation Ownership customers elected to take a holiday in spite of the economic recession of the last few years as compared to occupancy rates in hotels which have just about recovered to around 58%.

In the next section of this report, we discuss in greater detail the markets and opportunities, products, operational and financial performance, as well as initiatives taken in the areas of resort operations, service standards and other key functional areas such as Human Resources and Information Technology. The last part of this section of the Annual Report will discuss the outlook of the Company for the future along with risks and concerns.

## MARKETS AND OPPORTUNITIES

The continued growth of the Indian economy and the projected optimistic outlook for the future has a positive impact on the leisure hospitality sector, as mentioned earlier. With the creation of greater business and consumer interest in travel and holiday services, the demand for the Company's product and services showed significant growth in 2010-11 with favourable macro-economic trends.

Disposable income in India has been steadily rising, leading to increased consumer expenditure on lifestyle enhancing products and services. According to McKinsey Global Institute, if overall economic growth remains on a long-term path of 7-8%, as most economists expect, consumption in India will continue to grow, taking the Indian market to the fifth position in the world by 2025. In line with this trend, demand for leisure travel will continue to grow in the foreseeable future. This can be inferred from the increase in Domestic Travel & Tourism spending which increased from US\$ 31.85 billion in CY 2000 to US\$ 67.06 billion in 2010. In terms of Leisure Travel & Tourism, spending in the same period increased

from US\$ 28.66 billion in 2000 to US\$ 58.23 billion in 2010 (Source: World Travel & Tourism Council Economic Data).

The increase in expenditure on leisure travel augurs well for the growth of the industry and for the Company's products in the Vacation Ownership and Leisure Hotels space. As per estimates derived from various reports on 'Travel & Tourism – India' and Euromonitor International, the percentage of Indians taking holidays increased from 3% in 2003 to 5% in 2008; an increase representing an additional 20 million new holiday takers. As more and more Indians enter the leisure travel market, demand for good quality accommodation and service will increase benefitting those players who are able to fulfil the demand satisfactorily. In this connection, it is important to note here that the Company's strengths in terms of its destination network, large inventory and additional sites it already has, will enable it to grow rapidly along with the industry. In addition, the Company's current focus on refurbishing its resorts will yield dividends as the leisure travel sector in India grows and matures.

In the area of Vacation Ownership, there has been a considerable increase in the awareness of the concept in recent years, accompanied by a favourable disposition towards buying 'holiday plans' for longer tenures. This can be seen to be in line with the growing consumer interest and demand for leisure travel. With trends in favour of the concept of Vacation Ownership, the Company is actively looking to expand its market by increasing its sales and distribution network through Company offices and franchisees in key markets.

## BUSINESS PERFORMANCE

In 2010-11, the Company went in for a new brand identity to signal the changes taking place. A conscious decision was taken to change the brand name from Sterling Resorts to Sterling Holidays in order to refocus the organization into delivering a memorable and fun-filled holiday experience to all Vacation Ownership customers and Hotel Stay guests. With this change, the Company also invested considerably in beefing up its Resort Operations and Vacation Ownership sales.

## RESORT OPERATIONS

During the year, the Company embarked on a renovation program of its resorts in order to raise the standards of the accommodation and resort ambience to contemporary standards. Renovation and refurbishment work commenced in August of last year. Painting of the exteriors and interiors of all resorts was undertaken, along with considerable work in landscaping and ground maintenance. New linen, television sets and room amenities have been introduced across the network. In addition, considerable progress was achieved in the area of replacing mattresses and furnishings. It is to be noted that approximately 70 rooms have been completely renovated to modern design standards.

In 2010-11, the Company also focused on considerably raising the service standards of the resorts. To achieve this, the Company inducted new management teams at all resorts and added 400 employees to its resort team strength. Simultaneously, the Company redefined its product and service design standards to meet the expectations of India's increasingly discerning consumers. In the area of Food & Beverage, service infrastructure was upgraded and considerable effort taken to train staff to deliver a superior Food & Beverage experience. New menus were introduced to serve guests a choice of Indian and Global cuisine.

In addition to the above efforts, the Company also added several new facilities in the areas of in-house and destination related Holiday Activities and Recreation. Each resort has a Holiday Activities team who interact with guests, encouraging them to participate in fun-filled activities during the day and entertainment filled with games, music and dance in the evenings.

One major initiative undertaken during the year has been the introduction of Wellness Spas at several of the Company's resorts. Staffed with trained personnel in wellness regimes, the Spas offer guests a menu of timeless therapies to rejuvenate the mind, body and soul.

The above initiatives have already begun yielding results with noticeable increases in customer satisfaction ratings and a commensurate increase in room night volumes by an overall 12%. Segment wise increase in room nights was 4% in Vacation Ownership customer utilisation and

39% in Hotel Sales. The volume increase in room nights resulted in the Company income from Resort Operations growing to Rs.28.75 crore in 2010-11 from Rs.23.13 crore in 2009-10.

## VACATION OWNERSHIP SALES

Sterling Holiday Resorts was established in 1986 to primarily develop the Timeshare (now referred to worldwide as Vacation Ownership) Industry in India. Though the Company has a significant share of income from its Hotel Sales and Resort Operations, Vacation Ownership continues to be its flagship product.

Currently, Sterling Holidays Vacation Ownership Plans (SHVOP) entitles customers to a week's holiday every year for 25 years in a resort, apartment and season of the customers' choice. The Company's Vacation Ownership plans are flexible, allowing the customer to use his or her week's entitlement at one go or for multiple holidays of shorter duration. Customers can also trade up or down on apartment types and seasons, as well as choose to accumulate or advance entitlements.

Vacation Ownership customers also enjoy the benefit of holidays protected from the effects of inflation and other value additions such as the ability to exchange accommodation entitlements to holiday overseas by becoming a member of Resort Condominium International (RCI), which gives customers access to over 6,450 affiliated resorts.

In 2010-11, Sterling lent fresh impetus to its Vacation Ownership sales through expanding its Sales Force and Channels. The Company recruited experienced sales people from the industry, resulting in higher sales conversions. To lend support to sales, the Company also invested in new sales channels, namely, Venue Sales outlets in select cities and On-Site sales offices in the Company's resorts in Kodaikanal, Munnar, Ooty and Yercaud.

The above initiatives resulted in the Company seeing a growth in its Vacation Ownership sales from Rs.7.51 crore in 2009-10 to Rs.9.9 crore in 2010-11 (a 32% increase).

## INTERNET INITIATIVES

During the year in review, the Company began investing in its Web presence. The Company website was re-



designed to offer a more relevant user experience and in order to bring it in line with the new brand identity. The new website was launched in August 2010 and since then has been seeing a month-on-month increase in traffic with steady investments in Digital Marketing. To facilitate conversion of interest into sales, a booking engine was also introduced in the last quarter of 2010-11.

#### **HUMAN RESOURCES**

Human capital in a service organization plays an important role in delivering customer satisfaction and building brand equity. Recognising this vital aspect, the Company inducted a team of professionals to head key functions in Resort Operations, Marketing, Finance, Vacation Ownership Sales and Hotel Sales. Further, employee strength was increased to enable Management to raise performance standards and achieve pre-defined performance goals. The Company also invested in employee training programs and communication to ensure that the organization collectively worked towards delivering a professional and consistent performance standard. On March 31, 2011, there were 1500 employees on the payroll of the Company.

#### **INTERNAL CONTROL SYSTEMS**

Sterling Holiday Resorts has implemented adequate internal control systems, consistent with the nature and size of its operations. These systems have been designed to protect and safeguard the Company's assets and ensure reliability of financial transactions. The systems provide for adequate checks and balances; adherence to applicable statutes, accounting policies and approval procedures; and for ensuring optimum use of available resources. The systems are regularly reviewed and improved upon. The Company also has a comprehensive budgetary control system to regularly monitor revenue and budgeted expenditures.

In addition to the above, M/s. Patel Rajeev Siva & Associates, Management Auditors of the Company, review on an ongoing basis the adequacy and effectiveness of Internal Control. The observations of the Internal Auditors are reviewed periodically on a quarterly basis and due compliances ensured. The exceptional items are reported to the Board.

#### **FINANCIAL OPERATIONAL PERFORMANCE**

During the year under review, the Company has achieved a total turnover of Rs.38.65 crores which is 26% more than the previous year. A strengthened financial position has helped the Company to clear all its' past liabilities and started refurbishment of its resorts. A professional operational team has been hired during the year under review and trained to take care of the Resorts Operations. As a result of these and other initiatives, the occupancy rate in the Company's Resorts has increased substantially in comparison with the previous year.

#### **OUTLOOK**

Trends in the macro economy were overall favourable during the year and continue to be so. Though the Global economy has yet to stabilise post the 2008 economic crisis, the India growth story remains and continues to be strong with expectations that the Economy will continue to grow in the region of 8% per annum. As mentioned earlier, a strong economy has resulted in growing consumer confidence and investment in lifestyle enhancing products and services.

We, therefore, believe that leisure travel and the Hospitality Sector will see substantial growth in the foreseeable future and that the Company Sterling Holiday Resorts will be able to benefit from the positive trends.

The Company plans to focus on upgrading its resorts over the next couple of years to meet Global hospitality standards in ambience, comfort and convenience. The Company will also focus on the acquisition of Vacation Ownership customers as it believes that the Company's expertise and equity in this segment will enable it to capitalise on the favourable trends in the Vacation Ownership segment.

The positive favourable trends in the economic and industry environment and the Company's inherent strengths indicates an optimistic outlook for 2011-12.

Section end - \*Industry data compiled from company sources and industry reports available in the public domain.

## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2010-2011

(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, 2011.

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Board of Directors and the Management of Sterling Holiday Resorts (India) Limited 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 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 seven Directors as on 31.03.2011 comprising of a Chairman and Managing Director, Joint-Managing Director, and Five Independent Directors.

The composition of the Board of Directors as at 31st March, 2011 and the number of other Directorships / Committee Memberships held by them and attendance particulars for the Board / Annual General Meeting are as under:

Name of Director	Category	No. of		Total Number of Board Meetings held during the tenure of Directors	Attendance		Other Boards / Committees	Committee	
		Shares	ESOS Stock Options granted		Board	Whether attended the last AGM		Directorship in other Companies	Chairman
Mr.R.Subramanian	Chairman Executive Promoter	7174	Nil	17	15	Yes	14	Nil	Nil
Mr.Siddharth Mehta ^	Vice Chairman – Non Executive Independent Director	Nil	Nil	1	1	NA	Nil	Nil	Nil
Mr.S.Sidharth Shankar	Joint-Managing Director Executive Promoter	3780500	Nil	17	15	Yes	1	Nil	Nil
Mr.K.Chandrasekaran	Non Executive Independent	524360	Nil	17	16	Yes	5	Nil	Nil
Mr.M.N.Rangamani	Non Executive Independent	363010	412000	17	16	Yes	2	Nil	Nil
Mr.E.S.Ganapathy *	Non Executive Independent	40516	Nil	17	7	NO	Nil	Nil	Nil
Mr.G.Sundaram *	Non Executive Independent	50000	Nil	17	16	Yes	Nil	Nil	Nil
Mr.S.Sethuraman *	Non Executive Independent	Nil	Nil	17	11	Yes	Nil	Nil	Nil
Mr.Amit Jatia	Non Executive Independent	Nil	Nil	17	Nil	No	14	Nil	Nil
Mr.Shahzaad Siraj Dalal ^	Non Executive Independent	Nil	Nil	1	Nil	NA	80	Nil	Nil

^ Appointed as Additional Director w.e.f. 07-02-2011

\* Resigned as Directors w.e.f. 07-02-2011



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

The Board of Directors met 17 times during the Financial Year 2010 – 2011 (12 Months), i.e. on 5th April 2010, 8th April 2010, 12th May 2010, 8th June 2010, 4th August 2010, 9th August 2010, 11th August 2010, 20th August 2010, 28th August 2010, 15th September 2010, 8th October 2010, 25th October 2010, 1st November 2010, 12th November 2010, 2nd December 2010, 12th January 2011 and 7th February 2011.

Required quorum was present at all meetings.

## 3. AUDIT COMMITTEE

### 3.1 Terms of Reference

The terms of reference of this Committee cover the 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 One Executive Director and Three Non-Executive Directors. All the members have a sound Financial knowledge. The Committee met 5 times during the Financial Year ended 31st March, 2011, on 12th May 2010, 9th August 2010, 28th August 2010, 12th November 2010 and 7th February 2011.

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 during the tenure of Directors	
			Held	Attended
1. @	Mr.Sidharth Shankar	Executive Director	1	1
2. *	Mr.E.S.Ganapathy	Independent Director	5	2
3.	Mr.M.N.Rangamani	Independent Director	5	4
4. *	Mr.G.Sundaram	Independent Director	5	4
5. *	Mr.S.Sethuraman	Independent Director	5	3
6. ^	Mr.K.Chandrasekaran	Independent Director	0	0
7. ^	Mr.Siddharth Mehta	Independent Director	0	0

@ Appointed as Member w.e.f. 12-01-2011

\* Resigned as Member w.e.f. 07-02-2011

^ Appointed as Member w.e.f. 07-02-2011

The Company Secretary acts as the Secretary to the Audit Committee. As and when necessary, senior officials are called to attend the meeting to assist the Committee. Chairman of the Audit Committee was present at the 23rd Annual General Meeting held on 29th September, 2010.



#### 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. No meeting was held during the Financial Year ended 31st March, 2011. The members of the Remuneration Committee are detailed below:

Sl. No.	Name of the Member	Category
1.*	Mr.E.S.Ganapathy	Chairman Independent Director
2.*	Mr.G.Sundaram	Independent Director
3.*	Mr.S.Sethuraman	Independent Director
4.^	Mr.K.Chandrasekaran	Independent Director
5.^	Mr.Siddharth Mehta	Independent Director
6.^	Mr.M.N.Rangamani	Independent Director

\* Resigned as Member w.e.f. 07-02-2011

^ Appointed as Member w.e.f. 07-02-2011

##### 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, 2011.

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, 2011 are as follows:

Sl. No.	Name of the Director	Sitting Fees Paid (Rs.)
1	Mr.E.S.Ganapathy	45,000
2	Mr.G.Sundaram	1,00,000
3	Mr.K.Chandrasekaran	80,000
4	Mr.M.N.Rangamani	1,00,000
5	Mr.S.Sethuraman	70,000
6	Mr.Amit Jatia	Nil
7	Mr.Siddharth Mehta	Nil
8	Mr.Shahzaad Dalal	Nil

#### 5. SHAREHOLDERS / 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 redressal 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, 2011, the Committee met 4 times on 8th April 2010, 6th August 2010, 15th October 2010 and 21st January 2011 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.*	Mr.G.Sundaram	Chairman Independent Director	4	4
2.*	Mr.E.S.Ganapathy	Independent Director	4	4
3.^	Mr.Siddharth Mehta	Independent Director	Nil	Nil
4.^	Mr.K.Chandrasekaran	Independent Director	Nil	Nil
5.^	Mr.M.N.Rangamani	Independent Director	Nil	Nil

\* Resigned as Member w.e.f. 07-02-2011

^ Appointed as Member w.e.f. 07-02-2011

#### Name & Designation of the Compliance Officer:

Mr.M.Balasubramanian, 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, 2010 - Nil

During the period 1st April, 2010 to 31st March, 2011, complaints identified and reported under Clause 41 of the Listing Agreement - 9

Complaints disposed off during the year ended 31st March, 2011 - 9

Complaints unresolved to the satisfaction of shareholders as on 31st March, 2011 - Nil

No. of pending share transfers as on 31st March, 2011 - 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 4 times on 5th April 2010, 8th October 2010, 25th October 2010 and 1st November 2010 during the Financial Year ended 31st March, 2011. 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. *	Mr. S.Sethuraman	Chairman Independent Director	4	4
2. *	Mr.G.Sundaram	Independent Director	4	4
3. *	Mr.E.S.Ganapathy	Independent Director	4	4
4.^	Mr.Siddharth Mehta	Independent Director	Nil	Nil
5.^	Mr.K.Chandrasekaran	Independent Director	Nil	Nil
6.^	Mr.M.N.Rangamani	Independent Director	Nil	Nil

\* Resigned as Member w.e.f. 07-02-2011

^ Appointed as Member w.e.f. 07-02-2011





## 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 as the Board may delegate.

### 7.2 Composition and Meetings

The Committee consists of two Executive Directors and one Non-Executive Director. The Committee met 15 times on 12th April 2010, 13th May 2010, 31st May 2010, 30th June 2010, 19th July 2010, 16th August 2010, 8th September 2010, 29th September 2010, 25th October 2010, 25th November 2010, 24th December 2010, 24th January 2011, 14th February 2011, 28th February 2011 and 31st March 2011. 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	Mr. R.Subramanian	Chairman Executive Promoter	15	15
2	Mr.K.Chandrasekaran	Independent Director	15	15
3. *	Mr.G.Sundaram	Independent Director	12	12
4. *	Mr.E.S.Ganapathy	Independent Director	12	8
5. ^	Mr.Sidharth Shankar	Executive Director	3	3

\* Resigned as Member w.e.f. 07-02-2011

^ Appointed as Member w.e.f. 07-02-2011

## 8. GENERAL BODY MEETINGS

The details of Annual General Meetings held during the past 3 years and Special Resolution passed :

Year	Venue	Date & Time	No. of Special Resolutions Passed
31.03.2008	Sathguru Gnanandha Hall, Narada Gana Sabha, New No.314, (Old No.254), T.T.K.Road, Chennai – 600 018	30.09.2008 02.30 P.M.	1
31.03.2009	Rani Seethai Hall, No.603, Anna Salai, Chennai – 600 006	29.09.2009 02.30 P.M.	1
31.03.2010	Rani Seethai Hall, No.603, Anna Salai, Chennai – 600 006	29.09.2010 02.30 P.M.	3

**9. POSTAL BALLOTS**

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

**10. SUBSIDIARIES**

As per 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. RECONCILIATION OF SHARE CAPITAL AUDIT**

A reconciliation of share capital 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 45 days 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 45 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 on the Company's Website - [www.sterlingholidays.com](http://www.sterlingholidays.com)

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) Date, Time and Venue of Annual General Meeting**

Wednesday, the 28th September, 2011  
at 2.30 p.m., at Rani Seethai Hall at No.603,  
Anna Salai, Chennai - 600 006.

**(c) Tentative Financial Calendar**

1st April, 2011 to 31st March, 2012

I Quarter ended 30.06.2011	13th August, 2011
Annual General Meeting	28.09.2011
II Quarter ending 30.09.2011	Second week of November, 2011
III Quarter ending 31.12.2011	Second week of February, 2012
IV Quarter ending 31.03.2012	Second week of May, 2012
Audited Results for the Financial Year ending 31.03.2012	Second week of July, 2012

**(d) Book Closure Date**

Thursday the 22nd day of September 2011 to  
Wednesday the 28th day of September 2011  
(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 2010-11
The Madras Stock Exchange Ltd, [MSE]	Exchange Buildings Post Box No.183 30, Second Line Beach Chennai 600001	STERLHOLID	Paid
Bombay Stock Exchange Limited [BSE]	P.J.Towers Dalal Street, Fort Mumbai 400 001	523363	Paid

Demat ISIN Code for NSDL & CDSL **INE657A01019****(g) Market Price Data**

High, Low during each month in the last Financial Year

Month	M/s.Bombay Stock Exchange Limited		BSE SENSEX	
	HIGH PRICE Rs. P.	LOW PRICE Rs. P.	HIGH Rs. P.	LOW Rs. P.
April 2010	89.95	80.90	18047.86	17276.80
May 2010	89.10	69.10	17536.86	15960.15
June 2010	81.40	74.95	17919.62	16318.39
July 2010	83.15	74.35	18237.56	17395.58
August 2010	106.15	80.70	18475.27	17819.99
September 2010	92.90	86.75	20267.98	18027.12
October 2010	100.50	87.55	20854.55	19768.96
November 2010	104.35	77.95	21108.64	18954.82
December 2010	90.10	74.20	20552.03	19074.57

January 2011	90.55	72.05	20664.80	18038.48
February 2011	82.90	62.95	18690.97	17295.62
March 2011	72.20	63.25	19575.16	17792.17

There was no trading on the Equity Shares of the Company on the Madras Stock Exchange Limited for the period 1st April, 2010 to 31st March, 2011.

#### (h) Registrar & Share Transfer Agent

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

#### (i) 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 dematerialisations option available for the shares transferred to their names. The Committee met 15 times during the Financial Year commencing from 1st April, 2010 to 31st March, 2011.

#### (j) Shareholding Pattern / Distribution of Shareholding

Shareholding Pattern as on 31st March, 2011

	Category	No. of Shares held	% of Shareholding
A.	<b>PROMOTER'S HOLDING</b>		
	(i) Indian Promoters	7217674	14.751
	(ii) Acquirers & PAC	--	--
B	<b>NON-PROMOTER HOLDING</b>		
	<b>1. Institutional Investors</b>		
	(a) Mutual Fund	7450	0.015
	(b) Banks, Financial Institutions, Insurance Companies	4650	0.010
	(c) Foreign Institutional Investors	8529565	17.433
	<b>2. Others</b>		
	(a) Private Corporate Bodies	6711648	13.717
	(b) Indian Public	15108249	30.878
	(c) Non Resident Indians / Overseas Bodies Corporate	8431692	17.233
	(d) Foreign Nationals	--	--
	(e) Trusts	2841108	5.807
	(f) Clearing Member	76549	0.156
	<b>Total</b>	<b>48928585</b>	<b>100.000</b>

**(k) Distribution of Shareholding as on 31st March, 2011**

Category	No. of Holders	% to Total	No. of Shares	% to Total
1 - 100	10991	56.541	560690	1.146
101 - 500	6513	33.505	1595168	3.260
501 - 1000	861	4.429	721917	1.475
1001 - 2000	423	2.176	671719	1.373
2001 - 3000	155	0.797	404696	0.827
3001 - 4000	72	0.370	257315	0.526
4001 - 5000	94	0.484	447938	0.915
5001 - 10000	131	0.674	992898	2.029
Above 10000	199	1.024	43276244	88.448
<b>Total</b>	<b>19439</b>	<b>100.000</b>	<b>48928585</b>	<b>100.000</b>

**(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.

Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to Sterling Holiday Resorts (India) Limited is ISIN - INE 657A01019.

As on 31st March, 2011, 96.57% of the Company's total Equity Shares representing 47249856 Equity Shares were held in Dematerialized Form and the balance 3.43% representing 1678729 Equity Shares were held in Physical Form.

**(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

The Company has received 561 requests for Dematerialization of shares during the 12 months' period commencing from 1st April, 2010 to 31st March, 2011. The time taken for processing the dematerialization requests is detailed below.

For the period 01.04.2010 to 31.03.2011						
Days taken for Processing	No. of requisitions accepted	No. of shares accepted	% to Paid-up Capital	No. of requisitions rejected	No. of shares rejected	% to Paid-up Capital
1 - 10 days	477	5063648	10.349%	76	60061	0.123%
11 - 15 days	5	875	0.002%	3	375	0.001%
<b>Total</b>	<b>482</b>	<b>5064523</b>	<b>10.351%</b>	<b>79</b>	<b>60436</b>	<b>0.124%</b>

**(n) Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, Conversion date and likely impact on equity.**

As on 31st March, 2011, the Company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments.

**(o) Resort Locations :**

Darjeeling, Gangtok, Goa, Kodaikanal , Lonavala, Manali, Munnar, Mussoorie, Ooty, Puri, Yelagiri and Yercaud.

**(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@sterlingholidays.com

**For and On Behalf of the Board**

**Place: Chennai**  
**Date: 13<sup>th</sup> August 2011**

**SIDDHARTH MEHTA**  
**CHAIRMAN**

---

**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, 2011, as envisaged in Clause 49 of the Listing Agreement with Stock Exchanges.

**For and On Behalf of the Board**

**Place: Chennai**  
**Date: 13<sup>th</sup> August 2011**

**SIDDHARTH MEHTA**  
**CHAIRMAN**



## AUDITORS' 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, 2011, 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 conditions of Corporate Governance as stipulated in the said Clause. 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, and the representations made by the Directors and the Management, 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 Regn. No. 109208W**

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

**Place: Chennai**  
**Date: 13<sup>th</sup> August 2011**

**S.Venkataraman**  
**Partner**  
**Membership No : 23116**

**A.S.Ramanathan**  
**Partner**  
**Membership No : 011072**

**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 Ramesh Ramanathan, Managing Director, in the capacity as Chief Executive Officer (CEO) and R.Mohan, Senior Vice President - Finance, in the capacity as Chief Financial 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, 2011 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.

**RAMESH RAMANATHAN (CEO)  
MANAGING DIRECTOR**

**R.MOHAN (CFO)  
SENIOR VICE PRESIDENT – FINANCE**

Place : Chennai

Date : 28<sup>th</sup> July 2011





## **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, 2011 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 2011 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 and 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 2011,

- (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 for the year ended on that date.

**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**  
**M.NO : 023116**

**A.S.RAMANATHAN**  
**Partner**  
**M.No : 011072**

**Place : Chennai**  
**Date : 28<sup>th</sup> July 2011.**

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVENDATE.**

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. The management informs that the updation of fixed assets register for the said assets is in progress.  
  
(b) We are informed that during the year the Fixed Assets (other than plant and machinery, office equipments and furniture and fixtures) located at Resorts and at Head Office have been physically verified by the Management and no material discrepancies were noticed on such verification. In our view the periodicity of verification is reasonable. The Management has represented to us that the physical verification of plant and machinery, office equipments and furniture and fixtures will be carried out in the subsequent year.  
  
(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.
2. (a) The inventory has 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) The company has not taken any loan secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, the internal control systems, 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. (a) Based on the audit procedures applied by us, to the best of our knowledge and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
  
(b) Sub Clause 5 (b) of Para 4 of the Order is not applicable as there are no transactions exceeding the value of Rs.5,00,000/- in respect of any party in the financial year.
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, Sales Tax (VAT) and other statutory dues with appropriate authorities. *There has been delay in remittance of Income Tax, Service Tax, Employees State Insurance and Cess and Luxury Tax.* There is no liability to remit Wealth Tax, customs Duty and Excise Duty, Investor Education and Protection Fund.
- (b) According to the information and explanations given to us, *undisputed statutory dues representing Fringe Benefit Tax of Rs. 101.34 lacs, service tax of Rs.0.85 lacs and ESI of Rs.0.49 lacs and professional*

*tax of Rs.4.27 lacs and consent fees to Tamil Nadu Pollution Control Board of Rs.1.36 lacs were outstanding at the year end for a period of more than 6 months from the date they become payable.*

Further, since the Central Government has till date not prescribed the amount of Cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (c) According to the information and explanations given to us and the basis of examination of records of the Company the dues of Income Tax/Wealth Tax/Service Tax/Cess as at 31st March 2011 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 @	Grand Total
Income Tax Act, 1961 (Income Tax including penalty & interest wherever applicable)	2006-07		-	38.34	38.34
Service Tax Rules (Service Tax including penalty & interest wherever applicable)	16.06.05 to 30.09.06	557.03	-	-	557.03

\$ Appellate Tribunal includes STAT, ITAT

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

10. The accumulated loss at the end of the Financial Year exceeds 50% of its net worth inclusive of Advance Subscription towards Customer Facilities (ASCF). The company has incurred cash loss during the Current Financial year and in the preceding Financial 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 from Jan 2001 as stated in note no. B.6 of schedule 14.

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 relating to Chit Funds are not applicable to the Company.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments other than investing in mutual fund units. Proper records of the transactions and



contracts have been maintained and timely entries have been made. The said investments have been held by the company in its own name.

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. The company has availed term loan from a non banking finance company. According to the information and explanations given to us and related information made available to us, the Company has applied the term loan for the purpose for which the same was availed.
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 allotment of shares to warrant holders on conversion of such warrants issued on preferential basis to parties covered in register maintained under section 301 of the Companies Act, 1956. The issue price of shares so allotted has been determined in accordance SEBI (Disclosure and Investor Protection) Guidelines 2000. Hence, it is not 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 public issue of securities during the year and therefore the question of disclosing the end-use of money raised by way of 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 noted or reported by the Management, during the year.

**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**  
**M.NO: 023116**

**A.S.RAMANATHAN**  
**Partner**  
**M.NO: 011072**

**Place: Chennai**  
**Date: 28<sup>th</sup> July 2011.**

**STERLING HOLIDAY RESORTS (INDIA) LIMITED**  
**BALANCE SHEET AS AT 31st MARCH 2011**

<b>SOURCES OF FUNDS</b>	<b>Schedule No</b>	<b>Rs.</b>	<b>As at 31.03.2011 Rs.</b>	<b>As at 31.03.2010 Rs.</b>
<b>SHARE HOLDERS' FUNDS</b>				
Share Capital	1		489,286,600	440,526,600
Share Warrants			-	10,485,500
Employee Stock Option Outstanding	2		21,650,000	51,079,071
Reserves & Surplus	3		1,636,853,642	1,499,626,536
<b>LOAN FUNDS</b>				
Secured	4		283,725,352	16,216,593
Unsecured	5		24,939,842	162,222,462
<b>DEFERRED INCOME</b>				
Advance Subscription towards Customer Facilities (Note B18 of Schedule 14)			2,090,663,512	2,079,550,578
<b>Total</b>			<b>4,547,118,948</b>	<b>4,259,707,340</b>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	6	2,621,227,896		2,514,478,381
Less : Depreciation		776,037,170		733,461,741
Net Block		1,845,190,726		1,781,016,640
Capital Work in Progress (at cost)		353,848,034		485,609,137
			2,199,038,760	2,266,625,777
<b>Investments</b>	7		28,005,380	114,821,500
<b>Deferred Tax Assets (net) (Note No.B21 of Sch 14)</b>				
Deferred Tax Assets		299,416,095		315,383,804
Less: Deferred Tax Liabilities		299,416,095	-	315,383,804
<b>Current Assets, Loans &amp; Advances:</b>	8			-
Current Assets				
Inventories		6,088,469		3,426,371



Sundry Debtors	110,366,644	55,150,945
Cash and Bank Balances	78,262,699	65,454,724
Loans and advances	262,589,178	278,617,509
	457,306,990	402,649,549
<b>Less : Current Liabilities &amp; Provisions</b>	9	
Current Liabilities	145,669,045	221,920,834
Provisions	22,741,281	33,258,359
	168,410,326	255,179,193
<b>Net Current Assets</b>		288,896,664
		147,470,355
<b>PROFIT AND LOSS ACCOUNT</b>		
Debit Balance in Profit & Loss Account	2,425,718,144	2,125,329,707
Less : General Reserve as per Contra	394,540,000	394,540,000
		2,031,178,144
		1,730,789,707
<b>Total</b>		<b>4,547,118,948</b>
		<b>4,259,707,340</b>

Significant Accounting Policies and Notes on Accounts 14

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

For and on behalf of the Board

**SIDDHARTH MEHTA**

Chairman

**S. SIDHARTH SHANKAR**

Vice Chairman

**RAMESH RAMANATHAN**

Managing Director

**R.MOHAN**

Senior Vice President - Finance

**M.BALASUBRAMANIYAN**

Company Secretary

As per our report of even date

**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: 023116

**A.S.Ramanathan**

Partner

Membership No: 011072

**Place: Chennai**

**Date: 28<sup>th</sup> July 2011**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

	Schedule No.	Year ended 31.03.2011 Amt. in Rs.	Year ended 31.03.2010 Amt. in Rs.
<b>INCOME</b>			
Sales	10	386,563,843	306,484,530
Other Income	11	7,085,721	12,823,449
		<b>393,649,564</b>	<b>319,307,979</b>
<b>EXPENDITURE:</b>			
Consumption of Food & Beverages	12	49,076,555	29,757,419
Administration and other expenses	13	535,218,059	284,665,744
Profit / (Loss) before Interest, Depreciation and Exceptional Items		<b>(190,645,050)</b>	<b>4,884,816</b>
Interest on Term Loan		17,778,725	6,939,850
Interest on Others		4,509,896	7,679,719
Depreciation / Amortisation	6	42,575,429	41,221,840
Loss for the year before Tax and Exceptional Items		<b>(255,509,100)</b>	<b>(50,956,593)</b>
<b>Exceptional Items</b>			
- Interest on Loan from Financial Institutions		-	(86,019,490)
- Provision no longer required, Written Back		84,164,527	64,203,330
- Provision for Doubtful Debts/Advances		(125,279,978)	(34,612,569)
- Capital work in progress written off		(7,550,513)	-
- Provision for Investments		(97,800,000)	-
- Unclaimed Credit Balances Written Back		23,899,779	12,048,814
- Profit on Sale of Assets		79,662,708	6,057,377
Loss for the year before Tax after Exceptional Items		<b>(298,412,577)</b>	<b>(89,279,131)</b>
<b>PROVISION FOR TAX:</b>			
Fringe Benefit Tax Interest for delayed remittance		(1,975,859)	(943,413)
Loss for the year after Tax		<b>(300,388,436)</b>	<b>(90,222,544)</b>
Add : Deficit brought forward from previous year		<b>(2,125,329,707)</b>	<b>(2,035,107,164)</b>
Balance carried to Balance Sheet		<b>(2,425,718,144)</b>	<b>(2,125,329,707)</b>
<b>EARNINGS PER SHARE: (EPS) (Note No.B26 of Sch 14)</b>			





Basic and Diluted Earnings Per Share

- Before Exceptional Items	(5.43)	(1.29)
- After Exceptional Items	(6.33)	(2.24)

Significant Accounting Policies and Notes on Accounts 14

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

For and on behalf of the Board

**SIDDHARTH MEHTA**

Chairman

**S. SIDHARTH SHANKAR**

Vice Chairman

**RAMESH RAMANATHAN**

Managing Director

**R.MOHAN**

Senior Vice President - Finance

**M.BALASUBRAMANIYAN**

Company Secretary

As per our report of even date

**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: 023116

**A.S.Ramanathan**

Partner

Membership No:011072

**Place: Chennai**

**Date: 28<sup>th</sup> July 2011**

**CASH FLOW STATEMENT - FINANCIAL YEAR ENDED 31.03.2011**

	Amt in Rs.	Year Ended 31.03.2011 Amt in Rs.	Year Ended 31.03.2010 Amt in Rs.
<b>Cash flow from operating activities</b>			
<b>Loss before Tax</b>		<b>(298,412,577)</b>	(89,279,130)
<b>Adjustments for</b>			
Depreciation / Amortisation	42,575,429		41,221,840
Interest - Term Loan	17,778,725		14,619,569
Interest - Others	4,509,896		-
Interest on Loan from Financial Institutions (Exceptional items)	-		86,019,490
Amortisation of Employee Stock Option Cost	58,686,329		6,263,671
Provision for Doubtful Advances and Debts	125,279,978		40,112,569
Provision for Investment	97,800,000		-
Provision for Diminution in Current Investment	3,921		-
Provision for Contingencies	-		10,000,000
Capital Work in Progress written off	7,550,513		-
Provision no longer required written back	(84,164,527)		(64,203,330)
Unclaimed Credit Balances written back	(23,899,779)		(12,048,814)
Dividend from Mutual Funds	(1,154,356)		(4,418,362)
Interest earned	(3,984,037)		(5,888,217)
Profit on sale assets (net of revaluation reserve)	(79,662,708)		(6,057,377)
		<b>161,319,385</b>	<b>105,621,039</b>
<b>Operating Profit / (Loss) before Working Capital changes</b>		<b>(137,093,192)</b>	<b>16,341,908</b>
Adjustments for:			
Decrease / (Increase) in Advance Subscription towards Customer Facilities	11,112,934		(46,520,849)
Increase / (Decrease) in Trade Receivables	(164,467,346)		(68,444,207)



Decrease / (Increase) in Trade Payables		19,194,078	30,987,252
Inventories		(2,662,098)	770,181
		<b>(136,822,432)</b>	<b>(83,207,622)</b>
<b>Net Cash used in Operating activities</b>	<b>(A)</b>	<b>(273,915,624)</b>	<b>(66,865,714)</b>
<b>Cash flow from investing activities</b>			
Purchase of Fixed Assets		(28,138,599)	(43,946,199)
Sale of Fixed Asset		148,050,000	8,700,000
Increase in Capital Work in Progress		(21,375,399)	(1,550,002)
Capital Work in Progress written off		(7,550,513)	-
Investment in Shares of Subsidiaries		-	(2,423,500)
Dividend from Mutual Funds		1,154,356	4,418,362
Interest Earned		3,984,037	5,888,217
Sale/(Purchase) of Investments (net)		(10,987,801)	(16,988,500)
<b>Net Cash used in Investing Activities</b>	<b>(B)</b>	<b>85,136,081</b>	<b>(45,901,622)</b>
Issue of Equity Shares		93,650,000	382,403,000
Issue of Share Warrants		-	4,500,000
Interest paid		(22,288,621)	(14,619,569)
Interest on Loan from Financial Institutions (exceptional items)		-	(86,019,490)
Proceeds from loan availed		275,496,583	-
Repayment of Loan		(145,270,444)	(122,344,399)
<b>Net Cash from Financing activities</b>	<b>(C)</b>	<b>201,587,518</b>	<b>163,919,542</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash equivalents</b>	<b>(A+B+C)</b>	<b>12,807,975</b>	<b>51,152,206</b>
Cash and cash equivalents as at 31st March, 2010 (Vide Note No.B.17 of Sch 14)		<b>65,454,724</b>	14,302,518
Cash and cash equivalents as at 31st March, 2011 (Vide Note No.B.17 of Sch 14)		<b>78,262,699</b>	65,454,724
<b>Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<b>12,807,975</b>	<b>51,152,206</b>

**Notes:**

1. Previous year figures have been regrouped where ever necessary, to confirm to current year grouping.

For and on behalf of the Board

**SIDHARTH MEHTA**

Chairman

**S. SIDHARTH SHANKAR**

Vice Chairman

**RAMESH RAMANATHAN**

Managing Director

**R.MOHAN**

Senior Vice President - Finance

**M.BALASUBRAMANIYAN**

Company Secretary

As per our report of even date.

**For V.Sankar Aiyar & Co**

Chartered Accountants  
ICAI regd. No. 109208W

**S Venkataraman**

Partner  
Membership No : 023116

**Place : Chennai**

**Date : 28<sup>th</sup> July 2011**

**For R.Subramanian and Company**

Chartered Accountants  
ICAI regd. No. 004137S

**A.S. Ramanathan**

Partner  
Membership No : 011072

**SCHEDULE 1**

<b>SHARE CAPITAL</b>	<b>As at 31st Mar-2011 Rs.</b>	<b>As at 31st Mar-2010 Rs.</b>
<b>Authorised</b>		
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>
<b>Issued, Subscribed and Paid up</b>		
4,89,28,585* (4,40,52,585) Equity shares of Rs.10 each, fully paid up	489,285,850	440,525,850
Add: Share capital pending allotment	750	750
	<u>489,286,600</u>	<u>440,526,600</u>
	<b>489,286,600</b>	<b>440,526,600</b>

\* During the year, 26,66,000 (Previous Year 8,34,000) Equity Shares were issued as fully paid up on exercise of options granted to Employees and 22,10,000 (Previous Year 12,90,000) Equity Shares were issued as fully paid up on conversion of Warrants on preferential basis issued in the earlier years.

**SCHEDULE 2**

<b>EMPLOYEE STOCK OPTION OUTSTANDING: (Vide Note B27 of Sch 14)</b>	<b>As at 31st Mar-2011 Rs.</b>	<b>As at 31st Mar-2010 Rs.</b>
As per last Balance Sheet	109,765,400	67,250,000
Options Granted during the year	-	64,950,000
Less: Transfer to Share Premium on Vesting	88,115,400	22,434,600
Total (A)	<u>21,650,000</u>	<u>109,765,400</u>
<b>Deferred Stock Compensation Cost</b>		
As per last Balance Sheet	58,686,329	-
Options Granted during the year	-	64,950,000
Less: Amortisation during the year	58,686,329	6,263,671
Total (B)	<u>-</u>	<u>58,686,329</u>
Total (A - B)	<u><b>21,650,000</b></u>	<u>51,079,071</u>
	<b>21,650,000</b>	<b>51,079,071</b>

## SCHEDULE 3

RESERVES & SURPLUS	As at 31st Mar-2011 Rs.	As at 31st Mar-2010 Rs.
<b>Capital Reserve</b>		
As per last Balance Sheet	9,309,500	9,309,500
<b>Fixed Assets Revaluation Reserve</b>		
As per last Balance Sheet (Note B7 of Sch 14)	208,196,781	208,196,781
Less: Withdrawn during the year	<u>6,138,294</u>	<u>-</u>
	<b>202,058,487</b>	<b>208,196,781</b>
<b>Share Premium Account</b>		
As per last Balance Sheet	1,282,120,255	989,273,155
Add : Additions during the year	<u>143,365,400</u>	<u>292,847,100</u>
	<b>1,425,485,655</b>	1,282,120,255
<b>General Reserve</b>		
As per last Balance Sheet	394,540,000	394,540,000
Less : Debit balance in Profit & Loss account	<u>394,540,000</u>	<u>394,540,000</u>
(As per Contra)	<u>-</u>	<u>-</u>
	<b>1,636,853,642</b>	<b>1,499,626,536</b>

## SCHEDULE 4

SECURED LOANS (Notes No.B6, B9(a), B15 and B16 of Sch 14)	As at 31st Mar-2011 Rs.	As at 31st Mar-2010 Rs.
From Financial Institutions	8,228,769	16,216,593
From Others - IL & FS Financial Services Ltd	271,700,000	-
- Towards Hire Purchase Finance	<u>3,796,583</u>	<u>-</u>
	<b>283,725,352</b>	<b>16,216,593</b>

## SCHEDULE 5

UNSECURED LOANS		
Short Term Loan		
- From Financial Institutions	-	134,405,620
- From Others	24,939,842	24,939,842
- From Director	<u>-</u>	<u>2,877,000</u>
	<b>24,939,842</b>	<b>162,222,462</b>

## SCHEDULE 6

FIXED ASSETS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK		
	As at 1st April 2010	Additions during the year	Deletions/ Adjustments during the year	As at 31st Mar 2011	As at 1st April 2010	Depreciation /Amortisation for the year	Deletions during the year	As at 31st Mar 2011	As at 1st April 2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>TANGIBLE ASSETS</b>									
Freehold land	383,422,693	5,321,208	21,459,431	367,284,470	-	-	-	367,284,470	383,422,693
Lease Hold Land (Note B8 and B9(a) of sch. 14)	389,511,023	-	-	389,511,023	9,319,349	4,106,246	-	376,085,428	380,191,674
Buildings (Note B10 of sch. 14)	1,205,029,985	91,156,159	-	1,296,186,144	261,333,945	20,026,253	-	1,014,825,946	943,696,040
Plant & Machinery	117,641,765	3,349,378	-	120,991,143	99,259,528	5,465,057	-	16,266,558	18,382,237
Office Equipments	146,355,915	10,620,954	-	156,976,869	127,148,340	4,441,686	-	25,386,843	19,207,575
Electrical Fittings	69,690,928	7,268,491	-	76,959,419	49,636,105	3,425,963	-	23,897,351	20,054,823
Furniture & Fixtures	196,508,612	6,919,614	-	203,428,226	181,588,192	4,373,412	-	17,466,622	14,920,420
Vehicles	5,223,835	-	-	5,223,835	5,143,278	65,041	-	15,516	80,557
(A)	2,513,384,756	124,635,804	21,459,431	2,616,561,129	733,428,737	41,903,658	-	1,841,228,734	1,779,956,019
<b>INTANGIBLE ASSETS:</b>									
Software	1,093,628	3,573,139	-	4,666,767	33,004	671,771	-	3,961,992	1,060,624
(B)	1,093,628	3,573,139	-	4,666,767	33,004	671,771	-	3,961,992	1,060,624
Capital Work in Progress (Note B11 of sch. 14)	485,609,137	21,375,399	153,136,502	353,848,034	733,461,741	42,575,429	-	353,848,034	485,609,137
Previous Year Figures	2,473,174,808	43,946,199	2,642,623	2,514,478,384	692,239,901	41,221,840	-	1,781,016,643	1,780,934,907

**Note:**

- Buildings includes Rs.5,27,87,223 (Rs.5,27,87,223) towards cost of 4117 (4117) Property Timeshare weeks retained by the Company.
- Furniture & Fixtures includes the assets valued Rs.40,89,137 (Rs.Nil), which are acquired under Hire Purchase arrangement.
- Deletions/Adjustments during the year under Capital Work in Progress includes transfers to fixed assets and sale.



## SCHEDULE 7

INVESTMENTS AT COST	As at 31st Mar-2011 Rs.	As at 31st Mar-2010 Rs.
<b>LONG TERM INVESTMENTS:</b>		
<b>Unquoted - Trade</b>		
<b>Investment in Subsidiary Companies (fully paid up)</b>		
( Vide Note No. B9 of Sch. 14 )		
19,00,000 (Previous Year 19,00,000) Equity Shares of Rs.10/- each in Manchanda Resorts Pvt Ltd (Wholly owned subsidiary)	6,008,500	6,008,500
49,000 (Previous Year 49,000) Equity Shares of Rs.10/- each in Sterling Holidays (Ooty) Ltd	490,000	490,000
49,000 (Previous Year 49,000) Equity Shares of Rs.10/- each in Sterling Holiday Resorts (Kodaikanal) Ltd	490,000	490,000
	<b>6,988,500</b>	<b>6,988,500</b>
<b>Investment in Associate Companies (fully paid up)</b>		
Nil (Previous Year 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
	-	-
<b>Others</b>		
<b>Trade: (fully paid up)</b>		
1,00,000 (Previous Year 1,00,000) Equity Shares of Rs.10/- each in Sterling Holiday Finvest Ltd	1,000,000	1,000,000
Less: Provision for Diminution in Value	1,000,000	1,000,000
1,00,000 (Previous Year 1,00,000) Equity Shares of Rs.10/- each in Sterling Securites and Futures Ltd	1,000,000	1,000,000
Less: Provision for Diminution in Value	1,000,000	1,000,000
5,20,000 (Previous Year 5,20,000) Equity Shares of Rs.10/- each in Sterling Resorts Home Finance Ltd	5,200,000	5,200,000
Less: Provision for Diminution in Value	5,200,000	5,200,000
7,00,000 (Previous Year 7,00,000) Equity Shares of Rs.10/- each in Sterling Holiday Financial Services Ltd	9,500,000	9,500,000
Less: Provision for Diminution in Value	9,500,000	9,500,000





		As at 31st Mar-2011 Rs.	As at 31st Mar-2010 Rs.	
<b>Non - Trade: (fully paid up)</b>				
<b>Quoted</b>				
1100 (1100) Equity Shares of Rs.10/- each in Tourism Finance Corporation of India Ltd		33,000	33,000	
<b>Others</b>				
28765 (28,765) no.of Teak Units of Sterling Tree Magnum (India) Ltd	97,800,000		97,800,000	
Less: Provision for Diminution in Value	97,800,000		-	
	-		97,800,000	
<b>(A)</b>		<b>7,021,500</b>	<b>104,821,500</b>	
Aggregate cost of quoted Investments		<b>33,000</b>	<b>33,000</b>	
Aggregate market value of quoted Investments		<b>29,480</b>	30,470	
<b>CURRENT INVESTMENTS: (Note B.16(ii) of Sch 14)</b>				
<b>Others</b>				
Units of Mutual Fund (NAV as on 31-03-2011 Rs.2,09,83,880)		20,983,880	10,000,000	
<b>(B)</b>		<b>20,983,880</b>	<b>10,000,000</b>	
<b>(A + B)</b>		<b>28,005,380</b>	<b>114,821,500</b>	
	Qty in units	Value in Rs.	Qty in units	Value in Rs.
<b>Purchased during the year</b>				
- Axis Short Term Fund	1,994,832	20,004,575	-	-
- Axis Treasury Advantage Fund	160,795	150,000,000	30,000	30,000,000
- Birla Sun Life Savings Fund	-	-	24,983,012	250,000,000
<b>TOTAL</b>		<b>170,004,575</b>	-	<b>280,000,000</b>
<b>Sold during the year</b>				
- Axis Short Term Fund	-	-	-	-
- Axis Treasury Advantage Fund	160,170	160,171,130	20,000	20,000,000
- Birla Sun Life Savings Fund	-	-	24,983,012	250,000,000
<b>TOTAL</b>		<b>160,171,130</b>	-	<b>270,000,000</b>

## SCHEDULE 8

CURRENT ASSETS, LOANS & ADVANCES	As at 31st Mar-2011 Rs.	As at 31st Mar-2010 Rs.
<b>CURRENT ASSETS</b>		
<b>Inventories, at cost (As certified by Management)</b>		
Food & Beverages	4,203,930	743,004
Stores & Operating Supplies	1,884,539	2,683,367
	<b>6,088,469</b>	<b>3,426,371</b>
<b>Sundry Debtors - Unsecured ( Vide Note B 14 &amp; B20 of Sch.14)</b>		
(a) Debts outstanding for a period exceeding six months		
Considered Good	<b>52,710,431</b>	52,710,431
Considered Doubtful	<b>188,757,483</b>	188,757,483
(b) Other Debts - considered good	<b>57,656,213</b>	2,440,514
	<b>299,124,127</b>	243,908,428
Less: Provision for Doubtful Debts	<b>188,757,483</b>	188,757,483
	<b>110,366,644</b>	55,150,945
Cash balance on hand	784,801	977,860
<b>Balances with Scheduled Banks</b>		
- On current accounts	22,935,381	58,210,149
- On deposit accounts (Vide Note B17 of Sch.14)	54,542,517	6,266,715
	<b>77,477,898</b>	<b>64,476,864</b>
	<b>78,262,699</b>	65,454,724
<b>LOANS AND ADVANCES</b>		
(Unsecured & Considered good, Otherwise stated) (See Note B9(b), B12, B13 and B20 of Sch.14)		
Advances to Subsidiaries		
- Considered Good	<b>101,692,010</b>	80,734,865
Advances recoverable in cash or in kind or for value to be received (includes capital advances)		
Unsecured	136,737,312	174,102,875
Unsecured & Considered doubtful	521,369,303	396,089,325
	<b>658,106,615</b>	<b>570,192,200</b>
Less : Provision for Doubtful Advances	521,369,303	396,089,325
	<b>136,737,312</b>	174,102,875
Advance Income Tax and TDS Receivable	<b>12,520,607</b>	11,724,708
Deposits	<b>11,639,249</b>	12,055,061
	<b>262,589,178</b>	<b>278,617,509</b>

**SCHEDULE 9**

<b>CURRENT LIABILITIES AND PROVISIONS</b>	<b>As at 31st Mar-2011 Rs.</b>	<b>As at 31st Mar-2010 Rs.</b>
<b>CURRENT LIABILITIES</b>		
Sundry Creditors ( Vide Note B20 and B2 of Sch.14)		
- Total outstanding dues to Micro, Small and Medium Enterprises	-	-
- Total outstanding dues to creditors other than Micro, Small and Medium Enterprises	<b>112,575,467</b>	184,641,130
Other liabilities	<b>9,650,473</b>	21,460,996
Advances received	<b>23,436,686</b>	<b>11,848,260</b>
On current accounts - cheques over issued	<b>6,419</b>	3,970,453
	<b>145,669,045</b>	<b>221,920,839</b>
<b>PROVISIONS</b>		
For Fringe Benefit tax	<b>13,772,281</b>	11,796,422
For Leave encashment	<b>3,521,000</b>	4,198,181
For Gratuity	<b>5,448,000</b>	7,263,756
For Contingencies	-	10,000,000
	<b>22,741,281</b>	<b>33,258,359</b>

**SCHEDULE 10**

<b>SALES LESS RETURNS</b>	<b>for the year ended 31st Mar-2011 Rs.</b>	<b>for the year ended Mar-2010 Rs.</b>
Timeshares and Others	<b>109,843,702</b>	<b>78,873,601</b>
Less: Sales Returns	<b>10,801,113</b>	<b>3,732,207</b>
	<b>99,042,589</b>	<b>75,141,394</b>
Resort Operations ( <b>Note B29(a) of Sch. 14</b> )	<b>287,521,254</b>	<b>231,343,136</b>
	<b>386,563,843</b>	<b>306,484,530</b>

**SCHEDULE 11****OTHER INCOME**

Interest on bank deposits (Tax Deducted at Source Rs.72,393/- (previous year - Rs. 4,50,299/-)	2,713,943	5,888,217
Interest on EMI sale (TDS Rs Nil)	1,270,094	-
Dividend from Mutual Fund Units - Current Investments	1,154,356	4,418,362
Miscellaneous	1,947,328	2,516,870
	<b>7,085,721</b>	<b>12,823,449</b>

	for the year ended 31st Mar-2011 Rs.	for the year ended 31st Mar-2010 Rs.
<b>SCHEDULE 12</b>		
<b>CONSUMPTION OF FOOD &amp; BEVERAGES</b>		
Opening Stock	3,426,371	4,196,552
Add : Purchases during the Year		
Food, Beverages and Consumables	51,738,653	28,987,238
	<u>55,165,024</u>	<u>33,183,790</u>
Less: Closing Stock	6,088,469	3,426,371
	<u><b>49,076,555</b></u>	<u><b>29,757,419</b></u>

**SCHEDULE 13****ADMINISTRATION AND OTHER EXPENSES**

Salaries, Wages & Bonus	167,486,118	89,053,628
Contribution to Provident Fund/ESI/Gratuity	7,170,998	4,313,853
Staff Welfare	1,529,291	711,577
Amortisation of deferred stock compensation cost	58,686,329	6,263,671
Rent	32,988,534	27,878,523
Rates & Taxes	5,311,038	4,592,900
Repairs & Maintenance		
- Building	14,183,197	2,304,235
- Plant & Machinery	4,252,511	5,765,087
- Others	5,563,026	3,420,635
	<u>23,998,734</u>	<u>11,489,957</u>
Recruitment & Training	2,650,458	25,082
Insurance	346,480	351,432
Director's Sitting fees	400,000	280,000
Audit Fees	1,787,976	1,655,230
Postage & Telegram	4,665,010	1,836,743
Telephone & Fax	3,028,225	2,664,966
Printing & Stationery	4,792,892	1,643,217
Travelling & Conveyance	20,527,811	11,315,710
Professional Charges	28,563,239	13,755,803
Resort Operational Expenses	42,582,139	23,174,192
Power Fuel	42,842,483	34,572,080
Advertisement	27,545,576	2,410,626
Sales Commission, Brokerage & Incentive	8,946,026	4,161,612



	for the year ended 31st Mar-2011 Rs.	for the year ended 31st Mar-2010 Rs.
Provision for Contingencies	-	10,000,000
Finance Charges	7,883,256	1,534,118
Sales Promotion	16,387,205	2,306,910
Freight Charges	1,254,064	177,267
Miscellaneous Expenses	10,881,092	9,868,744
Assured Return to customers	1,775,135	4,087,095
Compensation to customers	3,144,929	8,941,212
Legal expenses	8,043,021	5,599,596
	<b>535,218,059</b>	<b>284,665,744</b>

**SCHEDULE - 14****SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011.****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 of Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006.

- B) Financial statements are prepared on historical cost and going concern basis.

**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. The Management believes that these estimates and assumptions are reasonable and prudent. However actual results could differ from these estimates. 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 Amortisation

Depreciation is charged in the accounts on straight line method as under:

- a. On fixed assets (other than intangible assets) owned by the company at the SLM rates specified in Schedule XIV to the Companies Act, 1956. On assets added/disposed off during the year, on pro- rata basis with reference to the month of addition/disposal.
- b. Cost of leasehold land and building is amortized over the period of lease.
- c. Intangible assets, namely software are amortized over a period of 5 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, a portion of the Timeshare consideration (net of discount), namely 45% of the sale value (Cash/Equated Monthly Instalment (EMI)) is treated as income in the year of sale.
- b. Advance Subscription towards Customer Facilities (ASCF), being balance 55%, of the sale value (Cash/EMI) in respect of Holiday Plans 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. In respect of sales made under EMI scheme, interest wherever applicable is accrued over the contracted period.
- d. Income from resorts comprising of room rent, food and beverages sales, other services etc., are recognized when these are sold and services are rendered.
- e. Income in respect of amenity charges is accounted on cash basis, in view of uncertainty in collection.
- f. 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 an individual basis.

## 7. INVENTORIES

Inventories comprising of provisions, perishables, beverages, consumables and operating supplies 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 Fund administered by an Insurance Company, 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.
- 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 which may 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 where 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 Rs 319.63 lacs (Previous Year Rs.Nil)
2. Claims against the company not acknowledged as debts Rs 60.47 lacs (Previous Year Rs.60.47 lacs).
3. Contingent liabilities not provided for
  - a) Rs.284.86 lacs (Previous Year Rs.517.81 lacs), comprises of customer related cases - Rs.180.35 lacs (Previous Year Rs.332.03lacs), Vendor related cases - Rs.92.00 lacs (Previous Year Rs.89.02 lacs), Employee related cases - Rs.12.51 lacs (Previous Year Rs.23.69lacs), Property Related Rs.Nil (Previous Year Rs 6.36 lacs) and Sales Tax Rs Nil (Previous Year Rs 66.7 lacs).
  - b) Rs.433.64 lacs, (Previous Year Rs.433.64 lacs), in respect of a suit filed by NOIDA creditors, in which the Company was included as one of the defendants.
  - c) Simple interest calculated at contracted rates in respect of certain loans availed by the company from others, amounts to Rs.208.27 lacs (Previous Year Rs.158.27 lacs) upto 31st March 2011. In the opinion of the Management, no provision is considered necessary in respect of the above as the matter is in the process of settlement and the company does not expect any liability to arise in the future.
  - d) In respect of Assessment Year 2006-07, 2007-08 and 2008-09 the company has filed appeals before the Commissioner of Income Tax – Appeals, against tax demand of Rs.38.34





lacs and with reference to the treatment of ASCF. Pending outcome of the appeal and considering the set off against carried forward losses and unabsorbed depreciation, no provision has been made in respect of the above.

4. Service Tax, Interest, Penalty and Additional Penalty aggregating to Rs.557.03 lacs (Previous Year Rs.557.03 lacs) have 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 hence no provision is considered necessary at this stage.
5. ASCF being 55% of sale value is treated as Deferred Income and recognised as income over the period of the respective contracts. In respect of Assessment Years from 1997-98 to 2001-02, the Income Tax Appellate Tribunal (ITAT) has passed orders against the said accounting treatment followed by the company and to treat them as income in the respective year of receipt. There are no tax demand on account of available carried forward losses unabsorbed depreciation. The company has appealed against this before High Court of Madras and the case is pending. The ITAT Chennai has recently decided in favour of Assesee in a similar case and accepted the treatment followed by the company. In view of the above, management is of the view that no provision for Income Tax is required at this stage.
6. A financial institution took symbolic possession of a property situated at Ooty - Fern Hill under the Securitization and Reconstruction of Financial Asset and Enforcement of Security Interest Act (SARFAESI) for default in repayment of loans together with interest/penal interest. The case is pending before Debt Recovery Appellate Tribunal (DRAT) with regard to adjudication in respect of One Time Settlement (OTS) scheme proposed by the Company. Any incremental liability which may

accrue pursuant to the OTS will be accounted in the year of such settlement. Pending settlement as on 31st Mar 2011, the company has deposited with the institution a sum of Rs.536 lacs as per directions of Debt Recovery Tribunal (DRT) / DRAT.

The company has been providing interest at the contracted rate on the principal portion of loan amount, whereas, the lender has been claiming compound interest including penal interest. The Management considers that no additional provision towards such claim is required at this stage, pending disposal of the OTS proposal.

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.2020.58 lacs (after making adjustment for sale effected in the interim period), stands credited to Revaluation Reserve. During the current year, the company has sold a portion of the land at a location which was revalued in the earlier years. Consequently, revaluation reserve to the extent of Rs.61.38 lacs has been withdrawn in the current year.
8. Registration of leasehold lands and buildings situated at Peermedu (Rs.1684 lacs), and Kulumanali (Rs.2053.68 lacs) taken on lease are pending and action is being taken to get them registered.
9. a) Leasehold lands include Rs.2053.68 lacs paid to Manchanda Resorts Private Ltd (MRPL), a wholly owned subsidiary towards long term lease of the property at Kulu Manali. The company has also invested Rs.60.08 lacs in the equity of MRPL. MRPL has accumulated losses of Rs.1412.90 lacs as on 31.03.2011. The Management is of the opinion that no provision is required in respect of such deposits/investments as the present value of the property is estimated at Rs.3139.60 lacs

as per valuation report dated 22.11.2010.

The said property has also been provided as a security in respect of the loans availed by the company.

- b) The Company holds 98% shares in Sterling Holidays (Ooty) Limited and Sterling Holiday Resorts (Kodaikanal) Limited and invested Rs.9.80 lacs towards share capital. (Previous Year Rs.9.80 lacs). The company has advanced Rs.1013.51 lacs (Previous year Rs.807.35 lacs) towards resorts running and maintenance expenses. The accumulated losses as on 31.3.2011 of these subsidiaries are Rs.597.47 lacs and Rs.558.74 lacs (Rs.488.96 and Rs.379.16 lacs) respectively. In view of the steps taken by the these companies to turn around the operations, the future business plan approved by the respective Companies Board and further funding planned in the said properties for improving the quality of resorts, the Management is of the view that there is no permanent diminution in the value of investment and sum advanced and these amounts are good and recoverable.
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) includes value of certain resorts under construction for more than 10 years. The Company intends to develop such properties during the ensuing years. In the opinion of the Management, no impairment provision is required in respect of such properties as their estimated market value together with the market value of appurtenant land far exceeds the book value of those properties as per valuation report dated 22.11.2010.
12. During the year, the Company has advanced Rs.50 lacs (Previous Year Nil) to Sterling Holiday Financial Services Limited (SHFSL). The management is of the view that this loan is good and recoverable considering that this is a short term loan and SHFSL has adequate resources to repay such loan.
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, one of the parties has agreed to hand over possession of certain buildings equivalent to a value of Rs.150 lacs (Previous Year Rs.150 lacs) and the same is shown as under Loans and Advances, which in the opinion of the Company is good and recoverable.
14. The Company had in the past transferred a property at Goa and part of the sale consideration amounting to Rs.527 lacs (included in Sundry Debtors) is retained by the buyer pending compliance of certain conditions. The company is confident of recovering this amount as it has taken effective steps for discharge of its obligations. In view of the above, the same is considered as good and recoverable.
15. Secured Loan - Security Details
- 15.1 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 Fern Hill - Ooty.
  - ii) Guarantee of former Managing Director and a former Director of the Company.
- 15.2 Loan from Others viz., a Non Banking Finance Company (NBFC) is secured by equitable mortgage of properties belonging to the Company situated at Munnar, Yercaud, Puri, Darjeeling and Mussorie. This is also further secured by property at Kulu Manali belonging to Manchanda Resorts Private Limited, the wholly owned subsidiary of the Company.



16. In respect of term loan availed from NBFC:

- i. Financial investors have executed an undertaking agreeing not to sell/alienate their shareholding in the company during the currency of the term loan.
- ii. Sanction condition requires the Company to deposit the funded interest portion of the loan amount disbursed in a separate bank account or with debt funded instrument. Pursuant to this, the Company has invested such amounts in debt funded instrument and the same is grouped under current investments. The balance as at the year end is Rs.209.84 lacs (Previous Year Rs.Nil).

17. Deposit account under bank balance includes margin deposit with banks towards guarantees obtained, of Rs.22,47,684 (Previous Year Rs.16,95,327).

18. 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.

19. The Company has infused additional funds into operation by way of equity as well as debt in the last few years and has substantially repaid its high cost debt and also has plans to raise additional equity in the immediate future. It has a comfortable working capital cycle. Substantial improvements are being made to the quality of resorts by refurbishment / renovation. The marketing team is being strengthened by recruiting qualified and experienced personnel.

In view of this, the Company expects to substantially improve the operating performance in the ensuing years. Hence in the view of the Management, the "Going Concern Assumption" is not affected.

20. Debtors, Creditors Balances and Loans and Advances are subject to confirmation.

21. The breakup of Deferred Tax Liabilities (DTL) and Deferred Tax Assets (DTA) as on 31.03.2011 is as under:

Particulars	2010 - 11 (Rs. in Lacs)	2009 - 10 (Rs. in Lacs)
Deferred Tax Liability (DTL):		
Depreciation	2994.16	3153.84
<b>Total</b>	<b>2994.16</b>	<b>3153.84</b>
Deferred Tax Assets (DTA):		
Carried Forward Business Loss and Unabsorbed Depreciation	2913.48	2775.73
Disallowances U/s. 43B and 40(A)(7)	80.68	378.11
<b>Total (Restricted to DTL)</b>	<b>2994.16</b>	<b>3153.84</b>
<b>Net Deferred Tax Asset / (Liability)</b>	<b>NIL</b>	<b>NIL</b>

As a prudent measure, Deferred Tax Asset (DTA) has been recognized only to the extent of Deferred Tax Liability (DTL).

## 22. 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 (KMP)	<ol style="list-style-type: none"> <li>1) Mr. R.Subramanian – Chairman and Managing Director (CMD)</li> <li>2) Mr. Sidarth Shankar – Joint Managing Director (JMD)</li> </ol>
Subsidiary Companies	<ol style="list-style-type: none"> <li>1) Sterling Holidays (Ooty) Limited</li> <li>2) Sterling Holiday Resorts (Kodaikanal) Limited</li> <li>3) Manchanda Resorts Private Limited</li> </ol>
Enterprise owned by / over which Key Managerial Personnel is able to exercise significant influence	<ol style="list-style-type: none"> <li>1) Sterling Tree Magnum India Limited</li> <li>2) Brindavan Farms Private Limited</li> <li>3) Madurai Meenakshi Farms Private Limited</li> <li>4) CGK Finvest (Madras) Private Limited</li> <li>5) Kamadhenu Business Fortune Limited</li> <li>6) Concorde Digital Technologies Pvt.Ltd</li> <li>7) V Serve India Manpower Limited</li> <li>8) Srivari Farms Pvt Ltd</li> <li>9) Spring Field Holiday Services Private Ltd</li> <li>10) Sterling Marketing Services Private Limited</li> </ol>



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

(Rs. in lacs)

Sl. No.	Details	Subsidiary		KMP & Relatives of KMP		Enterprise owned by / over which KMP is able to exercise significant influence & Subsidiary Companies	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
1.	Purchase of Fixed Assets	-	-	-	-	0.90	-
2.	Rent	-	-	-	-	1.70	-
3.	Management Fee	3.00	3.00	-	-	0.00	-
4.	Loan Repaid / (Received)	-	-	28.77	(28.77)	0.00	-
5.	Travelling Expenses Reimbursed	-	-	12.53	-	-	-
6.	Advances Given/ (Received) (Net)	290.32	266.19	-	-	-	-
7.	Closing Balance	1016.92	807.35	-	28.77	-	120.57

**23. SEGMENT REPORTING**

Particulars	(Rs.in Lacs)					
	Timeshare		Resorts & Hotels		Total	
	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
<b>1. Revenue</b>						
Sales	990.43	751.41	2,875.21	2,313.43	3,865.64	3,064.84
<b>2. Result</b>						
Segment Results – (Loss) / Profit	(1446.36)	(641.77)	(346.36)	340.77	(1792.72)	(301.00)
Unallocated (Expenses) / Income	-	-	-	-	(590.86)	(165.44)
Interest Expenses	-	-	-	-	222.89	1,006.39
Interest / Dividend income	-	-	-	-	51.38	103.07
Income Tax					19.76	9.43
Loss before exceptional items					(2574.85)	(1379.19)
Exceptional (Income) / Loss					429.03	(476.97)
Net Profit / (Loss)	-	-	-	-	(3,003.88)	(902.22)
<b>3. Other Information:</b>						
Segment Assets	19159.90	19414.05	6386.63	6471.35	25546.53	25885.40
Unallocated Corporate Assets					1296.98	1955.56
<b>Total Assets</b>	<b>19159.90</b>	<b>19414.05</b>	<b>6386.63</b>	<b>6471.35</b>	<b>26843.51</b>	<b>27840.96</b>

Segment Liabilities	3578.07	3177.14	1192.69	1059.04	4770.76	4236.18
Unallocated corporate liabilities	-	-	-	-	-	100.00
Total Liabilities	3578.07	3177.14	1192.69	1059.04	4770.76	4,336.18
Capital Expenditure	1121.88	329.59	373.96	109.87	1495.84	439.46
Depreciation	319.32	309.17	106.43	103.05	425.75	412.22
Non - cash expenses other than depreciation and amortisation					2893.16	408.76

### 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.

24. 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 2011 in respect of undertakings covered by the MSMDA.

#### 25. Disclosure pursuant to Accounting Standard – 15 (Revised) “Employee Benefits”

##### a. Defined Contribution Plans

Contribution of Rs.62.47 lacs (Previous Year Rs.26.72 lacs) towards Defined Contribution Plan is recognized as expense and included in employee cost (Sch 13) in the Profit and Loss account.

##### b. Disclosure for Defined Benefit Plans (non-contributory) based on actuarial valuation as on 31st Mar 2011

Particulars	Gratuity (Rs. in lacs) (Funded)		Leave Wages (Rs. in lacs) (Partly Funded)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
<b>Movements in Accrued Liability</b>				
Accrued Liability as at beginning of the period	61.70	57.79	23.52	27.89
Interest Cost	5.16	4.80	1.77	2.23
Current Service Cost	38.19	15.67	21.32	4.96
Benefits Paid	(6.52)	(7.66)	(2.89)	(0.08)
Actuarial (Gain) / Loss	(11.72)	(1.42)	(8.51)	(9.76)
Accrued Liability as at the end of the period	86.81	69.18	35.21	25.24



<b>Changes in the Plan Assets in the inter-valuation period</b>				
Value of Assets at the beginning of the period	20.03	13.16	0.00	0.00
Expected Return on Assets	2.06	1.32	0.00	0.00
Contributions made	11.93	11.89	0.00	0.00
Benefits paid out of the Assets	(3.54)	(7.17)	0.00	0.00
Actuarial Gain / (Loss) on Plan Assets	1.85	0.83	0.00	0.00
Value of Assets as at the end of the period	32.33	20.03	0.00	0.00
<b>Recognition of Actuarial Gain / Loss as on accounting date</b>				
Actuarial gain / (Loss) in inter-valuation period - Obligation	7.65	1.42	8.51	0.00
Actuarial gain / (Loss) in inter-valuation period - Plan Assets	1.85	0.83	0.00	0.00
Actuarial Gain/Loss recognized in inter-valuation period	9.50	2.25	8.51	0.00
Unrecognized Actuarial Gain / Loss	0.00	0.00	0.00	0.00
<b>Amounts to be recognized in the Balance Sheet</b>				
Present value of obligation as on the accounting date	86.81	69.18	35.21	25.24
Fair Value of the Plan Assets	(32.33)	(20.03)	0.00	0.00
Liability to be recognized in the Balance Sheet	54.48	49.15	35.21	25.24
<b>Expenses to be recognized in Profit and Loss Account</b>				
Interest Cost	5.16	4.80	1.77	2.23
Current Service Cost	38.19	15.67	21.32	4.96
Expected Return on Plan Assets	(2.06)	(1.32)	0.00	0.00
Net Actuarial (Gain) / Loss	(9.50)	(2.25)	(8.51)	(9.76)
Net Expenses / (Income) to be recognized in Profit & Loss account	31.79	16.90	14.58	(2.57)

Particulars	Gratuity (Rs. in lacs) (Funded)		Leave Wages (Rs. in lacs) (Partly Funded)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
<b>Reconciliation</b>				
Net Liability as at the beginning of the period	41.67	44.63	23.52	27.89
Net Expenses in Profit & Loss account	27.72	16.90	14.58	(2.57)
Benefits paid	(14.91)	(12.38)	(2.89)	(0.08)
Net Liability as at the end of the period	54.48	49.15	35.21	25.24

<b>Actual Return on Plan Assets</b>				
Expected Return on Plan Assets	2.06	1.32	0.00	0.00
Actuarial Gain / (Loss) on Plan Assets	1.85	0.83	0.00	0.00
Actuarial return on Plan Assets	3.91	2.15	0.00	0.00

<b>Principal Actuarial Assumptions</b>	<b>Gratuity</b>		<b>Leave Wages</b>	
	<b>31.03.2011</b>	<b>31.03.2010</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Interest Rate (Liabilities)	8%	8%	8%	8%
Return on Assets	N.A.	N.A.	N.A.	N.A.
Mortality Table	LIC (94-96)	LIC (94-96)	LIC (94-96)	LIC (94-96)
Resignation Rate per annum	2%	2%	2%	2%
Salary Escalation Rate	5%	5%	5%	5%

The Company is expected to contribute Rs. 89.59 Lacs in the year 2011 - 12.

The estimate of Future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Amounts for the current and previous three periods are as follows:

<b>Particulars</b>	<b>Gratuity (Rs. in Lacs)</b>				<b>Leave Encashment (Rs. in Lacs)</b>			
	<b>31.3.2011</b>	<b>31.3.2010</b>	<b>31.3.2009</b>	<b>31.3.2008</b>	<b>31.3.2011</b>	<b>31.3.2010</b>	<b>31.3.2009</b>	<b>31.3.2008</b>
Defined Benefit Obligation	(86.81)	(69.18)	(57.79)	(32.25)	(35.21)	(25.24)	(27.89)	(0.00)
Plan Assets	32.33	20.03	13.16	10.65	0.00	0.00	0.00	0.00
Surplus / (Deficit)	(54.48)	(49.15)	(44.63)	(21.60)	(35.21)	(25.24)	(27.89)	(0.00)
Experience adjustments on Plan Liabilities	7.65	1.42	0.00	0.00	8.51	0.00	0.00	0.00
Experience adjustments on Plan Assets	1.85	0.83	0.00	0.00	0.00	0.00	0.00	0.00

## 26. Earnings per share (EPS) as per Accounting Standard – 20

	<b>2010-11</b>	<b>2009-10</b>
Profit / (Loss) available to Members		
- Before Exceptional Items (in Rs.)	(25,74,84,959)	(5,19,00,006)
- After Exceptional Items (in Rs.)	(30,03,88,436)	(9,02,22,544)
Weighted Average number of Equity shares of Rs.10 each as the year end	4,74,48,727	4,02,64,079
EPS – Basic and Diluted – Before Exceptional Items	(5.43)	(1.29)
EPS – Basic and Diluted – After Exceptional Items (Rs.)	(6.33)	(2.24)

Since potential Equity Shares are anti dilutive in nature, Basic and Diluted EPS are the same.





## 27. Employees Stock Options

### a. Employee Stock Option Scheme 2007 (ESOS 2007)

Number of Options Granted Exercised and Forfeited	Year ended 31.3.2011	Year ended 31.3.2010
Options Outstanding at the beginning of the year	16,66,000	25,00,000
Options Exercised during the year	16,66,000	8,34,000
Options Forfeited	Nil	Nil
Options Outstanding at the end of the year	Nil	16,66,000

### b. Employee Stock Option Scheme 2009 (ESOS 2009)

Number of Options Granted, Exercised and Forfeited	Year ended 31.3.2011	Year ended 31.3.2010
Options Outstanding at the beginning of the year	15,00,000	NIL
Options granted during the year	Nil	15,00,000
Options Vested	Nil	Nil
Options Exercised	10,00,000	Nil
Options Forfeited	Nil	Nil
Options Outstanding at the end of the year	5,00,000	15,00,000

### c. Employees Stock Purchase Scheme [ESPS] - 2010

The Company has instituted Employees Stock Purchase Scheme (ESPS) vide resolution passed at the Annual General

Meeting held on 29.09.2010 in terms of which the Company can issue upto 21,00,000 Equity Shares to eligible employees. The scheme is proposed to be implemented in 2011-2012 on receipt of approval from Bombay Stock Exchange (BSE).

## 28. Particulars of Share Warrants (preferential basis) Issued, Converted and Outstanding at the year end is detailed below

Number of Options Granted, Exercised and Forfeited	Year ended 31.3.2011	Year ended 31.3.2010
Date of Issue	12.02.2009	04.06.2009
No. of Warrants Outstanding	17,10,000	5,00,000
Price per share (in Rs.)	35.00	35.00
Date of Conversion	08.04.2010 and 04.08.2010	20.08.2010 and 02.12.2010
No. of Warrants Converted	17,10,000	5,00,000
Amount received on conversion (in Rs.)	5,98,50,000	1,75,00,000
Outstanding Warrant	Nil	Nil

**29. Additional information required under Schedule VI of the Companies Act, 1956, to the extent applicable:****a) Resort Operations Income comprises of**

(Rs. In Lakhs)

	Year ended 31.3.2011	Year ended 31.3.2010
Room Revenue	1136.63	971.77
Food & Beverage	928.60	610.18
Annual Amenity Charges	537.19	534.40
Minor Operating Department	272.79	197.08
<b>Total</b>	<b>2875.21</b>	<b>2313.43</b>

**b) Interest**

(Rs. In Lakhs)

	Year ended 31.3.2011	Year ended 31.3.2010
Interest on Term Loan	177.79	929.59
Others	45.09	76.80
<b>Total</b>	<b>222.88</b>	<b>1006.39</b>

**c) Remuneration to Auditors**

	Year ended 31.3.2011	Year ended 31.3.2010
Statutory Audit	16.55	15.34
Tax Audit	1.10	1.10
Certification	0.23	0.11
<b>Total</b>	<b>17.88</b>	<b>16.55</b>

- d) Value of Imports calculated on CIF basis – Rs.Nil (Previous Year Rs. Nil)
- e) Expenditure in foreign currency – Rs.9.81 Lacs (Previous Year Rs. Nil)
- f) Earnings in foreign currency – Rs.NIL (Previous Year Rs. Nil)

30. 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.
31. 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

**SIDDHARTH MEHTA**  
Chairman

**S. SIDHARTH SHANKAR**  
Vice Chairman

**RAMESH RAMANATHAN**  
Managing Director

**R.MOHAN**  
Senior Vice President- Finance

**M.BALASUBRAMANIAN**  
Company Secretary

As per our report of even date

**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: 023116

**A.S. Ramanathan**  
Partner  
Membership No: 011072

**Place: Chennai**  
**Date: 28<sup>th</sup> July 2011**



**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	31/03/2011

**CAPITAL RAISED DURING THE YEAR (AMOUNT RS IN LAKHS)**

Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	4892.86

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

Total Liabilities	45471.19
Total Assets	45471.19

**SOURCE OF FUNDS**

Paid-up Share Capital	4892.87
Eqity Share Warrant	-
Reserve & Surplus	16368.54
Secured loans	2837.25
Unsecured Loans	249.40
Deferred Income	20906.64

**APPLICATION OF FUNDS**

Net Fixed Assets	21990.39
Investments	280.05
Net Current Assets	2888.97
Profit and Loss Account	20311.78

**PERFORMANCE OF THE COMPANY (AMOUNT RS IN LAKHS)**

Turnover / Other Income	3936.50
Total Expenditure	6446.49
Profit before Tax	-2984.13
Profit after Tax	-3003.88
Earning per Share (in Rs)	(5.43)
Dividend Rate (%)	-

**SIDDHARTH MEHTA**  
Chairman

**S. SIDHARTH SHANKAR**  
Vice Chairman

**RAMESH RAMANATHAN**  
Managing Director

**R.MOHAN**  
Senior Vice President- Finance

**M.BALASUBRAMANIYAN**  
Company Secretary

**AUDITORS' REPORT TO THE BOARD OF  
DIRECTORS ON THE CONSOLIDATED  
FINANCIAL STATEMENTS 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, 2011 and its related Profit and Loss account of SHRIL group for the year ended on that date, and the cash flow statement of the SHRIL group 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. 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, whose financial statements reflect net assets of Rs.1222.90 lacs as at March 31st 2011 and total revenue of Rs.25.47 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 2011
  - (b) In the case of the Profit and Loss account, of the Loss of the SHRIL group for the year ended on that date
  - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date

**For V. SANKAR AIYAR & CO**

Chartered Accountants,  
ICAI Reg.No: 109208W

**S.VENKATARAMAN**

Partner  
M.NO: 023116

**Place: Chennai**

**Date: 28<sup>th</sup> July 2011**

**For R.SUBRAMANIAN AND COMPANY**

Chartered Accountants  
ICAI Reg.No: 004137S

**A.S.Ramanathan**

Partner  
M.No : 011072



**STERLING HOLIDAY RESORTS (INDIA) LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT 31.03.2011**

SOURCES OF FUNDS	Schedule No	As at 31.03.2011	As at 31.03.2010
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	489,286,600	440,526,600
Share Warrants		-	10,485,500
Employee Stock Option Outstanding	2	21,650,000	51,079,071
Reserves & Surplus	3	1,649,845,143	1,512,618,036
Minority Interest		20,000	20,000
<b>LOAN FUNDS</b>			
Secured	4	283,725,352	16,216,593
Unsecured	5	24,939,842	162,222,462
<b>DEFERRED INCOME</b>			
Advance Subscription towards Customer Facilities (Note No.18 of Notes on Accounts in Sch 14)		2,090,663,512	2,079,550,578
Total		<u>4,560,130,449</u>	<u>4,272,718,840</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	6	2,703,690,374	2,594,595,564
Less : Depreciation		808,320,101	763,487,274
Net Block		<u>1,895,370,273</u>	<u>1,831,108,290</u>
<b>Capital Work in Progress (at cost)</b>		389,005,815	520,766,918
<b>Investments</b>	7	21,016,880	107,833,000
Deferred Tax Assets (net) (Note No.21 of Notes on Accounts in Sch 14)			
Deferred Tax Assets		310,716,544	327,375,144
Less: Deferred Tax Liabilities		<u>310,716,544</u>	<u>327,375,144</u>
		-	-
<b>Current Assets, Loans &amp; Advances</b>	8		
<b>Current Assets</b>			
(a) Inventories		6,764,602	3,762,228
(b) Sundry Debtors		112,362,441	55,884,995

(c) Cash and Bank Balances		78,705,799	65,974,058
(d) Loans and advances		163,123,982	201,993,754
<b>Less : Current Liabilities &amp; Provisions</b>	<b>9</b>	<u>360,956,825</u>	<u>327,615,035</u>
(a) Current Liabilities		369,778,812	440,628,469
(b) Provisions		<u>24,529,950</u>	<u>33,605,028</u>
<b>Net Current Assets</b>		394,308,762 (33,351,937)	474,233,497 (146,618,462)
		-	-
<b>PROFIT AND LOSS ACCOUNT</b>			
Debit Balance in Profit & Loss Account		2,682,629,418	2,354,169,094
Less : General Reserve as per Contra		394,540,000	394,540,000
		2,288,089,418	1,959,629,094
<b>Total</b>		<u><b>4,560,130,449</b></u>	<u><b>4,272,718,840</b></u>

Significant Accounting Policies and notes on accounts 14

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

**SIDDHARTH MEHTA**  
Chairman

**S. SIDHARTH SHANKAR**  
Vice Chairman

**RAMESH RAMANATHAN**  
Managing Director

**R.MOHAN**  
Senior Vice President - Finance

**M.BALASUBRAMANIYAN**  
Company Secretary

This is the Balance Sheet referred to in our report of even date

**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 : 023116

**A.S.Ramanathan**  
Partner  
Membership No:011072

**Place : Chennai**  
**Date : 28<sup>th</sup> July 2011**



**STERLING HOLIDAY RESORTS (INDIA) LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

SOURCES OF FUNDS	Schedule No	For the Year ended 31.03.2011	For the Year ended 31.03.2010
<b>INCOME</b>			
Sales	10	429,862,547	335,730,124
Other Income	11	9,632,585	14,923,993
Total		439,495,132	350,654,117
<b>EXPENDITURE:</b>			
<b>Consumption of Food &amp; Beverages</b>	12	63,247,600	35,810,555
Administration and other expenses	13	593,092,505	312,581,375
<b>Profit / (Loss) before Interest and Depreciation and Exceptional Items</b>		(216,844,973)	2,262,187
Interest		17,778,725	6,939,850
Interest on others		4,509,896	7,679,719
<b>Depreciation / Amortisation</b>		44,832,827	43,303,084
<b>Loss for the year before Tax and Exceptional Items</b>		(283,966,421)	(55,660,466)
<b>Exceptional Items</b>			
- Interest on Loan from Financial Institutions		-	(86,019,490)
- Provision no longer required, Written back		84,549,961	77,815,066
- Capital Work in progress Written off		(7,550,513)	-
- Advances Written off		-	(100,000,000)
- <b>Provision for Doubtful Advances</b>		(125,279,978)	(34,612,569)
- Provision for Investments		(97,800,000)	-
- Unclaimed Credit Balances Written back		23,899,779	12,048,814
- Profit on Sale of Assets		79,662,708	6,057,377
Loss for the year before Tax after Exceptional Items		(326,484,465)	(180,371,268)
<b>PROVISION FOR TAX:</b>			
Fringe Benefit Tax - Interest for delayed remittance		(1,975,859)	(943,413)
<b>Loss for the year after Tax</b>		(328,460,324)	(181,314,681)
Add : Deficit brought forward from previous year		(2,354,169,094)	(2,172,854,413)
Balance carried to Balance Sheet		(2,682,629,418)	(2,354,169,094)

EARNINGS PER SHARE: (EPS)

(Note No.26 of Notes on Accounts in Sch 14)

- Before Exceptional Items	(6.03)	(1.41)
- After Exceptional Items	(6.92)	(4.50)

Significant Accounting Policies and Notes on Accounts 14

The Schedules referred to above form an integral part of the Profit and Loss account

**SIDDHARTH MEHTA**

Chairman

**S. SIDHARTH SHANKAR**

Vice Chairman

**RAMESH RAMANATHAN**

Managing Director

**R.MOHAN**

Senior Vice President - Finance

**M.BALASUBRAMANIYAN**

Company Secretary

This is the Profit and Loss account referred to in our report of even date

**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 : 023116

**A.S.Ramanathan**

Partner  
Membership No:011072

**Place : Chennai**

**Date : 28<sup>th</sup> July 2011**





### CASH FLOW STATEMENT - FINANCIAL YEAR ENDED 31.03.2011

Amt in Rs.	For the Year ended 31.03.2011 Amt in Rs.	For the Year ended 31.03.2010 Amt in Rs.
<b>Cash flow from operating activities</b>		
<b>Loss before Tax</b>	(326,484,466)	(180,371,267)
<b>Adjustments for</b>		
Depreciation / Amortisation	44,832,827	43,303,084
Interest - Term Loan	17,778,725	14,619,569
Interest Others	4,509,896	-
Interest on Loan from Financial Institutions (Exceptional items)		86,019,490
Amortisation of Employee Stock Option Cost	58,686,329	6,263,671
Provision for Doubtful Advances and Debts	125,279,978	40,112,569
Provision for Investment	97,800,000	-
Provision for Diminution in current investment	3,921	-
Provision for Contingencies	-	10,000,000
Capital Work in Progress written off	7,550,513	-
Provision no longer required written back	(84,164,527)	(77,815,066)
Unclaimed Credit Balances written back	(23,899,779)	(12,048,814)
Dividend from Mutual Funds	(1,154,356)	(4,418,362)
Interest earned	(3,984,037)	(5,888,217)
Profit on sale assets (net of revaluation reserve)	(79,662,708)	(6,057,377)
	<b>163,576,783</b>	<b>94,090,547</b>
<b>Operating Profit / (Loss) before Working Capital changes</b>	(162,907,683)	(86,280,720)
<b>Adjustments for:</b>		
Decrease / (Increase) in Advance Subscription towards		
Customer Facilities	11,112,934	(46,520,849)
Increase / (Decrease) in Trade Receivables	(163,844,797)	30,090,113
Decrease / (Increase) in Trade Payables	46,995,358	75,840,973
Inventories	(3,002,374)	650,471
	<b>(108,738,879)</b>	<b>60,060,708</b>

<b>Net Cash used in Operating activities</b>	<b>(A)</b>	<b>(271,646,562)</b>	<b>(26,220,012)</b>
<b>Cash flow from Investing activities</b>			
Purchase of Fixed Assets	(30,483,894)		(35,652,439)
Sale of Fixed Assets	148,050,000		
Increase in Capital Work in Progress	(21,375,399)		(1,550,002)
Capital work in progress written off	(7,550,513)		
Investment in shares of subsidiaries	-		(2,423,500)
Dividend from Mutual Funds	1,154,356		4,418,362
Interest Earned	3,984,037		5,888,217
Sale/(Purchase) of Investments (net)	(10,987,801)		(16,988,500)
<b>Net Cash from / (used) in Investing activities</b>	<b>(B)</b>	<b>82,790,786</b>	<b>(46,307,862)</b>
Issue of Equity Shares	93,650,000		382,403,000
Issue of Share Warrants	-		4,500,000
Interest paid	(22,288,621)		(14,619,569)
Interest on Loan from Financial Institutions (exceptional items)	-		(86,019,490)
Proceeds from loan availed	275,496,583		-
Repayment of Loan	(145,270,444)		(162,344,399)
<b>Net Cash from Financing activities</b>	<b>(C)</b>	<b>201,587,518</b>	<b>123,919,542</b>
<b>Net increase / (decrease) in Cash &amp; Cash equivalents</b>	<b>(A+B+C)</b>	<b>12,731,742</b>	<b>51,391,668</b>
Cash and cash equivalents as at 31st March 2010 (Note No.17 of Sch 14)		65,974,058	14,582,390
Cash and cash equivalents as at 31st March 2011 (Note No.17 of Sch 14)		78,705,799	65,974,058
<b>Increase / (Decrease) in Cash &amp; Cash equivalents</b>		<b>12,731,741</b>	<b>51,391,668</b>



**Notes:**

1. Previous Year figures have been regrouped where ever necessary, to confirm to current year grouping

**SIDDHARTH MEHTA**

Chairman

**S. SIDHARTH SHANKAR**

Vice Chairman

**RAMESH RAMANATHAN**

Managing Director

**R.MOHAN**

Senior Vice President - Finance

**M.BALASUBRAMANIYAN**

Company Secretary

This is the Cash Flow Statement referred to in our report of even date

**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: 023116

**A.S.Ramanathan**

Partner  
Membership No: 011072

**Place: Chennai**

**Date: 28<sup>th</sup> July 2011**

## SCHEDULE 1

SHARE CAPITAL	As At 31st Mar 2011 Rs.	As At 31st Mar 2010 Rs.
<b>Authorised</b> 6,50,00,000 Equity Shares of Rs.10 each	<u>650,000,000</u>	<u>650,000,000</u>
	<u>650,000,000</u>	<u>650,000,000</u>
<b>Issued, Subscribed and Paid up</b> 4,89,28,585* (4,40,52,585) Equity Shares of Rs.10/- each, fully paid up	489,285,850	440,525,850
Add: Share capital pending allotment	750	750
	<u>489,286,600</u>	<u>440,526,600</u>

\* During the year, 26,66,000 (Previous Year 8,34,000) Equity Shares were issued as fully paid up on exercise of options granted to employees and 22,10,000 (Previous Year 12,90,000) Equity Shares were issued as fully paid up on conversion of Warrants on preferential basis issued in the earlier years.

## SCHEDULE 2

EMPLOYEE STOCK OPTION OUTSTANDING: (Note No.27 of Notes on Accounts in Sch 14)	As At 31st Mar 2011 Rs.	As At 31st Mar 2010 Rs.
As per last Balance Sheet	109,765,400	67,250,000
Options granted during the year	-	64,950,000
Less: Transfer to Share Premium on vesting	88,115,400	22,434,600
<b>Total (A)</b>	<u>21,650,000</u>	<u>109,765,400</u>
<b>Deferred Stock Compensation Cost</b>		
As per last Balance Sheet	<b>58,686,329</b>	-
Options Granted during the year	-	64,950,000
Less: Amortisation during the year	<b>58,686,329</b>	6,263,671
<b>Total (B)</b>	<u>-</u>	<u>58,686,329</u>
<b>Total (A - B)</b>	<u>21,650,000</u>	<u>51,079,071</u>
	<u>21,650,000</u>	<u>51,079,071</u>

**SCHEDULE 3**

<b>RESERVES &amp; SURPLUS</b>	<b>As at 31st Mar-2011 Rs.</b>	<b>As at 31st Mar-2010 Rs.</b>
Capital Reserve	9,309,500	9,309,500
Capital reserve on consolidation	12,991,500	12,991,500
<b>Fixed Assets Revaluation Reserve</b>		
As per last Balance Sheet (Note No.7 of Notes on Accounts in Sch 14)	208,196,781	208,196,781
Less: Withdrawn during the year	<u>6,138,294</u>	<u>-</u>
	<b>202,058,488</b>	208,196,781
<b>Share Premium Account</b>		
As per last Balance Sheet	1,282,120,255	989,273,155
Add : Additions during the year	<u>143,365,400</u>	<u>292,847,100</u>
	<b>1,425,485,655</b>	<b>1,282,120,255</b>
<b>General Reserve</b>		
Opening Balance	394,540,000	394,540,000
Less : Debit Balance in Profit & Loss account (As per Contra)	<u>394,540,000</u>	<u>394,540,000</u>
	<u>-</u>	<u>-</u>
	<b>1,649,845,143</b>	<b>1,512,618,036</b>

**SCHEDULE 4**

<b>SECURED LOANS</b> (Notes No.6, 15 and 16 of Notes on Accounts in Sch 14)	<b>As at 31st Mar-2011 Rs.</b>	<b>As at 31st Mar-2010 Rs.</b>
From Financial Institutions	8,228,769	16,216,593
From Others - IL&FS Financial Services Ltd	271,700,000	-
-Towards Hire Purchase	<u>3,796,583</u>	<u>-</u>
	<b>283,725,352</b>	<b>16,216,593</b>

**SCHEDULE 5**

<b>UNSECURED LOANS</b>	<b>As at 31st Mar-2011 Rs.</b>	<b>As at 31st Mar-2010 Rs.</b>
<b>Short Term Loan</b>		
- From Financial Institutions	-	134,405,620
- From Others	24,939,842	24,939,842
- From Directors	-	2,877,000
	<u>24,939,842</u>	<u>162,222,462</u>

## SCHEDULE 6

FIXED ASSETS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK		
	As at 1st April 2010	Additions during the year	Deletions/ Adjustments during the year	As at 31st Mar 2010	As at 1st April 2010	Depreciation /Amortised for the year	Deletions during the year	As at 31st Mar 2011	As at 1st April 2010
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>TANGIBLE ASSETS</b>									
Freehold Land	383,422,693	5,321,208	21,459,431	367,284,470	-	-	-	367,284,470	383,422,693
Leasehold Land	395,789,299	-	-	395,789,299	9,319,349	4,106,246	-	382,363,704	386,469,950
(Note No.8 and 9 of Notes on Accounts in Sch 14)									
Buildings	1,253,675,633	91,312,889	-	1,344,988,522	273,204,916	20,821,625	-	1,050,961,981	980,470,717
(Note No.10 of Notes on Accounts in Sch 14)									
Plant & Machinery	129,061,765	4,646,493	-	133,708,258	107,343,439	6,061,339	-	20,303,480	21,718,326
Office Equipments	149,245,403	11,389,122	-	160,634,525	128,685,927	4,788,434	-	27,160,164	20,559,476
Electrical Fittings	74,178,457	7,268,491	-	81,446,948	52,555,630	3,639,121	-	25,252,197	21,622,827
Furniture & Fixtures	202,904,854	7,042,896	-	209,947,750	187,201,731	4,679,251	-	18,066,768	15,703,123
Vehicles	5,223,835	-	-	5,223,835	5,143,278	65,041	-	15,516	80,557
<b>(A)</b>	<b>2,593,501,939</b>	<b>126,981,099</b>	<b>21,459,431</b>	<b>2,699,023,607</b>	<b>763,454,270</b>	<b>44,161,056</b>	<b>-</b>	<b>1,891,408,281</b>	<b>1,830,047,669</b>
<b>INTANGIBLE ASSETS:</b>									
Software	1,093,628	3,573,139	-	4,666,767	33,004	671,771	-	3,961,992	1,060,624
<b>(B)</b>	<b>1,093,628</b>	<b>3,573,139</b>	<b>-</b>	<b>4,666,767</b>	<b>33,004</b>	<b>671,771</b>	<b>-</b>	<b>3,961,992</b>	<b>1,060,624</b>
<b>Total</b>	<b>2,594,595,567</b>	<b>130,554,238</b>	<b>21,459,431</b>	<b>2,703,690,374</b>	<b>763,487,274</b>	<b>44,832,827</b>	<b>-</b>	<b>1,895,370,273</b>	<b>1,831,108,293</b>
Capital Work in Progress	520,766,918	21,375,399	153,136,502	389,005,815	-	-	-	389,005,815	520,766,918

(Note No.11 of Notes on Accounts in Sch 14)

Previous Year Figures	3,073,652,668	44,352,439	2,642,623	3,115,362,485	720,184,190	43,303,084	-	763,487,274	2,351,875,211	2,353,468,478
-----------------------	---------------	------------	-----------	---------------	-------------	------------	---	-------------	---------------	---------------

- Buildings includes Rs.5,27,87,223 (Rs.5,27,87,223) towards cost of 4117 (4117) Property Timeshare weeks retained by the Company.
- Furniture & Fixtures includes the assets valued Rs.40,89,137 (Rs.Nil), which are acquired under Hire Purchase arrangement.
- Deletions/Adjustments during the year under Capital Work in Progress includes transfers to fixed assets and sale.



## SCHEDULE 7

INVESTMENTS AT COST		As at 31st Mar-2011 Rs.		As at 31st Mar-2010 Rs.
<b>LONG TERM INVESTMENTS IN FULLY PAID SHARES</b>				
<b>Unquoted - Trade</b>				
<b>Investment in Associate Companies</b>				
Nil (Previous Year 75) Equity Shares of Bahrain Dinars 50 each in Sterling Middle East WLL - a foreign company		-		313523
Less: Written off during the year		-		313523
		-		-
<b>Others</b>				
<b>Trade: (fully paid up)</b>				
1,00,000 (Previous Year 1,00,000) Equity Shares of Rs.10/- each in Sterling Holiday Finvest Ltd	1,00,000		1,00,000	
Less: Provision for Diminution in Value	1,00,000	-	1,00,000	-
1,00,000 (Previous Year 1,00,000) Equity Shares of Rs.10/- each in Sterling Securites and Futures Lrd	1,00,000		1,00,000	
Less: Provision for Diminution in Value	1,00,000	-	1,00,000	-
5,20,000 (Previous Year 5,20,000) Equity Shares of Rs.10/- each in Sterling Resorts Home Finance Ltd	5,20,000		5,20,000	
Less: Provision for Diminution in Value	5,20,000	-	5,20,000	-
7,00,000 (Previous Year 7,00,000) Equity Shares of Rs.10/- each in Sterling Holiday Financial Services Ltd	9,50,000		9,50,000	
Less: Provision for Diminution in Value	9,50,000	-	9,50,000	-
<b>Non - Trade: ( fully paid up)</b>				
<b>Quoted</b>				
1,100 (1,100) Equity Shares of Rs.10/- each in Tourism Finance Corporation of India Ltd		33,000		33,000
<b>Others</b>				
28,765 (28,765) no.of Teak Units of Sterling Tree Magnum (India) Ltd	97,80,000		97,80,000	
Less: Provision for Diminution in Value	97,80,000	-	-	97,80,000
<b>(A)</b>		<b>33,000</b>		<b>97,833,000</b>

Aggregate cost of quoted investments		33,000		33,000
Aggregate market value of quoted investments (Amount in Rs.)		29,480		30,470
<b>CURRENT INVESTMENTS</b> (Note No: 16 (ii) of Notes on Accounts in Sch 14)		20,983,880		10,000,000
Units of Mutual Fund (NAV as on 31-03-2011 Rs.2,09,83,880)				
<b>(B)</b>		<b>20,983,880</b>		<b>10,000,000</b>
<b>(A + B)</b>		<b>21,016,880</b>		<b>107,833,000</b>

	Qty in units	Value in Rs.	Qty. in Units	Value in Rs.
<b>Purchased during the year</b>				
- Axis Short Term Fund	1,994,832	20,004,575	-	-
- Axis Treasury Advantage Fund	160,795	150,000,000	30,000	30,000,000
- Birla Sun Life Savings Fund	-	-	24,983,012	250,000,000
<b>TOTAL</b>		<b>170,004,575</b>		<b>280,000,000</b>
<b>Sold during the year</b>				
- Axis Short Term Fund	-	-	-	-
- Axis Treasury Advantage Fund	160,170	160,171,130	20,000	20,000,000
- Birla Sun Life Savings Fund	-	-	24,983,012	250,000,000
<b>TOTAL</b>		<b>160,171,130</b>		<b>270,000,000</b>

**SCHEDULE 8**

<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>	<b>As at 31st Mar-2011 Rs.</b>	<b>As at 31st Mar-2010 Rs.</b>
<b>CURRENT ASSETS</b>		
Inventories		
<b>(As certified by Management)</b>		
Food & Beverages	4,880,063	1,078,861
Stores & Operating Supplies	1,884,539	2,683,367
	<b>6,764,602</b>	<b>3,762,228</b>
Sundry debtors - unsecured		
(Note No.14 and 20 of Notes on Accounts in Sch 14)		
(a) Debts outstanding for a period exceeding six months considered Doubtful	189,796,490	190,181,924





Considered good	53,654,384	52,997,611
(b) Other Debts - considered good	<u>58,708,057</u>	<u>2,887,384</u>
	302,158,931	246,066,919
Less: Provision for Doubtful debts	<u>189,796,490</u>	<u>190,181,924</u>
	<b><u>112,362,441</u></b>	<b><u>55,884,995</u></b>
Cash balance on hand	833,541	1,146,504

**Balances with Scheduled Banks**

- On current accounts	23,329,741	58,560,839
- On deposit accounts *	<u>54,542,517</u>	<u>6,266,715</u>
(Note No.17 of Notes on Accounts in Sch 14)	77,872,258	64,827,554
	<b><u>78,705,799</u></b>	<b><u>65,974,058</u></b>

**LOANS AND ADVANCES**

Unsecured & Considered good, otherwise stated  
(Note No.12, 13 and 20 of Notes on Accounts in Sch 14)

Advances recoverable in cash or in kind  
or for value to be received (includes capital advances)

Unsecured	138,120,880	177,520,319
Unsecured & Considered doubtful	<u>521,369,303</u>	<u>396,089,325</u>
	<b><u>659,490,183</u></b>	<b><u>573,609,644</u></b>
Less : Provision for Doubtful advances	<u>521,369,303</u>	<u>396,089,325</u>
	138,120,880	177,520,319
Advance Income Tax and TDS Receivable	12,601,736	11,764,715
Deposits	12,303,908	12,708,720
Prepaid Expenses	97,458	-
	<b><u>163,123,982</u></b>	<b><u>201,993,754</u></b>

**SCHEDULE 9****CURRENT LIABILITIES & PROVISIONS**

**As at 31st  
Mar-2011  
Rs.**

**As at 31st  
Mar-2010  
Rs.**

**CURRENT LIABILITIES**

Sundry Creditors

(Note No.20 and 24 of Notes on Accounts in Sch 14)

- Total outstanding dues to Micro, Small and Medium Enterprises	-	-
---	---	---

- Total outstanding dues to creditors other than Micro, Small and Medium Enterprises	124,430,128	190,055,987
Other liabilities	221,347,660	234,639,768
Advances received	23,436,686	11,848,260
On current accounts - cheques over issued	564,338	4,084,454
	<b>369,778,812</b>	<b>440,628,469</b>
<b>PROVISIONS</b>		
For Fringe Benefit taxes	13,918,950	11,943,091
For Leave encashment	3,845,000	4,198,181
For Gratuity	6,766,000	7,463,756
For Contingencies	-	10,000,000
	<b>24,529,950</b>	<b>33,605,028</b>

**SCHEDULE 10**

<b>SALES</b>	<b>For the Year ended 31st March 2011 Rs.</b>	<b>For the Year ended 31st March 2010 Rs.</b>
<b>Sales less Returns</b>		
Timeshares and Others	109,843,702	78,873,601
Less: Sales Return	10,801,113	3,732,207
	<b>99,042,589</b>	<b>75,141,394</b>
Resort Operations (Note No.29(a) of Notes on Accounts in Sch 14)	330,819,958	260,588,730
	<b>429,862,547</b>	<b>335,730,124</b>

**SCHEDULE 11**

<b>OTHER INCOME</b>	<b>For the Year ended 31st March 2011 Rs.</b>	<b>For the Year ended 31st March 2010 Rs.</b>
Interest on bank deposits (Tax Deducted at Source Rs.72,393/- (Previous Year - Rs. 4,50,299/-)	2,713,943	5,888,217
Interest on EMI sale(TDS Rs Nil)	1,270,094	-
Dividend from Mutual Fund units - Current Investments	1,154,356	4,418,362
Miscellaneous	4,494,192	4,617,414
	<b>9,632,585</b>	<b>14,923,993</b>

**SCHEDULE 12**

<b>CONSUMPTION OF FOOD &amp; BEVERAGES</b>	<b>For the Year ended 31st March 2011 Rs.</b>	<b>For the Year ended 31st March 2010 Rs.</b>
Opening Stock	3,762,228	4,412,701
Add : Purchases during the Year		
Food & Beverages and Consumables	66,249,974	35,160,082
	<u>70,012,202</u>	<u>39,572,783</u>
Less : Closing Stock	6,764,602	3,762,228
	<u><b>63,247,600</b></u>	<u><b>35,810,555</b></u>

**SCHEDULE 13**

<b>ADMINISTRATION AND OTHER EXPENSES</b>	<b>For the Year ended 31st March 2011 Rs.</b>	<b>For the Year ended 31st March 2010 Rs.</b>
Salaries, Wages & Bonus	189,345,332	97,184,325
Contribution to Provident Fund / ESI / Gratuity	9,491,279	5,026,590
Staff Welfare	3,881,033	1,223,217
Amortisation of deferred stock compensation cost	58,686,329	6,263,671
Rent	33,521,079	27,890,523
Rates & Taxes	7,536,990	6,285,558
Repairs & Maintenance		
- Building	22,265,701	3,652,402
- Plant & Machinery	4,252,511	6,261,755
- Others	5,563,026	4,071,448
	<u>32,081,238</u>	
Recruitment & Training	2,650,458	25,082
Insurance	346,480	351,432
Director's Sitting fees	400,000	280,000
Audit Fees	2,047,181	1,881,345
Postage & Telegram	4,873,972	2,022,416
Telephone & Fax	3,132,691	2,790,173
Printing & Stationery	5,190,596	1,836,080
Travelling & Conveyance	20,688,441	11,375,868
Professional Charges	28,750,784	13,755,803
Resort Operational Expenses	47,489,861	25,969,144
Power and Fuel	52,443,981	43,158,930
Advertisement	27,545,576	2,410,626
Sales Commission, Brokerage & Incentive	8,946,026	4,161,612

Provision for Contingencies	-	10,000,000
Service charges	302,246	330,900
Finance Charges	8,011,839	1,637,153
Sales Promotion	16,387,205	2,306,910
Freight Charges	1,254,064	177,267
Miscellaneous Expenses	15,124,738	11,623,242
Assured Return to customers	1,775,135	4,087,095
Compensation to customers	3,144,929	8,941,212
Legal expenses	8,043,021	5,599,596
	<b>593,092,505</b>	<b>312,581,375</b>

## SCHEDULE - 14

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011.

#### 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 Timeshare 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) Ltd.	India	98 %
Sterling Holiday Resorts (Kodaikanal) Ltd.	India	98 %
Manchanda Resorts Private Ltd.	India	100 %

### 3. Basis of preparation of financial statements

The consolidated financial statements of Sterling Holiday 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 requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The Management believes that these estimates and assumptions are reasonable and prudent. However actual results could differ from these estimates. Differences between actual results and estimates are recognized in the period in which they materialize.

## 5. FIXED ASSETS 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 Amortisation

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

- a) On fixed assets (other than intangible assets) owned by the company at the SLM rates specified in Schedule XIV to the Companies Act, 1956. On assets added/disposed off during the year, on pro-rata basis with reference to the month of addition/disposal.
- b) Cost of leasehold land and building is amortized over the period of lease.

- c) Intangible assets, namely Software are amortized over a period of 5 years.

## 5.2 SUBSIDIARY COMPANIES

In case of Sterling Holiday Resorts (Kodaikanal) Limited and Sterling Holidays (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 Resorts Private Limited, depreciation is charged on Straight Line 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, a portion of the time share consideration (net of discount), namely 45% of the sale value (cash/Equated Monthly Instalment (EMI) sales) is treated as income in the year of sale.
- b) Advance subscription towards Customer Facilities (ASCF), being balance 55%, of the sale value (Cash/EMI) in respect of Holiday plans 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) In respect of sales made under EMI scheme, interest wherever applicable is accrued over the contracted period.

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

- e) Income in respect of amenity charges is accounted on cash basis, in view of uncertainty in collection.

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

## 8. 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.

## 9. INVENTORIES

Inventories comprising of provisions, perishables, beverages, consumables and operating supplies 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 fund administered by Insurance Company, 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.
- 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) Company makes annual contribution to Gratuity fund administered by an Insurance Company, 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.

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

## 12. 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 which may 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.

## 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 Rs.319.63 lacs (Previous Year Rs.Nil)
2. Claims against the company not acknowledged as debts Rs.60.47 lacs (Previous Year Rs.60.47 lacs)
3. Contingent liabilities not provided for:
  - a) Rs.284.86 lacs (Previous Year Rs.517.81 lacs), comprises of Customer related cases -

Rs.180.35 lacs (Previous Year Rs.332.03 lacs), Vendor related cases - Rs.92.00 lacs (Previous Year Rs.89.02 lacs), Employee related cases - Rs.12.51 lacs (Previous Year Rs.23.69 lacs), Property Related Rs.Nil (Previous year Rs.6.36 lacs) and Sales Tax Rs.Nil (Previous Year Rs.66.7 lacs).

- b) Rs.433.64 lacs, (Previous Year Rs.433.64 lacs), in respect of a suit filed by NOIDA creditors, in which company was included as one of the defendants.
  - c) Simple interest calculated at contracted rates in respect of certain loans availed by the company from others amounts to Rs.208.27 lacs (previous year Rs. 158.27 lacs) upto 31st March 2011. In the opinion of the Management, no provision is considered necessary in respect of the above as the matter is in the process of settlement and the company does not expect any liability to arise in the future.
  - d) In respect of assessment year 2006-07, 2007-08 and 2008-09 the company has filed appeals before the Commissioner of Income Tax – Appeals, against tax demand of Rs.38.34 lacs and with reference to the treatment of ASCF. Pending outcome of the appeal and considering the set off against carried forward losses and unabsorbed depreciation, no provision has been made in respect of the above.
4. Service tax, Interest, penalty and additional penalty aggregating to Rs.557.03 lacs (Previous Year Rs.557.03 lacs) have 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 hence no provision is considered necessary at this stage.
  5. ASCF being 55% of sale value is treated as Deferred Income and recognised as income over the period of the respective contracts. In respect of Assessment





Years from 1997-98 to 2001-02, the Income Tax Appellate Tribunal (ITAT) has passed orders against the said accounting treatment followed by the company and to treat them as income in the respective year of receipt. There are no tax demand on account of available carried forward losses unabsorbed depreciation. The company has appealed against this before High Court of Madras and the case is pending. The ITAT Chennai has recently decided in favour of assesee in a similar case and accepted the treatment followed by the company. In view of the above, management is of the view that no provision for Income Tax is required at this stage.

6. A financial institution took symbolic possession of a property situated at Ooty - Fern Hill under the Securitization and Reconstruction of Financial Asset and Enforcement of Security Interest Act (SARFAESI) for default in repayment of loans together with interest/penal interest. The case is pending before Debt Recovery Appellate Tribunal (DRAT) with regard to adjudication in respect of One Time Settlement (OTS) scheme proposed by the Company. Any incremental liability which may accrue pursuant to the OTS will be accounted in the year of such settlement. Pending settlement as on 31st Mar 2011, the company has deposited with the institution a sum of Rs.536 lacs as per directions of Debt Recovery Tribunal (DRT) / DRAT.

The company has been providing interest at the contracted rate on the principal portion of loan amount, whereas, the lender has been claiming compound interest including penal interest. The Management considers that no additional provision towards such claim is required at this stage, pending disposal of the OTS proposal.

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.2020.58 lacs (after making adjustment for sale effected in the interim period), stands credited to Revaluation Reserve. During the current year,

the company has sold a portion of the land at a location which was revalued in the earlier years. Consequently, revaluation reserve to the extent of Rs.61.38 lacs has been withdrawn in the current year.

8. Registration of Lease hold lands and buildings situated at Peermedu (Rs.1684 lacs), and Kulumanali (Rs.2053.68 lacs) taken on lease are pending and action is being taken to get them registered.
9. Leasehold lands include Rs.2053.68 lacs paid to Manchanda Resorts Private Ltd (MRPL), a wholly owned subsidiary towards long term lease of the property at Kulu Manali. The company has also invested Rs.60.09 lacs in the equity of MRPL. MRPL has accumulated losses of Rs.1412.90 lacs as on 31.03.2011. The management is of the opinion that no provision is required in respect of such deposits/ investments as the present value of the property is estimated at Rs.3139.60 lacs as per valuation report dated 22.11.2010.  
  
The said property has also been provided as a security in respect of the loans availed by the company.
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) includes value of certain resorts under construction for more than 10 years. The company intends to develop such properties during the ensuing years. In the opinion of the management, no impairment provision is required in respect of such properties as their estimated market value together with the market value of appurtenant land far exceeds the book value of those properties as per valuation report dated 22.11.2010.
12. During the year, the company has advanced Rs.50 lacs (Previous Year Nil) to Sterling Holiday Financial Services Limited (SHFSL). The management is of the view that this loan is good and recoverable considering that this is a short term loan and SHFSL

has adequate resources to repay such loan.

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, one of the parties has agreed to hand over possession of certain buildings equivalent to a value of Rs.150 lacs (Previous Year Rs.150 lacs) and the same is shown as under Loans and Advances, which in the opinion of the Company is good and recoverable.
14. The Company had in the past transferred a property at Goa and part of the sale consideration amounting to Rs.527 lacs (included in Sundry Debtors) is retained by the buyer pending compliance of certain conditions. The company is confident of recovering this amount as it has taken effective steps for discharge of its obligations. In view of the above, the same is considered as good and recoverable.
15. Secured Loan - Security Details
  - 15.1 Term Loan from a Financial Institution is secured by
    - i) Deposit of title deeds of the immovable assets (other than Timeshare portion) both present and future at Fern Hill – Ooty.
    - ii) Guarantee of former Managing Director and a former Director of the Company.
  - 15.2 Loan from Others viz., a Non Banking Finance Company (NBFC) is secured by equitable mortgage of properties belonging to the Company situated at Munnar, Yercaud, Puri, Darjeeling and Mussorie. This is also further secured by property at Kulu Manali belonging to Manchanda Resorts Private Limited, the wholly owned subsidiary of the Company.
16. In respect of term loan availed from NBFC
  - i. Financial investors have executed an undertaking agreeing not to sell/alienate their shareholding in the company during the currency of the term loan.
  - ii. Sanction condition requires the Company to deposit the funded interest portion of the loan amount disbursed in a separate bank account or in a debt funded instrument. Pursuant to this, the Company has invested such amounts in debt funded instrument and the same is grouped under current investments. The balance as at the year end is Rs.209.84 lacs(Previous Year Rs.Nil).
17. Deposit account under bank balance includes margin deposit with banks towards guarantees obtained, of Rs.22,47,684 (Previous Year Rs.16,95,327).
18. 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.
19. The company has infused additional funds into operation by way of Equity as well as debt in the last few years and has substantially repaid its high cost debt and also has plans to raise equity in the immediate future. It has a comfortable working capital cycle. Substantial improvements are being made to the quality of resorts by refurbishment / renovation. The marketing team is being strengthened by recruiting qualified and experienced personnel. In view of this, the Company expects to substantially improve the operating performance in the ensuing years. Hence in the view of the management, the "Going Concern Assumption" is not affected.
20. Debtors, Creditors balances and Loans and advances are subject to confirmation.



21. The breakup of Deferred Tax Liabilities (DTL) and Deferred Tax Assets (DTA) as on 31.03.2011 is as under.

Particulars	Year Ended 2010 – 11 (Rs. in Lacs)	Year Ended 2009 – 10 (Rs. in Lacs)
<b>Deferred Tax Liability (DTL):</b>		
Depreciation	3107.17	3273.75
<b>Total</b>	<b>3107.17</b>	<b>3273.75</b>
<b>Deferred Tax Assets (DTA):</b>		
Carried Forward Business Loss and Unabsorbed Depreciation	3019.06	2881.36
Disallowances U/s. 43B and 40(A)(7)	88.11	392.39
<b>Total (Restricted to DTL)</b>	<b>3107.17</b>	<b>3273.75</b>
<b>Net Deferred Tax Asset / (Liability)</b>	<b>NIL</b>	<b>NIL</b>

As a prudent measure, Deferred Tax Asset (DTA) has been recognized only to the extent of Deferred Tax Liability (DTL).

**22. RELATED PARTY INFORMATION.**

Disclosure of related party transactions in accordance with Accounting Standard (AS - 18) "Related Party Disclosure" issued by the Institute of

Chartered Accountants of India.

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

Key Management Personnel (KMP)	1) Mr. R.Subramanian – Chairman and Managing Director (CMD) 2) Mr. Sidarth Shankar – Joint Managing Director (JMD)
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 10) Sterling Marketing Services Private Limited

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

(Rs. in lacs)

Sl. No.	Details	KMP & Relatives of KMP		Enterprise owned by / over which KMP is able to exercise significant influence & Subsidiary Companies	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
1.	Purchase of Fixed Assets	-	-	0.90	-
2.	Rent	-	-	1.70	-
3.	Management Fee	-	-	0.00	-
4.	Loan Repaid / (Received)	28.77	(28.77)	0.00	-
5.	Travelling Expenses Reimbursed	12.53	-	-	-
6.	Closing balance	-	28.77	-	120.57



## 23. SEGMENT REPORTING

Particulars	(Rs.in Lacs)					
	Time Share		Resorts & Hotels		Total	
	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
<b>1.Revenue</b>						
Sales	990.43	751.41	3308.20	2605.89	4298.63	3357.30
<b>2.Result</b>						
Segment Results	(1446.36)	(641.77)	(630.93)	293.73	(2077.29)	(348.04)
Unallocated (Expenses)/Income	-	-	-	-	(590.86)	(165.44)
Interest Expenses	-	-	-	-	222.89	1,006.39
Interest/ Dividend income	-	-	-	-	51.38	103.07
Income Tax					19.76	9.43
Loss before exceptional items					(2859.42)	(1426.23)
Exceptional (Income)/ Loss					425.18	386.91
Net Profit/(Loss)	-	-	-	-	(3284.60)	(1813.14)
<b>3. Other Information:</b>						
Segment Assets	19839.99	20096.18	6613.33	6698.72	26453.32	26794.90
Unallocated corporate assets					210.17	1078.33
<b>Total Assets</b>	<b>19839.99</b>	<b>20096.18</b>	<b>6613.33</b>	<b>6698.72</b>	<b>26663.49</b>	<b>27873.23</b>
Segment Liabilities	5272.31	4820.04	1757.44	1606.68	7029.74	6426.72
Unallocated corporate liabilities	-	-	-	-	-	100.00
<b>Total Liabilities</b>	<b>5272.31</b>	<b>4820.04</b>	<b>1757.44</b>	<b>1606.68</b>	<b>7029.74</b>	<b>6526.72</b>
Capital expenditure	1139.47	332.64	379.82	110.88	1519.29	443.52
Depreciation	336.25	324.77	112.08	108.26	448.33	433.03
Non-cash expenses other than depreciation and amortisation					2893.16	408.76

### Notes on Segment Reporting

#### a. Business Segments

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

The business segments are: Timeshare 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.

24. 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 2011 in respect of undertakings covered by the MSMDA.

## 25. Disclosure pursuant to Accounting Standard – 15 (Revised) "Employee Benefits"

### a. Defined Contribution Plans

Contribution of Rs.74.51 lacs (Previous Year Rs.30.01 lacs) towards Defined Contribution Plan is recognized as expense and included in employee cost (Sch 14) in the Profit and Loss Account.

### b. Disclosure for Defined Benefit Plans (non-contributory) based on actuarial valuation as on 31st Mar 2011

Particulars	Gratuity (Rs. in lacs) (Partly Funded)		Leave Wages (Rs. in lacs) (Partly Funded)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
<b>Movements in Accrued Liability</b>				
Accrued Liability as at beginning of the period	69.17	57.78	25.24	27.89
Interest Cost	5.74	4.80	1.90	2.23
Current Service Cost	44.62	15.67	23.03	4.96
Benefits Paid	(6.98)	(7.66)	(3.04)	(0.08)
Actuarial (Gain)/Loss	(12.56)	(1.42)	(8.68)	(9.76)
Accrued Liability as at the end of the period	99.99	69.17	38.45	25.24
<b>Changes in the Plan Assets in the inter-valuation period</b>				
Value of Assets at the beginning of the Period	20.03	13.16	0.00	0.00
Expected Return on Assets	2.06	1.32	0.00	0.00
Contributions made	11.93	11.89	0.00	0.00
Benefits paid out of the Assets	(3.54)	(7.17)	0.00	0.00
Actuarial Gain/(Loss) on Plan Assets	1.85	0.83	0.00	0.00
Value of Assets as at the end of the period	32.33	20.03	0.00	0.00
<b>Recognition of Actuarial Gain/Loss as on accounting date</b>				
Actuarial gain/(Loss) in inter-valuation period – Obligation	8.49	1.42	8.51	0.00
Actuarial gain/(Loss) in inter-valuation period - Plan Assets	1.85	0.83	0.00	0.00
Actuarial Gain/Loss recognized in inter-valuation period	10.34	2.25	8.51	0.00
Unrecognized Actuarial Gain/Loss	0.00	0.00	0.00	0.00



<b>Amounts recognized in the Balance Sheet</b>				
Present value of obligation as on the accounting date	99.99	69.17	38.45	25.24
Fair Value of the Plan Assets	(32.33)	(20.03)	0.00	0.00
Liability to be recognized in the Balance Sheet	67.66	49.14	38.45	25.24
<b>Expenses recognized in Profit and Loss Account</b>				
Interest cost	5.74	4.80	1.90	2.23
Current Service Cost	44.62	15.67	23.03	4.96
Expected Return on Plan Assets	(2.06)	(1.32)	0.00	0.00
Net Actuarial (Gain) / Loss	(10.34)	(2.25)	(8.68)	(9.76)
Net Expenses / (Income) to be recognized in Profit & Loss Account	37.96	16.90	16.25	(2.57)
<b>Reconciliation</b>				
Net Liability as at the beginning of the period	49.14	44.62	25.24	27.89
Net Expenses in Profit & Loss Account	33.89	16.90	16.25	(2.57)
Benefits Paid	(15.37)	(12.38)	(3.04)	(0.08)
Net Liability as at the end of the period	67.66	49.14	38.45	25.24
<b>Actual Return on Plan Assets</b>				
Expected Return on Plan Assets	2.06	1.32	0.00	0.00
Actuarial Gain / (Loss) on Plan Assets	1.85	0.83	0.00	0.00
Actuarial return on Plan Assets	3.91	2.15	0.00	0.00
<b>Principal Actuarial Assumptions</b>	<b>Gratuity</b>	<b>Leave Wages</b>	<b>Gratuity</b>	<b>Leave Wages</b>
	<b>31.03.2011</b>	<b>31.03.2011</b>	<b>31.03.2010</b>	<b>31.03.2010</b>
Interest Rate (Liabilities)	8%	8%	8%	8%
Return on Assets	N.A.	N.A.	N.A.	N.A.
Mortality Table	LIC (94-96)	LIC (94-96)	LIC (94-96)	LIC (94-96)
Resignation Rate per annum	2%	2%	2%	2%
Salary Escalation Rate	5%	5%	5%	5%

The Company is expected to contribute Rs.106.11 Lacs in the year 2011 - 12.

The estimate of Future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Amounts for the current and previous three periods are as follows:

Particulars	Gratuity (Rs. in Lacs)				Leave Encashment (Rs. in Lacs)			
	31.3.2011	31.3.2010	31.3.2009	31.3.2008	31.3.2011	31.3.2010	31.3.2009	31.3.2008
Defined Benefit Obligation	(99.99)	(69.17)	(57.79)	(32.25)	(38.45)	(25.24)	(27.89)	0.00
Plan Assets	32.33	20.03	13.16	10.65	0.00	0.00	0.00	0.00
Surplus / (Deficit)	(67.66)	(49.14)	(44.63)	(21.60)	(38.45)	(25.24)	(27.89)	0.00
Experience adjustments on Plan Liabilities	8.49	1.42	0.00	0.00	8.51	0.00	0.00	0.00
Experience adjustments on Plan Assets	1.85	0.83	0.00	0.00	0.00	0.00	0.00	0.00

## 26. Earnings per share (EPS) as per Accounting Standard – 20

	Year ended 2010-11	Year ended 2009-10
Profit / (Loss) available to Members		
- Before Exceptional Items (in Rs.)	(28,59,42,280)	(5,66,03,879)
- After Exceptional Items (in Rs.)	(32,84,60,324)	(18,13,14,681)
Weighted Average number of Equity shares of Rs.10 each as the year end	4,74,48,727	4,02,64,079
EPS – Basic and Diluted – Before Exceptional Items	(6.03)	(1.41)
EPS – Basic and Diluted – After Exceptional Items (Rs.)	(6.92)	(4.50)

Since potential Equity Shares are anti dilutive in nature, Basic and Diluted EPS are the same.

## 27. Employees Stock Options:

### a. Employee Stock Option Scheme 2007 (ESOS 2007)

	Year ended 31.3.2011	Year ended 31.3.2010
Number of Options Granted Exercised and Forfeited		
Options Outstanding at the beginning of the year	16,66,000	25,00,000
Options Exercised during the year	16,66,000	8,34,000
Options Forfeited	Nil	Nil
Options Outstanding at the end of the year	Nil	16,66,000




**b. Employee Stock Option Scheme 2009 (ESOS 2009)**

Number of Options Granted, Exercised and Forfeited	Year ended 31.3.2011	Year ended 31.3.2010
Options Outstanding at the beginning of the year	15,00,000	NIL
Options granted during the year	Nil	15,00,000
Options Vested	Nil	Nil
Options Exercised	10,00,000	Nil
Options Forfeited	Nil	Nil
Options Outstanding at the end of the year	5,00,000	15,00,000

**c. Employees Stock Purchase Scheme [ESPS] - 2010**

The Company has instituted Employees Stock Purchase Scheme (ESPS) vide resolution passed at the Annual General

Meeting held on 29.09.2010 in terms of which the Company can issue upto 21,00,000 equity shares to eligible employees. The scheme is proposed to be implemented in 2011- 2012 on receipt of approval from Bombay Stock Exchange (BSE)

**28. 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 Outstanding	17,10,000	5,00,000
Price per share (in Rs.)	35.00	35.00
Date of Conversion	08.04.2010 and 04.08.2010	20.08.2010 and 02.12.2010
No. of Warrants Converted	17,10,000	5,00,000
Amount Received on conversion (in Rs.)	5,98,50,000	1,75,00,000
Outstanding Warrant	Nil	Nil

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

a) Resort Operations Income comprises of

(Rs. in Lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
Room Revenue	1,305.79	1,026.84
Food & Beverage	1,109.58	717.61
Annual Amenity Charges	537.19	534.40
Minor Operating Department	355.64	327.04
<b>Total</b>	<b>3,308.20</b>	<b>2,605.89</b>

b) Interest:

(Rs. in Lakhs)

	Year ended 31.03.2011	Year ended 31.03.2010
Interest on Term Loan	177.79	929.59
Others	45.09	76.80
<b>Total</b>	<b>222.88</b>	<b>1006.39</b>

c) Remuneration to Auditors:

(Rs. in Lakhs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Statutory Audit	18.21	17.00
Tax Audit	1.70	1.70
Certification	0.56	0.11
<b>Total</b>	<b>20.47</b>	<b>18.81</b>

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

e) Expenditure in foreign currency – Rs.9.81 Lacs (Previous Year Rs. Nil)

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

30. 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.
31. 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

**SIDDHARTH MEHTA**

Chairman

**S.SIDHARTH SHANKAR**

Vice Chairman

**RAMESH RAMANATHAN**

Managing Director

**R.MOHAN**

Senior Vice President- Finance

**M.BALASUBRAMANIYAN**

Company Secretary

As per our report of even date

**For V.Sankar Aiyar & Co**

Chartered Accountants

ICAI reg. No.109208W

**For R.Subramanian and Company**

Chartered Accountants

ICAI reg. No.004137S

**S.Venkataraman**

Partner

Membership No : 023116

**A.S. Ramanathan**

Partner

Membership No :011072

**Place : Chennai****Date : 28<sup>th</sup> July 2011**



## 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-11	31- Mar-11	31- Mar-11
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	174.39	258.60	25.47
10.	Profit before taxation (Loss)	(108.51)	(179.58)	7.37
11.	Provision for taxation	-	-	-
12.	Profit after taxation (Loss)	(108.51)	(179.58)	7.37
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 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

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

I hereby record my presence at the 24th Annual General Meeting of the Company held at Rani Seethai Hall, No.603, Anna Salai, Chennai – 600 006 on Wednesday, the 28th September, 2011 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

DP ID #

Folio No.

CLIENT ID #

No. of Shares

**STERLING HOLIDAY RESORTS (INDIA) LIMITED**

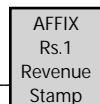
Regd. Office : No.163, T.T.K. Road, Alwarpet, Chennai – 600 018.

**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 **24th Annual General Meeting of the Company to be held at Rani Seethai Hall, No.603, Anna Salai, Chennai – 600 006 on Wednesday, the 28th September, 2011 at 02.30 p.m and at any adjournment thereof.**

Dated \_\_\_ day of \_\_\_\_\_ 2011

SIGNATURE BY THE SAID \_\_\_\_\_



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



Registered Office:  
**Sterling Holiday Resorts (India) Limited**  
163, T T K Road, Alwarpet, Chennai 600 018.  
Tel: +91 44 6693 7000 | [www.sterlingholidays.com](http://www.sterlingholidays.com)

DARJEELING GANGTOK GOA KODAIKANAL LONAVALA MANALI MUNNAR MUSSOORIE OOTY PURI YELAGIRI YERCAUD