ROYAL ORCHID HOTELS LIMITED

Annual Report 2008-09

CONTENTS

BOARD OF DIRECTORS

Mr. C. K. Baljee	: Managing Director
Mr. Sunil Sikka	: Whole time Director
Mr. Naresh K. Malhotra	: Director
Mr. Jaithirth Rao	: Director
Mr. R. V. S. Rao	: Director

COMPANY SECRETARY

Mr. B Chandrasekaran

COMMITTEES OF THE BOARD

Audit Committee

Mr. Naresh K. Malhotra	: Chairman of the Committee
Mr. Jaithirth Rao	: Member
Mr. R. V. S. Rao	: Member

Remuneration Committee

Mr. Jaithirth Rao	: Chairman of the Committee
Mr. Naresh K. Malhotra	: Member
Mr. R. V. S. Rao	: Member

Investors' Grievances & Share Transfer Committee

Mr. R. V. S. Rao	: Chairman of the Committee
Mr. Naresh K. Malhotra	: Member
Mr. C K. Baljee	: Member

Statutory Auditors:
M/s. Walker, Chandiok & Co.
Chartered Accountants
3274/A, 11th Main, HAL II Stage
Indiranagar, Bangalore 560 038

Internal Auditors:
M/s. P. Chandrasekar
Chartered Accountants
S-616, Manipal Centre
No. 47, Dickenson Road
Bangalore – 560 042

Bankers:
State Bank of Hyderabad
State Bank of India
State Bank of Mysore
State Bank of Travancore
IDBI Bank Limited
Syndicate Bank
Axis Bank Limited
Corporation Bank

Registered Office:
No. 1, Golf Avenue
Adjoining KGA Golf Course
Airport Road, Bangalore - 560 008
www.royalorchidhotels.com

Registrar & Share Transfer Agent:
Alpha Systems Private Limited,
30, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram, Bangalore – 560003.
080 - 23460815 - 818
alfint@vsnl.com

ROYAL ORCHID HOTELS LIMITED

Registered Office: No.1, Golf Avenue,
Adjoining KGA Golf Course, Airport Road,
Bangalore 560 008

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

We have pleasure in presenting the Twenty Third Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2009.

Financial Results:

The performance of the Company for the financial year ended 31st March 2009 is summarized below:

(Rupees in Crores)

	CONSOLIDATED		STANDALONE	
Particulars	**2008 – 09**	2007 – 08	2008 – 09	2007 – 08
Income from Operations	**140.16**	130.02	**94.32**	86.02
Other Income	**3.17**	6.73	**2.19**	6.11
Total Income	**143.33**	136.75	**96.51**	92.13
Gross Operating Profit	**45.96**	57.26	**32.38**	45.16
Interest	**(6.71)**	(4.37)	**(1.65)**	(1.99)
Depreciation	**(11.09)**	(6.29)	**(5.69)**	(3.21)
Prior period income	**1.11**	--	**1.11**	--
Profit before Tax	**29.27**	46.60	**26.15**	39.96
Provision for Taxation	**(8.13)**	(11.90)	**(6.86)**	(9.28)
Minority Interest and Share of Profit in Associate	**(1.15)**	(2.43)	**-**	-
Net profit after tax	**19.99**	32.27	**19.29**	30.68

Your Company has earned total revenue of Rs.143.33 Crores, as against the previous year's revenue of Rs.136.75 Crores, an increase of 5% over the last year. The Net Profit after Tax was lower than the previous year by Rs.12.38 Crores, mainly due to higher depreciation cost by Rs. 4.80 Crores increase in interest cost by Rs. 2.34 Crores and reduction in the other Income by Rs. 3.56 Crores. The general economic recession prevailed over major period of the financial year and substantial decrease in overseas tourist inflow to the country, as an after effect of terror attack in Mumbai and overall decrease in spending on business and domestic travel have made a significant adverse impact on the performance of the Company.

Dividend

In view of the reduction in the profits and also with a view to conserve the resources for the company's on going projects, the Board of Directors recommended a dividend of Rs. 1.50p per Equity Share (15% on the face value of Rs.10) for the financial year ended 31st March 2009, subject to the approval of the Shareholders. The outflow of funds on account of payment of dividend would be Rs. 4.78 Crores including Tax on dividend.

Transfer to Reserves

The Board of Directors proposed to transfer an amount of Rs. 96.45 Lakhs to General Reserves.

Existing Properties

During the year Royal Orchid Suites at Whitefield, Bangalore, the second 'All Suites Hotel' of the Company, in association with Vaswani Group, commenced its operations during January 2009. The renovation work at Hotel Royal Orchid Harsha, Bangalore was completed during the year and the said hotel was re-launched under the name Hotel Ramada, during October 2008, in terms of the Franchise Agreement executed with Ramada International Inc, USA. The expansion work at Royal Orchid Resorts, Bangalore is progressing well as planned and the renovation of 42 rooms have been completed already.

Hotel Projects in progress

Ahmedabad

Your Company has acquired 49% stake in Satkar Realities Private Limited, the owner of the Property at Ahmedabad. The construction has been completed and the hotel with 104 rooms is likely to commence its operations during October, 2009. This hotel would be branded as 'Royal Orchid Central, Ahmedabad' and would be fully owned by October, 2009.

Jaipur

The construction of the 5 Star Hotel, with 150 rooms at Jaipur is progressing well as per plans and is expected to commence operations by October, 2010. This is a joint venture, where our Company will be managing the Hotel on a day to day basis. This hotel would be branded as 'Hotel Royal Orchid, Jaipur'.

Mumbai

Royal Orchid Central, with 67 rooms, at Vashi, Navi Mumbai is expected to commence operations by December 2009 and this would be under a management contract given to your Company.

Hyderabad

The Construction of a Hotel at Hyderabad is progressing well as per plans and the hotel is likely to commence operations by October 2010.

Upcoming Projects

Your Company is in an advanced stage of finalising new hotel projects at Delhi, Mumbai and Shimla.

Accounts of Subsidiary Companies

Your Company has 11 Subsidiary Companies as at the year ended 31st March 2009 and of which, 9 are wholly owned subsidiaries. As only a Consolidated Financial Statements would present a more comprehensive report on the financial performance of the Company, rather than the standalone financial statements, we have obtained the required approval from the Ministry of Company Affairs exempting from attaching the detailed financial statements of each Subsidiary Company with this Annual Report, pursuant to the provisions of Section 212(8) of the Companies Act, 1956. However, in compliance with the terms of the exemption, a statement showing the relevant details of the Subsidiary Companies is enclosed as a part of this Annual Report.

Directors

The Director Mr. RVS Rao retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Auditors

The Statutory Auditors M/s. Walker, Chandiok & Co., Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Public Deposits

The Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as of the balance sheet date.

Management Discussion and Analysis Report

The Report as required under the Listing Agreements with the Stock Exchanges is annexed and forms part of the Directors' Report.

Corporate Governance

The Report on Corporate Governance along with a Certificate from a Practicing Company Secretary confirming the Compliance is annexed and forms part of the Directors' Report.

Employees Stock Option Scheme (ESOS)

The details of the ESOS as required under the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are annexed and form part of the Directors' Report.

Personnel

The details of Employees as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed and forms part of the Directors' Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

Your Company has been putting best of its efforts to bring in considerable savings in power consumption and also ensuring optimum utilisation of available resources. A well documented Standard Operating Procedure is already in place in this regard and the operation of the same is closely monitored by the senior management of the company.

Your Company has been continuously striving to put to use state of the art technologies in most of the functional areas relating to the operations of the Company. All the Hotels managed by the Company are well equipped with wi-fi internet connectivity, offering utmost comforts to its valuable customers.

During the year under review, your Company earned Foreign Exchange of Rs. 47.37 Crores as against Rs. 40.71 Crores in the previous year. The outgo on account of commission and others is Rs. 3.09 Crores as against Rs. 2.54 Crores in the previous year.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors, based on the representations received from the Operations Management, hereby confirms that:

I. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures.
ii. It has in the selection of the accounting policies, consulted the Statutory Auditors and has applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009 and of the profit of the Company for that period.
iii. It has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, to the best of its knowledge and ability. There are however, inherent limitations, which should be recognized while relying on any system of internal control and records.
iv. It has prepared the annual accounts on a going concern basis.

Acknowledgments:

Your Directors wish to place on record their sincere thanks and appreciation for the support extended by the customers, suppliers, investors, bankers, Central and State Governments and other statutory authorities. Your Directors acknowledge with appreciation the services rendered by the employees of the Company.

Your Directors express their sincere thanks to all the shareholders for the confidence reposed in the Management and request their continued support.

For and on behalf of the Board of Directors,

Bangalore
19th June 2009

Chander K Baljee
Managing Director

Naresh K Malhotra
Director

ANNEXURE TO REPORT OF THE BOARD OF DIRECTORS

The Royal Orchid Hotels Limited Employees Stock Option Plan 2006 was approved by the Members of the Company at the Annual General Meeting held on 13th September 2006 and was subsequently amended to include the employees of the subsidiaries of the Company in the said ESOP scheme and also to increase the period available to exercise the options, with the approval of the Members of the Company at the Annual General Meeting held on 8th August 2007. The plan provides for the issuance of stock options to eligible employees (including Directors of the Company and employees of subsidiaries) not exceeding 2,723,300 options and includes a limit for the maximum number of options that may be granted to each employee. Under the plan, these options vest over a period of three years after the date of grant and the same can be exercised within a period of one year from the date of vesting. As per the plan, all the taxes, including FBT are to be borne by the employees and hence will not have an impact on the profit and loss account of the company.

Details of the Employees Stock Option Scheme as required under the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as at 31st March 2009.

a. options Granted	5,12,500
b. the pricing formula	Intrinsic value
c. options vested	nil
d. options exercised	nil
e. the total number of shares arising as a result of exercise of option	Not applicable
f. options lapsed	1,86,100
g. variation of terms of options	Not applicable
h. money realized by exercise of options	Not applicable
i. total number of options in force	3,17,000
j. employee wise details of options granted to: (i) senior managerial personnel (ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during the year (iii) 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	 (please refer below) Nil Nil
k. diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS)20 'Earnings Per Share'.	Not applicable
l. Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options,. The impact of this difference on profits and on EPS of the company.	Net Profit: Rs.18.43 Crs EPS Rs.6.77
m. 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.	Rs.165
n. 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: (i) risk free interest rate (ii) expected life (iii) expected volatility (iv) expected dividends (yield %) (v) the price of the underlying share in market at the time of option grant	 7.34% to 7.63% 18 to 42 months 40.37% 3.28% Rs.169.25

Details regarding options granted to Directors and Senior Managerial Personnel

Sl.No.	Name of Director or Senior Managerial Personnel	No. of options granted
1	Mr. Naresh K Malhotra (Director)	12500
2	Mr. Jaithirth Rao (Director)	12500
3	Mr. R V S Rao (Director)	12500
4	Mr. K V Rao	7500
5	Mr. Shekar Bhargava	7500

ANNEXURE TO REPORT OF THE BOARD OF DIRECTORS

Information as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975 and forming part of Directors' Report for the year ended 31st March 2009

S.NO	Name	Designation	Remuneration -Rs.	Qualification	Experience in Years	Date of Commencement of Employment	Age - years	Last employment held
1	C K Baljee	Managing Director	1,47,76,758	MBA (IIM-A)	35	01.07.2000	58	----
2	Arjun Baljee	President	25,92,000	Degree in Hotel Mgt from Cornell MBA from Brisbane	5	01.05.2006	29	----
3	Shekar Bhargava	Sr. VP Development	26,43,194	BSc and Degree from IHM, Mumbai	30	06.09.1999	53	Choice Hotels
4	Keshav Baljee	Vice President - Corporate Affairs	45,84,412	BS (Econ) from Wharton BS (Computer Science) from University of Pennsylvania MBA from ISB Hyderabad	3	15.06.2007	25	Lehman Brothers, New York, USA
5	Amarendra Kumar Sinha *	Vice President - HR	1,61,290	PG Degree from Xavier Institute of Social Services	14	07.03.2009	39	Schneider Electric
6	Prakash Kumar M	Asst Vice President - Projects	24,24,332	BE -Civil	24	07.02.2007	46	Unicon Holdings Private Limited

Note:

1. The nature of employment in all cases is contractual
2. Except Mr. Arjun Baljee and Mr. Keshav Baljee, no other employee is related to any Director of the Company
3. C K Baljee holds 47.66% of equity in the Company. None of the other employees hold more than 2% of equity in the Company

* Employed only for part of the year

ANNEXURE TO REPORT OF THE BOARD OF DIRECTORS

Details of Director seeking re appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange)

Name of the Director	**Mr. R V S Rao**
Date of Birth	15.03.1944
Date of Appointment	28.09.2005
Qualifications	Commerce & Law Graduate and a Fellow of Indian Institute of Bankers
Expertise in specific functional areas	Had served as Executive Director of HDFC Limited.
List of Companies in which outside Directorship held as on 31.03.2009	Icon Hospitality Private Limited Puravankara Projects Limited Nilgiries Dairy Private Limited Sobha Developers Limited Compassites Software Solutions Private Limited Avon FMS Private Limited
Chairman / Member of the Committees of other Companies on which he is a Director as on 31.03.2009	Chairman - Audit Committee of Sobha Developers Limited Member - Remuneration Committee of Sobha Developers Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company continued to employ its best efforts to achieve a leadership position in the hospitality industry in India, despite the negative business environment prevailing during the major part of the financial year 2008-09.

1. Business Environment

Though the Indian Economy witnessed a growth rate of GDP in 2007-08 at 9%, certain drastic changes in the international economy such as steep rise in the inflationary pressures, followed by the unexpected global financial meltdown and recessionary trends even in the most of the advanced countries, during 2008-09, have affected the Indian Economy, bringing the GDP growth rate to around 7%. The financial year 2009 ended on a weak note with respect to most of the core industrial and service sectors in India. It is expected that Indian economy is likely to remain weak during the first quarter of the fiscal year 2009-10 and is likely to recover before the year end. The GDP growth rate is projected between 7% to 7.5% during 2009-10. With a new stable Government at the Centre having got established, it is the fervent hope of all the stakeholders of the economy that the momentum of growth should set in at an early date.

2. Industry Structure and Developments

Tourism

India is rated as world's fifth most popular tourist destinations according to the World Travel and Tourism Council. The Indian Hospitality industry could attract a significant global attention to it over the years, through various growth drivers, including its unique history and diversity in culture, in addition to positive government initiatives. However, with recessionary trends experienced by most of the economies across the world in the second half of the financial year 2009, in addition to the security concerns of the overseas travelers due to the impact of 26/11 terror attacks in Mumbai, the inbound tourism to India was affected adversely. The Foreign tourist arrivals in India rose about only 5% during 2008-09 as against the expected growth of about 15%. However, the redeeming factor was that this growth rate was well above the global average of 2%.

With the negative trends witnessed by the Indian economy with utmost uncertainty as to the recovery of the same, even the domestic business and leisure travel saw a great decline. These factors have affected the Indian Tourism industry right at the peak season time, during the financial year 2009.However, the Foreign Tourist arrival to India is expected to increase gradually during the year 2009-10 due to various positive governmental initiatives which are in progress such as providing adequate security to the tourists, upgrading of infrastructure, in addition to various confidence building measures being put in place.

Hospitality

Owing to cyclic nature of business, the hospitality industry is susceptible to the vagaries of the trends of the overall economy of the country. Thus, the sudden change in the economic situation witnessed in the recent past, both at domestic and international levels, has adversely affected the Hospitality industry significantly. Despite the difficult environment, the Indian Hospitality industry continues to remain as one of the substantial Foreign Exchange earners for the country.

During the fiscal year 2009, the occupancy levels of most of the leading Hotels have come down drastically, in addition to a substantial reduction in Average Room Revenue (ARR) too. Even at the peak of the season, the average occupancy fell to around 50% and ARR declined by about 20%. The adverse impact was felt more in specific markets such as Mumbai and Bangalore, witnessing the least occupancy levels. Though it is expected that this lean trend may continue to remain so in near future, it is likely that overall gradual improvement would be seen both in the occupancy and ARR levels from the second half of the fiscal 2009-10.

According to World Travel and Trade Council, India is emerging as the third fastest growing tourist market in the World and the shortage of room inventory across Indian Cities as against the demand expected in the next few years, continues to justify the huge potential opportunity for the high growth of hospitability industry in India. In view of the Government's move to declare the Tourism Industry as a high priority sector and providing for 100% Foreign Direct Investment through automatic route, the Indian Tourism Industry is likely to draw significant attention by the Global investors, which should provide the required impetus for the growth of the industry in the near future.

3. Outlook

The market remains subdued for the hotel industry across the nation mainly due to curtailed corporate spending and decline in leisure tourism in general. However, swift action expected to be initiated by the New Central Government is likely to bring back the economy into a growth trajectory in the near future, which will certainly trigger the required growth momentum for the hospitality industry in India.

The Company along with its subsidiaries, joint venture and associate companies, as of now, offer 987 rooms, with a mixture of Royal Suites to Budget ones, across popular destinations in India such as Goa, Jaipur, Mysore, Bangalore, Hyderabad and Pune.

The Company has completed during the financial year the refurbishing of a few properties as originally planned with additional rooms and conference facilities etc., and also has drawn ambitious expansion plans and working towards the same. Two more new hotels are expected to commence its operations during the fiscal year 2009-10 at Ahmedabad and Navi Mumbai. The total room inventory for the group is likely to go up to 2000 in the next two years.

The Company is in the process of establishing new hotels at Jaipur, Hyderabad, Mumbai and Delhi. The Company is continuing its focus to add on many more hotels under its brand through management contracts and also look out for acquisitions.

Awards

The Company's persistent efforts on delivering high quality services to its customers at all times, has been well recognized by the Industry. The Company has won the **Galileo Express World Travel Awards** for the Best Regional Hotel Brand 2007-08 and the **Best Grand Heritage Tourism Award 2008** by Intach Satte for Royal Orchid Metropole, Mysore.

4. Discussion on financial performance with respect to operational performance

Royal Orchid Hotels Limited earned a Total Consolidated Revenue of Rs. 143.33 Crores, which was marginally higher by 5% as against the Total Consolidated Revenue of the previous year. Despite the adverse economic situation prevailing during the financial year and two hotel properties of the group were not operational for a few months due to on going renovation works, the Company could achieve an increase in the Total income from operations by about 8%.

The Consolidated Profit after tax was down by Rs. 12.28 Crores which was mainly due to the higher depreciation and interest cost accounting for Rs. 7.14 Crores and reduction in the Interest Income to the extent of Rs.3.56 Crores, as the company has already deployed the entire funds raised through the IPO in the projects.

Subsequent to the Company's IPO in February 2006, the Company has deployed funds to the tune of Rs.250 Crores on various projects as at 31st March 2009.

During the year under review, the Company has launched Royal Orchid Suites, at Whitefield, Bangalore in association with the reputed Vaswani Group, the Second ‘All Suites Hotel’ of the Group. The hotel Royal Orchid Harsha, Bangalore was re-launched under the name Hotel Ramada, after completion of substantial renovation works. The renovation of 42 rooms out of 54 rooms was completed at Royal Orchid Resort, Bangalore and this has improved the business substantially during the year.

As at the end of the financial year under review, the Company had an inventory of 987 rooms.

5. Risks and Concerns

Royal Orchid Group of Hotels is amongst India's fastest growing hotel groups and caters to the entire spectrum of customers, from high end overseas leisure or business traveler to domestic budget travelers, through its hotels and resorts under 5 Star, 4 star and budget categories. Irrespective of the rated categories of its facilities, the Company continues to provide all its customers high quality of services.

The new hotel properties of the Company which are coming up at Cities like Mumbai, Ahmedabad, Hyderabad, and Delhi would give the Group a well balanced and adequately represented presence across the major markets in India and this will result in substantial growth of revenues in the next two years.

With strict quality service norms already in place across all its hotels and with unified focus on ensuring Customer Satisfaction to the highest order, the Company is confident of tackling the market competition in an effective manner to bring the overall value addition for the investors of the Company.

6. Internal Control Systems and adequacy

The Company has established effective internal control systems in place which are adequate and commensurate with the size of the operations. An independent firm of Chartered Accountants is engaged to conduct routine internal audits on various functional areas under the guidance and reference of the Audit Committee of the Directors of the Company and the periodical Internal Audit Reports are placed before the meetings of the Audit Committee of Directors. The Audit Committee of Directors ensures that the Management puts into operation the required steps to address the issues emerging out of the Internal Audit effectively and keeps a close watch on the same. The Audit Committee of Directors independently holds periodical discussions with the Company's Statutory Auditors also and reviews the scope of the Statutory and Internal Audits regularly.

7. Human Resources

The Company continues to maintain a very cordial and healthy relationship with its work force across the 12 hotels in India. The Company has already in place, a dynamic and result oriented performance appraisal and reward system applicable to all levels of the employees. The efficient training and developmental needs of its employees are met adequately and the same is closely monitored by the Top Management of the Company.

Cautionary Statement

As the Hotel industry's very nature of business is seasonal and also hugely dependent on the status of Tourism and business travelling activities, the 'forward looking statements' are to be understood in the right perspective. Any major change in the economy on the whole with particular effect on the Tourism industry in India would have an impact on the hotel industry's performance.

CORPORATE GOVERNANCE

Your company subscribes fully to the basic principles of good corporate governance, the objective of which is to maximize the shareholder value and continues to ensure that the transparency, integrity and accountability of high order is maintained in all its transactions with the stakeholders both within and outside the Company, at all times.

Your company is firmly committed towards the best of Corporate Governance practices and adheres to the highest standards of corporate values and ethics, while in the process of achieving maximum value for all its stakeholders.

1. Company Philosophy on code of Governance.

The Board of Directors of the Company overseas the functions of the Management closely so that the interests of all the stakeholders of the Company are well protected. The Board ensures that the Company achieves its performances by offering the best quality services to all its stakeholders efficiently, with strict compliance of the statutes as applicable to the Industry, from time to time.

2. Board of Directors:

The Board consists of 5 Directors (one managing director, one whole time director and three non-executive independent directors). The Independent Directors take active part at the Board and Committee meetings, which adds value in the decision making process. Two-thirds of the Board comprise of non-executive directors. As on 31st March, 2009, the composition of the Board is given herein below:

- Two Promoters, Executive, Non-Independent Directors
- Three Non-Executive, Independent Directors

3. Board Meeting:

During the year 2008-09, the Board met 5 times on 29.05.2008, 04.06.2008, 28.07.2008, 27.10.2008, 22.01.2009. The maximum time gap between any two meetings was not more than four calendar months.

The names and categories of directors, their attendance at the board meetings, number of Directorships and Committee memberships held by them in other companies are given hereunder:

Name	Category	Board Meeting attendance	AGM attendance	No. of other Directorship	No. of other Committee positions held	
					Member	Chairman
Mr. C.K. Baljee	Promoter–Managing Director	5	Yes	17	-	-
Mr. Sunil Sikka	Promoter–Whole Time Director	3	Yes	1	-	-
Mr. Naresh K. Malhotra	Independent Director	5	Yes	11	4	2
Mr. Jaithirth Rao	Independent Director	1	No	8	-	1
Mr. R. V. S. Rao	Independent Director	4	Yes	6	1	1

None of the Directors is a member in more than ten committees and acts as a chairman in more than five committees across all companies in which he is a director.

4. Details of Directors seeking appointment / re-appointment as required under Clause 49 of the Listing Agreement.

Pursuant to the requirements of the Listing Agreement of Stock Exchanges on Corporate Governance, the information about the Director proposed to be re-appointed is given as an Annexure.

5. Audit Committee

The Audit Committee presently consists of Mr. Naresh K Malhotra, Mr. R V S Rao and Mr. Jaithirth Rao, all Non Executive Independent Directors and is headed by Mr. Naresh K Malhotra. The Statutory Auditors and the Internal Auditors are also invited to the meeting.

During the financial year 2008-09, the Audit Committee has met 5 times, i.e., on 29.05.2008, 04.06.2008, 28.07.2008, 27.10.2008, 22.01.2009. During these meetings, the Committee, inter alias, reviewed the financial statements including changes in accounting policies and practices before submission to the Board, recommended the appointment of statutory and internal auditors including fixation of audit fee, discussed the internal auditors findings and reviewed the company's financial and risk management policies.

The attendance details for the Committee meetings are as follows:

Name	Designation	Attendance
Mr. Naresh K. Malhotra	Chairman of the Committee - Independent, Non-Executive Director	5
Mr. Jaithirth Rao	Independent, Non-Executive Director	1
Mr. R. V. S. Rao	Independent, Non-Executive Director	4

6. Remuneration Committee

The Remuneration Committee comprises of Mr. Jaithirth Rao, Mr. Naresh K. Malhotra and Mr. R. V. S. Rao, all Non-executive Independent Directors and is headed by Mr. Jaithirth Rao.

Details of remuneration paid to the Directors for the year 2008-09: (Rs. In Lacs)

Sl. No.	Name of Director	Salary & Benefits	Commission
1.	Mr. Chander K Baljee	120.00	27.76
2.	Mr. Sunil Sikka	--	6.94
3.	Mr. Naresh K. Malhotra	--	6.94
4.	Mr. Jaithirth Rao	--	6.94
5.	Mr. R. V. S. Rao	--	6.94

7. Investors' Grievances and Share Transfer Committee

The Investors' Grievances & Share Transfer Committee comprises of Mr. R. V. S. Rao, Mr. Naresh K. Malhotra and Mr. C K. Baljee and is headed by Mr. R. V. S. Rao. The responsibilities of the Committee include ensuring the complaints of the shareholders are resolved. The Company has received 2 complaints during the Quarter ended 31.03.2009, all were redressed and none were pending as at 31.03.2009.

Mr. B Chandrasekaran, Company Secretary is the Compliance Officer of the Company and is the Secretary to all the above Committees.

8. Code of Conduct

The Company has a Code of Conduct for Prevention of Insider Trading in place, as prescribed by the Securities and Exchange Board of India. The Board monitors the implementation of the Code and takes on record the status reports detailing the dealings in securities by the Specified Persons.

The Board of Directors has already adopted the Code of Conduct for Directors and Senior Management Personnel. This Code is a comprehensive code applicable to all Directors, Executives and members of the Senior Management.

A declaration signed by the Managing Director in this regard is given below:

I hereby confirm that:
The Company has obtained from all the members of the Board and Senior Management Personnel of the Company, affirmation that they have complied with the Code of Ethics and Business Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2008-09.

C.K. Baljee
Managing Director

9. General Body Meetings

Annual General Meetings

Year	Date	Time	Venue
2005-06	13.09.2006	11.00 A.M.	Registered Office
2006-07	08.08.2007	11.00 A.M.	Registered Office
2007-08	28.07.2008	11.00 A.M.	Registered Office

During the year 2008-09 no Extraordinary General Meetings were held.

10. Disclosures

- There were no transactions of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the company. There were no instances of non compliances nor have any penalties/ strictures been imposed by any stock exchange or SEBI or any statutory authority during the last three years on any matter related to the capital markets.

11. Means of Communication

Quarterly results	The Quarterly results of the company is published in news papers
Half yearly results	The Half yearly results of the company is published in news papers
Any website where displayed:	http://www.royalorchidhotels.com Annual financial statements, Quarterly reports and the Shareholding pattern etc., of the company are also posted on the Company Website.
Whether website also displays official news Releases and the presentations made to Institutional investors or to the analysts	The financial results and official news releases are also displayed on the website of the company
Newspapers in which results are normally Published	The Economic Times, The Financial Express Udayavani.
Whether Management Discussion and Analysis is a part of the Annual Report	Yes

GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting:

Date and Time:	10.09.2009 at 11:00 am
Venue:	Hotel Royal Orchid No. 1, Golf Avenue Adjoining KGA Golf Course Off Airport Road Bangalore - 560 008

2. Book Closure Dates: Monday -07.09.2009 to Thursday – 10.09.2009 - (Both days inclusive)

3. **Dividend Payment Date:**
The dividend, if approved, at the ensuing Annual General Meeting will be paid to the eligible shareholders within 30 days from the date of declaration.

4. **Financial Calendar 2009-10**

Financial Reporting

For the quarter ended 30.06.2009 : July 2009
For the quarter ending 30.09.2009 : October 2009
For the quarter ending 31.12.2009 : January 2010
For the quarter ending 31.03.2010 : June 2010

5. **Listing of Equity Shares on** : National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (E)
Mumbai - 400 051

Bombay Stock Exchange Limited
P. J. Towers
Dalal Street, Fort
Mumbai - 400 001

6. **Stock Code**
National Stock Exchange of India Limited: ROHLTD
Bombay Stock Exchange Limited: 532699
ISIN Numbers in NSDL & CDSL: INE283H01019
Listing fees for and up to the year 2008-09 have been paid to both the above Stock Exchanges where shares are listed.

7. **Market Price Data**
The following is the data of high and low closing quotations of Equity Shares of the Company during April 2008 to March 2009. The Equity shares of the Company got listed with Stock Exchanges on 06.02.2006

Month	National Stock Exchange (NSE)		Bombay Stock Exchange (BSE)	
	Month's High Price	Month's Low Price	Month's High Price	Month's Low Price
Apr-08	117.50	91.55	115.65	91.05
May-08	111.00	98.00	110.25	95.05
Jun-08	114.00	95.10	114.00	95.15
Jul-08	97.50	82.00	96.20	81.95
Aug-08	86.85	78.75	89.90	78.50
Sep-08	84.00	62.10	83.30	63.40
Oct-08	66.00	39.10	65.95	38.50
Nov-08	53.00	37.55	49.85	37.00
Dec-08	44.20	37.15	45.00	37.05
Jan-09	44.90	37.70	44.65	37.25
Feb-09	42.80	39.00	42.50	38.60
Mar-09	43.00	38.00	43.00	38.00

8. **Share Transfer System**
About 99% of the equity shares are held in dematerialized form. The share certificates in physical form are generally processed and returned within 30 days from the date of receipt, if the share transfer documents are clear in all respects.

9. **Secretarial Audit**
Secretarial Audit is being carried out every quarter by a Practicing Company Secretary and the Audit Report is placed before the Board for its perusal and filed regularly with the Stock Exchanges within the stipulated time.

10. a. Distribution of Shareholding as on 31st March 2009

Category	No of shares held	% to Paid up capital
Promoters	1,89,08,071	69.43
Mutual Funds & Banks	8,14,994	2.99
Foreign Institutional Investors - **FIIs**	6,52,822	2.40
Bodies Corporate	6,87,666	2.53
Foreign Corporate Bodies	16,60,469	6.10
Non-Resident Indians	1,67,767	0.61
Resident Individuals	42,86,327	15.73
Clearing Members	55,849	0.21
Total	**2,72,33,965**	**100**

b. Distribution Schedule as at 31.03.2009

No. of shares held	No. of shares	% of share capital	No. of shareholders	% of total No. of shareholders
Up to 500	1964789	7.22	21069	93.25
501 to 1000	665041	2.44	823	3.63
1001 to 2000	564343	2.07	372	1.65
2001 to 3000	297916	1.09	118	0.52
3001 to 4000	181083	0.67	50	0.22
4001 to 5000	220918	0.81	47	0.21
5001 to 10000	422748	1.55	58	0.26
10001 and above	22917127	84.15	58	0.26
TOTAL	**27233965**	**100.00**	**22595**	**100.00**

11. Dematerialisation of Shares & Facility of simultaneous transfer

Approximately 99% of the paid-up equity share capital of the Company has been dematerialized as on 31st March 2009. Trading in equity shares of the company is permitted only in dematerialized form as per notification issued by SEBI. Shareholders interested in dematerializing their shares are requested to write to the Registrar & Transfer Agent through their Depository Participants.

12. Unit Locations:

1. **HOTEL ROYAL ORCHID**
No. 1, Golf Avenue, Adjoining KGA Golf Course
Airport Road, Bangalore - 560 008
2. **ROYAL ORCHID CENTRAL**
No. 47/1, Manipal Centre, Dickenson Road,
Bangalore - 560 042
3. **HOTEL RAMADA**
No. 11, Park Road, Shivajinagar
Bangalore - 560 051
4. **ROYAL ORCHID RESORT**
(Doddi's Resort)
Allasandra, Bellary Road, Yelahanka
Near Jakkur Flying Club
Bangalore - 560 065
5. **ROYAL ORCHID SUITES, BANGALORE**
Vaswani Pinnacle Annexe,
Whitefield, Bangalore - 560 066
6. **ROYAL ORCHID METROPOLE**
No: 5, Jhansi Lakshmibai Road
Mysore - 570 005
7. **ROYAL ORCHID BRINDAVAN GARDEN**
Brindavan Garden, Krishna Raja Sagar
Mandya District, Mysore - 571 607

8. **ROYAL ORCHID CENTRAL JAIPUR**
1-26, A/2, Jaisingh Highway, Banny Park, Jaipur 302 016
9. **ROYAL ORCHID CENTRAL PUNE**
Mary Soft Annex,
Software –cum-Commercial Complex
Kalyani Nagar, Pune 411 014
10. **ROYAL ORCHID GOLDEN SUITES, PUNE**
Golden Nest – B, Marigold Complex
Kalyani Nagar, Pune 411 014
11. **PEPPERMINT HYDERABAD**
No.6-1-1063, Lakdi Ka Pul,
Hyderabad – 500 004
12. **ROYAL ORCHID GALAXY RESORT, GOA**
Uttorda Beach, Salcette, South Goa

13. Registrar & Share Transfer Agent

Alpha Systems Private Limited,
30, Ramana Residency,
4th Cross, Sampige Road,
Malleswaram,
Bangalore – 560003.
Tel No.080 - 23460815 – 818
Fax No.080 – 23460819
Email ID: alfint@vsnl.com

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

14. Address for Correspondence:

B Chandrasekaran
Company Secretary & Compliance Officer
Royal Orchid Hotels Limited
No. 1, Golf Avenue
Adjoining KGA Golf Course
Bangalore – 560 008
Tel No.080 - 40612345
Fax No.080 - 40612346
Email ID: cosec@royalorchidhotels.com

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Royal Orchid Hotels Limited

I have reviewed the compliance of conditions of corporate governance by **Royal Orchid Hotels Limited** ("the Company"), for the year ended on 31 March 2009, 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. My examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the certificate 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.

No investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company.

In my opinion and to the best of my information and according to the explanations given to me and based on the representations made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

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

Bangalore.
19.06.2009

G SHANKER PRASAD
Practicing Company Secretary
CP.No - 6450

AUDITORS' REPORT

To
The Members of Royal Orchid Hotels Limited

1. We have audited the attached Balance Sheet of Royal Orchid Hotels Limited, (the 'Company') as at 31 March 2009, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

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

   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c. The financial statements dealt with by this report are in agreement with the books of account;

   d. On the basis of written representations received from the Directors, as on 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

      i. the Balance Sheet, of the state of affairs of the Company as at 31 March 2009;

      ii. the Profit and Loss Account, of the profit for the year ended on that date; and

      iii. the Cash Flow Statement, of the cash flows for the year ended on that date.

For Walker, Chandiok & Co
Chartered Accountants

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Bangalore
19 June 2009

Annexure to the Auditors' Report of even date to the members of Royal Orchid Hotels Limited, on the financial statements for the year ended 31 March 2009

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) There are two companies covered in the register maintained under Section 301 of the Act to which the Company has granted unsecured loans. The maximum amount outstanding during the year was Rs. 68,855,238 and the year-end balance was Rs. 34,555,238. One of the parties to whom the loan was granted is not covered under Section 301 at the year end and therefore the year end balance for such party is not considered above.

(b) In our opinion, the rate of interest and other terms and conditions of such loans are not, *prima facie*, prejudicial to the interest of the Company.

(c) In respect of the loans, the repayment is on demand and the payment of interest has been regular.

(d) In respect of the said loans the same are repayable on demand and there are no overdue amounts.

(e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

(iv) Due to the nature of its business, the company does not sell any goods. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the aforesaid internal control system.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(v) (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of the services rendered by the company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they become payable.

(b) There are no dues in respect of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

(x) In our opinion, the Company does not have accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

(xi) In our opinion, the Company has not defaulted in repayment of dues to any bank during the year. The Company has no dues payable to a financial institution or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

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

(xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year. The management of the Company has disclosed during the year the end use of monies out of a public issue raised in an earlier year(refer Note 7 of Schedule 20 to the financial statements) and the same has been verified by us.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiok & Co
Chartered Accountants

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Bangalore
19 June 2009

Balance sheet

	Schedule	31 March 2009 Rs.	31 March 2008 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	272,339,650	272,339,650
Reserves and surplus	2	1,633,718,747	1,488,606,379
Employee stock options outstanding account		985,360	598,896
		1,907,043,757	**1,761,544,925**
LOAN FUNDS			
Secured loans	3	618,880,491	169,583,730
		618,880,491	**169,583,730**
DEFERRED TAX LIABILITY, NET	4	54,000,000	40,000,000
TOTAL		**2,579,924,248**	**1,971,128,655**
APPLICATION OF FUNDS			
FIXED ASSETS	5		
Gross block		773,776,937	681,598,763
Less: Accumulated depreciation / amortisation		198,421,855	141,955,149
Net block		575,355,082	539,643,614
Capital work-in-progress (including capital advances)		437,657,565	116,615,620
		1,013,012,647	**656,259,234**
INVESTMENTS	6	**864,702,456**	**618,448,512**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	10,733,932	11,654,212
Sundry debtors	8	60,944,060	33,220,336
Unbilled revenues		7,620,321	6,661,365
Cash and bank balances	9	227,159,339	467,930,601
Loans and advances	10	571,510,827	479,675,929
		877,968,479	**999,142,443**
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	115,249,720	104,660,074
Provisions	12	60,509,614	198,061,460
		175,759,334	**302,721,534**
NET CURRENT ASSETS		**702,209,145**	**696,420,909**
TOTAL		**2,579,924,248**	**1,971,128,655**
NOTES TO THE FINANCIAL STATEMENTS	20		

The schedules referred to above form an integral part of the financial statements.

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

For Walker, Chandiok & Co
Chartered Accountants

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Bangalore
19 June 2009

For and on behalf of the Board of Directors

Chander K. Baljee
Managing Director

Naresh K. Malhotra
Director

B. Chandrasekaran
Company Secretary

Bangalore
19 June 2009

Profit and loss account

	Schedule	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
INCOME			
Operating income	**13**	943,172,538	860,233,765
Other income	**14**	21,900,921	61,031,746
		965,073,459	**921,265,511**
EXPENDITURE			
Food and beverages consumed	**15**	84,169,657	76,164,751
Employee costs	**16**	144,122,876	97,366,817
Other operating expenses	**17**	221,255,538	149,054,101
Selling, general and administrative expenses	**18**	191,703,941	146,070,521
Finance charges	**19**	16,480,773	20,913,352
Depreciation/amortisation	**5**	56,988,124	32,147,661
		714,720,909	**521,717,203**
PROFIT BEFORE TAX AND PRIOR PERIOD ITEMS		250,352,550	399,548,308
Prior period income (Refer note 6 in Schedule 20)		11,137,847	-
PROFIT BEFORE TAX AND AFTER PRIOR PERIOD ITEMS		**261,490,397**	**399,548,308**
Provision for income tax			
- Current		(50,000,000)	(83,000,000)
- Fringe Benefit tax		(1,800,000)	(1,797,199)
- Prior years taxes		(2,784,462)	(951,304)
- Deferred tax charge		(14,000,000)	(7,000,000)
PROFIT AFTER TAX AND PRIOR PERIOD ITEMS		**192,905,935**	**306,799,805**
Balance brought forward from the previous year		270,973,702	186,048,161
Balance available for appropriation		**463,879,637**	**492,847,966**
APPROPRIATIONS			
Proposed dividend		(40,850,948)	(163,403,790)
Tax on proposed dividend		(6,942,619)	(27,770,474)
Transfer to general reserve		(9,645,297)	(30,700,000)
SURPLUS CARRIED TO BALANCE SHEET		**406,440,773**	**270,973,702**
Basic and diluted Earnings per share (Par value – Rs.10) (Refer note 3 in Schedule 20)		7.08	11.27
NOTES TO THE FINANCIAL STATEMENTS	**20**		

The schedules referred to above form an integral part of the financial statements.

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

For Walker, Chandiok & Co
Chartered Accountants

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Bangalore
19 June 2009

For and on behalf of the Board of Directors

Chander K. Baljee
Managing Director

Naresh K. Malhotra
Director

B. Chandrasekaran
Company Secretary

Bangalore
19 June 2009

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	31 March 2009 Rs.	31 March 2008 Rs.
SCHEDULE 1		
CAPITAL		
Authorised		
30,000,000 (31 March 2008 – 30,000,000) Equity Shares of Rs. 10 each	300,000,000	300,000,000
Issued, subscribed and paid up		
27,233,965 (31 March 2008 – 27,233,965) equity shares of Rs. 10 each fully paid up	272,339,650	272,339,650
	272,339,650	**272,339,650**

Note:

a) Of the above 6,000,000 (31 March 2008: 6,000,000) equity shares have been allotted as fully paid up, by capitalizing the interest free refundable deposit due to the Managing Director. Pursuant to an agreement entered between the Company and the Managing Director, in 1992, the Company has been granted the right to use his interest in the land leased from the Karnataka State Tourism Development Corporation (‘KSTDC’) pertaining to the Hotel Royal Orchid, for the period of the lease arrangement.

b) Of the above shares, 9,719,970 (31 March 2008 – 9,719,970) equity shares have been allotted as fully paid up by way of bonus shares by capitalising the balance in the profit and loss account.

SCHEDULE 2
RESERVES & SURPLUS

	31 March 2009 Rs.	31 March 2008 Rs.
Securities Premium	1,130,684,095	1,130,684,095
Foreign Exchange Earnings Reserve	1,100,000	1,100,000
General Reserve		
Balance at the beginning of the year	85,848,582	55,148,582
Add : Transfer during the year	9,645,297	30,700,000
Balance at the end of the year	95,493,879	85,848,582
Profit and Loss Account		
Balance at the beginning of the year	270,973,702	186,048,161
Add : Net profit for the year	192,905,935	306,799,805
	463,879,637	492,847,966
Less: Proposed dividend	40,850,948	163,403,790
Less : Tax on proposed dividend	6,942,619	27,770,474
Less: Transfer to general reserve	9,645,297	30,700,000
	406,440,773	270,973,702
Balance at the end of the year	**1,633,718,747**	**1,488,606,379**

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	31 March 2009 Rs.	31 March 2008 Rs.
SCHEDULE 3		
SECURED LOANS		
From banks		
Term Loan	113,650,992	163,650,992
Short term Corporate loan	500,000,000	-
Vehicle loans	4,024,749	4,450,360
Interest accrued and due on term loan	-	1,482,378
From others		
Vehicle loans	1,204,750	-
	618,880,491	**169,583,730**

Note:

a) On 16 December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for Rs 300 million which is fully drawn. This loan is secured by way of an equitable mortgage of the land and building of the Hotel Royal Orchid and a first charge on the present and future fixed assets of the Company.

Additionally, this borrowing has also been backed by the personal guarantees of Mr Chander K. Baljee, the Managing Director and Mrs. Sunita Baljee and a corporate guarantee from Baljee Hotels and Real Estate Private Limited. This loan is repayable in 24 quarterly instalments of Rs 12.5 million each, commencing from 31 December 2005. The key covenants include cost overruns on expansion being met directly by the Company, and new plant and machinery acquired to be insured jointly in the names of the Company and the Bank. Further, the arrangement also requires all expenditure in excess of the budgets and any other expansion activities to be pre-approved by the Bank.

b) In January 2008, the Company was sanctioned a short term corporate loan ('corporate loan') from the bank for Rs.500 million, which is renewable on a annual basis by the bank for a period of one year. During the year the Company drew down the entire sanctioned amount, out of which Rs. 300 million is utilised towards construction of a Hotel property at Hyderabad and the unutilised amount was invested in fixed deposits. The credit facility is secured by way of an equitable mortgage of lease hold property of Hotel Royal Orchid and an equitable charge on all present and future fixed assets of the Company

Additionally, the corporate loan has also been backed by the personal guarantees of Mr. Chander K. Baljee, the Managing Director and a corporate guarantee from Baljee Hotels & Real Estate Private Limited. The corporate loan was sanctioned for one year and the same has been renewed on 15 April 2009 for a further period of one year.

c) Vehicle loans are secured by the hypothecation of the vehicles concerned.

Amounts due in one year are as follows:		
Term loan *	50,000,000	50,000,000
Other loans	2,323,287	1,500,423
	52,323,287	**51,500,423**

* The above amounts does not include Rs. 500 million of Corporate loan taken from a Bank which has been renewed for a further one year period.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	31 March 2009 Rs.	31 March 2008 Rs.
SCHEDULE 4		
DEFERRED TAX LIABILITY, NET		
Deferred tax liability arising on account of :		
Depreciation	57,619,084	41,959,562
Less: deferred tax asset arising on account of		
Employee benefits	3,340,304	1,249,546
Provision for doubtful debts	278,780	234,156
Lease rentals allowable on payment basis	-	475,860
	54,000,000	**40,000,000**

The Company is eligible for a deduction of 30 percent of its profits from the Hotel Royal Orchid, being a new industrial undertaking as defined under Section 80IB of the Income-tax Act, 1961. This benefit is available for a period of ten consecutive years ending on 31 March 2010. Consequently, the deferred tax assets and liabilities as at 31 March 2009 have been recorded to the extent of the timing differences that reverse outside the tax holiday period for this unit.

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SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE 5

FIXED ASSETS

Amount in Rs

Category of assets	Gross block				Accumulated Depreciation/Amortisation				Net block	
	As at 1 April 2008	Additions during the year	Deletions during the year	As at 31 March 2009	As at 1 April 2008	Charge for the year	Deletions during the year	As at 31 March 2009	As at 31 March 2009	As at 31 March 2008
Tangible assets										
Freehold land *	2,000,000	430,000	-	2,430,000	-	-	-	-	2,430,000	2,000,000
Leasehold buildings (including improvements)	269,331,354	34,294,353	-	303,625,707	29,874,276	13,771,649	-	43,645,925	259,979,782	239,457,078
Plant and machinery	173,517,185	17,338,101	-	190,855,286	34,544,697	3,319,454	-	37,864,151	152,991,135	138,972,488
Furniture and fixtures	167,625,917	29,181,353	511,500	196,295,770	59,624,630	26,877,778	356,659	86,145,749	110,150,021	108,001,287
Computers and related equipment	14,756,670	1,676,228	-	16,432,898	5,382,198	1,720,283	-	7,102,481	9,330,417	9,374,472
Office equipments	12,203,223	1,844,653	-	14,047,876	3,468,777	1,469,157	-	4,937,934	9,109,942	8,734,446
Vehicles	37,609,962	8,761,209	836,223	45,534,948	7,290,261	8,867,442	164,759	15,992,944	29,542,004	30,319,701
Intangible assets										
Goodwill	4,554,452	-	-	4,554,452	1,770,310	962,361	-	2,732,671	1,821,781	2,784,142
Total	**681,598,763**	**93,525,897**	**1,347,723**	**773,776,937**	**141,955,149**	**56,988,124**	**521,418**	**198,421,855**	**575,355,082**	**539,643,614**
Prior year	**530,648,269**	**150,950,494**	**-**	**681,598,763**	**109,807,488**	**32,147,661**	**-**	**141,955,149**	**539,643,614**	

Note:

* Freehold land represents the Company's share of land jointly owned with its subsidiary, Royal Orchid Jaipur Private Limited.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 6		
INVESTMENTS (LONG TERM, UNQUOTED, AT COST)		
Investment in Government Securities	225,000	225,000
Investment in Subsidiaries (trade, unquoted and fully paid up)		
Icon Hospitality Private Limited	192,032,412	192,032,412
(95,889 (2008 – 95,889) Equity Shares of Rs.100 each)		
Maruti Comforts and Inn Private Limited	58,849,000	58,849,000
(209,100 (2008 - 209,100) Equity Shares of Rs.100 each)		
Royal Orchid Hyderabad Private Limited	17,602,000	17,602,000
(1,760,200 (2008 - 1,760,200) Equity Shares of Rs.10 each)		
Royal Orchid Jaipur Private Limited	16,500,000	16,500,000
(1,650,000 (2008 – 1,650,000) Equity Shares of Rs 10 each)		
AB Holdings Private Limited	2,500,000	2,500,000
(250,000 (2008 – 250,000) Equity Shares of Rs 10 each)		
Royal Orchid South Private Limited	9,000,000	9,000,000
(900,000 (2008 – 900,000) Equity Shares of Rs 10 each)		
Multi Hotels Limited	74,060,100	74,060,100
(30 (2008 – 30) Equity Shares of Tanzanian Shillings 1000 each)		
Royal Orchid Shimla Private Limited	500,000	-
(5,000 (2008 – NIL) Equity Shares of Rs 100 each)		
Royal Orchid Goa Private Limited	500,000	-
(5,000 (2008 – NIL) Equity Shares of Rs 100 each)		
Royal Orchid Maharashtra Private Limited	500,000	-
(5,000 (2008 – NIL) Equity Shares of Rs 100 each)		
Investment in Joint ventures (trade, unquoted and fully paid up)		
Rajkamal Buildcon Private Limited	52,820,000	52,820,000
(5,000 (2008 – 5,000) Equity Shares of Rs 10 each)		
Ksheer Sagar Buildcon Private Limited	52,820,000	52,820,000
(5,000 (2008 – 5,000) Equity Shares of Rs 10 each)		
J H Builders Private Limited	52,820,000	52,820,000
(5,000 (2008 – 5,000) Equity Shares of Rs 10 each)		
Ksheer Sagar Developers Private Limited	52,820,000	52,820,000
(5,000 (2008 – 5,000) Equity Shares of Rs 10 each)		
Cosmos Premises Private Limited	170,000,040	-
(202,381 (2008 – NIL) Equity Shares of Rs 10 each)		
Share application money pending allotment		
Rajkamal Buildcon Private Limited	1,117,162	-
Ksheer Sagar Buildcon Private Limited	1,115,640	-
J H Builders Private Limited	1,165,683	-
Ksheer Sagar Developers Private Limited	38,930,419	-
Investment in Associates (trade, unquoted and fully paid up)		
Satkar Realties Private Limited	68,600,000	36,400,000
(739,942 (2008 – 392,599) Equity Shares of Rs 10 each)		
Parsvnath Royal Orchid Hotels Limited	225,000	-
(22,500 (2008 – Nil) Equity Shares of Rs 10 each)		
	864,702,456	**618,448,512**

Note:

The Company purchased and sold Nil (2008 - 118,281,310) units of mutual funds for a gain of Rs Nil (2008 - Rs. 20,622,580).

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 7		
INVENTORIES		
Food and beverages	8,489,970	7,690,734
Stores and spare parts	2,243,962	3,963,478
	10,733,932	**11,654,212**
SCHEDULE 8		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
-considered doubtful	1,171,688	984,137
	1,171,688	984,137
Other debts		
-considered good	60,944,060	33,220,336
	62,115,748	34,204,473
Less: Provision for doubtful debts	1,171,688	984,137
	60,944,060	**33,220,336**
Note:		
The above debtors include dues from Companies under the same management		
Icon Hospitality Private Limited	3,795,990	3,317,670
Maruti Comforts and Inn Private Limited	14,515,587	15,060,149
Cosmos Premises Private Limited	4,213,500	-
Maximum amounts outstanding during the year		
Icon Hospitality Private Limited	9,566,221	3,317,670
Maruti Comforts and Inn Private Limited	15,060,149	15,060,149
Cosmos Premises Private Limited	4,213,500	-
SCHEDULE 9		
CASH & BANK BALANCES		
Cash balances on hand	1,964,296	1,225,157
Bank balances with Scheduled banks:		
- In current accounts	46,029,442	237,766,992
- In exchange earners foreign currency accounts	77,205	349,848
- In deposit account	171,873,320	215,484,204
- In margin money	7,215,076	13,104,400
	227,159,339	**467,930,601**

Note:

(a) As at 31 March 2009, current accounts include Rs. Nil (31 March 2008 – Rs 154,556) representing unutilised proceeds from the Company's IPO.

(b) As at 31 March 2009, deposit accounts include unutilised public issue proceeds amounting to Rs Nil (31 March 2008 - Rs 94,500,000) which has been temporarily invested with banks until utilization for the specific objects of the IPO.

(c) Margin money represents deposits placed with banks as security against guarantee issued by the bank in favour of Department of Customs for imports at concessional duty rates under various Export Promotion Capital Goods ('EPCG') licenses. These deposits are to be released between years 2012 and 2014.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE 10	31 March 2009 Rs.	31 March 2008 Rs.
LOANS & ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind, or for value to be received		
- Prepaid Expenses	4,499,165	5,446,822
- Advances to suppliers	2,692,715	12,365,880
- Project advances	73,707,844	17,538,278
- Other advances	5,846,829	14,336,924
- Dues from employees	6,271,534	1,740,063
Loans to subsidiaries	188,696,811	165,541,562
Loans to associates	34,300,000	18,200,000
Advance tax (net of provision)	44,487,505	29,940,631
Interest accrued but not due on fixed deposit with bank	625,365	1,455,633
Security deposits for hotel properties	92,487,221	94,807,221
Security deposits for others	117,895,838	118,302,915
	571,510,827	**479,675,929**

Note:
Security deposits for hotel properties includes Rs 60,000,000 (31 March 2008 – Rs 60,000,000) being a interest-free, refundable security deposit with the Managing Director for his 50 percent interest in the land taken on lease from the KSTDC for the Hotel Royal Orchid. This deposit is repayable on the expiration of the lease agreement with the KSTDC.

SCHEDULE 11

LIABILITIES

	31 March 2009 Rs.	31 March 2008 Rs.
Sundry creditors		
- total outstanding dues to micro enterprises and small enterprises	-	-
- total outstanding dues to creditors other than micro enterprises and small enterprises	38,106,210	44,995,245
Accrued expenses	28,774,465	16,298,897
Dues to employees	15,919,870	9,418,181
Duties, taxes and other statutory dues payable	15,054,718	17,143,312
Security deposit received (a)	3,002,315	3,000,000
Dues to directors	5,510,222	7,109,336
Dues to Companies under the same management	750,376	-
Unpaid Dividend (b)	1,010,802	-
Other liabilities	7,120,742	6,695,103
	115,249,720	**104,660,074**

Note:

a) Security deposit includes Rs 3,000,000 (31 March 2008 – Rs 3,000,000) received from an entity under the same management for premises space provided to them for no charge. This amount is repayable on vacation of the aforesaid premises.

b) Not due for credit to Investor Education & Protection Fund

SCHEDULE 12

PROVISIONS

	31 March 2009 Rs.	31 March 2008 Rs.
Provision for gratuity	5,092,026	3,120,220
Provision for leave encashment	7,624,021	3,766,976
Proposed dividend	40,850,948	163,403,790
Tax on proposed dividend	6,942,619	27,770,474
	60,509,614	**198,061,460**

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 March 2009 Rs	Year ended 31 March 2008 Rs
SCHEDULE 13		
OPERATING INCOME		
Room revenues	631,624,209	593,000,657
Food and beverages	250,508,474	225,482,481
Management & technical fees	41,357,337	24,741,010
Other service charges	19,682,518	17,009,617
	943,172,538	**860,233,765**
SCHEDULE 14		
OTHER INCOME		
Interest income [Gross of tax deducted at source - Rs. 1,414,299 (2008 – Rs. 7,318,501]		
From banks	7,085,604	26,502,386
From subsidiaries	2,581,025	7,346,224
From associates	2,465,693	-
Gain on sale of mutual funds	-	20,622,580
Provision no longer required written back	479,356	-
Gain on foreign exchange fluctuation	1,808,977	121,831
Miscellaneous income	7,480,266	6,438,725
	21,900,921	**61,031,746**
SCHEDULE 15		
FOOD AND BEVERAGES CONSUMED		
Opening Stock	7,690,734	3,000,700
Add: Purchases during the year	84,968,893	80,854,785
	92,659,627	83,855,485
Less: Closing Stock	8,489,970	7,690,734
Consumption for the year	**84,169,657**	**76,164,751**

Note:

Consumption above is net of Rs 5,283,743 for the year ended 31 March 2009 (2008 – Rs 2,955,737), representing amounts utilised for internal consumption which has been classified under staff welfare.

	Year ended 31 March 2009 Rs	Year ended 31 March 2008 Rs
SCHEDULE 16		
EMPLOYEE COSTS		
Salaries, wages and bonus	117,749,597	82,788,987
Contribution to provident fund	5,158,077	3,748,654
Staff welfare	18,263,306	10,015,094
Employee stock based compensation expense	386,464	598,896
Gratuity	2,565,432	215,186
	144,122,876	**97,366,817**

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31 March 2009 Rs	Year ended 31 March 2008 Rs
SCHEDULE 17		
OTHER OPERATING EXPENSES		
Linen and room supplies	21,426,209	19,673,004
Catering and other kitchen supplies	10,467,888	10,400,756
Laundry & washing expenses	7,650,329	6,176,336
Power and fuel	55,678,652	40,416,425
Water	4,475,707	4,029,015
Lease rent for hotel properties	74,913,666	35,246,235
Hire Charges	6,160,050	4,746,565
Guest transportation expenses	5,253,763	3,345,095
Management fees	297,223	345,137
Repairs and maintenance		
- Leasehold buildings	22,881,757	15,524,826
- Machinery	2,391,962	904,250
- Others	4,472,229	5,027,987
Other miscellaneous expenses	5,186,103	3,218,470
	221,255,538	**149,054,101**
SCHEDULE 18		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Advertisement and business promotion	34,077,304	24,146,702
Commission, brokerage and discount	25,641,515	28,840,181
Legal and professional charges	23,917,540	12,879,647
Rates and taxes	15,551,250	11,165,473
Rent	14,651,589	2,478,319
Communication expenses	10,039,738	8,046,892
Director's remuneration	12,000,000	11,013,333
Director's Commission	5,553,518	8,994,564
Printing and stationery	6,021,329	5,585,106
Travelling and conveyance	10,388,736	7,112,036
Security Charges	6,915,926	4,201,147
Audit fees	1,480,005	1,527,087
Provision for doubtful debts	552,013	824,773
Insurance	4,219,966	2,897,200
Music and entertainment charges	2,146,497	2,039,807
Recruitment Expenses	1,217,104	1,439,562
Loss on sale of fixed assets	177,561	-
Miscellaneous expenses	17,152,350	12,878,692
	191,703,941	**146,070,521**
SCHEDULE 19		
FINANCE CHARGES		
Interest on term loan	39,667,227	19,499,263
Less: Interest capitalised	24,471,410	-
	15,195,817	19,499,263
Interest on vehicle loan	470,507	452,942
Bank charges	814,449	961,147
	16,480,773	**20,913,352**

NOTES TO FINANCIAL STATEMENTS

SCHEDULE - 20

1. Background

Royal Orchid Hotels Limited ('the Company') was incorporated on 3 January 1986 as Universal Resorts Limited to carry on the business and management of hotels/holiday resorts and related services. The name of the Company was changed to Royal Orchid Hotels Limited on 10 April 1997. The Company currently operates five hotel properties - Royal Orchid Hotel, Bangalore, Royal Orchid Ramada, Bangalore, Royal Orchid Metropole, Royal Orchid Brindavan and Royal Orchid Central, Pune. Additionally the Company has also entered into a hotel operation agreement for Royal Orchid Golden Suites, Pune and Royal Orchid Golden Suites Bangalore. The Company receives an annual management fee from its subsidiaries Icon Hospitality Private Limited and Maruti Comforts and Inn Private Limited for the hotel properties of Royal Orchid Central, Bangalore and Royal Orchid Resorts, Bangalore respectively.

2. Significant accounting policies

a. Basis of preparation

The financial statements have been prepared and presented on an accrual basis under the historical cost convention and in accordance with the applicable accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied unless otherwise stated.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by management in the preparation of these financial statements include the estimates of the economic useful lives of the fixed assets, provision for bad and doubtful debts and accruals for employee benefits.

c. Revenue recognition

Revenues comprise income from the sale of rooms, food and beverages and allied services during a guest's stay at the hotel. Room revenue is recognized based on occupation and revenue from sale of food and beverages and other allied services, as the services are rendered.

Unbilled revenues represent revenues recognised which have not been billed to the customers at the balance sheet date and are billed subsequently.

Income from management and technical services are recognised based on agreements with the concerned parties.

Interest Income

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

d. Fixed assets

Fixed assets are stated at cost less accumulated depreciation / amortisation and impairment losses. All costs relating to acquisition and installation of fixed assets are capitalised.

Advances paid towards acquisition of fixed assets before the financial year-end and the cost of the fixed assets not ready for their intended use, are disclosed as capital work-in-progress.

Expenditure directly relating to expansion is capitalized only if it increases the life or functionality of an asset beyond its original standard of performance.

e. Borrowing Costs

Borrowings costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets for the period up to the completion of their acquisition or construction. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred. All other borrowing costs have been charged to profit and loss account.

f. Depreciation

Depreciation on fixed assets is provided on the Straight Line method, using the higher of rates specified in Schedule XIV to the Companies Act, 1956 or the management estimates of the economic useful lives of such assets. These rates are specified below:

Asset category	**Rates of depreciation used (%)**
Plant and machinery	4.75 -20
Furniture and fixtures	9.50 – 20
Computers and related equipment	16.21
Office equipment	4.75
Vehicles	9.50-16.21

Assets individually costing less than Rs 5,000 are fully depreciated in the year of purchase. Leasehold buildings (including improvements) are amortized over the period of the lease.

g. Goodwill

Goodwill on acquisition of the business of entities is amortised over a period of five years.

h. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

I. Investments

Long term investments are valued at, cost less provision for diminution, other than temporary, in the value of such investments.

Current investments are carried at the lower of cost and fair value.

j. Inventory

Inventory comprises stock of food and beverages and stores and spare parts and is carried at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the goods to their present location and condition and is determined on a Weighted Average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

k. Foreign currency transactions

(a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) Conversion

Foreign currency monetary items are reported using the closing rate. The resultant exchange differences are recognised in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

l. Leases

For hotel properties i.e. land and buildings, taken on lease along with related assets as a part of a combined lease arrangement, the Company determines whether these assets acquired are integral to the land and building. If these assets are integral, the Company analyses the nature of the lease arrangement on a combined basis for all assets. If the assets are not integral to the land and building, the Company evaluates each asset individually, to determine the nature of the lease.

Finance leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on an accrual basis.

m.Retirement benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits (Revised 2005).

Provident fund

The Company contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with Employees provident fund and Miscellaneous Provision Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

Gratuity

Gratuity is a post employment benefit and is a defined benefit plan. The liability recognised in the balance sheet represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and loss account in the year in which such gains or losses arises.

Leave encashment

Liability in respect of leave becoming due or expected to be availed within one year from the balance sheet date is recognized on the basis of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation in a manner similar to gratuity liability.

n. Stock based compensation

The Company accounts for stock based compensation based on the intrinsic value method. Option discount representing the excess of the fair value or the market value of the underlying shares at the date of the grant over the exercise price of the option is amortised on a straight line basis over the vesting period of the shares issued under the Company's Employee Stock Option Plan (ESOP).

o. Taxes on income

Current tax

Provision is made for income tax under the tax payable method, based on the liability computed, after taking credit for allowances and exemptions

Deferred tax

Deferred tax charge or credit reflects the tax effect of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably virtually certain (as the case may be) to be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Fringe Benefit Tax

Consequent to the introduction of Fringe Benefit Tax ('FBT') effective 1 April 2005, the Company provided for the FBT for the year as tax charge in accordance with the provisions of Section 115WB of the Income Tax Act, 1961.

p. *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

q. *Provisions and contingent liabilities*

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

r. *Onerous contracts*

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3. Earnings per share ('EPS')

	Year ended 31 March 2009	**Year ended 31 March 2008**
Weighted average number of shares outstanding during the year	27,233,965	27,233,965
	(Rs)	(Rs)
Net profit after tax attributable to equity shareholders	192,905,935	306,799,805
Basic and diluted earnings per share	7.08	11.27
Nominal value per equity share	10	10

4. **Investment in joint ventures**

Information as required by Accounting Standard – 27 – "Financial Reporting of Interest in Joint Ventures".

A. The Company's share in the assets, liabilities, income and expenditure of its joint ventures in India under jointly controlled operations is as follows:

Amounts in Rs.

	Ksheer Sagar Buildcon Private Limited		**Ksheer Sagar Developers Private Limited**		**Raj Kamal Buildcon Private Limited**		**J.H.Builders Private Limited**		**Cosmos Premises Private Limited**
	Year ended 31 March 2009	**Year ended 31 March 2008**	**Year ended 31 March 2009**	**Year ended 31 March 2008**	**Year ended 31 March 2009**	**Year ended 31 March 2008**	**Year ended 31 March 2009**	**Year ended 31 March 2008**	**Year ended 31 March 2009**
Equity interest	50%	50%	50%	50%	50%	50%	50%	50%	50%
Fixed Assets	53,455,521	53,455,521	85,030,095	53,455,521	53,270,355	53,455,521	53,270,409	53,455,506	79,159,097
Current assets, loans and advances	6,551	2,391	8,364,498	9,212,952	6,470	2,309	38,846	34,686	8,376,345
Secured Loan	-	-	-	-	-	-	-	-	12,178,136
Unsecured loans	-	1,119,191	-	10,126,143	-	1,120,343	1,168,829	1,168,829	2,800,000
Current liabilities and provisions	678,740	655,324	2,806,077	1,610,573	678,740	655,323	662,838	639,421	7,294,309
Income	Nil	Nil	354,634	Nil	Nil	Nil	Nil	Nil	21,709,557
Expenses	36,262	Nil	940,647	Nil	36,262	Nil	36,262	Nil	21,835,040

B. The joint venture with Cosmos Premises Private Limited was entered into during the year, accordingly previous year figures are not provided.

5. Leases

Operating leases

The key operating lease arrangements entered into by the Company are summarised below:

Hotel Royal Orchid

The Company has entered into various non-cancellable tri-partite agreements along with its Managing Director and the Karnataka State Tourism Development Corporation ('KSTDC') to lease lands on which the hotel premises has been constructed and adjacent areas. The primary lease periods for these agreements is 30 years and are further extendable by a period between 10 to 30 years at the option of the Company and carry an escalation provision for the increase in annual rent by 15 % every 10 years thereafter.

Additionally, the Company has also entered into an agreement with its managing director for the use of his 50 % interest in the leased lands with the value of this consideration being determined at Rs 60 million, payable as an interest free security deposit repayable on the termination of the lease with KSTDC. This consideration could be discharged either in cash or through the issue of equity shares of the Company. The Company discharged this consideration through the allotment of 6 million equity shares at par through July 1999. (Refer Schedule 1 and Schedule 10).

Ramada (formerly Royal Orchid Harsha)

Effective July 2002, the Company entered into a tri-partite agreement with Hotel Stay Longer Private Limited and Baljee Hotels and Real Estates Private Limited, Companies under the same management, to lease the hotel premises and related assets at Ramada. This agreement was for an initial period of 11 months, renewable at the option of the Company and it has deposited an interest-free security deposit of Rs 10 million with Baljee Hotels and Real Estate Private Limited which is repayable on the termination of the lease agreement.

This agreement has been revised effective 1 August 2008 for a period of eleven months with an option to renew for a further 2 terms of 11 months each. As per the agreement, the Company is required to make annual payments at 33 % of gross room revenues or a minimum committed amount, whichever is higher. This lease charge is paid to Hotel Stay Longer Private Limited and Baljee Hotels and Real Estate Private Limited at a pre-determined ratio of 20% and 80% respectively.

Royal Orchid Metropole

In May 2004, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Royal Orchid Metropole at Mysore for a non-cancellable period of 15 years. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share representing 10% of the annual revenues in excess of Rs 25 million.

Royal Orchid Brindavan

In March 2006, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Hotel Krishna Raja Sagar at Mysore for a non-cancellable period of 15 years commencing from the readiness date. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share representing 10% of the annual revenues in excess of Rs 25 million..

Royal Orchid Central, Pune

In July 2006, the Company entered into an agreement for the use of land and building representing the hotel property for a non-cancellable lease period of 5 years. The lease term for the said property is 10 years and extendable by another 10 years subject to conditions as per the agreement.

As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at a interval of every 3 years or 20% of Net Room Revenue (NRR) for first year and 22% of NRR for 2nd year to 4th year and 25% for the balance period of NRR which ever is higher.

Corporate Office

The Company has entered into a lease agreement for the corporate office premises and related assets. The agreement is for an initial period of 36 months, renewable at the option of the lessor's and the Company. As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at an interval of every 3 years.

<u>Hotels yet to commence operations</u>

Properties at Hyderabad

In December 2004, the Company has entered into a lease arrangement for leasing a hotel property in Hyderabad. This arrangement has an initial period of 25 years which commence on the handover of the constructed property to the Company by the lessor. The lease rent comprises a fixed rate per square foot constructed which maybe enhanced by 12% every three years from the commencement of the lease period.

In the event that the Company withdraws from the arrangement during the construction period, the Company is liable to pay the lessor, a sum of Rs 5 million if the withdrawal is within 12 months of the date of construction and Rs 10 million, if the withdrawal is after that period. During the previous year 2006-07 this lease has been assigned to the company's subsidiary, Royal Orchid Hotels Hyderabad Private Limited.

The Company has entered into an agreement for the development of a hotel and a service apartment. As per the arrangement the Company is to transfer the service apartments to the owner of the land in exchange for the land pertaining to the hotel property.

Property at Mumbai

In March 2007, the Company has entered into a lease agreement for the use of land and building representing the hotel property for a total period of 29 years, including the first 5 years being a non-cancellable period.
The lease rent for the said property will be 25% of the net room revenue (variable lease rent) subject or a fixed minimum lease rent per annum which ever is higher. The variable lease rent is enhanced by ½% per year for 5 years up to a maximum ceiling limit of 27.5%.The fixed minimum lease rent Is enhanced by 5% annually.

The payment of lease rent on the aforesaid properties will commence on commencement of commercial operations of the respective hotels.

Lease expenses

The lease expense for cancellable and non-cancellable operating leases during the year ended 31 March 2009 was Rs. 89,565,255 (31 March 2008 – Rs. 37,724,554).

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

	31 March 2009 Rs.	31 March 2008 Rs.
Payments falling due:		
Within 1 year	52,276,229	44,181,644
Later than one year but not later than five years	172,291,252	176,683,129
Later than 5 years	205,364,334	336,557,684
TOTAL	**429,931,815**	**557,422,457**

The above commitment does not include the lease payments amounting to Rs.185 million (31 March 2008 Rs. 185 million in respect of the property at Mumbai payable over 5 years from the date of readiness.

6. Prior Period Income

The Company has recorded interest income of Rs. 11,137,847 in the current year (2008 – Rs. Nil) on account of an omission in the prior years. The consequent tax liability of Rs. 2,784,462 (2008 – Rs. Nil) arising due to this omission has also been provided for in the financial statements.

7. Utilization of proceeds from the Initial Public Offering ('IPO')

During the year ended 31 March 2006, the Company had raised funds through a public issue of 6,820,000 equity shares of a par value of Rs.10 each, at a premium of Rs 155 per share, aggregating to Rs.1,125.30 million. The proceeds of the issue have been utilized as under:

	31 March 2009	31 March 2008
Opening balance	94,654,556	1,037,176,353
Add:		
Interest received during the year	-	31,369,203
Less:		
Funds withdrawn towards IPO expenses	-	-
Funds withdrawn for investment in projects/subsidiaries	94,654,556	857,821,500
Funds withdrawn for payment of security deposits for hotel properties	-	116,069,500
Closing balance	**-**	**94,654,556**

8. Commitments and contingencies

a) Litigation

i) The Company has been named as a defendant in two civil suits filed restraining the Company from using certain parts of land taken on lease from the KSTDC for the operation of the Royal Orchid Hotel, which are adjacent to the hotel premises. Consequently, these lands are currently not being utilised by the Company. These cases are pending with the Civil Courts and scheduled for hearings shortly. Management believes that these cases will be settled in its favour and will not adversely effect its operations.

ii) During the previous year ended 31 March 2008, the Company has filed a legal suit on a lessor for a property taken on lease which is currently under construction and assigned to its subsidiary Royal Orchid Hyderabad Private Limited. The Company has injunctive relief to restrain the lessor from selling or mortgaging the property or carrying out the business of a hotel without the consent of the Company. The Company has paid Rs 10,000,000 as a refundable security deposit under this lease agreement. Based on a legal opinion received by the Company, management believes that this litigation will not adversely impact the operations of the company and consequently, this amount has not been provided for in these financial statements.

iii) During the year, the Company has filed a legal suit on a lessor for a property taken on lease which is currently under construction in New Delhi. The Company has injunctive relief to restrain the lessor from selling or mortgaging the property or carrying out the business of a hotel without the consent of the Company. The Company has paid Rs 10,000,000 as a refundable security deposit under this lease agreement. Based on a legal opinion received by the Company, management believes that this litigation will not adversely impact the operations of the company and consequently, this amount has not been provided for in these financial statements.

b) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs 773,682,208 (31 March 2008 – Rs Nil)

c) Export obligation

The Company has received various Export Promotion Capital Goods ('EPCG') licenses which entitles it to import capital goods at a concessional rate of duty. Against these imports the Company has an export obligation equal to eight times the duty amount saved. The Company's export turnover till date is in excess of this obligation.

9. Information pursuant to Clause 32 of the listing agreements with stock exchanges

Disclosures of amounts at the year end and the maximum amount of loans outstanding during the year.

Loans and advances in the nature of loans to subsidiaries	As at 31 March 2009	Maximum balance outstanding during the year ended 31 March 2009	As at 31 March 2008	Maximum balance outstanding during the year ended 31 March 2008
Royal Orchid Jaipur Private Limited*	27,290,304	48,804,919	48,804,919	48,804,919
A B Holdings Private Limited*	94,152,885	94,152,885	93,827,423	93,827,423
Maruti Comforts and Inn Private Limited	34,555,238	34,555,238	15,060,149	15,060,149
Royal Orchid South Private limited*	962,730	962,730	962,730	962,730
Royal Orchid Hyderabad Private Ltd*	670,100	670,100	-	-
Multihotels Limited*	10,361,036	10,361,036	6,886,341	6,892,269
Royal Orchid Maharashtra Private Limited*	20,593,860	20,593,860	-	--
Royal Orchid East Private Limited*	110,658	110,658	-	-
Loans and advances in the nature of loans to associates				
Satkar Realties Private Limited	34,300,000	34,300,000	18,200,000	18,200,000

The above loan amounts do not have a repayment schedule.

* The loans are provided interest free to 100% subsidiaries of the Company.

10. Supplementary statutory information

a) Determination of net profit in accordance with the provisions of Section 349 of Companies Act, 1956 and commission payable to directors

	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
Profit before tax as per Profit & Loss Account	261,490,397	399,548,308
Add:		
Managerial Remuneration	17,596,326	20,008,897
Provision for doubtful debts	552,013	824,773
Loss on sale of fixed assets	177,561	-
Less:		
Gain on sale of current investments	-	(20,622,580)
Net Profit	**279,816,297**	**399,759,398**
Remuneration Eligible under Section 309:		
To Whole Time Directors	27,981,630	19,990,035
To Non Whole Time Directors	2,798,163	3,998,007

	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
Managerial Remuneration		
i. To Whole Time Directors		
Salary and allowances	12,000,000	11,013,333
Commission	3,476,300	4,997,509
	15,476,300	**16,010,842**
i. To Non Whole Time Directors		
Commission	2,077,218	3,998,007
	2,077,218	**3,998,007**

The Managing Director of the Company is entitled to remuneration of Rs 3,000,000 (31 March 2008 - Rs 3,000,000) from a subsidiary of the Company.

b) Payment to auditors

	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
a) Audit fee	900,000	900,000
b) Other services	400,000	400,000
c) Certification Fees	-	30,000
d) Out of pocket expenses	35,506	29,102
e) Service tax	144,499	167,985
	1,480,005	**1,527,087**

c) Particulars relating to foreign exchange

	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
Earnings in foreign exchange		
Income from operations	473,667,642	407,079,497
Expenditure in foreign currency		
Commission	5,000,416	4,896,883
Royalty	920,865	-
Value of imports on a CIF basis		
Capital goods	25,014,288	20,543,793

d) Imported and indigenous food and beverages consumed

	Year ended 31 March 2009 Amount (Rs.)	%	Year ended 31 March 2008 Amount (Rs.)	%
Imported	-	-	-	-
Indigenous	84,169,656	100	76,164,751	100
	84,169,656	**100**	**76,164,751**	**100**

Consumption above is net of Rs 5,283,743 for the year ended 31 March 2009 (2008 – Rs 2,955,737), representing amounts utilised for internal consumption which has been classified under staff welfare.

11. Additional information pursuant to the provisions of paragraphs 3 of Part II of Schedule VI to the Companies Act, 1956

Due to the volume and large number of insignificant transactions, management is unable to provide the quantitative information on the turnover and consumption of foods and beverages. On 20 June 2006, the Company has received the approval of the Central Government for an exemption from the presentation of this information, and therefore the additional information has not been presented.

12. Related party transactions

I. Parties where control exists includes:

Name of party	**Nature of relationship**
Icon Hospitality Private Limited	Subsidiary
Maruti Comforts and Inn Private Limited	Subsidiary
Royal Orchid Hyderabad Private Limited.	Subsidiary
Royal Orchid Jaipur Private Limited	Subsidiary
A B Holdings Private Limited	Subsidiar
Royal Orchid East Private Limited	Subsidiary (subsidiary of A B Holdings Private Limited)
Royal Orchid South Private Limited	Subsidiary
Royal Orchid Shimla Private Limited	Subsidiary
Royal Orchid Goa Private Limited	Subsidiary
Royal Orchid Maharashtra Private Limited	Subsidiary
Multihotels Limited	Subsidiary

Key Management Personnel

Chander K. Baljee

Sunil Sikka

Relatives of key management personnel (KMP)

Arjun Baljee

Keshav Baljee

Sunita Baljee

Entities controlled by KMP

Harsha Farms Private Limited

Royal Orchid West Private Limited

Baljee Hotels and Real Estate Private Limited

Hotel Staylonger Private Limited

Presidency College of Hotel Management

ii. The transactions with related parties for the year summarised below:

Amount in Rs.

Nature of Transaction	Subsidiaries		Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Management and technical fee income												
Maruti Comforts and Inn Private Limited	9,078,899	7,879,002	-	-	-	-	-	-	-	-	-	-
Icon Hospitality Private Limited	16,285,710	12,894,492	-	-	-	-	-	-	-	-	-	-
Cosmos Premises Private Limited	-	-	-	-	6,011,065	-	-	-	-	-	-	-
Interest income												
Icon Hospitality Private Limited	-	5,977,165	-	-	-	-	-	-	-	-	-	-
Satkar Realties Private Limited	-	-	2,465,693	-	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	2,581,025	1,369,059	-	-	-	-	-	-	-	-	-	-
Expenses incurred by the Company on behalf of related parties recharged												
Maruti Comforts and Inn Private Limited	-	79,841	-	-	-	-	-	-	-	-	-	-
Icon Hospitality Private Limited	1,190,988	36,000	-	-	-	-	-	-	-	-	-	-
Royal Orchid Hyderabad Private Limited.	670,100	211,607	-	-	-	-	-	-	-	-	-	-
Royal Orchid Jaipur Private limited	418,378	567,843	-	-	-	-	-	-	-	-	-	-
Royal Orchid South Private limited	490,118	5,530	-	-	-	-	-	-	-	-	-	-
Royal Orchid East Private limited	110,658	-	-	-	-	-	-	-	-	-	-	-
A B Holdings Private Limited	325,462	83,773	-	-	-	-	-	-	-	-	-	-
Multihotels Limited	1,887,592	-	-	-	-	-	-	-	-	-	-	-
Collections by related parties on behalf of the Company												
Icon Hospitality Private Limited	3,131,955	7,360,723	-	-	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	3,121,927	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid Jaipur Private limited	314,242	-	-	-	-	-	-	-	-	-	-	-
Cosmos Premises Private Limited					517,386							

Nature of Transaction	Subsidiaries		Associates		Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Collections by the Company on behalf of related parties												
Icon Hospitality Private Limited	3,038,739	3,412,317	-	-	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	3,046,497	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid Jaipur Private Limited	67,234	-	-	-	-	-	-	-	-	-	-	-
Cosmos Premises Private Limited	-	-	-	-	222,319	-	-	-	-	-	-	-
Security deposit paid on behalf of related party												
Royal Orchid Jaipur Private Limited	2,320,000	-	-	-	-	-	-	-	-	-	-	-
Security deposit Received												
Presidency College of Hotel Management	-	-	-	-	-	-	-	-	-	-	-	20,000
Loans advanced												
Royal Orchid Jaipur Private limited	-	4,906,227	-	-	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	30,000,000	-	-	-	-	-	-	-	-	-	-	-
A B Holdings Private Limited	-	41,876,101	-	-	-	-	-	-	-	-	-	-
J.H. Builders Private Limited	-	-	-	-	-	1,165,683	-	-	-	-	-	-
Ksheersagar Developers Private Limited	-	-	-	-	-	10,485,468	-	-	-	-	-	-
Rajkamal Buildcon Private Limited	-	-	-	-	-	1,117,162	-	-	-	-	-	-
Ksheersagar Buildcon Private Limited	-	-	-	-	-	1,115,640	-	-	-	-	-	-
Royal Orchid South Private limited	-	500,000	-	-			-	-	-	-	-	-
Royal Orchid West Private limited	-	35,000	-	-	-		-	-	-	-	-	-
Multihotels Limited	-	6,889,305	-	-	-		-	-	-	-	-	-
Satkar Realties Private Limited	-	-	16,100,000	18,200,000	-	-	-	-	-	-	-	-
Royal Orchid Maharashtra Private Limited	20,593,860	-	-	-	-	-	-	-	-	-	-	-
							-	-	-	-	-	-
Loans repaid												
Royal Orchid Jaipur Private limited	24,500,000	-	-	-	-	-	-	-	-	-	-	-

Nature of Transaction	Subsidiaries		Associates		Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Investments made												
Icon Hospitality Private Limited	-	111,459,412	-	-	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	-	1,000,000	-	-	-	-	-	-	-	-	-	-
Royal Orchid Shimla Private Limited	500,000	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid Goa Private Limited	500,000	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid Maharashtra Private Limited	500,000	-	-	-	-	-	-	-	-	-	-	-
Parsvnath Royal Orchid Hotels Limited	-	-	225,000	-	-	-	-	-	-	-	-	-
Satkar Realties Private Limited	-	-	32,200,000	-	-	-	-	-	-	-	-	-
Share application money invested (Refer note 3 below)												
Ksheersagar Developers Private Limited	-	-	-	-	28,809,670	-	-	-	-	-	-	-
Loan to Joint venture converted to share application money pending allotment												
J.H. Builders Private Limited	-	-	-	-	1,165,683	-	-	-	-	-	-	-
Ksheersagar Developers Private Limited	-	-	-	-	10,120,749	-	-	-	-	-	-	-
Rajkamal Buildcon Private Limited	-	-	-	-	1,117,162	-	-	-	-	-	-	-
Ksheersagar Buildcon Private Limited	-	-	-	-	1,115,640	-	-	-	-	-	-	-
Remuneration including commission												
Chander K. Baljee	-	-	-	-	-	-	14,776,759	15,010,917	-	-	-	-
Sunil Sikka	-	-	-	-	-		699,541	999,396	-	-	-	-
Arjun Baljee	-	-	-	-	-	-		-	2,592,000	850,093	-	-
Keshav Baljee	-	-	-	-	-	-	-	-	1,779,996	1,931,862	-	-

Nature of Transaction	Subsidiaries		Associates		Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled by KMP	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Rental Expenses to											-	-
Baljee Hotels and Real Estates Private Limited	-	-	-	-	-	-	-	-	-	-	12,310,954	11,700,294
Hotel Staylonger Private Limited	-	-	-	-	-	-	-	-	-	-	3,077,739	2,925,074
Balances payable/receivable to related parties:												
Loans to related parties												
Satkar Realties Private Limited	-	-	34,300,000	18,200,000	-	-	-	-	-	-	-	-
Royal Orchid Jaipur Private Limited	27,290,304	48,804,919	-	-	-	-	-	-	-	-	-	-
J.H. Builders Private Limited	-	-	-	-	-	1,165,683	-	-	-	-	-	-
Ksheersagar Developers Private Limited	-	-	-	-	-	10,485,468	-	-	-	-	-	-
Rajkamal Buildcon Private Limited	-	-	-	-	-	1,117,162	-	-	-	-	-	-
Ksheersagar Buildcon Private Limited	-	-	-	-	-	1,115,640	-	-	-	-	-	-
A B Holdings Private Limited	94,152,885	93,827,423	-	-	-	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	34,555,238	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid South Private limited	962,730	962,730	-	-	-	-	-	-	-	-	-	-
Royal Orchid Hyderabad Private limited	670,100	-	-	-	-	-	-	-	-	-	-	-
Multihotels Limited	10,361,036	6,889,305	-	-	-	-	-	-	-	-	-	-
Royal Orchid Maharashtra Private Limited	20,593,860	-	-	-	-	-	-	-	-	-	-	-
Royal Orchid East Private Limited	110,658	-	-	-	-	-	-	-	-	-	-	-
Debtors												
Icon Hospitality Private Limited4	3,795,990	3,317,670	-	-	-	-	-	-	-	-	-	-
Cosmos Premises Private Limited	-	-	-	-	4,213,500	-	-	-	-	-	-	-
Maruti Comforts and Inn Private Limited	14,515,587	15,060,149	-	-	-	-	-	-	-	-	-	-
Dues to Companies under same management												
Baljee Hotels and Real Estate Private Limited	-	-	-	-	-	-	-	-	-	-	596,596	-
Hotel Staylonger Private Limited	-	-	-	-	-	-	-	-	-	-	153,780	-

Nature of Transaction	Subsidiaries		Associates		Joint Venture		Key Management Personnel		Relatives of Key Management Personnel		Entity controlled KMP	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Security deposit given												
Hotel Staylonger Private Limited	-	-	-	-	-	-	-	-	-	-	10,000,000	10,000,000
Chander K. Baljee	-	-	-	-	-	-	60,000,000	60,000,000	-	-	-	-
Security deposit received												
Presidency College of Hotel Management	-	-	-	-	-	-	-	-	-	-	3,000,000	3,000,000
Advances (Refer note 2 below)												
Keshav Baljee									2,802,416			
Arjun Baljee									293,858			
Dues payable												
C.K.Baljee	-	-	-	-	-	-	2,733,463	4,997,429	-	-	-	-
Sunil Sikka	-	-	-	-	-	-	699,541	-	-	-	-	-
Arjun Baljee	-	-	-	-	-	-		-	-	850,093	-	-
Keshav Baljee	-	-	-	-	-	-		-	-	998,959	-	-

Note:

1. For balances of investments at 31 March 2009 & 2008, refer Schedule 6 forming part of the financial statements.
2. The Company has provided for remuneration payable to a relative of key management personnel in excess of the limits defined in the approvals from the Central Government by Rs These amounts have been approved by the shareholders of the Company. The Company has applied for the necessary approvals which are being currently awaited pending which these amounts have been disclosed as recoverable from such persons and no adjustment has been made in these financial statements arising out of the potential outcome of the said approvals.
3. Loans given to Joint ventures in the previous years have been converted to share application money pending allotment.
4. In the previous year, the Company had given a loan to an associate which is outstanding at year end. Although as at March 31, 2009, the said transactions do not require any specific approvals, the Company is in the process of evaluating whether such approvals are required for the transaction in the prior year.

13. Employee Benefits

A Defined Benefit Plan

The Company has gratuity as defined benefit retirement plans for its employees. Disclosures as required by Revised AS 15 are as under:

		Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
1	The amounts recognised in the Balance Sheet are as follows:		
	Present value of the obligation as at the end of the year	5,092,026	3,120,220
	Fair value of plan assets as at the end of the year	-	-
	Net liability/(asset) recognised in the Balance Sheet	**5,092,026**	**3,120,220**
2	The amounts recognised in the Profit and Loss Account are as follows:		
	Service cost	2,000,396	1,255,731
	Interest cost	414,967	244,602
	Expected return on plan assets	-	-
	Net actuarial (gain)/loss recognized in the year	150,069	(644,125)
	Expense recognized in the Profit and Loss Account of the year	**2,565,432**	**856,208**
3	Changes in the present value of defined benefit obligation		
	Defined benefit obligation as at the beginning of the year	3,120,220	2,357,473
	Service cost	2,000,396	1,255,731
	Interest cost	414,967	244,602
	Actuarial losses/(gains)	150,069	(644,125)
	Benefits paid	(593,626)	(93,461)
	Defined benefit obligation as at the end of the year	**5,092,026**	**3,120,220**
4	Changes in the fair value of plan assets		
	Fair value as at the beginning of the year	-	-
	Expected return on plan assets	-	-
	Actuarial (loss)/ gains	-	64,615
	Contributions	593,626	(35,769)
	Benefits paid	(593,626)	(28,846)
	Fair value as at the end of the year	-	-
	Assumptions used in the above valuations are as under:		
	Interest rate	7%	7.95% - 8%
	Discount rate	7%	8%
	Expected return on plan assets	NA	NA
	Future salary increase	7%	6%
	Attrition rate	3%	2% - 5%
	Retirement age	55 years	58 years

B. Defined contribution plan

The Company makes contribution to the statutory provident fund as per Employees Provident Fund and Miscellaneous Provision Act, 1952 and Employees State Insurance Act, 1948. This is a defined contribution plan as per Revised AS 15. Contribution made during the year ended 31 March 2009 is Rs. 5,158,077 (2008 : Rs 3,748,654)

C. Leave encashment

The Company permits encashment of leave accumulated by their employees on retirement, separation and during the course of service. The liability for encashment of such leave is determined and provided on the basis of actuarial valuation performed by an independent actuary at the balance sheet date.

The actuarial assumptions used in accounting for the Compensated absence plan for the year ended March 31, 2009 were as follows:

	31 March 2009
Discount rate	8%
Rate of increase in compensation levels	7%

The Company has provided Rs. 6,346,796 as leave encashment expense in the current year This being the first year of actuarial valuation of leave encashment liability previous years numbers have not been provided.

14. Stock based compensation

The Employee Stock Option Plan 2006 was approved in the Annual General Meeting of the members held in the month of September 2006 and was subsequently amended at the Annual General meeting held on 8 August 2007 to include the employees of the subsidiaries and also increase the period available to exercise the options.

The plan provides for the issuance of stock options to eligible employees (including directors of the Company and employees of the subsidiaries) with the total options issuable under the Plan not to exceed 2,723,300 options (being 10% of the issued and paid up capital) and includes a limit for the maximum number of options that may be granted to each employee. Under the plan, these options vest over a period of three years after the date of grant and can be exercised within a period of one year from the date of vesting.

As per the ESOP scheme of the Company, all the taxes, including FBT, are to be borne by the employees and hence will not have an impact on the profit and loss account of the company.

The disclosures along with the weighted average price for options movement have been provided below:

	Year ended 31 March 2009		Year ended 31 March 2008	
	Shares arising out of options	**Weighted average exercise price**	**Shares arising out of options**	**Weighted average exercise price**
	(Numbers)	**Rs**	**(Numbers)**	**Rs**
Options outstanding at the beginning of the year	503,100	165	-	-
Granted during the year	-	-	512,500	165
Forfeited during the year	-	-	-	-
Lapsed during the year	186,100	165	9,400	165
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
	317,000	**165**	**503,100**	**165**
Options exercisable at year end	146,167	165	161,433	165

The weighted average exercise price of the options outstanding at 31 March 2009 is Rs 165 and they had weighted average remaining contractual life of 12 months (2008: 12 months).

Had compensation cost been determined in a manner consistent with the fair value approach as prescribed under the fair value method, the Company's net profit and earnings per share as reported would have been adjusted to the pro-forma amounts indicated below:

	Year ended 31 March 2009 Rs.	**Year ended 31 March 2008** Rs.
Net profit, as reported	192,905,935	306,799,805
Add: Stock-based employee compensation expense included in the Profit and loss account	386,464	598,896
Less: Stock based employee compensation expense determined under the fair value method	8,982,465	8,384,034
Pro forma net profit	**184,309,934**	**299,014,667**
Earnings per share – Basic		
As reported	7.08	11.27
Pro forma	6.77	10.98
Earnings per share – Diluted		
As reported	7.08	11.27
Pro forma	6.77	10.98

The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	31 March 2009	**31 March 2008**
Dividend yield %	3.28%	3.28%
Expected life	18 to 42 months	18 to 42 months
Risk free interest rate	7.34% to 7.63%	7.34% to 7.63%
Volatility	40.37%	40.37%

15. Segment Information

The Company's business comprises the operation of hotels, the services of which represent one business segment as they are subject to risks and returns that are similar to each other. Further the Company derives its entire revenues from services rendered in India. Consequently, the disclosure of business and geographic segment - wise information is not applicable to the Company.

16. Prior year comparatives

Prior year figures have been regrouped / reclassified wherever necessary to conform to the current year's presentation.

For and on behalf of the board of directors

Chander K Baljee **Managing Director**	**Naresh K Malhotra** **Director**	**B Chandrasekaran** **Company secretary**

Bangalore
19 June 2009

CASH FLOW STATEMENT

	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
A. Cash flow from operating activities		
Net profit before taxation	**261,490,397**	**399,548,308**
Adjustments for:		
Depreciation/ amortization	56,988,124	32,147,661
Provision no longer required write back	(479,356)	-
Gain on foreign exchange fluctuation	(1,584,139)	-
Interest income	(12,132,322)	(33,848,610)
Gain on sale of current investments	-	(20,622,580)
Interest expense (net of capitalised interest)	15,666,324	19,952,205
Loss on sale of fixed assets	177,561	
Provision for doubtful debts	552,013	-
Employee stock based compensation expense	386,464	598,896
Operating profit before working capital changes	**321,065,066**	**397,775,880**
Movements in working capital :		
(Increase)/Decrease in sundry debtors	(27,911,275)	14,385,027
(Increase)/Decrease in unbilled revenue	(958,956)	(4,164,929)
(Increase)/Decrease in inventories	920,280	(6,614,731)
(Increase)/Decrease in loans and advances	4,042,575	(91,549,384)
Increase/(Decrease) in current liabilities and provisions	10,454,324	22,458,530
Cash generated from operations	**307,612,014**	**332,290,393**
Direct taxes paid	(63,990,394)	(98,577,290)
Fringe benefit tax paid	(2,376,549)	(1,557,735)
Net cash from operating activities	**241,245,071**	**232,155,368**
B. Cash flows from investing activities		
Purchase of fixed assets and increase in capital work-In-progress	(387,474,509)	(187,101,717)
Proceeds from sale of fixed assets	648,744	-
Net movement in term deposits & margin money	49,500,208	937,550,351
Project Advances	(56,169,566)	(82,244,215)
Investments made in subsidiaries	(1,500,000)	(111,459,412)
Purchase consideration for acquisition of subsidiaries	-	(74,060,100)
Purchase consideration for acquisition of additional interest in associate	(32,425,000)	(36,400,000)
Purchase consideration for acquisition of interest in joint ventures	(170,000,040)	(211,280,000)
Additional investment in Joint ventures	(28,809,667)	-
Purchase of current investments	-	(1,540,000,000)
Sale of current investments	-	1,560,622,580
Loans to subsidiaries	(47,655,249)	(48,669,465)
Loans repaid by subsidiaries	24,500,000	-
Loans to associates	(16,100,000)	(19,637,992)
Loans to Joint ventures	-	(13,519,237)
Interest received	12,962,590	51,563,542
Net cash generated by /(used in) from investing activities	**(652,522,489)**	**225,364,335**
C. Cash flows from financing activities		
Dividend paid including taxes thereon	(190,163,462)	(191,174,264)
Proceeds from short term corporate loan	500,000,000	-
Proceeds from long-term borrowings	2,962,000	-
Repayment of term loans	(52,182,864)	(50,841,968)
Interest paid	(41,620,112)	(20,294,525)
Net cash generated by /(used in) financing activities	**218,995,562**	**(262,310,757)**
Net increase/ (decrease) in cash and cash equivalents (A + B + C)	**(192,281,856)**	**195,208,946**
Cash and cash equivalents at the beginning of the year	239,341,997	44,133,051
Cash and cash equivalents at the end of the year (a)	47,060,141	239,341,997

CASH FLOW STATEMENT

Components of cash and cash equivalents as at year end	**31 March 09 Rs.**	**31 March 08 Rs.**
Cash and bank balances	227,159,339	467,930,601
Less : Margin monies and Deposits considered separately (Refer note below)	179,088,396	228,588,604
Less: Unpaid dividend	1,010,802	-
	47,060,141	**239,341,997**

Note:

a) The Company considers all highly liquid investments with a remaining maturity, at the date of purchase/investment, of the three months or less to be cash equivalents.

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

For Walker, Chandiok & Co
Chartered Accountants

For and on behalf of the Board of Directors

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Chander K Baljee
Managing Director

Naresh K. Malhotra
Director

B.Chandrasekaran
Company Secretary

Bangalore
19 June 2009

Bangalore
19 June 2009

AUDITORS' REPORT

The Board of Directors
Royal Orchid Hotels Limited

1. We have audited the attached Consolidated Balance Sheet of Royal Orchid Hotels Limited ('the Company'), its subsidiaries, joint ventures and associates (collectively referred to as 'the Group') as at 31 March 2009 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto (collectively referred as the 'consolidated financial statements'). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We have not audited the financial statements of certain consolidated entities, whose financial statements reflect total assets of Rs. 830,772,674 as at 31 March 2009, total revenue of Rs. 144,881,648 for the year ended on that date and cash out flow amounting to Rs. 10,771,069 for the year ended on that date. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in respect thereof is based solely on the report of the other auditors. We did not audit the financial statements of a subsidiary whose financial statements reflect the total assets of Rs. 134,969,693 as at 31 March 2009, total revenue of Rs. 79,105,967 for the year ended on that date and cash out flow amounting to Rs. 5,519,988 for the year ended on that date as considered in the consolidated financial statements, the same has been subject to limited review by an independent auditor.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard ('AS') 21, Consolidated Financial Statements, AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS 27, Financial Reporting for interests in Joint Ventures, prescribed by the Companies (Accounting Standards) Rules, 2006.

5. Based on our audit and on consideration of reports of other auditors referred to in paragraph 3 above on separate financial statements and on other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in case of:

   (a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2009;

   (b) the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

   (c) the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Walker, Chandiok & Co
Chartered Accountants

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Bangalore
19 June 2009

CONSOLIDATED BALANCE SHEET

	Schedule	31 March 2009 Rs.	31 March 2008 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	272,339,650	272,339,650
Reserves and surplus	2	1,775,772,859	1,603,747,038
Employee stock options outstanding account		985,360	598,896
		2,049,097,869	**1,876,685,584**
MINORITY INTEREST		**275,949,185**	**264,455,061**
LOAN FUNDS			
Secured loans	3	1,018,108,145	605,992,036
Unsecured loan		34,699,928	25,263,906
		1,052,808,073	**631,255,942**
DEFERRED TAX LIABILITY, NET	4	75,715,068	53,450,000
TOTAL		**3,453,570,195**	**2,825,846,587**
APPLICATION OF FUNDS			
GOODWILL (On Consolidation)		**170,736,939**	**66,217,558**
FIXED ASSETS	5		
Gross block		2,458,983,982	2,174,067,129
Less: Accumulated depreciation / amortization		355,848,573	237,244,524
Net block		2,103,135,409	1,936,822,605
Capital work-in-progress (including capital advances)		482,943,187	128,647,489
		2,586,078,596	**2,065,470,094**
INVESTMENTS (LONG TERM, UNQUOTED, AT COST)	6	**69,050,000**	**36,660,095**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	17,752,315	17,612,914
Sundry debtors	8	98,293,876	48,638,180
Unbilled revenues		9,868,053	9,836,197
Cash and bank balances	9	271,145,757	565,325,157
Loans and advances	10	507,150,789	412,040,100
		904,210,790	**1,053,452,547**
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	211,914,499	194,766,656
Provisions	12	64,591,631	201,187,051
		276,506,130	**395,953,707**
NET CURRENT ASSETS		**627,704,660**	**657,498,840**
TOTAL		**3,453,570,195**	**2,825,846,587**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 20

The schedules referred to above form an integral part of the consolidated financial statements.

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

For Walker, Chandiok & Co
Chartered Accountants

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Bangalore
19 June 2009

For and on behalf of the Board of Directors

Chander K Baljee
Managing Director

Naresh K. Malhotra
Director

B.Chandrasekaran
Company Secretary

Bangalore
19 June 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Schedule	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
INCOME			
Operating income	13	1,401,587,996	1,293,506,755
Other income	14	31,751,250	74,047,185
		1,433,339,246	**1,367,553,940**
EXPENDITURE			
Food and beverages consumed	15	134,321,941	125,459,969
Employee costs	16	221,366,745	162,382,779
Other operating expenses	17	348,041,943	277,520,253
Selling, general and administrative expenses	18	269,821,995	227,007,390
Finance charges	19	67,070,991	45,331,652
Depreciation/amortization	5	110,919,607	62,877,904
		1,151,543,222	**900,579,947**
PROFIT BEFORE TAX AND PRIOR PERIOD ITEMS		**281,796,024**	**466,973,993**
Prior period income (Refer note 6 in Schedule 20)		**11,137,847**	**-**
PROFIT BEFORE TAX AND AFTER PRIOR PERIOD ITEMS		292,933,871	466,973,993
Provision for tax			
- Current [including MAT of Rs. 3,077,025 (2008: NIL)]		(56,427,025)	(99,200,000)
- Fringe Benefit tax		(2,688,629)	(2,557,069)
- Prior years taxes		(3,208,039)	(951,304)
- Deferred tax charge		(22,265,068)	(17,280,000)
- Minimum Alternate Tax Credit		3,077,025	-
PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND SHARE OF PROFITS IN ASSOCIATES		**211,422,135**	**346,985,620**
MINORITY INTEREST		(11,494,124)	(24,339,030)
SHARE OF PROFITS IN ASSOCIATES		-	35,095
NET PROFIT		199,928,011	322,681,685
Balance brought forward from the previous year		338,669,563	237,862,142
Balance available for appropriation		**538,597,574**	**560,543,827**
APPROPRIATIONS			
Proposed dividend		(40,850,948)	(163,403,790)
Tax on proposed dividend		(6,942,619)	(27,770,474)
Transfer to general reserve		(9,645,297)	(30,700,000)
SURPLUS CARRIED TO BALANCE SHEET		**481,158,710**	**338,669,563**
Basic and diluted Earnings per share (Par value – Rs.10) (Refer note 4 in Schedule 20)		7.34	11.85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **20**

The schedules referred to above form an integral part of the consolidated financial statements.

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

For Walker, Chandiok & Co
Chartered Accountants

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Bangalore
19 June 2009

For and on behalf of the Board of Directors

Chander K Baljee
Managing Director

Naresh K. Malhotra
Director

B.Chandrasekaran
Company Secretary

Bangalore
19 June 2009

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	31 March 2009 Rs.	31 March 2008 Rs.
SCHEDULE 1		
CAPITAL		
Authorized		
30,000,000 (31 March 2008 – 30,000,000) Equity Shares of Rs. 10 each	300,000,000	300,000,000
Issued, subscribed and paid up		
27,233,965 (31 March 2008 – 27,233,965) equity shares of Rs. 10 each fully paid up	272,339,650	272,339,650
	272,339,650	**272,339,650**

Note:

Of the above 6,000,000 (31 March 2008: 6,000,000) equity shares have been allotted as fully paid up, by capitalizing the interest free refundable deposit due to the Managing Director. Pursuant to an agreement entered between the Company and the Managing Director, in 1992, the Company has been granted the right to use his interest in the land leased from the Karnataka State Tourism Development Corporation ('KSTDC') pertaining to the Hotel Royal Orchid, for the period of the lease arrangement.

SCHEDULE 2
RESERVES & SURPLUS

	31 March 2009 Rs.	31 March 2008 Rs.
Securities Premium	1,130,684,095	1,130,684,095
Foreign Exchange Earnings Reserve	1,750,000	1,750,000
General Reserve		
Balance at the beginning of the year	85,848,582	55,148,582
Add : Transfer from Profit and loss account	9,645,297	30,700,000
Balance at the end of the year	95,493,879	85,848,582
Capital Reserve (on consolidation)	46,794,798	46,794,798
Foreign Exchange Translation reserve (on consolidation)	19,891,377	-
Profit and Loss Account		
Balance at the beginning of the year	338,669,563	237,862,142
Add : Net profit for the year	199,928,011	322,681,685
	538,597,574	560,543,827
Less: Proposed dividend	40,850,948	163,403,790
Less: Tax on proposed dividend	6,942,619	27,770,474
Less: Transfer to general reserve	9,645,297	30,700,000
	481,158,710	338,669,563
Balance at the end of the year	**1,775,772,859**	**1,603,747,038**

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	31 March 2009 Rs.	31 March 2008 Rs.
SCHEDULE 3		
SECURED LOANS		
Term Loan	511,581,206	598,297,778
Short term Corporate loan	500,000,000	-
Vehicle loans	6,526,939	6,211,880
Interest accrued and due on term loan	-	1,482,378
	1,018,108,145	**605,992,036**

Note:

On 16 December 2004, the Company was sanctioned a term loan from State Bank of Hyderabad ('the Bank') for Rs 300 million which is fully drawn. This loan is secured by way of an equitable mortgage of the land and building of the Hotel Royal Orchid and a first charge on the present and future fixed assets of the Company.

Additionally, this borrowing has also been backed by the personal guarantees of Mr Chander K. Baljee, the Managing Director and Mrs Sunita Baljee, Director of Icon Hospitality Private Limited and a corporate guarantee from Baljee Hotels and Real Estate Private Limited. This loan is repayable in 24 quarterly instalments of Rs 12.5 million each, commencing from 31 December 2005. The key covenants include cost overruns on expansion being met directly by the Company, and new plant and machinery acquired to be insured jointly in the names of the Company and the Bank. Further, the arrangement also requires all expenditure in excess of the budgets and any other expansion activities to be pre-approved by the Bank. Balance as on 31 March 2009 is Rs. 113,650,992 (31 March 2008 Rs - 165,133,370)

In January 2008, the Company was sanctioned a corporate loan ('corporate loan') from the bank for Rs.500 million, which is renewable on a annual basis by the bank for a period of one year. During the year the Company drew down the entire sanctioned amount, out of which Rs. 300 million is utilized towards construction of a Hotel property at Hyderabad and the unutilized amount was invested in fixed deposits. The credit facility is secured by way of an equitable mortgage of lease hold property of Hotel Royal Orchid and an equitable charge on all present and future fixed assets of the Company.

Additionally, the corporate loan has also been backed by the personal guarantees of Mr. Chander K. Baljee, the Managing Director and a corporate guarantee from Baljee Hotels & Real Estate Private Limited. The corporate loan was sanctioned for one year and the same has been renewed on 15 April 2009 for a further period of one year. Balance as on 31 March 2009 is Rs. 500,000,000 (31 March 2008 Rs - Nil)

During the year ended 31 March 2008, the Icon Hospitality Private Limited (a subsidiary) availed a term loan facility of Rs. 450 million from State Bank of Hyderabad (Rs. 250 million) and State Bank of Travancore (Rs. 200 million) [herein referred as SBH Consortium] for acquisition of the hotel premises. This loan is repayable in 32 quarterly instalments of Rs. 14.06 million each ending in September 2014 and is secured by way of Pari Passu charge in favour of SBH Consortium equitable mortgage of the hotel property and a first charge on all movable fixed assets of the Company both present and future. Additionally, these borrowing are secured by the personal guarantees of the directors Mr. C.K.Baljee, Mr. Dayanand Pai and Mr. Satish Pai. Balance as on 31 March 2009 is Rs. 365,563,429 (31 March 2008 Rs - 421,876,000)

During the year ended 31 March 2009, Maruti Comforts and Inn Private Limited, (a subsidiary) has availed a term loan facility of Rs 17.50 million from State Bank of Hyderabad. This loan is repayable in 12 quarterly instalments of Rs. 2.5 million each is secured by way a first charge on all fixed assets of the Company including equitable mortgage of leasehold rights on land and building. Additionally, these borrowing are secured by the personal guarantees of the directors Mr. C.K.Baljee, and Mr. Ravi S Doddi. Balance as on 31 March 09 is Rs. 2,0188,649 (31 March 08 Rs - 12,770,786)

During the year ended 31 March 2009, Cosmos Premises Private Limited (a joint venture) has been sanctioned Rs 100 million of term loan facility by State Bank of Hyderabad and has drawn down Rs 22.785 million. Balance as on 31 March 2009 is Rs. 12,178,136). The Loan is secured against an Equitable Mortgage of specified property of the Company and guarantee by Group Companies.

Vehicle loans are secured by the hypothecation of the vehicles concerned. Balance as on 31 March 2009 is Rs. 6,526,939 (31 March 2008 Rs - 6,211,880)

Amounts due in one year are as follows:

Term loan *	128,848,000	106,248,000
Other loans	2,873,564	2,938,165
	131,721,564	**109,186,165**

* The above amounts does not include Rs. 500 million of Short term Corporate loan taken from the Bank which has been renewed for a further one year period.

Royal Orchid Hotels Limited

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 4		
DEFERRED TAX LIABILITY, NET		
Deferred tax liability arising on account of :		
Depreciation	93,739,494	56,785,994
Less: deferred tax asset arising on account of		
Tax losses carried forward	11,898,759	-
Employee benefits	5,783,405	2,578,807
Provision for doubtful debts	342,262	281,328
Lease rentals allowable on payment basis	-	475,859
	75,715,068	**53,450,000**

The Company is eligible for a deduction of 30 percent of its profits from Hotel Royal Orchid, being a new industrial undertaking as defined under Section 80IB of the Income-tax Act, 1961. This benefit is available for a period of ten consecutive years ending on 31 March 2010. Consequently, the deferred tax assets and liabilities as at 31 March 2009 have been recorded to the extent of the timing differences that reverse outside the tax holiday period.

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SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 5

FIXED ASSETS

Category of assets	Gross block					Accumulated Depreciation/Amortization				Net block	
	As at 1 April 2008	Translation exchange difference	Additions during the year	Deletions during the year	As at 31 March 2009	As at 1 April 2008	Charge for the year	Deletions during the year	As at 31 March 2009	As at 31 March 2009	As at 31 March 2008
Tangible assets											
Freehold land	598,906,857	21,055,676	30,204,183	-	650,166,716	-	-	-	-	650,166,716	598,906,857
Building	203,760,203	-	57,948,000	591,500	261,116,703	8,920,351	13,026,611	20,676	21,926,286	239,190,417	194,839,852
Leasehold buildings (including improvements)	354,501,679	-	72,255,324	-	426,757,003	58,236,672	18,372,813	-	76,609,485	350,147,518	296,265,007
Plant and machinery	602,799,792	-	35,002,102	241,763	637,560,131	58,815,514	27,074,727	6,302	85,883,939	551,676,192	543,984,278
Furniture and fixtures	244,030,033	-	50,442,118	511,500	293,960,651	81,300,971	38,430,327	356,659	119,374,639	174,586,012	162,729,062
Computers and related equipment	27,985,906	-	3,042,496	-	31,028,402	8,619,291	4,078,331	-	12,697,622	18,330,780	19,366,615
Office equipments	79,121,945	-	5,990,688	-	85,112,633	5,814,525	5,026,910	-	10,841,435	74,271,198	73,307,420
Vehicles	49,503,462	-	11,414,683	1,093,654	59,824,491	11,986,330	10,505,334	270,288	22,221,376	37,603,115	37,517,132
Intangible assets											
Goodwill	13,457,252	-	-	-	13,457,252	3,550,870	2,742,921	-	6,293,791	7,163,461	9,906,382
Total	**2,174,067,129**	**21,055,676**	**266,299,594**	**2,438,417**	**2,458,983,982**	**237,244,524**	**119,257,974**	**653,925**	**355,848,573**	**2,103,135,409**	**1,936,822,605**
Prior Year	**752,326,775**	**-**	**1,421,740,354**	**-**	**2,174,067,129**	**174,366,620**	**62,877,904**	**-**	**237,244,524**	**1,936,822,605**	**-**

Note:

(a) Included in additions is a sum of Rs 64,065,363 being the gross book value of fixed assets transferred on acquisition of a 50% interest in Cosmos Premises Private Limited, a joint venture during the year.

(b) Included in charge/adjustment for the year is a sum of Rs. 8,338,367 being the depreciation opening block of Cosmos Premises Private Limited at the time of acquisition during the year.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 6		
INVESTMENTS (LONG TERM, UNQUOTED, AT COST)		
Investment in Government Securities	225,000	225,000
Investment in Associates (unquoted and fully paid up)		
Satkar Realties Private Limited (Refer Note (a))	68,600,000	36,435,095
(739,942 (2008 – 392,599) Equity Shares of Rs 10 each)		
Parsvnath Royal Orchid Hotels Limited	225,000	-
(22,500 (2008 – Nil) Equity Shares of Rs 10 each)		
	69,050,000	**36,660,095**

Note:
The goodwill on acquisition of the shares in associate during the year is Rs 61,023,307 (2008 : Rs 32,521,401) which is included in the value of the investment.
The Group purchased and sold Nil (2008 - 118,281,310) units of mutual funds for a gain of Rs Nil (2008 - 20,622,580).

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 7		
INVENTORIES		
Food and beverages	11,693,495	11,662,914
Stores and spare parts	6,058,820	5,950,000
	17,752,315	**17,612,914**
SCHEDULE 8		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
-considered doubtful	1,303,237	1,123,120
	1,303,237	1,123,120
Other debts		
-considered good	98,293,876	48,638,180
	99,597,113	49,761,300
Less: Provision for doubtful debts	1,303,237	1,123,120
	98,293,876	**48,638,180**
SCHEDULE 9		
CASH & BANK BALANCES		
Cash balances on hand	5,431,642	4,619,872
Banks balances with scheduled banks:		
- In current accounts	69,211,372	278,156,910
- In exchange earners foreign currency accounts	77,205	349,847
- In deposit account	189,210,462	269,094,128
- In margin money	7,215,076	13,104,400
	271,145,757	**565,325,157**

Note:
Margin money represents bank guarantee given by the Group for imports at concessional duty rates under various Export Promotion Capital Goods ('EPCG') licenses. These deposits are to be released between years 2012 and 2014.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 10		
LOANS & ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind, or for value to be received		
- Prepaid Expenses	8,049,443	8,031,577
- Advances to suppliers	17,319,099	22,994,465
- Project advances	73,908,485	22,398,068
- Other advances	13,322,733	11,010,601
Loans to Associate	34,300,000	18,200,000
Dues recoverable from Directors of a subsidiary	7,501,784	-
Mat Credit Entitlement	3,077,025	-
Advance tax (net of provision)	51,908,632	31,083,286
Interest accrued but not due on fixed deposit with bank	1,519,834	1,811,649
Security deposits for hotel properties	155,839,254	183,459,316
Security deposits for others	140,404,500	113,051,138
	507,150,789	**412,040,100**

Note:
Security deposits includes Rs 60,000,000 (2008 – Rs 60,000,000) being an interest-free, refundable security deposit with the Managing Director for his 50 percent interest in the land taken on lease from the KSTDC for the Hotel Royal Orchid. This deposit is repayable on the expiration of the lease agreement with the KSTDC.

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 11		
LIABILITIES		
Sundry creditors	67,586,749	63,535,423
Accrued expenses	34,910,139	20,556,243
Dues to employees	24,352,637	16,461,605
Duties and taxes payable	25,346,558	22,789,029
Security deposit received	3,034,315	3,081,500
Dues to directors	8,451,398	7,620,488
Unpaid dividend	1,010,802	-
Other liabilities	47,221,901	60,722,368
	211,914,499	**194,766,656**

Note:
Security deposit includes Rs 3,000,000 (31 March 2008 – Rs3,000,000) received from an entity under the same management for premises space provided to them for no charge. This amount is repayable on vacation of the aforesaid premises.

	31 March 2009 Rs	31 March 2008 Rs
SCHEDULE 12		
PROVISIONS		
Provision for gratuity	7,124,696	4,071,698
Provision for leave encashment	9,673,368	5,941,089
Proposed dividend	40,850,948	163,403,790
Tax on proposed dividend	6,942,619	27,770,474
	64,591,631	**201,187,051**

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Year ended 31 March 2009 Rs	Year ended 31 March 2008 Rs
SCHEDULE 13		
OPERATING INCOME		
Room revenues	974,297,881	910,396,930
Food and beverages	379,515,457	350,863,172
Management & technical fees	12,836,833	5,882,956
Other service charges	34,937,825	26,363,697
	1,401,587,996	**1,293,506,755**
SCHEDULE 14		
OTHER INCOME		
Interest income from banks	10,021,603	31,058,268
Interest income on loans from Associate	2,465,693	-
Gain on sale of mutual funds	-	20,622,580
Foreign exchange fluctuation, Net	1,584,139	-
Provision no longer required written back	1,669,674	7,021,531
Miscellaneous income	16,010,141	15,344,806
	31,751,250	**74,047,185**
SCHEDULE 15		
FOOD AND BEVERAGES CONSUMED		
Opening Stock	11,662,914	5,375,835
Add: Purchases during the year	134,352,522	131,747,048
	146,015,436	137,122,883
Less: Closing Stock	11,693,495	11,662,914
Consumption for the year	**134,321,941**	**125,459,969**

Note:
Consumption above is net of Rs 7,669,896 for the year ended 31 March 2009 (31 March 2008 – Rs 6,689,197), representing amounts utilized for internal consumption which has been classified under staff welfare.

	Year ended 31 March 2009 Rs	Year ended 31 March 2008 Rs
SCHEDULE 16		
EMPLOYEE COSTS		
Salaries, wages and bonus	182,988,221	138,990,975
Contribution to provident fund	8,987,527	6,926,143
Staff welfare	25,317,848	15,736,467
Employee stock based compensation expense	386,464	598,896
Gratuity	3,686,685	130,298
	221,366,745	**162,382,779**

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Year ended 31 March 2009 Rs	Year ended 31 March 2008 Rs
SCHEDULE 17		
OTHER OPERATING EXPENSES		
Linen and room supplies	28,081,816	27,783,783
Catering and other kitchen supplies	15,717,822	16,161,705
Laundry & washing expenses	12,997,901	11,463,333
Power and fuel	89,454,965	69,355,913
Water	6,207,187	5,981,819
Lease rent for hotel properties	118,362,822	93,999,596
Hire charges	16,474,293	13,142,855
Guest transportation expenses	9,042,150	6,988,325
Management fees	1,427,608	1,696,607
Repairs and maintenance		
- Leasehold buildings	27,499,042	19,833,437
- Machinery	5,700,650	3,965,678
- Others	6,943,989	6,384,964
Other miscellaneous expenses	10,131,698	762,238
	348,041,943	**277,520,253**
SCHEDULE 18		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Advertisement and business promotion	40,017,078	32,638,402
Commission, brokerage and discount	37,548,390	39,259,347
Rates and taxes	29,935,751	20,810,854
Legal and professional charges	30,678,699	16,493,450
Communication expenses	15,457,378	13,211,269
Printing and stationery	8,422,769	8,046,323
Travelling and conveyance	13,758,548	11,754,722
Director’s remuneration	21,000,000	20,013,333
Director’s commission	5,460,459	8,995,515
Rent	16,985,874	2,478,319
Security charges	10,431,071	6,568,080
Audit fees	2,890,037	2,693,864
Provision for doubtful debts	617,113	982,543
Insurance	5,771,243	14,044,269
Bad debts written off	-	601,636
Security Deposit written off	2,000,000	-
Music and entertainment charges	5,894,416	8,885,038
Recruitment expenses	1,223,404	1,447,562
Miscellaneous expenses	21,729,765	18,082,864
	269,821,995	**227,007,390**
SCHEDULE 19		
FINANCE CHARGES		
Interest on term loan	85,659,396	39,131,973
Less: Interest capitalised	24,471,410	-
	61,187,986	39,131,973
Interest on vehicle loan	764,326	689,497
Interest on unsecured loan	2,825,753	3,885,615
Interest on others	67,938	-
Bank charges	2,224,988	1,624,567
	67,070,991	**45,331,652**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE - 20

1. Background

Royal Orchid Hotels Limited ('the Company" or "the Parent Company') was incorporated on 3 January 1986 as Universal Resorts Limited to carry on the business and management of hotels/holiday resorts and related services. The name of the Company was changed to Royal Orchid Hotels Limited on 10 April 1997. The Company together with its subsidiaries, joint ventures and associates (collectively referred to as the 'Group') currently operates the following hotel properties Hotel Royal Orchid, Royal Orchid Central, Royal Orchid Resorts and Ramada in Bangalore, Royal Orchid Metropole and Royal Orchid Brindavan, heritage properties in Mysore, Royal Orchid Central, Pune and Jaipur and Royal Orchid Galaxy Resorts, Goa .

2. Group structure

The list of the Company's subsidiaries, joint ventures and associates with the percentage holding is as follows:

		Percentage of holding	
	Country of incorporation	**31 March 2009**	**31 March 2008**
Subsidiaries			
Icon Hospitality Private Limited	India	51.07%	51.22%
Maruti Comforts and Inn Private Limited	India	51%	51%
Royal Orchid Hyderabad Private Limited	India	100%	100%
AB Holdings Private Limited	India	100%	100%
Royal Orchid Jaipur Private Limited	India	100%	100%
Royal Orchid South Private Limited	India	100%	100%
Royal Orchid East Private Limited (subsidiary of AB Holdings Private Limited)	India	100%	100%
Multi Hotels Limited	Tanzania	100%	100%
Royal Orchid Shimla Private Limited	India	100%	-
Royal Orchid Goa Private Limited	India	100%	-
Royal Orchid Maharastra Private Limited	India	100%	-
Joint Ventures			
Ksheer Sagar Buildcon Private Limited	India	50%	50%
Ksheer Sagar Developers Private Limited	India	50%	50%
Raj Kamal Buildcon Private Limited	India	50%	50%
J.H.Builders Private Limited	India	50%	50%
Cosmos Premises Private Limited	India	50%	-
Associates			
Satkar Realities Private Limited	India	49%	26%
Parsvnath Royal Orchid Hotels Limited	India	30%	-

3. Significant accounting policies

i. Basis of preparation

The financial statements have been prepared and presented on an accrual basis under the historical cost convention and in accordance with the applicable accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006. The accounting policies have been consistently applied unless otherwise stated.

ii. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by management in the preparation of these financial statements include the estimates of the economic useful lives of the fixed assets, provision for bad and doubtful debts and accruals for employee benefits.

iii. Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company, its subsidiaries, joint venture and share of profits in associate. Please refer to Note 1 for the description of the Group. The financial statements in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard -21 – “Consolidated Financial Statements”. The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of the consolidated entity.

Minority interest represents the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date. Any excess consideration received from minority shareholders of subsidiaries over the amount of equity attributable to the minority on the date of investment is reflected under Reserves and Surplus.

Proportionate share of interest in joint ventures has been accounted for by the proportionate consolidation method in accordance with Accounting Standard - 27 - "Financial Reporting of Interests in Joint Ventures".

An investment in an associate has been accounted for by the equity method of consolidation from the date on which it falls within the definition of associate in accordance with Accounting Standard - 23 - "Accounting for Investments in Associates in Consolidated Financial Statements".

The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/capital reserve. The Parent Company's portion of net worth in such entities is determined on the basis of book values of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

iv. Revenue recognition

Revenues comprise income from the sale of rooms, food and beverages and allied services during a guest's stay at the hotel. Room revenue is recognized based on occupation and revenue from sale of food and beverages and other allied services, as the services are rendered.

Unbilled revenues represent revenues recognised which have not been billed to the customers at the balance sheet date and are billed subsequently.

Income from management and technical services are recognised based on agreements with the concerned parties, after elimination for intra-group transactions.

Interest Income

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

v. Fixed assets

Fixed assets are stated at cost less accumulated depreciation / amortisation and impairment losses. All costs relating to acquisition and installation of fixed assets are capitalised. Advances paid towards acquisition of fixed assets before the financial year-end and the cost of fixed assets not ready for their intended use, are disclosed as capital work in progress.

Expenditure directly relating to expansion is capitalized only if it increases the life or functionality of an asset beyond its original standard of performance.

vi. Borrowing Costs

Borrowings costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets for the period up to the completion of their acquisition or construction. All other borrowing costs are charged to Profit and Loss Account.

vii. Depreciation

Depreciation on fixed assets is provided on the Straight Line method, using the higher of the rates specified in Schedule XIV to the Companies, Act, 1956 or rates based on management estimates of the economic useful lives of such assets. These rates are specified below:

Asset Category	Rates of Depreciation (%)
Plant and machinery	4.75 - 20
Office equipment	4.75
Computers and related equipment	16.21
Furniture & fittings	9.50 - 20
Vehicles	9.50-16.21
Buildings	3.34

Assets individually costing less than Rs.5,000 are fully depreciated in the year of purchase. Leasehold buildings (including improvements) are amortized over the period of the lease.

viii.Goodwill

Goodwill on consolidation is not amortised and is tested for impairment on an annual basis. Goodwill on acquisition of entities is amortised over a period of five years.

xi. Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

x. Investments

Long term investments are valued at, cost less provision for diminution, other than temporary, in the value of such investments.

Current investments are carried at the lower of cost and fair value.

xi.Inventory

Inventory comprises stock of food and beverages and stores and spare parts are carried at the lower of cost and net realizable value. Cost includes all expenses incurred in bringing the goods to their present location and condition and is determined on a Weighted Average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

xii. Foreign currency transactions

(a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) Conversion

Foreign currency monetary items are reported using the closing rate. The resultant exchange differences are recognised in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on a monetary item that, in substance, form part of Group's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

xiii. Leases

For hotel properties i.e. land and buildings, taken on leases along with related assets as a part of a combined lease arrangement, the Group determines whether these assets acquired are integral to the land and building. If these assets are integral, the Group analyses the nature of the lease arrangement on a combined basis for all assets. If the assets are not integral to the land and building, the Group evaluates each asset individually, to determine the nature of the lease.

Finance leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on an accrual basis.

xiv.Retirement benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits (Revised 2005).

Provident fund

The Company contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with Employees provident fund and Miscellaneous Provision Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

Gratuity

Gratuity is a post employment benefit and is a defined benefit plan. The liability recognised in the balance sheet represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and loss account in the year in which such gains or losses arises.

Leave encashment

Liability in respect of leave becoming due or expected to be availed within one year from the balance sheet date is recognized on the basis of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation in a manner similar to gratuity liability.

xv.Stock based compensation

The Company accounts for stock based compensation based on the intrinsic value method. Option discount representing the excess of the fair value or the market value of the underlying shares at the date of the grant over the exercise price of the option is amortised on a straight line basis over the vesting period of the shares issued under the Company's Employee Stock Option Plan (ESOP).

xvi.Taxes on income

Current tax

Provision is made for income tax under the tax payable method, based on the liability computed, after taking credit for allowances and exemptions

Minimum alternate tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

Deferred tax

Deferred tax charge or credit reflects the tax effect of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably virtually certain (as the case may be) to be realised.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Fringe Benefit Tax

Consequent to the introduction of Fringe Benefit Tax ('FBT') effective 1 April 2005, the Company provided for the FBT for the year as tax charge in accordance with the provisions of Section 115WB of the Income Tax Act, 1961.

xvii. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

xviii. Provisions and contingent liabilities

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

xix. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

4. Earnings per share ('EPS')

	Year ended 31 March 2009	**Year ended 31 March 2008**
Weighted average number of shares outstanding (Nos.)	27,233,965	27,233,965
	Rs.	**Rs.**
Net profit after tax attributable to equity shareholders	199,928,011	322,681,685
Basic and diluted earnings per share	7.34	11.85
Nominal value per equity share	10	10

5. Leases

Operating leases

The key operating lease arrangements entered into by the Group are summarised below:

Hotel Royal Orchid

The Company has entered into various non-cancellable tri-partite agreements along with its Managing Director and the Karnataka State Tourism Development Corporation ('KSTDC') to lease lands on which the hotel premises has been constructed and adjacent areas. The primary lease periods for these agreements is 30 years and are further extendable by a period between 10 to 30 years at the option of the Company and carry an escalation provision for the increase in annual rent by 15 % every 10 years thereafter.

Additionally, the Company has also entered into an agreement with its managing director for the use of his 50 % interest in the leased lands with the value of this consideration being determined at Rs 60 million, payable as an interest free security deposit repayable on the termination of the lease with KSTDC. This consideration could be discharged either in cash or through the issue of equity shares of the Company. The Company discharged this consideration through the allotment of 6 million equity shares at par through July 1999. (Refer Schedule 1 and Schedule 10).

Ramada (formerly Royal Orchid Harsha)

Effective July 2002, the Company entered into a tri-partite agreement with Hotel Stay Longer Private Limited and Baljee Hotels and Real Estates Private Limited, Companies under the same management, to lease the hotel premises and related assets at Ramada. This agreement was for an initial period of 11 months, renewable at the option of the Company and it has deposited an interest-free security deposit of Rs 10 million with Baljee Hotels and Real Estate Private Limited which is repayable on the termination of the lease agreement.

This agreement has been revised effective 1 September 2007 for a period of eleven months with an option to renew for a further 2 terms of 11 months each. As per the agreement, the Company is required to make annual payments at 33 % of gross room revenues or a minimum committed amount, whichever is higher. This lease charge is paid to Hotel Stay Longer Private Limited and Baljee Hotels and Real Estate Private Limited at a pre-determined ratio of 20% and 80% respectively.

Royal Orchid Metropole

In May 2004, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Royal Orchid Metropole at Mysore for a non-cancellable period of 15 years. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share representing 10% of the annual revenues in excess of Rs 25 million.

Royal Orchid Brindavan

In March 2006, the Company entered into a lease agreement with Jungle Lodges and Resorts Limited ('JLR'), a Government of Karnataka Undertaking for the use of the land and building representing Hotel Krishna Raja Sagar at Mysore for a non-cancellable period of 15 years commencing from the readiness date. As a consideration, the Company is required to pay an annual amount comprising a fixed charge per annum and a revenue share representing 10% of the annual revenues in excess of Rs 25 million..

Royal Orchid Central, Pune

In July 2006, the Company entered into an agreement for the use of land and building representing the hotel property for a non-cancellable lease period of 5 years. The lease term for the said property is 10 years and extendable by another 10 years subject to conditions as per the agreement.

As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at a interval of every 3 years or 20% of Net Room Revenue (NRR) for first year and 22% of NRR for 2nd year to 4th year and 25% for the balance period of NRR which ever is higher.

Royal Orchid Central, Jaipur

Royal Orchid Jaipur Private Limited operates Royal Orchid Central in Jaipur, India and for the said property the Company has leased the land and building and related equipments under a lease arrangement for a period of 19 years and 11 months. The lease rent is enhanced at the rate of 3% over and above the last rent paid at the end of every year

Peppermint, Hyderabad

Royal Orchid East Private Limited operates Hotel Peppermint in Hyderabad, India and for the said property the Company has leased during November 2006 from Sandhya Hotels Private Limited for a period of 20 years.

Corporate Office

The Company has entered into a lease agreement for the corporate office premises and related assets. The agreement is for an initial period of 36 months, renewable at the option of the lessor's and the Company. As a consideration for the property the Company is required to pay a minimum guaranteed lease rent escalated at 15% at an interval of every 3 years.

Hotels yet to commence operations

Properties at Hyderabad

In December 2004, the Company has entered into a lease arrangement for leasing a hotel property in Hyderabad. This arrangement has an initial period of 25 years which commence on the handover of the constructed property to the Company by the lessor. The lease rent comprises a fixed rate per square foot constructed which maybe enhanced by 12% every three years from the commencement of the lease period.

In the event that the Company withdraws from the arrangement during the construction period, the Company is liable to pay the lessor, a sum of Rs 5 million if the withdrawal is within 12 months of the date of construction and Rs 10 million, if the withdrawal is after that period. During the previous year 2006-07 this lease has been assigned to the company's subsidiary, Royal Orchid Hotels Hyderabad Private Limited.

In July 2007 the Company has entered into another agreement to construct a hotel building.

Property at Mumbai

In March 2007, the Company has entered into a lease agreement for the use of land and building representing the hotel property for a total period of 29 years, including the first 5 years being a non-cancellable period.
The lease rent for the said property will be 25% of the net room revenue (variable lease rent) subject or a fixed minimum lease rent per annum which ever is higher. The variable lease rent is enhanced by ½% per year for 5 years up to a maximum ceiling limit of 27.5%.The fixed minimum lease rent Is enhanced by 5% annually.

The payment of lease rent on the aforesaid properties will commence on commencement of commercial operations of the respective hotels.

Lease expense

The lease expense for cancellable and non-cancellable operating leases for the year ended 31 March 2009 was Rs 135,348,696 (31 March 2008 – Rs. 96,477,915)

The details of lease commitments in terms of minimum lease payments within the non-cancellable period are as follows:

	2009	2008
Payments falling due:	**Amount (Rs.)**	**Amount (Rs.)**
Within 1 year	95,432,689	66,818,984
Later than one year but not later than five years	342,035,213	274,230,502
Later than 5 years	244,948,366	417,671,806
TOTAL	**682,416,268**	**758,721,292**

The above commitments does not include the lease payments amounting to Rs.185 million for the property at Mumbai payable over 5 years from the date of readiness.

6. **Prior Period Income**

The Company has recorded interest income of Rs. 11,137,847 in the current year (2008 – Rs. Nil) on account of an omission in the prior years. The consequent tax liability of Rs. 2,784,462 (2008 – Rs. Nil) arising due to this omission has also been provided for in the financial statements.

7. **Director remuneration**

Icon Hospitality Private Limited

As per the provisions of Section 309 of the Companies Act, 1956, remuneration payable to directors not in the whole time employment of the Company cannot exceed 3 percent of the net profits for the year, without the prior approval of the Central Government. The total remuneration paid to the directors of the subsidiary during the year ended 31 March 2009 exceeds the limits specified in Section 309 by Rs. 7,912,185 (31 March 2008 – Rs. 6,718,728). The Company had obtained the permission of the Central Government in July 2007 under section 309 (4)(a) of the Companies Act, 1956. The approval was valid for a period of 5 years with effect from 24 March 2004 (as approved by the Directors and Members in their meetings held on 22 December 2005 and 20 January 2006 respectively). The Company has applied for approval from the Central Government for payment of remuneration above the prescribed limit with effect from 25 March 2009 for a period of five years which is currently awaited.

8. Commitments and contingencies

a) Litigation

I) The Company has been named as a defendant in two civil suits filed restraining the Company from using certain parts of land taken on lease from the KSTDC for the operation of the Royal Orchid Hotel, which are adjacent to the hotel premises. Consequently, these lands are currently not being utilised by the Company. These cases are pending with the Civil Courts and scheduled for hearings shortly. Management believes that these cases will be settled in its favour and will not adversely effect its operations.

ii) During the previous year ended 31 March 2008, the Company has filed a legal suit on a lessor for a property taken on lease which is currently under construction and assigned to its subsidiary Royal Orchid Hyderabad Private Limited. The Company has injunctive relief to restrain the lessor from selling or mortgaging the property or carrying out the business of a hotel without the consent of the Company. The Company has paid Rs 10,000,000 as a refundable security deposit under this lease agreement. Based on a legal opinion received by the Company, management believes that this litigation will not adversely impact the operations of the company and consequently, this amount has not been provided for in these financial statements.

iii) During the year, the Company has filed a legal suit on a lessor for a property taken on lease which is currently under construction in New Delhi. The Company has injunctive relief to restrain the lessor from selling or mortgaging the property or carrying out the business of a hotel without the consent of the Company. The Company has paid Rs 10,000,000 as a refundable security deposit under this lease agreement. Based on a legal opinion received by the Company, management believes that this litigation will not adversely impact the operations of the company and consequently, this amount has not been provided for in these financial statements.

b) Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2009 – Rs. 774,937,008 (31 March 2008 – Rs Nil).

c) Export obligation

The group has received various Export Promotion Capital Goods ('EPCG') licenses which entitles it to import capital goods at a concessional rate of duty. Against these imports the Group has an export obligation equal to eight times the duty amount saved. The group's export turnover till date is in excess of this obligation.

9. Related party transactions

I) Parties where control exists

Parties where control exists include

Key Management Personnel (KMP)

Chander K. Baljee

Sunil Sikka

Relatives of key management personnel

Arjun Baljee

Keshav Baljee

Sunita Baljee

Entities controlled by KMP

Harsha Farms Private Limited

Royal Orchid West Private Limited

Baljee Hotels and Real Estate Private Limited

Hotel Staylonger Private Limited

Presidency College of Hotel Management

Nature of Transaction	Associate		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Entities controlled by KMP	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Management and technical fees										
Cosmos Premises Private Limited	-	-	3,005,533	-	-	-	-	-	-	-
Interest income										
Satkar Realties Private Limited	2,465,693	-	-	-	-	-	-	-	-	-
Security Deposit Received										
Presidency College of Hotel Management	-	-	-	-	-	-	-	-	-	20,000
Expenses incurred by the Company on behalf of related parties recharged										
Cosmos Premises Private Limited	-	-	517,386	-	-	-	-	-	-	-
Loans advanced	-									
Satkar Realties Private Limited	16,100,000	18,200,000	-	-	-	-	-	-	-	-
Investments made										
Satkar Realties Private Limited	32,200,000	36,400,000								
Remuneration (including commission)										
Chander K. Baljee	-	-	-	-	17,776,759	18,010,917	-	-	-	-
Sunil Sikka	-	-	-	-	699,541	-	-	-	-	-
Arjun Baljee	-	-	-	-	-	-	3,492,503	850,093	-	-
Keshav Baljee	-	-	-	-	-	-	6,565,431	1,931,862	-	-
Sunita Baljee	-	-	-	-	-	-	2,400,000	2,400,000		
Rental Expenses to										
Baljee Hotels and Real Estate Private Limited	-	-	-	-	-	-	-	-	12,310,954	11,700,294
Hotel Staylonger Private Limited	-	-	-	-	-	-	-	-	3,077,739	2,925,074
Advances from										
Chander K Baljee					2,430,000	-				

Nature of Transaction	Associates		Joint Ventures		Key Management Personnel		Relatives of Key Management Personnel		Entities controlled by KMP	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Balances at year end										
Loans to related parties										
Satkar Realties Private Limited	34,300,000	18,200,000	-	-	-	-	-	-	-	-
Security deposit received										
Presidency College of Hotel Management	-	-	-	-	-	-	-	-	3,000,000	3,000,000
Security deposit given										
Hotel Staylonger Private Limited	-	-	-	-	-	-	10,000,000	10,000,000	-	-
Chander K. Baljee	-	-	-	-	60,000,000	60,000,000	-	-	-	-
Investment in associates										
Satkar Realties Private Limited	68,600,000	36,400,000	-	-	-	-	-	-	-	-
Parsvnath Royal Orchid Hotels Limited	225,000	-	-	-	-	-	-	-	-	-
Advances to										
Keshav Baljee	-	-	-	-	-	-	2,802,416	-	-	-
Arjun Baljee	-	-	-	-	-	-	293,858	-	-	-
Advances from										
Chander K Baljee	-	-	-	-	2,430,000	-	-	-	-	-
Amounts payable										
C.K.Baljee	-	-	-	-	2,852,376	4,997,429	-	-	-	-
Sunil Sikka	-	-	-	-	699,541	-	-	-	-	-
Arjun Baljee	-	-	-	-		-	-	850,093	-	-
Keshav Baljee	-	-	-	-	-	-	-	998,959	-	-
Sunita Baljee	-	-	-	-	-	-	203,562	-	-	-

Note:

a) In the previous year, the Company had given a loan to an associate which is outstanding at year end. Although as at March 31, 2009, the said transactions do not require any specific approvals, the Company is in the process of evaluating whether such approvals are required for the transaction in the prior year.

b) The Company has provided for remuneration payable to a relative of key management personnel in excess of the limits defined in the approvals from the Central Government by Rs 3,096,274. These amounts have been approved by the shareholders of the Company. The Company has applied for the necessary approvals which are being currently awaited pending which these amounts have been disclosed as recoverable from such persons and no adjustment has been made in these financial statements arising out of the potential outcome of the said approvals.

10. Employee Benefits

A. Defined Benefit Plan

The group has gratuity as defined benefit retirement plans for its employees. Disclosures as required by Revised AS 15 are as under:

		Year ended 31 March 2009	Year ended 31 March 2008 Rs.
1	The amounts recognised in the Balance Sheet are as follows:		
	Present value of the obligation as at the end of the year	7,124,696	4,071,698
	Fair value of plan assets as at the end of the year	-	-
	Net liability/(asset) recognised in the Balance Sheet	**7,124,696**	**4,071,698**
2	The amounts recognised in the Profit and Loss Account are as follows:		
	Service cost	3,113,711	1,540,602
	Interest cost	467,650	311,246
	Expected return on plan assets	-	-
	Net actuarial (gain)/loss recognized in the year	105,324	(885,012)
	Expense recognized in the Profit and Loss Account of the year	**3,686,685**	**966,836**
3	Changes in the present value of defined benefit obligation		
	Defined benefit obligation as at the beginning of the year	4,071,698	3,032,567
	Service cost	3,113,711	1,706,358
	Interest cost	467,650	311,246
	Actuarial losses/(gains)	105,324	(885,012)
	Benefits paid	(633,687)	(93,461)
	Defined benefit obligation as at the end of the year	**7,124,696**	**4,071,698**
4	Changes in the fair value of plan assets		
	Fair value as at the beginning of the year	-	-
	Expected return on plan assets	-	-
	Actuarial (loss)/ gains	-	64,615
	Contributions	633,687	(35,769)
	Benefits paid	(633,687)	(28,846)
	Fair value as at the end of the year	**-**	**-**
	Assumptions used in the above valuations are as under:		
	Interest rate	7%-8%	7.95% - 8%
	Discount rate	7%-8%	8%
	Expected return on plan assets	NA	NA
	Future salary increase	6%-7%	6%
	Attrition rate	2%-5%	2% - 5%
	Retirement age	55-58 years	58 years

B. Defined Contribution Plan

The Group makes contribution to the statutory provident fund as per Employees Provident Fund and Miscellaneous Provision Act, 1952 and Employees State Insurance Act, 1948. This is a defined contribution plan as per Revised AS 15. Contribution made during the year ended 31 March 2009 is Rs. 8,987,527 (2008- Rs 6,926,143)

C. Leave encashment

The Company and some of its subsidiaries permit encashment of leave accumulated by their employees on retirement, separation and during the course of service. The liability for encashment of such leave is determined and provided on the basis of actuarial valuation performed by an independent actuary at the balance sheet date.

The actuarial assumptions used in accounting for the Compensated absence plan were as follows:

	Year ended 31 March 2009
Discount rate	8%
Rate of increase in compensation levels	7%

The Group has provided Rs. 6,979,154 as leave encashment expense in the current year. During the year ended 31 March 2009, the Company has changed its policy for accounting for leave encashment from a full cost valuation to an actuarial valuation at the balance sheet date, as it results in a more appropriate presentation of the financial statements. The impact on this adoption on the opening balance of reserves and surplus was not material.

11. Stock based compensation

The Employee Stock Option Plan 2006 was approved in the Annual General Meeting of the members held in the month of September 2006 and was subsequently amended at the Annual General meeting held on 8 August 2007 to include the employees of the subsidiaries and also increase the period available to exercise the options.

The plan provides for the issuance of stock options to eligible employees (including directors of the Company and employees of the subsidiaries) with the total options issuable under the Plan not to exceed 2,723,300 options (being 10% of the issued and paid up capital) and includes a limit for the maximum number of options that may be granted to each employee. Under the plan, these options vest over a period of three years after the date of grant and can be exercised within a period of one year from the date of vesting.

As per the ESOP scheme of the Company, all the taxes, including Fringe benefit tax, are to be borne by the employees and hence will not have an impact on the profit and loss account of the company.

The disclosures along with the weighted average price for options movement during the year have been provided below:

	Year ended 31 March 2009		Year ended 31 March 2008	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
	(Numbers)	Rs	(Numbers)	Rs
Options outstanding at the beginning of the year	503,100		-	-
Granted during the year	-	165	512,500	165
Forfeited during the year	-	-	-	-
Lapsed during the year	186,100	165	9,400	165
Cancelled during the year	-		-	-
Exercised during the year	-		-	-
	317,000	**165**	**503,100**	**165**
Exercisable at year end	146,167	165	161,433	165

The weighted average exercise price of the options outstanding at 31 March 2009 is Rs 165 and they had weighted average remaining contractual life of 12 months.

Had compensation cost been determined in a manner consistent with the fair value approach as prescribed under the fair value method, the Company's net profit and earnings per share as reported would have been adjusted to the pro-forma amounts indicated below:

	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
Net profit, as reported	199,928,011	322,681,685
Add: Stock-based employee compensation expense included in the Profit and loss account	386,464	598,896
Less: Stock based employee compensation expense determined under the fair value method	(8,982,465)	(8,384,034)
Pro forma net profit	**191,332,009**	**314,951,280**
Earnings per share – Basic		
As reported	7.34	11.85
Pro forma	7.03	11.56
Earnings per share – Diluted		
As reported	7.34	11.85
Pro forma	7.03	11.56

The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	31 March 2009	31 March 2008
Dividend yield %	3.28%	3.28%
Expected life	18 to 42 months	18 to 42 months
Risk free interest rate	7.34% to 7.63%	7.34% to 7.63%
Volatility	40.37%	40.37%

12. Segmental Information

The group's business comprises the operation of hotels, the services of which represent one business segment as they are subject to risks and returns that are similar to each other. Further the group derives its entire revenues from services rendered in India. Consequently, the disclosure of business and geographic segment - wise information is not applicable to the group.

13. Prior year comparatives

Prior year figures/balances have been reclassified wherever necessary to conform to the current year's representation.

Figures pertaining to subsidiary and Joint Venture Companies have been regrouped / reclassified wherever necessary to bring them in line with Company's financial statements.

For and on behalf of the board of directors

Chander K Baljee	**Naresh K Malhotra**	**B. Chandrasekaran**
Managing Director	**Director**	**Company Secretary**

Bangalore
19 June 2009

CASH FLOW STATEMENT

	Year ended 31 March 2009 Rs.	Year ended 31 March 2008 Rs.
A. Cash flow from operating activities		
Net profit before taxation	**292,933,871**	**466,973,993**
Adjustments for:		
Depreciation	110,919,607	62,877,904
Provision no longer required write back	(1,669,674)	-
Interest income	(12,487,296)	(31,058,268)
Gain on sale of current investments	-	(20,622,580)
Interest expense (net of capitalised interest)	64,846,003	43,707,085
Security deposit written off	2,000,000	-
Provision for doubtful debts	617,113	1,351,726
Miscellaneous expenditure written off	-	58,700
Employee stock based compensation expense	386,464	598,896
Bad debts written off	-	232,453
Operating profit before working capital changes	**457,546,088**	**524,119,909**
Movements in working capital :		
(Increase)/Decrease in sundry debtors	(55,262,413)	25,567,367
Increase in unbilled revenue	(289,517)	(5,990,079)
Increase in inventories	(894,587)	(9,582,071)
(Increase)/Decrease in Loans and Advances	(18,879,308)	109,862,542
Decrease in Current Liabilities and provisions	(831,475)	(2,251,347)
Cash generated from operations	**381,388,788**	**641,726,321**
Direct taxes paid	(50,414,000)	(114,985,373)
Fringe benefit tax paid	(3,182,087)	(2,188,952)
Net cash from operating activities	**327,792,701**	**524,551,996**
B. Cash flows from investing activities		
Purchase of fixed assets and increase in capital work-In-progress	(701,011,884)	(1,327,723,279)
Project Advances	(51,510,417)	(99,892,700)
Net investment in term deposits and margin money	85,772,990	931,595,070
Purchase consideration for acquisition of interest in assoicates	(32,200,000)	(36,400,000)
Gain on sale of investment	-	20,622,580
Loans to associates	(16,100,000)	(18,200,000)
Interest received	12,779,111	51,982,020
Net cash used in investing activities	**(702,270,200)**	**(478,016,309)**
C. Cash flows from financing activities		
Dividend paid including taxes thereon	(190,163,462)	(191,174,264)
Proceeds from long-term borrowings	531,550,612	462,500,000
Repayments of long term borrowings	(109,998,481)	(75,670,977)
Proceeds from short term borrowings	-	11,584,505
Interest paid	(66,328,381)	(43,414,630)
Net cash generated by financing activities	**165,060,288**	**163,824,634**
Net increase/(decrease) in cash and cash equivalents (A + B + C)	**(209,417,211)**	**210,360,321**
Cash and cash equivalents at the beginning of the year	**283,126,629**	**72,766,308**
Cash and cash equivalents at the end of the year (a)	**73,709,417**	**283,126,629**

CASH FLOW STATEMENT

Note:

a) The Group considers all highly liquid investments with a remaining maturity, at the date of purchase/investment, of the three months or less to be cash equivalents.

Components of cash and cash equivalents as at year end

	31 March 2009	**31 March 2008**
Cash and bank balances at 31 March	271,145,757	565,325,157
Less : Margin monies and Deposits considered separately (Refer note above)	196,425,538	282,198,528
Less: Unpaid dividend	1,010,802	-
	73,709,417	283,126,629

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

For Walker, Chandiok & Co
Chartered Accountants

For and on behalf of the Board of Directors

Per **Aashish Arjun Singh**
Partner
Membership No. 210122

Chander K Baljee
Managing Director

Naresh K. Malhotra
Director

B.Chandrasekaran
Company Secretary

Bangalore
19 June 2009

Bangalore
19 June 2009

SUMMARISED STATEMENT OF FINANCIALS OF SUBSIDIARY COMPANIES

	Icon Hospitality Private Limited	Maruti Comforts & Inn Private Limited	Royal Orchid Jaipur Private Limited	Royal Orchid Hyderabad Private Limited	Royal Orchid South Private Limited	Royal Orchid East Private Limited	AB Holdings Private Limited	Multi Hotels Limited	Royal Orchid Shimla Private Limited	Royal Orchid Goa Private Limited	Royal Orchid Maharashtra Private Limited
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capital	18,776,200	41,000,000	16,600,000	17,700,000	9,100,000	5,000,000	2,600,000	967	500,000	500,000	500,000
Reserves	535,680,297	(31,183,025)	17,860,645	(3,143,166)	(4,607,472)	(17,206,390)	(13,588,040)	137,461,205	(52,380)	(34,420)	(787,915)
Total Assets	967,562,963	134,969,694	71,332,185	15,295,797	8,546,560	69,134,046	78,682,221	156,151,382	524,390	524,390	20,464,442
Total Liabilities	413,106,467	125,152,759	36,871,540	738,963	4,054,032	81,340,435	94,470,262	18,689,210	76,770	58,860	20,752,357
Details of Investment (except investment in subsidiaries)	-	-	-	-	-	-	4,800,000	-	-	-	-
Turnover	275,430,372	79,105,968	79,083,396	-	-	44,066,124	-	-	-	-	-
Profit Before Taxation	27,316,754	6,079,781	10,195,874	(717,130)	(1,825,128)	(2,336,293)	(3,576,776)	(2,536,176)	(52,380)	(34,420)	(787,915)
Provision for Taxation	9,628,996	74,252	(3,968,542)	500	-	17,997	(76,019)		-	-	-
Profit After Taxation	17,687,758	6,005,529	6,227,332	(717,630)	(1,825,128)	(2,354,290)	- (3,500,757)	(2,536,176)	(52,380)	(34,420)	(787,915)
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-

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

BALANCE SHEET ABSTRACT AND COMPNY'S GENERAL BUSINESS PROFILE

i Registration details:

Registration No:	7392	State code	8
Balance sheet date	31/03/2009		

ii Capital raised during the year

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

iii Position of Mobilisation and deployment of funds (Rs.)

Total Liabilities	2,579,924,248	Total Assets	2,579,924,248

Sources of funds

Paid up capital	272,339,650	Reserves & Surplus (P & L a/c)	1,633,718,747
Secured Loans	618,880,491	Unsecured loans	0

Application of funds (Rs.)

Net Fixed assets	575,355,082	Investments	864,702,456
Net current assets	702,209,145	Preliminary expenses	0
Accumulated losses	0		

iv Performance of the Company (Rs.)

Turnover	965,073,459	Total Expenditure	714,720,909
Profit /(loss) after tax	192,905,935	Earnings per share in Rs.	7.08
Dividend rate%	15%		

v. Generic names of three principal products/services of the company (as per monetary terms)

Item code No: (ITC code)	591001006
Product description	Hotel
Item code No.(ITC code)	390001002
Product desprition	Restaurant