

20th Annual Report
2010-2011



ROYALE MANOR
Hotels and Industries Limited

BOARD OF DIRECTORS**MR. U. CHAMPAWAT***Chairman and Managing Director***DR. PRAVEENKUMAR R. PATEL***Director***DR. RAM PRAKASH KOTHARI***Director***MR. VISHWAJEETSINGH CHAMPAWAT***Director***MR. JAYESH DAVE***Director***MR. VISHWANATH PRASAD SINGH***Additional Director***STATUTORY AUDITORS****M/s. NAIMISH N. SHAH & CO.***Chartered Accountants
Ahmedabad***COMPANY SECRETARY****Ms. PUJA KAUSHIK****REGISTRARS AND
SHARE TRANSFER AGENTS***M/s. Sharepro Services (India) Pvt. Ltd.**416-420, 4th Floor, Devnandan Mall,**Opp. Sanyas Ashram, Ellisbridge,**Ahmedabad - 380006**Tele. No. : 079-26582381-84**Fax No. : 079-26582385**E-mail : sharepro.ahmedabad@shareproservices.com***REGISTERED OFFICE***International Airport Circle,**Ahmedabad - 382 475**Phone - (079) 22868642-43**Fax - (079) 22868641**Email : royalemanorhotels@rediffmail.com**Website: www.rmhil.com*

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ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the members of Royale Manor Hotels and Industries Limited will be held on Friday, the 30th day of September, 2011 at 3.00 P.M. at Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad - 380 009 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date together with the Directors' and Auditors' Report thereon.
2. To declare Dividend on Optionally Convertible Preference Shares (OCPS).
3. To appoint Director in place of Dr. Ram Prakash Kothari, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditor and fix their remuneration.

SPECIAL BUSINESS:

5. **To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:**

"**RESOLVED THAT** Mr. Vishwanath Prasad Singh, who was appointed as an Additional Director of the Company with effect from 11th May 2011 and who holds the office upto the ensuing Annual General Meeting under Section 260 of the companies Act, 1956, and in respect of whom, the Company has received a notice in writing under Section 257 of the Companies Act, 1956, from a member of the company Proposing his candidature for the office of Director, be and is hereby appointed a director of the company, whose period of office shall be liable to determination by retirement of directors by rotation."

By Order of the Board of Directors

Place : Ahmedabad
Date : 26th August, 2011

U. Champawat
*Chairman and
Managing Director*

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxies, in order to be effective, must be lodged at the registered office of the Company not later than 48 hours before the meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 23rd day of September, 2011 to Friday, the 30th day of September, 2011 (both days inclusive).
3. The Company has appointed M/s. Sharepro Services (India) Pvt. Ltd., as its Registrars and Share Transfer Agents for rendering the entire range of services to the Shareholders of the Company. Accordingly, all documents, transfers, Demat request, change of address intimation and other communication in relation thereto with respect to shares in electronic and physical form should be addressed to the Registrars directly quoting Folio No., full name and name of the Company as Royale Manor Hotels and Industries Ltd.
4. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
5. Members are requested to bring their copies of the Annual Report to the Meeting.
6. RMHIL is concerned about the environment and utilize natural resources in sustainable way. Recently, the Ministry of corporate Affairs (MCA), Government of India, through its circular nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011, respectively, has allowed companies to send official documents to their shareholders electronically as part of its green initiatives in corporate governance.
Recognizing the spirit of the circular pertaining to Green Initiatives, issued by the MCA, we henceforth propose to send documents like the notice convening the general meetings, financial statements, Directors' Report, Auditors' Report etc. to the email address provided by you with your depositories.
We request you to update, your email address with your depository participant to ensure that the annual report and other documents reach you on your preferred email.
7. Members holding shares in physical form are requested to notify to the company's Registrar and share Transfer Agent, M/s. Sharepro Services (India) Pvt. Ltd. quoting their folio, any change in their registered address with pin code and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participant.
8. Corporate Members intending to send their authorized representatives under Section 187 of the Companies Act, 1956, are requested to send a duly certified copy of the board Resolution authorizing their representatives to attend and vote at the Meeting.
9. In case of joint holding, the joint holder whose name stands first, as per the Company's records, shall alone be entitled to vote.



ANNEXURE TO THE NOTICE

Notes on director seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges:

PROFILE OF DIRECTOR BEING APPOINTED / RE-APPOINTED

Item No. 3

Name	:	Dr. Ram Prakash Kothari
Date of birth	:	22/06/1964
Qualification	:	M.D. (Medicine)
Expertise	:	Medical Practice
Director of the Company since	:	29/12/2005
Directorship in other public limited companies	:	Nil
Membership of Committees of other public limited companies	:	Nil
No. of Shares held in the Company	:	Nil

Item No. 5

Name	:	Mr. Vishwanath Prasad Singh
Date of birth	:	25/01/1944
Qualification	:	Master of Commerce, Bachelor of Law and Certified Associate of Indian Institute of Banking
Expertise	:	Investment & Corporate Banking, Project Finance, Financial restructuring and capital market activities.
Director of the Company since	:	11 th May, 2011
Directorship in other public limited companies	:	1
Membership of Committees of other public limited companies	:	Nil
No. of Shares held in the Company	:	Nil

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 5

Mr. Vishwanath Prasad Singh was appointed as an Additional Director of the company with effect from 11th May, 2011, pursuant to the provisions of section 260 of the companies Act 1956, he holds office upto the ensuing Annual General Meeting of the company. The Company is in receipt of a notice under Section 257 of the companies Act, 1956, along with requisite deposit proposing Mr. Vishwanath Prasad Singh for the office of Director of the company."

None of the Director of the company except, Mr. Vishwanath Prasad Singh appointee himself be deemed to be concerned or interested in the resolution set out at item no. 5 of the accompanying notice.

By Order of the Board of Directors

Place : Ahmedabad
Date : 26th August, 2011

U. Champawat
Chairman and Managing Director

DIRECTORS' REPORT

To the Members,

Your directors have pleasure in presenting their 20th Annual Report on the business and operations of the Company together with its Audited Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

The highlights of the financial results of the Company for the financial year ended March 31, 2011 are as under:

(Rupees in Lacs)		
Particulars	2010-2011	2009-2010
Total Income	1901.47	2021.37
Profit/(Loss) before Financial Charges, Depreciation and Income Tax	475.71	416.57
Less : Financial Charges	139.70	157.48
Less : Depreciation	116.11	108.97
Profit Before Income Tax	219.90	150.12
Provision for Income Tax	(48.17)	(27.25)
Deferred Tax Assets	(2.18)	(0.85)
Profit For the Year after Income Tax	169.55	122.01
Prior Period Adjustments (Net)	—	—
Profit Available for Appropriation	169.55	122.01
Appropriation		
Reserve for Replacement of FF&E (Net)	13.99	(19.66)
Proposed dividend	(25.32)	(31.69)
Tax on dividend	(4.21)	(5.38)
Balance of Profit/(Loss) brought forward	640.50	658.96
Transfer to Capital Redemption Reserve	(111.96)	(83.74)
Balance carried to Balance Sheet	682.55	640.50

Your directors are pleased to recommend 6% dividend on Optionally Convertible Preference Shares (OCPS) for the year ended 31st March, 2011, aggregating Rs. 25.32 Lacs.

However, in view of future expansion, your directors express their inability to recommend a dividend on Equity Shares of the Company for the year under review.

OPERATIONS

During the year under review, due to ongoing trend of economic slowdown, in the first half of the year there was a downward trend in the demand.

However, towards the second half of the financial year 2010-11 the demand picked up. Also, In the Ahmedabad city, Hotel business becomes more competitive due to commissioning of new Hotels. In comparison to previous year, the Average Occupancy of the hotel for 2010-11 has declined to 67.4% from 69%. Also, the Average Room Rates has declined to Rs. 5756 during the year under review from Rs. 6314 in the previous year 2009-10.

However, during the Financial year 2010-11, despite lower occupancy and ARR, company had been in a position to achieve a turnover of Rs.1901.47 Lacs, in comparison to Rs. 2021.37 Lacs, in the previous year 2009-10. The profit before tax and profit after tax for the year under review were Rs.219.90 lacs and Rs.169.55 lacs respectively. Your directors are hopeful that with recovery in the economy, there would be a marked improvement in the performance of the company.

The hotel unit of the Company "THE GATEWAY HOTEL UMMED" Ahmedabad is a ISO 22000:2005 certified hotel with the highest levels of Hygiene and Food Safety criteria. Your company's hotel is managed by The Indian Hotels Company Limited (Taj Group) for over Eleven years. Further, The established "THE GATEWAY HOTEL BRAND", superior ambience, interior decorations, services and loyal clientele retained its' market leadership in the city of Ahmedabad and has placed the hotel ahead of its Competitors.

SUSTAINABILITY INITIATIVES

Sustainability is a commitment for us to align our strategy in all aspects of our business with our stakeholders in various dimensions such as economic, social and environment.

GREEN INITIATIVE

Green Revolution is about leveraging the opportunity for business leadership through sustainability.

The Ministry of Corporate Affairs has, vide Circular no.17/2011 dated 21st April, 2011 read with Circular no. 18/2011 dated 29th April, 2011, taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. Accordingly, companies are now allowed to send various notices and documents including the annual report to their shareholders through their registered email addresses. In view of the above, your Company shall e-mail the soft copy of this annual report to shareholders whose email



addresses are registered with the Company and have not opted for a printed copy on being given the option. However, such shareholders may still obtain a printed copy on request. Shareholders whose email addresses are not registered or those who have opted against the soft copy, shall be served the printed annual report in normal course.

CORPORATE SOCIAL RESPONSIBILITY

Every year 5th June is observed as the World Environment Day around the world and is of immense importance for the Taj Group. In the year 2010-11, one specific area which was given prominence was Water Consumption. Water consumption at hotels is certainly an area that is a common cause of concern and associates were urged to demonstrate their commitment to reduce wastage of this natural resource. “**THE GATEWAY HOTEL UMMED**” has obtained Earth Check Silver certification from Earth Check standard measures body, EC3 Global, Australia justifying for the conservation of water and electricity.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the financial year 2010-11 from public.

DIRECTORS

With a view to expand the Board and to make it more balanced and transparent, professionals were needed to be inducted in the Board. Mr. Vishwanath Prasad Singh was appointed as an Additional Director of the company with effect from 11th May, 2011 and pursuant to section 260 of the companies Act, holds office upto the date of ensuing Annual General meeting of the company. The Company has received a notice from members proposing his appointment as a director of the company.

Mr. B. M. Gupta ceased to be the director of the Company w.e.f. 20/08/2010 on account of withdrawal of his nomination by TFCL. Your Board of Directors places on records his deep appreciation for the valuable advice and guidance given by Mr. B. M. Gupta during his tenure as Nominee Director –TFCL.

In accordance with provisions of Section 256 of Companies Act, 1956 and Articles of Association of the company, Dr. Ram Prakash Kothari, the director of the company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors,

hereby confirms that:

- (i) that in the preparation of annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed and there are no material departures.
- (ii) that the directors have selected the accounting policies and 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 at the end of the current financial year and of the profit of the Company for the year under review.
- (iii) that the directors had 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.
- (iv) that the directors had prepared the annual accounts for the financial year ended 31st March, 2011 on a “going concern” basis.

AUDITORS

M/s Naimish N. Shah & Co., Chartered Accountants, Ahmedabad, the statutory Auditors of the company retire on the conclusions of the ensuing 20th Annual General Meeting of the company and being eligible offer themselves for re-appointment. You are requested to consider their re-appointment.

Significant Accounting Policies & Notes Forming part of Accounts are self-explanatory. Thus, no comment is required from the Board of Directors of the Company.

COMPLIANCE WITH NOTIFICATION NO. S.O. 301(E) DATED 8th FEBRUARY, 2011 ISSUED BY THE MINISTRY OF CORPORATE AFFAIRS UNDER SECTION 211(3) OF THE COMPANIES ACT, 1956

Since Central Government had issued a notification No. S.O. 301 (E) dated 8th February, 2011 in exercise of the powers conferred by Section 211(3) of the Companies Act, 1956 granting general exemption to some specified class of companies, including hotel companies, from disclosing certain information in their profit and loss account as required under Part-II of Schedule VI of the Companies Act, 1956 subject to fulfillment of few conditions, your Company has duly complied with all conditions of the notification to seek general exemption under Section 211(4) of the Companies Act, 1956, paras 3(i)(a) and 3(ii)(d) of

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

Part II of Schedule VI of the Companies Act, 1956 dealing with the disclosure of quantitative details of turnover of each class of goods, opening and closing stock, purchases, production and consumption of raw material in the financial statements for the financial year ended 31st March, 2011. Your Board has passed necessary resolution to comply with one of the conditions of the notification for the same.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in report of the Board of Directors) Rules, 1988 is annexed as per Annexure - "A" which forms part of this Report.

CORPORATE GOVERNANCE

The Company has been proactive in following the principles and practices of good corporate governance. A report in line with the requirements of Clause 49 of the listing agreement on Management Discussion and Analysis and the Corporate Governance practices followed by the Company and the Auditors Certificate on Compliance of mandatory requirements are given as an Annexure "B & C" respectively to this report.

STATEMENT OF EMPLOYEES' PARTICULARS

None of the employees of the Company drew remuneration of Rs.24,00,000/- or more per annum/ Rs. 2,00,000/- or more per month during the year. Hence, no information is required to be furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude the whole-hearted support and cooperation received from valued customers, Financial Institutions, Banks, Taj Group, Government Departments, shareholders, employees and public for their continuous support and patronage extended and confidence reposed in the management of the Company.

By Order of the Board of Directors

Place : Ahmedabad
Date : 26th August, 2011

U. Champawat
*Chairman &
Managing Director*

ANNEXURE "A"

ANNEXURE TO THE DIRECTORS' REPORT

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo Pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in Report of the Board of Directors) Rule, 1988 forming part of Directors' Report for the year 2010-2011.

A. DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY :

Particulars	Unit	2010-2011	2009-2010
(I) POWER AND FUEL CONSUMPTION			
1. Electricity			
(a) Purchased	Kwh	2257037	2408920
Total Amount	Rs.	13158525	14090904
Rate/Unit	Rs./Kwh	5.83	5.85
(b) Own			
Generation (Units)		6247	874
2. Coal			
Quantity	Kg.	17852	18166
Total Cost	Rs.	241194	181660
Rate	Rs./Kg.	13.51	10.00
3. High Speed Diesel/LDO			
Quantity	Litres	107511	117710
Total Cost	Rs.	4214725	4735981
Average Rate	Rs./Litres	39.202	40.23
4. Other Internal Generations		NIL	NIL
(II) Consumption per unit of production:			
		NIL	NIL

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION :

The company has adopted world class technology available for the hotel industry. The equipments are partly imported. This has improved the quality of services and customers satisfaction.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

	2010-11	2009-10
Earnings in Foreign Currencies (Rs.)	657,90,671	74,007,583
Expenditure in Foreign Currencies (Rs.) :	-	-
Payment to		
Travel Agents	-	189,268
Travelling Expenses	-	-
Value of Imports calculated on CIF basis of Capital Goods	-	-
Other expenditure (CSR)	62,104	-



ANNEXURE "B" TO DIRECTORS' REPORT MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW

Hospitality Industry is closely linked with tourism industries. The Indian Hospitality Sector is witnessing one of its rare sustained growth trends, placing India as the second-fastest growing tourism market in the world. The Indian Tourism Industry has outperformed the global tourism industry in terms of growth in the volume of international tourists as well as in terms of revenue. Hotel industry is inextricable linked to the tourism industry and the growth in the Indian tourism industry has fuelled the growth of Indian Hotel Industry. Hotel and hospitality industries are among the biggest employment generators in the country.

SECTOR OUTLOOK

The world Travel and Tourism Council (WTTC) have named India along with china as one of the fastest growing tourism industries for the next 10 to 15 years. The Indian hospitality sector is expected to show a healthy growth and according to the Ministry of Tourism, the contribution of tourism to India's GDP is 5.9 per cent as compared to worldwide average of 11 percent.

A major reason for the demand for hotel rooms is the underlying boom in the economy, particularly the growth in the information technology enabled services and information technology industries. Rising stock indices and new business opportunities are also attracting foreign institutional investors, funds, equity and venture capitalists.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The hotel industry began in the financial year 2010-11 on a weak note, the global economic downturn impacted the Indian tourism and hospitality industry which saw a decline in the foreign tourist arrivals to India. Although, the Indian economy is recovering from the impact of the global financial crisis but factors like inflation has slowed the growth further of the hotel industry.

To encourage the tourism sector, the government in recent times, has taken some measures which will benefit the sector. Government of India has increased focus on advertising campaigns (including for the campaigns 'Incredible India' and 'Athithi Devo Bhava' - Visitors are like God) to reinforce the rich variety of tourism in India. The ministry promoted India as a sate tourist destination and undertook various measures, such as stepping up vigilance in key cities and at historically important tourist sites.

According to the latest Tourism Satellite Accounting (TSA) research, released by the World Travel and Tourism Council (WTTC), the demand for travel and tourism in India is expected to grow by 8.2 % between 2010 and 2019. This will place India at the third position in the world. India's travel and tourism sector is expected to be the second largest employer in the world. There is an urgent need for budget and mid market hotels in the country as travellers look for safe and affordable accommodation. Various domestic and international brands have made significant inroads into this space and more are expected to follow as the potential for this segment of hotels becomes more obvious. Capital investment in India's travel and tourism sector is expected to grow at 8.8% between 2010 and 2019. In the long term, the demand-supply gap in India is very real and that there is need for more hotels in most cities.

Hence, considering the demand supply mismatch, the new room additions will not create an overhang. Thus, we believe that the existing players would benefit from the continued demand-supply mismatch once the economy revives. While the long term fundamentals remain strong, the sector is highly dependent on external factors which could possibly mar its performance.

SWOT analysis

Strengths

- The promoters have an established track record, having created a niche for itself in hospitality industry with good brand image for last 15 years.
- A loyal clientele base of corporate and NGOs built-up over the years, providing a ready customer base.
- Strategic location of the hotel in the immediate vicinity of Airport with well-developed infrastructure gives it an added advantage over other competitors.
- "THE GATEWAY HOTEL" brand managed by "TAJ Group" has national and international recognition and is a force in the hospitality industry.
- Your Company continuously renovates its properties to meet the increasing competition in the market and insured its property against natural and men made disasters.

Weakness

- Hospitality Industry suffers from event risks such as earthquakes, communal riots, etc. the company is operating in area, which is prone to these risks.
- Hotel business in general is sensitive to fluctuation in the economy. Since, demand for hotels is affected by economic growth, a global recession might lead to downturn in the hotel industry.
- Since tourism is global phenomenon, any adverse developments on the geo-political front are likely to impact global tourist flow and India is not an exception to same. The future of the hospitality industry is very sensitive to the global security environment.

Opportunities

- Ahmedabad is emerging as a global city with a confluence of various culture and values and also being a leading industrial cities of India, the Company will be able to exploit the business travel potential offered by the city.
- The Hotel is well established and the promoters with their experience have passed through such phases without many adversities.
- New Hotel Project is under consideration.

Threats

- Economic slowdown and offer of lower cost services by new five star hotels shall lead stiff competition in the hotel industry.
- The hotel sector remains vulnerable to extraneous events such as natural disasters and terrorist acts. The hotel sector may be unfavourably affected by changes in local market conditions, competition in the industry, government policies and regulations, fluctuations in interest rates and foreign exchange rates and other natural and social factors travel advisories from foreign countries, etc.,
- The high incidence of multifarious taxes both at the centre and the states also affect the competitiveness of the industry. The additional tax burden is likely to make India a destination less competitive than a few neighboring tourist destinations in Asia pacific region and this could have an adverse impact on the revenues of the hotel industry.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial performance of the Company for the year 2010-11 is described in the Directors Report under the head of 'Operation'.

SEGMENT WISE PERFORMANCE

The Company has only one segment i.e. Hotel Industry.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has set up internal control procedures commensurate with its size and nature of the business.

These business procedures ensure optimum use and protection of the resources and compliance with the policies, procedures and statutes. The internal control systems provide for well-defined policies guidelines, authorizations and approval procedures. The prime objective of such audits is to test the adequacy and effectiveness of the internal controls laid down by management and to suggest improvements.

HUMAN RESOURCE DEVELOPMENT/ INDUSTRIAL RELATIONS

During the year, the Company maintained harmonious and cordial industrial relations. No operating days were lost due to strike, lock out etc. Human Resources Development, in all its aspects like training, safety and social values is under constant focus of the management. The management and the Employees are dedicated to achieve the corporate objective and the targets set before the Company.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, predictions and expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. As "forward- looking statements" are based on certain assumptions and expectations of future events over which the Company exercises no control. The Company assumes no responsibility to publicly amend, modify or revise the forward looking statement on the basis of subsequent developments, domestic and international economic conditions affecting demand, supply and price conditions in the hospitality industry, changes in the Government regulations, tax regimes and other status.



REPORT ON CORPORATE GOVERNANCE - Annexure "C" to the Directors Report
(Pursuant to Clause 49 of the Listing Agreement)

A. Mandatory Requirements

1. Company's philosophy on code of Corporate Governance

Corporate Governance is an integral part of value, ethics and best business practices followed by the Company. The core values of the Company are commitment to excellence and customer satisfaction, maximizing long-term value for stakeholders, socially valued enterprise and caring for people and environment.

The Royale Manor Hotels and Industries Limited is committed to good Corporate Governance in order to all stakeholders – Customers, suppliers, lenders, employees, the shareholders. The detailed report on implementation by the company of the Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges, is set out below :

2. BOARD OF DIRECTORS :

2.1 Composition of the Board

The Board of Directors as at 31st March, 2011 comprises of Six directors including of an Executive (Chairman and Managing Director) and Five Non-Executive Directors. Mr. U. Champawat is the Chairman & Managing Director of the Company and he conducts the day to day management of the Company, subject to the supervision and control of the Board of Directors. The independent directors on the Board are senior, competent and highly respected persons from their receptive fields:

Sr No.	Name of Director	Category of Director
1.	Mr. U. Champawat	Director - Executive (Promoter)
2.	Dr. Praveenkumar R. Patel	Non-Executive Director (Independent)
3.	Mr. Jayesh Dave	Non-Executive Director (Independent)
4.	Dr. Ram Prakash Kothari	Non-Executive Director (Independent)
5.	Mr. Vishwajeetsingh Champawat	Non-Executive Director (Promoter)
6.	Mr. Vishwanath Prasad Singh (w.e.f 11 th May, 2011)	Non-Executive Director (Independent)

2.2 Responsibilities of the Board

The responsibility such as policy formulation, performance review and analysis and control, direction and management of the affairs of the company is vested in the Board of Directors presided over by the Chairman and Managing Director. The Board has delegated some of its powers to the executives of the company. The Board reviews from time to time such delegated powers and their utilization for effective functioning of the Company.

2.3 Meeting and Attendance Record of Directors

The meetings of the Board of Directors are held at periodical intervals and are generally at the Board Room of "The Gateway Hotel, Ummid, Ahmedabad", a unit of the Company. The meeting dates are decided well in advance and the agenda and notes on agenda are circulated in advance to the directors. All material information is incorporated in the notes on agenda for facilitating meaningful and focused discussion at the meeting. Where it is not perusable to attach supporting or relevant documents to the agendas, the same is tabled before the meeting. In case of business exigencies or urgency of matters, resolutions are passed by circulation. Senior Management persons and advisors are often invited to attend the Board Meetings and provide clarifications as and when required.

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

During the year under review, the Board met 5 (Five) times on the following dates:

15/06/2010	10/08/2010	25/08/2010	12/11/2010	11/02/2011
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Sr.No.	Name of Director	No. of Meetings held	No. of Meetings Attended	Attendance at the last AGM held on 30.09.2010
1.	Mr. U. Champawat	5	5	Yes
2.	Dr. Praveenkumar R. Patel	5	3	No
3.	Mr. B. M. Gupta (TFCI Nominee)	2	0	No
4.	Mr. Jayesh Dave	5	5	Yes
5.	Dr. Ram Prakash Kothari	5	5	No
6.	Mr. Vishwajeetsingh Champawat	5	4	Yes

2.4 Details of Directors seeking re-appointment at the ensuing Annual General Meeting

As per the provisions of the Companies Act, 1956, two third of the Directors of a Company should be retiring Directors, of which one third of such Directors are required to retire every year and if eligible, they qualify for re-appointment.

Dr. Ram Prakash Kothari, retire by rotation at the ensuing Annual General Meeting and offers himself for re-appointment.

2.5 Details of Directors who are associated as Chairman and Directors in other Public Companies

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 (C) (ii) across all the companies in which he is a director. The necessary disclosure regarding Directorship and Committee position have been made by the Directors who are on the Board of the Company as on 31st March, 2011 and the same is reproduced herein below :

Sr.No.	Name of Director	No. of Directorship in other public Companies	No. of Committee positions held as Chairman on other public Companies	No. of Committee positions held as member in other Public Company
1.	Mr. U. Champawat	—	—	—
2.	Dr. Praveenkumar R. Patel	—	—	—
3.	Mr. B. M. Gupta (TFCI Nominee) (20/08/2010)	—	—	—
4.	Mr. Jayesh Dave	—	—	—
5.	Dr. Ram Prakash Kothari	—	—	—
6.	Mr. Vishwajeetsingh Champawat	—	—	—

3. COMMITTEES OF BOARD :

The Company had three Board Committees. These are:-

1. Audit Committee
2. Remuneration Committee
3. Share Transfer & Shareholders/Investor Grievance Committee

All the decisions pertaining to the constitution of the Committees, appointment of members and fixing of terms of reference for the Committee is taken by the Board of Directors. Details of the role and composition of these Committees are provided below:



3.1 Audit Committee :

The Audit Committee of the company is constituted in line with the provision of clause 49 of the listing Agreements with the stock Exchanges read with Section 292A of the Companies Act, 1956, comprises of three members viz. Mr. Jayesh Dave, Dr. Ramprakash Kothari and Mr. U. Champawat, who are well versed with finance, accounts, management and corporate affairs. Two members constitute the quorum of the said Audit Committee Meeting. Mr. Jayesh Dave, a Qualified Chartered Accountant and Company Secretary, is the Chairman of the committee.

The Audit Committee of the Board of Directors, Inter-alia, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

The audit committee while reviewing the Annual Financial Accounts ensures compliance of the Accounting Standard (AS) issued by the Institute of Chartered Accountants of India.

TERMS OF REFERENCE:

The scope of activities of the Audit Committee includes the following:

- A. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- B. Recommending the appointment and removal of statutory auditor, fixation of audit fees and also approval for payment of any other Consultancy services provided by the statutory auditor.
- C. Reviewing, with the management, the annual financial statements before submission to the Board for approval, focusing primarily on:
 - Any changes in accounting policies and practices and reasons for the same.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.
- D. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- E. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, right issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter.
- F. Reviewing, with the management, statutory and internal auditors, and the adequacy of internal control systems.
- G. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department. Reporting structure, coverage and frequency of internal audit.
- H. Discussion with internal auditors any significant findings and follow up there on.
- I. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the board.
- J. Discussions with statutory auditors before the audit commences, about the nature and scope of audit, as well as post audit discussions to ascertain any area of concern.

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

- K. Reviewing the company's financial and risk management policies.
- L. To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of non-payment of declared dividend) and creditors.
- M. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- N. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- O. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Executive summary of the Audit Committee Meetings are placed before the immediate next Board Meetings held after the Audit Committee for deliberations and the full minutes of the same are placed before the following Board Meeting for records. The Board of Directors, regularly appraised on the recommendations of the Audit Committee. Further, at the beginning of the financial year, the Committee discuss the plan for the internal audit and statutory audit.

Dates of the Audit Committee Meetings are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting.

As required under Clause 49(III) (E) of the Listing Agreement, the Audit Committee had reviewed the following information:

- Management Discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions submitted by management.
- Management letters/letters of internal controls, weaknesses issued by the Statutory Auditors.
- Internal Auditors Reports relating to internal control weaknesses; and
- The Appointment, removal and terms of remuneration of the internal auditors.

The Audit Committee has the following powers:

1. to investigate any activity within its terms of reference.
2. to seek any information from any employee.
3. to obtain outside legal and professional advice.
4. to secure attendance of outsiders with relevant expertise, if it considers it necessary.

The Audit Committee invites such of the executives as it considers appropriate (Particularly the head of the finance function), representatives of the statutory Auditors. The Company Secretary acts as the Secretary to the Audit Committee.

The previous Annual General Meeting of the Company was held on September 30, 2010 and was attended by Mr. Jayesh Dave, Chairman of the Audit Committee.

During the year under review, the 5 Audit Committee was held during Financial Year 2010-11. The dates on which the said meetings were held as follows:

30/04/2010	10/08/2010	25/08/2010	12/11/2010	11/02/2011
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The necessary quorum was present at the meetings.

3.2 Remuneration Committee :

The Remuneration Committee reviewing the overall compensation policy, service agreements and other employments and other employment conditions of Managing / Whole time Directors and Managing Director:

Name	Remuneration (Rs.)
Mr. U Champawat <i>Chairman & Managing Director</i>	7,73,650
Total	7,73,650

1. Service Contract, Notice Period and Severance Fees :
The employment of Shri U Champawat is contractual.
2. Stock Option details, if any : NIL

**Non-Executive Director :**

Remuneration by way of sitting fees for attending Board/Board Committee Meetings are paid only to Non-Executive Directors.

Sr. No.	Director	Sitting fees (Rs)
1.	Dr. Praveenkumar R. Patel	1500
2.	Mr. B M Gupta (TFCI Nominee)	NIL
3.	Mr. Jayesh Dave	2500
4.	Dr. Ram Prakash Kothari	2500
5.	Mr. Vishwajeetsingh Champawat	2000

Remuneration policy:

Payment of remuneration to the Managing/Whole Time Director is governed by the respective Agreements executed between them and the company. These agreements were approved by the Board and the Shareholders. Their Remuneration structure comprises salary, perquisites and allowances.

3.3 Share Transfer & Shareholders'/Investor Grievance Committee:

The Share Transfer & Shareholders'/Investor Grievance committee comprises as under :

Sr. No.	Name	Position	Category
1.	Mr. U. Champawat	Chairman	Director-Executive(Promoter)
2	Dr. Praveenkumar R Patel	Member	Non- Executive Director
3	Dr. Ram Prakash Kothari	Member	Non -Executive Director

The committee is responsible for approving and monitoring transfers, transmission, splitting and consolidation of shares issued by the Company. In addition to that, the committee also monitors redresses of complaints from shareholders relating to transfer of shares, non-receipt of balance sheet etc., No sitting fees is paid to the committee members.

The status of shareholders' complaints received so far/number not solved to the satisfaction of shareholders/number of pending share transfer transactions (as on 31st March, 2011 is given below):-

Complaints Status : 01.04.2010 to 31.03.2011

·	Number of complaints received so far	:	11
·	Number of complaints solved	:	11
·	Number of pending complaints	:	NIL

Compliance Officer :

Ms. Puja Kaushik, Company Secretary of the Company is Compliance Officer for the purpose of complying with various provisions of Securities and Exchange Board of India (SEBI), Listing Agreement with Stock Exchanges, Registrar of Companies and for monitoring the share transfer process etc.

4. GENERAL BODY MEETINGS :

The location and time, where last three years Annual General Meetings were held as follows :

Year	Venue	Date	Time
2007-2008	Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad – 380 009	30th September, 2008	3.00 P. M. (IST)
2008-2009	Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad – 380 009	30 TH September, 2009	3.00 P.M. (IST)
2009-2010	Naroda Muthiya Community Hall, B/h. Galaxy Cinema, Naroda, Ahmedabad – 382 330	30 th September, 2010	10.30 A.M. (IST)

5. DISCLOSURES :

There were no significant or material related party transactions that have taken place during the year which have any potential conflict with the interest of the company at large. The detailed related party information and transactions have been provided in Note 4 of Schedule 20 of Notes to Accounts.

No penalties or strictures have been imposed by SEBI, Stock Exchanges or any statutory authorities on matters relating to capital markets during the last three years.

6. MEANS OF COMMUNICATION :

The Quarterly Unaudited Financial Results are published in Local English and Vernacular language newspapers and also disclosed on website www.rmhil.com. The presentation as to the Company's performance etc., are made to the Institutional Investors/Financial Analysts as and when felt expedient.

The Management Discussions and Analysis Report forms part of the Directors Report and is given separately.

7. GENERAL SHAREHOLDERS' INFORMATION :

7.1 Annual General Meeting :

Day, date and time	:	Friday, the 30 th September, 2011 at 3.00 P. M.
Venue	:	Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad - 380 009

**7.2 Financial Year Calendar :
2011-12 (Tentative)**

First Quarter Results	:	Last week of July, 2011
Second Quarter Results	:	Last Week of October, 2011
Third Quarter Results	:	Last Week of January, 2012
Fourth Quarter Results	:	Last Week of April, 2012

7.3 Book Closure Date : Friday, the 23rd September, 2011 to Friday, the 30th September, 2011 (both days inclusive).

7.4 Dividend : Dividend on Optionally Convertible Preference Shares (OCPS) is proposed and to be paid from 24th October, 2011. No dividend is proposed on Equity Shares.

7.5 Listing of Equity Shares on Stock Exchanges are:

The names and addresses of the Stock Exchanges at which the equity shares of the Company (except 8,00,000 Shares on account of conversion of preferential Warrant and 24,10,000 Equity Shares) are listed and the respective stock codes are as under :

Sr No.	Name of Stock Exchanges	Stock Codes
1.	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.	BSE - 526640
2.	Madras Stock Exchange Limited "Exchange Building", No. 11, Second line beach, Chennai - 600 001.	MSE - N. A.
3.	The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata - 700 001.	CSE - 28151



7.6. Market Price Data :

High and low during each month in the (2010-11) financial year on the Stock Exchanges:

Month	High (Rs.)	Low (Rs.)
April - 2010	23.90	18.15
May – 2010	25.70	19.10
June – 2010	20.75	17.30
July – 2010	22.00	17.50
August – 2010	23.50	18.00
September -2010	20.05	17.75
October -2010	19.00	17.00
November – 2010	18.90	14.00
December – 2010	17.55	14.05
January – 2011	18.25	12.60
February – 2011	15.55	12.00
March – 2011	14.85	11.75

7.7 Registrar and Transfer Agent and Address for Correspondence:

- a) Registrar and Transfer Agent of the Company:
M/s. Sharepro Services (India) Pvt. Ltd
416-420, 4th Floor, Devnandan Mall,
Opp. Sanyas Ashram, Ellisbridge,
Ahmedabad - 380006
Tel. No. : 079-26582381-84
Fax No. : 079-26582385
Email : sharepro.ahmedabad@shareproservices.com
- b) Registered Office of the Company :
M/s. Royale Manor Hotels and Industries Limited
International Airport Circle,
Ahmedabad – 382 475.
Tel. No. : 91 – 079 – 22868642-43
Fax No. : 91 – 079 – 22868641
Email : royalemanorhotels@rediffmail.com
Website : www.rmhil.com
- c) Dedicated e-mail for investor Grievance.
For the convenience of our investor, the company has designated an exclusive e-mail id i.e., royalemanorhotels@gmail.com. All investors are requested to avail this facility.

7.8 Share Transfer System :

The Registrar and Share Transfer Agent deal with Share transfer both in physical and Demat mode. The Dematerialized shares are transferable through the depository system. Shares in physical form are processed by the Registrar and Share Transfer Agent and approved by the Share Transfer Committee of Directors of the Company. Transfer of physical shares is made within the time stipulated by the Stock Exchanges and in terms of Clause 47 of the Listing Agreement.

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

7.9 Distribution of Shareholding (as on 31st March, 2011) :

Category	Number of Shareholders	Percentage (%)	Number of Shares	Percentage (%)
1- 500	15078	87.719	2431944	14.363
501-1000	1044	6.074	908039	5.363
1001- 2000	506	2.944	814661	4.811
2001- 3000	171	0.995	435925	2.575
3001- 4000	88	0.512	312281	1.844
4001- 5000	77	0.448	365965	2.161
5001- 10000	115	0.669	868440	5.129
10001 and above	110	0.640	10794945	63.754
TOTAL	17189	100.00	16932200	100.00

7.10 Shareholding Pattern as on March 31, 2011:

Sr.No.	Category	No. of Shares held	Percentage (%) of shareholding
1.	Promoters Directors & their Relatives	7708790	45.53
2.	NRI/OCBs	810836	4.79
3.	Banks/Financial Institutions/Mutual Funds	100	0.00
4.	Private Corporate Bodies	987156	5.83
5.	Others	7425318	43.85
	Total	16932200	100.00

7.11 Dematerialisation of Shares and Liquidity :

The particulars of shares in physical and demat mode, held by the share holders as on 31st March, 2011:

Particulars	No of Shares	% shareholding
Physical	6534551	38.59
Demat		
NSDL	8081547	47.73
CDSL	2316102	13.68
Total	16932200	100.00

7.12 Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity

- a. The pending conversion of 45,00,000 warrants issued to Select Non-promoter investors, in terms of Special Resolution passed at the EGM held on 29th April, 2006, the details are as under:

Sr. No.	Name of Investors	No. of Warrants allotted
1	M/s. Standard Unitrade Private Limited	22,50,000
2	M/s. Jodhpur Agriculture Private Limited	22,50,000

- b. The pending conversion of 8,00,000 warrants issued to Promoters and Associates, in terms of Special Resolution passed at the Annual General Meeting held on 28th September, 2006, the details are as under:

Sr. No.	Name of Investors	No. of Warrants allotted
1	M/s. Royale Infrastructure & Projects Pvt. Ltd.	5,50,000
2	Mr. Vishwajeetsingh Champawat	2,50,000

- c. The pending conversion of 8,00,000 warrants issued to Promoters and Associates, in terms of Special Resolution passed at the Annual General Meeting held on 28th September, 2007, the details are as under:

Sr. No.	Name of Investor	No. of Warrants allotted
1	M/s. Royale Infrastructure & Projects Pvt. Ltd.	8,00,000

- 7.13 Hotel Location :** The Gateway Hotel Umed, Ahmedabad
International Airport Circle, Ahmedabad-382 475. Gujarat (INDIA)



DECLARATION

I, U. Champawat, Chairman and Managing Director of M/s. Royale Manor Hotels and Industries Limited, hereby declare that all the members of the Board of Directors and the Senior Management have affirmed compliance with the Code of Conduct, for the year ended March 31, 2011.

For, **Royale Manor Hotels & Industries Limited**

Place: Ahmedabad
Date : 26th August, 2011

U Champawat
Chairman and Managing Director

CERTIFICATE

To,
The Members of
Royale Manor Hotels & Industries Limited

We have examined the compliance of conditions of Corporate Governance by M/s. Royale Manor Hotels and Industries Limited, for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have conducted our review on the basis of the relevant records and documents mentioned by the Company and furnished to us, for the review.

In our opinion and to the best of our information and according to the explanation given to us and the representations made by the Directors and the management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

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

FOR NAIMISH N. SHAH & CO.
CHARTERED ACCOUNTANTS
(F.R. No. 106829W)

Place : Ahmedabad
Date : 26th August, 2011

CA. Pranav N. Shah
Proprietor
Membership No. 033747

AUDITOR'S REPORT

**TO,
THE MEMBERS OF
ROYALE MANOR HOTELS AND INDUSTRIES LIMITED**

- (1) We have audited the attached Balance sheet of **Royale Manor Hotels and Industries Limited** as at 31st March 2011 and the Profit & Loss Account and also the Cash flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- (2) We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (3) As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (4) Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account of the company;
 - iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by the report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
 - v) On the basis of the written representations received from the Directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the Directors is prima facie disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) Subject to above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
 - ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

**FOR NAIMISH N. SHAH & CO.
CHARTERED ACCOUNTANTS
(F.R. No. : 106829W)**

Place : Ahmedabad
Date : August 26, 2011

CA. Pranav N. Shah
Proprietor
Membership No. 033747



ANNEXURE TO THE AUDITOR'S REPORT

REFERRED TO IN PARAGRAPH-3 OF OUR REPORT ON THE ACCOUNTS OF ROYALE MANOR HOTELS AND INDUSTRIES LIMITED FOR THE YEAR ENDED ON 31st MARCH 2011.

- (i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- (b) As informed to us, the fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (c) During the year substantial part of fixed assets have not been disposed off.
- (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 procedure of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.
- (iii) (a) The Company has not granted any loans to Company, Firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, paras (a) to (d) are not applicable.
- (b) The company has not taken any loan from companies covered in the register maintained under section 301 of the Companies Act, 1956. Therefore paras (e) to (g) are not applicable.
- (iv) In our opinion and according to the information and explanations to us, the internal control procedures are commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. Further, there is no continuing failure to correct major weakness in internal control.
- (v) (a) According to the information and explanation given to us, the particulars of contracts or arrangements made with the Company referred to under section 301 of the Companies Act, 1956 have been entered in the registers required to be maintained under that section.
- (b) According to the information and explanations given to us, the transactions referred to in section 301 of the Companies Act, 1956 made with the Company in pursuance of such contracts or arrangements have been made at prices which are reasonable having regards to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to information and explanations given to us, the Company has not accepted deposit from the public during the year therefore provisions of section 58A, 58AA or any other relevant provisions of Companies Act, 1956 and the rules made there under are not applicable.
- (vii) In our opinion, the Company has internal audit system commensurate with the size of the Company and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the company. Therefore, no further comments are required to be made.
- (ix) (a) According to the information and explanations given to us the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees'

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

State Insurance, Income-Tax, Value Added Tax, Wealth Tax, Custom Duty, Service Tax, Excise Duty, Cess and any other statutory dues applicable to the Company.

- (b) According to the information and explanation given to us, there was no undisputed amount outstanding & payable in respect of statutory dues for a period exceeding six months.
- (c) According to the information and explanations given to us, an amount of Rs. 1,26,385/- towards Sales tax liability is disputed by the company and not deposited with appropriate authority. The company does not have any other disputed dues which are not deposited for Income Tax / Wealth Tax / Custom Duty / Excise Duty or Cess.
- (x) The Company does not have accumulated losses as on 31st March, 2011. Further it has not incurred cash loss during the period ended on 31st March, 2011.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution.
- (xii) According to the information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore provisions of clause (xiii) of the order are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. The shares and securities held by the company as investments are in its own name.
- (xv) According to the information and explanations given to us, the Company has given a corporate guarantee in favour of Housing and Urban Development Corporation Limited (HUDCO) as a security for loans obtained by National Hotels Limited, in which the company is a share holder.
- (xvi) In our opinion, the term loan taken by the company have been applied for the purpose for which it was raised.
- (xvii) Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on a short-term basis which have been used for long term investment.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.
- (xix) The company has not issued any debentures and therefore the creation of securities or charge does not arise.
- (xx) The company has not raised any money by way of public issued during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

**FOR NAIMISH N. SHAH & CO.
CHARTERED ACCOUNTANTS
(F.R. No. : 106829W)**

Place : Ahmedabad
Date : August 26, 2011

CA. Pranav N. Shah
Proprietor
Membership No. 033747

**BALANCE SHEET AS AT 31ST MARCH, 2011**

Particulars	Schedule	As at 31st March, 2011		As at 31st March, 2010	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	204,522,000		215,392,000	
Preferential Warrants	2	24,135,011		24,135,011	
Reserves and Surplus	3	<u>98,688,917</u>	<u>327,345,928</u>	<u>85,013,484</u>	324,540,495
Loan Funds					
Secured Loans	4	45,596,450		55,136,264	
Unsecured Loans	5	<u>16,000,000</u>	<u>61,596,450</u>	<u>16,000,000</u>	71,136,264
	TOTAL		<u>388,942,378</u>		<u>395,676,759</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	424,788,524		410,035,637	
Less : Depreciation		<u>178,336,706</u>		<u>167,944,293</u>	
Net Block			246,451,818		242,091,344
Capital Work in Progress			61,677,826		76,491,880
Investments	7		58,500,000		58,500,000
Current Assets, Loans & Advances					
Inventories	8	12,200,684		12,502,005	
Sundry Debtors	9	17,205,229		18,546,487	
Cash & Bank Balances	10	15,994,150		7,329,832	
Loans & Advances	11	<u>21,530,768</u>		<u>15,690,805</u>	
		66,930,831		54,069,129	
Less : Current Liabilities & Provisions	12	<u>51,090,292</u>		<u>42,166,523</u>	
Net Current Assets			15,840,539		11,902,606
Miscellaneous Expenditure (to the extent not written off or adjusted)			-		-
Deferred Tax			6,472,195		6,690,929
	TOTAL		<u>388,942,378</u>		<u>395,676,759</u>
Significant Accounting Policies and Notes forming part of Accounts	20				

As per our audit report of even date attached

For NAIMISH N. SHAH & CO.

Chartered Accountants

(F.R. No. : 106829W)

CA. Pranav N. Shah

Proprietor

Membership No. 033747

Ahmedabad

August 26, 2011

For and on behalf of the Board**U. CHAMPAWAT**

Chairman and Managing Director

JAYESH DAVE

Director

DR. RAM PRAKASH KOTHARI

Director

Ahmedabad

August 26, 2011

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

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

Particulars	Schedule	Year ended 31st March, 2011 Rupees	Year ended 31st March, 2010 Rupees
INCOME			
Guest Accommodation, Restaurants, Banquets & Other Services	13	187,346,519	198,918,738
Other Income	14	2,800,340	3,217,963
	TOTAL	190,146,859	202,136,701
EXPENDITURE			
Consumption of Provisions & Stores	15	13,088,422	10,893,659
Employees' Remuneration & Welfare Expenses	16	36,077,983	30,790,881
Upkeep & Service Cost	17	47,374,978	67,627,764
Administrative, Selling & Other Expenses	18	46,034,356	51,077,682
Interest & Financial Charges	19	13,970,302	15,748,282
Miscellaneous Expenditure Written Off		-	89,400
	TOTAL	156,546,041	176,227,668
Profit/(Loss) Before Depreciation and Tax		33,600,818	25,909,033
Depreciation		(11,610,881)	(10,897,078)
Profit Before Tax		21,989,937	15,011,955
Provision for Income Tax		(4,816,548)	(2,725,444)
Deferred Tax		(218,734)	(85,394)
Profit For The Year After Tax		16,954,655	12,201,117
Prior Period Adjustments (Net)		-	-
Profit Available for Appropriation		16,954,655	12,201,117
Appropriation			
Transfer to Reserve for Replacement of FF & E		(4,035,611)	(4,507,545)
Transfer from Reserve for Replacement of FF & E		5,434,905	2,541,524
Proposed Dividend on Optionally Convertible Preference Shares		(2,532,505)	(3,168,762)
Tax on Dividend		(420,617)	(538,532)
Balance of Profit/(Loss) brought forward		64,050,219	65,896,317
Transfer to Capital Redemption Reserve		(11,196,100)	(8,373,900)
Balance carried to the Balance Sheet		68,254,946	64,050,219
Basic EPS Rs.		0.83	0.50
Diluted EPS Rs.		0.79	0.38
Significant Accounting Policies and Notes forming part of Account	20		

As per our audit report of even date attached

For NAIMISH N. SHAH & CO.

Chartered Accountants
(F.R. No. : 106829W)

CA. Pranav N. Shah

Proprietor
Membership No. 033747

Ahmedabad
August 26, 2011

For and on behalf of the Board

U. CHAMPAWAT

Chairman and Managing Director

JAYESH DAVE

Director

DR. RAM PRAKASH KOTHARI

Director

Ahmedabad
August 26, 2011



CASH FLOW STATEMENT

Particulars	Year ended 31st March, 2011 Rupees	Year ended 31st March, 2010 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	21,989,937	15,011,955
Adjustments For :		
Depreciation	11,610,881	10,897,078
Interest & Financial Charges	13,970,302	15,748,282
Miscellaneous Expenditure Written off	-	89,400
Operating Profit before Working Capital Changes	47,571,120	41,746,715
Adjustments for :		
Sundry Debtors	1,341,258	(275,875)
Loans & Advances	(5,839,963)	8,715,585
Inventories	301,321	(3,074,507)
Trade Payables	8,923,769	280,021
Cash Generated from Operations	4,726,385	5,645,224
Provision for Income Tax	(4,816,548)	(2,725,444)
Proposed Dividend on OCPS	(2,532,505)	(3,168,762)
Tax on Dividend	(420,617)	(538,532)
Capital Redemption Reserve	(11,196,100)	(8,373,900)
Net Cash Flow from Operating Activities	33,331,735	32,585,301
B. CASH FLOW FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Fixed Assets	(15,971,355)	(51,877,581)
Capital Work in progress	14,814,054	70,878,993
Investment	-	(20,000,000)
Net Cash Flow from Investing Activities	(1,157,301)	(998,588)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	(9,539,814)	(13,632,111)
Interest & Financial Charges	(13,970,302)	(15,748,282)
Net Cash Flow from Financing Activities	(23,510,116)	(29,380,393)
NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	8,664,318	2,206,320
OPENING BALANCE OF CASH & CASH EQUIVALENTS	7,329,832	5,123,512
CLOSING BALANCE OF CASH & CASH EQUIVALENTS	15,994,150	7,329,832

For and on behalf of the Board

U. CHAMPAWAT
Chairman and Managing Director

JAYESH DAVE
Director
Ahmedabad, August 26, 2011

DR. RAM PRAKASH KOTHARI
Director

AUDITOR'S CERTIFICATE

We have examined the above Cash Flow Statement of Royale Manor Hotels and Industries Limited for the year ended 31st March, 2011. The Statement has been prepared by the company in accordance with the requirements of clause 32 of listing agreement with stock exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the company covered by our report of 26th August, 2011 to the members of the company.

FOR NAIMISH N. SHAH & CO.
CHARTERED ACCOUNTANTS
(F.R. No. : 106829W)

Place : Ahmedabad
Date : August 26, 2011

CA. Pranav N.Shah
Proprietor
Membership No. 033747

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at 31st March, 2011		As at 31st March, 2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 1 : SHARE CAPITAL				
Authorised				
28,500,000 Equity Shares of Rs. 10/- each		285,000,000		285,000,000
650 Optionally Convertible Preference Shares of Rs 100,000/- each		65,000,000		65,000,000
TOTAL		350,000,000		350,000,000
Issued , Subscribed and Paid up				
16,932,200 Equity Shares of Rs. 10/- each fully paid up		169,322,000		169,322,000
352.00 (P.Y. 460.70) Optionally Convertible Preference Shares of Rs. 100,000/- each fully paid up		35,200,000		46,070,000
TOTAL		204,522,000		215,392,000
 SCHEDULE - 2: PREFERENTIAL WARRANTS				
i) 428,473 Preferential Warrants of Rs. 24/- each (Fully paid up Rs. 24 per warrant)		10,283,352		10,283,352
ii) 4,071,527 Preferential Warrants of Rs. 24/- each (Partly paid up Rs. 2.40 per warrant)		9,771,659		9,771,659
iii) 800,000 Preferential Warrants of Rs. 30.50 each (Partly paid up Rs. 3.05 per warrant)		2,440,000		2,440,000
iv) 800,000 Preferential Warrants of Rs. 20.50 each (Partly paid up Rs. 2.05 per warrant)		1,640,000		1,640,000
TOTAL		24,135,011		24,135,011
 SCHEDULE - 3 : RESERVES & SURPLUS				
Share Premium		9,030,000		9,356,100
Capital Redemption Reserve		19,570,000		8,373,900
Reserve for Replacement of FF & E				
Opening Balance	3,233,265		1,267,244	
Add : Transfer from Profit & Loss Account	4,035,611		4,507,545	
	<u>7,268,876</u>		<u>5,774,789</u>	
Less : Utilised during the year	5,434,905		2,541,524	
		1,833,971		3,233,265
Profit & Loss Account				
Opening Balance	64,050,219		65,896,317	
Less: Transfer to Capital Redemption Reserve	11,196,100		8,373,900	
	<u>52,854,119</u>		<u>57,522,417</u>	
Add : Profit for the current year	15,400,827		6,527,802	
		<u>68,254,946</u>		<u>64,050,219</u>
TOTAL		98,688,917		85,013,484



SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at 31st March, 2011		As at 31st March, 2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 4 : SECURED LOANS				
Term Loans				
Industrial Development Bank of India Ltd. (Refer Note 1)		8,241,931		13,641,931
Tourism Finance Corporation of India Ltd. (Refer Note 1)		17,800,000		29,400,000
Tata Capital Limited (Refer Note 3)		4,150,000		-
Working Capital Facility (Refer Note 1 & 2)				
Punjab National Bank		15,404,519		12,094,333
	TOTAL	<u>45,596,450</u>		<u>55,136,264</u>

Note 1 : Secured by way of first mortgage & charge on all the immovable properties, both present and future of the company and first charge by way of hypothecation of all movable assets (save & except book debts) present and future, ranking pari-passu, subject to prior charges created in favour of the Punjab National Bank on the Stock of Raw Materials, Consumable Stocks and such other movables for securing the borrowing for working capital requirement.

Note 2 : Secured by way of hypothecation of Stock of Raw Materials, Consumable Stocks & such other movables and book debts of the company, personal guarantee of a director and further secured by second charge on block assets of the company.

Note 3 : Secured by way of Hypothecation of Equipment and further secured by corporate guarantee and personal guarantee of the director.

SCHEDULE - 5 : UNSECURED LOANS

Inter Corporate Deposits		<u>16,000,000</u>		<u>16,000,000</u>
	TOTAL	<u>16,000,000</u>		<u>16,000,000</u>

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

SCHEDULE - 6 : FIXED ASSETS

Description	Gross Block			Depreciation			Net Block		
	As at 1st April, 2010 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As at 31st March, 2011 Rupees	As at 1st April, 2010 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As at 31st March, 2011 Rupees	As at 31st March, 2010 Rupees
Freehold Land	36,971,314	-	-	36,971,314	-	-	-	36,971,314	36,971,314
Buildings	155,524,872	-	-	155,524,872	29,088,827	2,535,055	-	123,900,990	126,436,045
Electrical Installations	36,918,116	-	-	36,918,116	22,395,641	894,698	-	13,627,777	14,522,475
Plant & Machineries	156,981,398	14,763,310	1,593,878	170,150,630	104,068,369	6,288,216	1,169,207	60,963,452	52,913,029
Computers	9,364,267	736,350	-	10,100,617	6,709,491	669,145	-	2,721,981	2,654,776
Furniture & Fittings	1,763,417	3,600	-	1,767,017	1,191,618	87,696	-	487,703	571,799
Office Equipments	1,729,924	66,824	120,319	1,676,429	527,903	79,503	49,261	1,118,284	1,202,021
D.G. Set	320,000	-	-	320,000	228,041	15,200	-	76,759	91,959
Vehicles	10,202,329	861,000	-	11,063,329	3,734,403	1,041,368	-	6,287,558	6,467,926
Live Stock	260,000	36,000	-	296,000	-	-	-	296,000	260,000
Total	410,035,637	16,467,084	1,714,197	424,788,524	167,944,293	11,610,881	1,218,468	246,451,818	242,091,344
Previous Year	358,922,798	52,247,381	1,134,542	410,035,637	157,811,957	10,897,078	764,742	242,091,344	242,091,344



SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	As at 31st March, 2011		As at 31st March, 2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 7 : INVESTMENTS				
Trade Investment				
4,350,000 Equity Shares (unquoted) of Rs. 10/- each of National Hotels Ltd.		58,500,000		58,500,000
TOTAL		58,500,000		58,500,000
SCHEDULE - 8 : INVENTORIES (AT COST)				
(As Valued and Certified by the Management)				
Provisions & Stores		736,981		562,930
Cutlery, Crockery, Chinaware, Glassware & Linen		2,592,181		2,784,319
Other Stores		8,871,522		9,154,756
TOTAL		12,200,684		12,502,005
SCHEDULE - 9 : SUNDRY DEBTORS				
(Unsecured, Considered good)				
Debts Outstanding for a period exceeding six months (Considered good)		4,710,592		3,923,387
Other Debts		12,494,637		14,623,100
TOTAL		17,205,229		18,546,487
SCHEDULE - 10 : CASH AND BANK BALANCES				
Cash and Cheques on Hand		720,776		2,547,160
Balances with Scheduled Banks				
In Current Accounts	14,908,802		1,965,024	
In Fixed Deposit Accounts	364,572		2,817,648	
		15,273,374		4,782,672
TOTAL		15,994,150		7,329,832
SCHEDULE - 11 : LOANS AND ADVANCES				
(Unsecured, Considered Good)				
Advances recoverable in cash or in kind or for value to be received		10,719,285		6,761,858
Security Deposits		3,308,663		3,220,213
Pre-paid Expenses		1,053,070		843,053
Advance Payment & Deduction of Income-Tax at Source		6,449,750		4,865,681
TOTAL		21,530,768		15,690,805
SCHEDULE - 12 : CURRENT LIABILITIES & PROVISIONS				
Sundry Creditors				
For Capital Goods	3,459,422		3,909,173	
For Operating Supplies	10,775,381		8,036,213	
For Expenses	8,739,282		10,592,305	
Retention Security Deposits for Capital Goods	2,128,379		2,128,379	
Other Liabilities	16,118,075		9,181,164	
Interest Accrued but not due	929,067	42,149,606	1,083,279	34,930,513
Provisions				
Provision for Income Tax	4,757,000		2,725,000	
Provision for Leave Encashment & Gratuity	692,032		435,264	
Proposed Dividend on OCPS	2,532,505		3,168,762	
Tax on Corporate Dividend	959,149	8,940,686	906,984	7,236,010
TOTAL		51,090,292		42,166,523

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 13 : INCOME FROM GUEST ACCOMMODATION, RESTAURANTS, BANQUETS & OTHER SERVICES				
Rooms		131,482,142		148,858,372
Food & Beverages		45,385,964		42,867,267
Wine & Liquor		2,050,695		497,362
Telephone & Internet		3,155,468		2,592,513
Other Services		5,272,250		4,103,224
TOTAL		187,346,519		198,918,738
SCHEDULE - 14 : OTHER INCOME				
Rental		1,696,334		1,681,444
Interest (TDS Rs.12,941/- Previous year Rs.11,621/-)		131,002		128,571
Gain on Foreign Exchange		-		24,451
Excess Provision of interest of earlier years Written Back		-		522,649
Miscellaneous Income		973,004		860,848
TOTAL		2,800,340		3,217,963
SCHEDULE - 15 : CONSUMPTION OF PROVISIONS & STORES				
Opening Stock	562,930		631,238	
Add : Purchases	13,262,473	13,825,403	10,825,351	11,456,589
Less : Closing stock		736,981		562,930
TOTAL		13,088,422		10,893,659
SCHEDULE - 16 : EMPLOYEES' REMUNERATION & WELFARE EXPENSES				
Salary, Wages & Bonus		29,577,637		25,165,287
Contribution to Provident & Superannuation Fund		866,440		794,833
Staff Welfare Expenses		5,633,906		4,830,761
TOTAL		36,077,983		30,790,881
SCHEDULE - 17 : UPKEEP & SERVICE COST				
Linen, Uniform Washing & Laundry Expenses		598,043		462,834
Expenses on Apartment & Board		3,682,903		6,599,555
Power & Fuel		20,012,328		20,800,965
Repairs to				
Buildings	16,095,868		36,227,639	
Plant & Machineries	4,060,062		2,898,407	
Others	2,925,774		638,364	
TOTAL		47,374,978		67,627,764



SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

Particulars	Year ended 31st March, 2011		Year ended 31st March, 2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 18 : ADMINISTRATIVE, SELLING & OTHER EXPENSES				
Audit Fees		176,480		176,480
Rates & Taxes		1,549,506		1,291,922
Advertisement, Publicity & Sales Promotion		4,043,345		4,487,794
Commission		679,453		390,178
Insurance		1,153,726		1,719,797
Operating Fees		14,568,116		17,208,293
Printing & Stationery		1,047,751		1,270,339
Legal & Professional		5,093,673		2,042,760
Passage & Travelling		2,306,287		2,032,882
Postage, Telephone & Internet		3,180,896		2,358,178
Music & Entertainment		610,320		1,086,707
Banquet Expenses		4,580,097		2,796,311
Directors' Sitting Fees		8,500		7,500
Donation		57,850		49,190
Loss on Sale of Fixed Assets		405,729		192,318
Others		5,328,863		12,103,512
Bad & Doubtful Debts		1,243,764		1,863,521
TOTAL		46,034,356		51,077,682
SCHEDULE - 19 : INTEREST & FINANCIAL CHARGES				
Interest on Term Loans		4,700,788		7,024,023
Interest on Inter Corporate Deposit		1,920,000		1,920,000
Interest on Working Facility		3,853,713		4,174,253
Commission on Credit Card		3,045,633		2,134,333
Other Interest		1,670		313,054
Bank Charges		448,498		182,619
TOTAL		13,970,302		15,748,282

SCHEDULE - 20 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES :-

1.1 BASIS OF ACCOUNTING :

- (i) The Financial Statements have been prepared under the Historical Cost Convention and generally accepted accounting practices followed in India and provisions of Companies Act, 1956 and comply with the mandatory accounting standards and statements issued by the Institute of Chartered Accountants of India(ICAI).
- (ii) The Company generally follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties.

1.2 FIXED ASSETS AND DEPRECIATION :

(i) FIXED ASSETS :

Fixed Assets have been recorded at actual cost inclusive of freights, duties, taxes and other incidental expenses related to acquisition, improvement and installation. Capital Work-in-progress includes Cost of Assets not installed and advances made for acquisition of capital Assets.

(ii) DEPRECIATION :

Depreciation on Fixed Assets other than freehold land & live stocks has been provided on "Straight Line Method (SLM)" at the rates specified in Schedule XIV to the Companies Act 1956, as existing on that date, except in case of Heat Ventilating & Air Conditioning and Plumbing Machineries included in Plant and Machineries which have been depreciated @ 7.42% p.a. on double shift basis.

(iii) BORROWING COSTS:

Borrowing costs directly attributable to the acquisition or construction of fixed assets, are capitalized as part of the cost of respective assets. Other borrowing costs are recognized as an expense in the year in which they are incurred.

1.3 INVESTMENTS:

Investments are long term trade investment and are stated at Cost.

1.4 INVENTORIES :

Inventories have been valued at cost on First in First Out (FIFO) basis.

1.5 REVENUE RECOGNITION:

Sales and services are stated at net of discounts and inclusive of surplus of luxury tax but exclusive of Taxes. The duty exemption, tax incentives and insurance claims etc. are accounted as and when it is determined and approved by concerned authorities.

1.6 EMPLOYEE BENEFITS :

The company accounts for leave encashment benefits on the basis of actuarial valuation. Further, contribution to the Gratuity Fund linked with Life Insurance Corporation of India is charged to Profit and Loss Account.

1.7 FOREIGN CURRENCY TRANSACTIONS :

Earnings in foreign currencies are recorded at the exchange rate prevailing on the date of transactions. Gain/Loss arising out of fluctuations in exchange rates are accounted for on settlement and the same is charged to the Profit And Loss Account. Payments in foreign currencies are recorded at the rates prevailing on the date of actual remittance.

1.8 TAXATION :

Income Tax expense comprises current tax, minimum alternative tax and deferred tax expense/ credit.

(i) Current Tax and Minimum Alternative Tax (MAT)

Provision for current tax (if any) is calculated in accordance with the provisions of the Income Tax Act, 1961 and is made annually based on the tax liability computed after considering tax allowances and exemptions.

The company has provided for MAT in accordance with the provision of Income Tax Act, 1961.

(ii) Deferred Tax

Current tax (if any) is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognized if there is virtual certainty that sufficient future taxable income will be available against which such assets can be realized. Other deferred tax assets are recognized only to the extent there is reasonable certainty of realization in future. Such assets are reviewed at each Balance sheet date to reassess realization.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance-sheet date.

1.9 EARNING PER SHARE (EPS) :

Basic EPS is computed using the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year except where the results would be anti dilative.

1.10 CONTINGENCIES AND PROVISIONS :

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the financial statements.



II. NOTES FORMING PART OF ACCOUNTS :

- Balances of a few sundry creditors, sundry debtors, loans & advances and other liabilities are subject to confirmations and reconciliation.
- In the opinion of the Board of Directors, Current Assets, Loans & Advances are approximately of the value at which they are stated in the Balance Sheet, if realized in the ordinary course of business.
- The Company operates in a single segment i.e. running of hotels. Therefore, the disclosure requirements as per "Accounting Standard (AS)-17 Segment Reporting" are not applicable.
- As per Accounting Standard (AS)-18 issued by the Institute of Chartered Accountants of India the disclosure of transactions with the related parties as defined in the Accounting Standard are given below :-

Name of Related Party	Relationship	Amount of Transaction (Rs.)	Nature of Transaction
Mr. U. Champawat	Chairman & Managing Director	773,650	Managerial Remuneration

Note :Related party relationship is as identified by the Company and relied upon by the Auditors.

5. Prior Period Adjustments	Current Year 2010-2011 (Rs.)	Previous Year 2009-2010 (Rs.)
Debits relating to earlier years	NIL	NIL
Credits relating to earlier years	NIL	NIL
Net (Debit) / Credit	<u>NIL</u>	<u>NIL</u>
6. Earnings per share (EPS) required to be disclosed as per Accounting Standard (AS) 20 issued by the Institute of Chartered Accountants of India is as follows:		
Particulars	Current Year 2010-2011 (Rs.)	Previous Year 2009-2010 (Rs.)
Earnings Per Share has been computed as under :-		
Profit after tax (PAT)	16,954,655	12,201,117
Add/(Less):Preference Dividend & Tax thereon	(2,953,122)	(3,707,294)
Add/(Less) : Prior Period Adjustments (Net)	<u> </u>	<u> </u>
Profit	14,001,533	8,493,823
Number of Equity Shares of Rs. 10/- each	16,932,200	16,932,200
Weighted Average Number of Equity Shares of Rs. 10/- each	21,493,064	22,580,064
Basic EPS	Rs. 0.83p.	Rs. 0.50p.
Diluted EPS	Rs. 0.79p.	Rs. 0.38p.
7. The Company has provided for Deferred Tax pursuant to Accounting Standard-22 being "Accounting for taxes on Income" issued by the ICAI. According to the said Standard the Deferred Tax for current year is debited to Profit & Loss Account.		
	Current Year 2010-11 Amount in Rs.	Previous Year 2009-10 Amount in Rs.
8. Contingent Liability not provided for :		
1) In respect of guarantees given by Scheduled Bank on behalf of the Company.	NIL	NIL
2) In respect of guarantee given to HUDCO on behalf of National Hotels Ltd towards security for term loan	104,717,691	117,755,842
3) In respect of disputed sales tax liability	126,385	126,385
9. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) not provided for	16,699,528	12,005,100
10. Managerial Remuneration :		
Salaries	360,000	360,000
Perquisites	413,650	561,001
Total	<u>773,650</u>	<u>921,001</u>

ROYALE MANOR HOTELS AND INDUSTRIES LIMITED

	Current Year 2010-11 Amount in Rs.	Previous Year 2009-10 Amount in Rs.
11. Payments to Auditors :		
a) Audit Fees	176,480	176,480
b) Other Services	47,242	64,628
c) Tax Audit Fees	44,944	44,944
d) Taxation Work	156,180	156,180
e) Out of Pocket Expenses	8,479	16,028
Total	433,325	458,260

12. Capital Work- in- progress of Rs. 61,677,826/- as at 31st March 2011 represents the advances given.

13. The Company has made trade investment in unlisted Equity Shares as follows.

Sr. No.	Name of the Company	No. of Shares	Cost per Share Rs.	Total Cost Rs.
1	National Hotels Limited	3,850,000	10	38,500,000
2	National Hotels Limited	500,000	40	20,000,000
	Total	4,350,000		58,500,000

The Company has pledged 3,850,000 Equity Shares of Rs. 10 each aggregating to Rs. 38,500,000/- with Housing & Urban Development Corporation Ltd. (HUDCO) as a security against the term loans obtained by the National Hotels Ltd.

14. Government of India, Ministry of Corporate Affairs vide its notification no. S.O 301(E) dated 08/02/2011 has exempted hotel companies from disclosing in their Profit & Loss Account, the information under paragraph 3(i) (a) and 3(ii)(d) of part II of Schedule VI to the Companies Act, 1956, in respect of purchase, consumption, turnover, stock etc.

	Current Year 2010-11 Amount in Rs.	Previous Year 2009-10 Amount in Rs.
a. Payment in Foreign Currencies (As certified by the Management)	62,104	189,268
b. Earnings in Foreign Currencies (As certified by the Management)	65,790,671	74,007,583
c. Value of Imports calculated on CIF basis of Capital Goods	Nil	Nil
15. The Company has entered into Hotel Operating Agreement (HOA) with Indian Hotels Company Limited (IHCL) on 18 th April, 2000. Subsequently, the terms of compensation under HOA dated 18 th April, 2000 were modified w.e.f. 1 st April, 2001, by supplemental agreement dated 4 th April, 2002. But, it is observed that compensation reimbursed to IHCL is over and above to the compensation payable as per modified terms and conditions under supplemental agreement. The Company has taken up the matter with IHCL for refund of such excess reimbursement.		
16. The Company has no information as to whether any of its suppliers constitutes Small Scale Undertakings and therefore the amount due to such suppliers has not been identified.		
17. The Previous year's figures have been regrouped and rearranged wherever necessary.		
18. Schedules 1 to 20 form integral part of accounts.		

As per our audit report of even date attached

For NAIMISH N. SHAH & CO.

Chartered Accountants
(F.R. No. : 106829W)

CA. Pranav N. Shah

Proprietor

Membership No. 033747

Ahmedabad

August 26, 2011

For and on behalf of the Board

U. CHAMPAWAT

Chairman and Managing Director

JAYESH DAVE

Director

DR. RAM PRAKASH KOTHARI

Director

Ahmedabad

August 26, 2011



**INFORMATION PURSUANT TO PART-IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. COMPANY'S REGISTRATION DETAILS

Registration No.	15839	State Code	04
Balance Sheet Date	31.03.2011		

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	388,942	Total Assets	388,942
Sources of Funds		Application of Funds	
Paid-up Capital	204,522	Net Fixed Assets	246,452
Preferential Warrants	24,135	Capital Work-in-progress	61,678
Reserves & Surplus	98,689	Investments	58,500
Secured Loans	45,596	Net Current Assets	15,840
Unsecured Loans	16,000	Deferred Tax	6,472

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover / Other Income	190,147	Total Expenditure	168,157
Profit/(Loss) Before Tax	21,990	Provision for Taxation	(5,035)
Profit/(Loss) After Tax	16,955	Dividend Rate (%)	NIL
Basic EPS in Rs.	0.83		

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Product Description	Item Code No. (NIC Code)
Restaurants & Hotels	690

As per our audit report of even date attached

For NAIMISH N. SHAH & CO.

Chartered Accountants
(F.R. No. : 106829W)

CA. Pranav N. Shah

Proprietor
Membership No. 033747

Ahmedabad
August 26, 2011

For and on behalf of the Board

U. CHAMPAWAT

Chairman and Managing Director

JAYESH DAVE

Director

DR. RAM PRAKASH KOTHARI

Director

Ahmedabad
August 26, 2011

**ROYALE MANOR HOTELS AND INDUSTRIES LIMITED****Regd. Office :** International Airport Circle, Ahmedabad - 382 475. (India)

Phone : (079) 22868642-43 Fax : (079) 22868641

ATTENDANCE SLIP

Please complete this Attendance Slip and hand it over at the entrance of the Meeting Hall. It helps us to make proper arrangements. Failure to bring this Attendance Slip create unnecessary inconvenience to you.

Please write below

DP Id*	
Client Id*	

Registered Folio No	
No of Shares held	

Full Name of the Member _____

Full Name of the Proxy _____

(In Block Letters, to be filled in if the proxy attends instead of the Member)

I hereby record my presence at the **20th ANNUAL GENERAL MEETING** of the Company held at Ahmedabad Textile Mills' Association (ATMA) Hall, Ashram Road, Ahmedabad - 380 009 on Friday, the 30th Day of September, 2011 at 3.00 p.m.

Member's / Proxy Signature

* Applicable to the members holding shares in electronic form.

NOTES :

- Members/Proxy holders are requested to bring their copy of the Notice with them at the Meeting.
- Please carry with you this Attendance Slip and hand over the same duly completed, stamped signed at the space provided, at the entrance of the Meeting Hall.

----- Tear here -----

**ROYALE MANOR HOTELS AND INDUSTRIES LIMITED****Regd. Office :** International Airport Circle, Ahmedabad - 382 475. (India)

Phone : (079) 22868642-43 Fax : (079) 22868641

PROXY FORM

DP Id*	
Client Id*	

Registered Folio No	
No of Shares held	

I/We _____ of _____

being Member/ Members of above-named company, hereby appoint Shri / Smt. _____

_____ of _____ or failing him Shri/Smt.

_____ of _____ as my/our proxy to vote for me/us and on

my/us behalf at the 20th Annual General Meeting of the Company to be held on Friday, the 30th Day of September, 2011 at 3.00 p.m. or at any adjournment thereof.

Signed by the said _____ day of _____ 2011.

Signature : _____

Affix Rs.1.00 Revenue Stamp

* Applicable to the members holding shares in electronic form.

NOTE :

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

BOOK-POST
(PRINTED MATTER)

To,

If undelivered, please return to :



ROYALE MANOR
Hotels and Industries Limited

Regd. Office : International Airport Circle, Ahmedabad - 382 475. (India)

Phone : (079) 22868642-43 Fax : (079) 22868641

Email : royalemanorhotels@rediffmail.com

website: www.rmhil.com

Pratiksha, Phone : 98252 62512