BOARD OF DIRECTORS

Umesh Phalpher — Chairman & Managing Director
Harmeet Ghai
Kuldeep Chander Vats
Sanjay Dhawan
Saroj Sharma

Auditors

M/s Sharma Goel & Co.
Chartered Accountants
A-47,LGF, Hauzkhas
New Delhi - 16

Bankers

Central Bank of India
Bank of India
Axis Bank
HDFC Bank Ltd.
State Bank of India

Registered Office

Shilon Bagh, Kufri-Chail Road
P.O. Mundaghat, Dist. Shimla – 171012
Website: www.shilonresorts.net

Corporate Office

M-10, "M" Block Market
Greater Kailash – II
New Delhi – 110048.

Registrar & Share Transfer Agents

Beetal Financial & Computer Services (P) Limited
Beetal House, 3rd Floor
99, Madangir Behind Local Shopping Complex,
Near Harsukhdass Mandir, New Delhi – 110062.

CONTENTS		Page No.
Notice of AGM	.....	1-2
Report of the Board of Directors	.....	3-4
Management Discussion & Analysis	.....	5
Report on Corporate Governance	.....	6-10
Auditor's Report	.....	11-12
Balance Sheet	.....	13
Profit & Loss Account	.....	14
Cash Flow Statement	.....	15
Notes to financial statements	.....	16-27
Consolidated Accounts	.....	28-44
Statement Pursuant to Section 212 of Companies Act, 1956	.....	44

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NOTICE

Notice is hereby given that the **Twenty Seventh Annual General Meeting** of the Members of U. G. Hotels & Resorts Ltd. will be held on Tuesday the 24th September, 2013 at the Registered Office of the Company at **Shilon Bagh, Kufri-Chail Road, Distt. Shimla, Himachal Pradesh at 10.00 A. M.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and Statement of Profit & Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.

2. To consider and appoint a Director in place of Mr. Harmeet Ghai who retires by rotation and being eligible, offers himself for re-appointment.

3. To consider and appoint a Director in place of Mr. Kuldeep Chander Vats who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint Auditors to hold office from the conclusion of the Twenty Seventh Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**
"**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 , 317 read with "Schedule XIII" and other applicable provisions of the Companies Act, 1956 (including any modification(s) or reenactment(s) thereof for the time being in force) and subject to all necessary approvals, consents, permissions and/or sanction of the appropriate authorities or bodies, to the extent necessary and subject to such conditions and modification(s) as may be prescribed or imposed by them in granting such approval, permission, consent or sanction, which may be agreed to, by the Board of Directors of the Company or any Committee thereof, the consent of the Company be and is hereby accorded to the appointment and payment of remuneration (including "Minimum remuneration" in case of absence or inadequacy of profits) payable to Mr. Umesh Phalpher, Managing Director with effect from 1st April, 2013 for a period of 5 (five) years on the terms and conditions provided in the Explanatory Statement hereto."

Place: New Delhi **By Order of the Board of Directors**
Date: 14th August, 2013

Umesh Phalpher
Chairman & Managing Director

NOTES

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself /herself and the proxy need not be a member of a company. The proxy in order to be effective should be duly stamped, completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

2. The Register of Members and Share Transfer Books of the company will remain closed from Saturday the 14th day of September 2013 to Tuesday the 24th day of September 2013 (both days inclusive) for purpose of holding the Annual General Meeting of the company on 24th September, 2013.

3. All documents referred to in Notice are open for inspection at the Registered Office of the Company between 11.00 A.M to 1.00 P.M on any working day prior to the date of Meeting and also at the Meeting

4. Members are requested to bring their copy of the Annual Report to the Meeting.

5. Members are requested to intimate the change, if any, in their registered address immediately. Members holding shares in Physical form are requested to notify immediately any change in their address to the company and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository participants without any delay.

6. Members/ Proxies should bring the attendance slip duly filled-in for attending the meeting and the same will be handed over at the entrance of meeting hall.

7. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

8. Members desirous of getting any information about the Annual Accounts are required to send their queries, if any, well in advance, so that it must reach at least 10 (Ten) days before the meeting to enable the management to keep the desired information ready at the meeting.

9. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General meeting.

10. Members, who hold shares in dematerialized form, are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

11. Members holding shares in physical form can now avail the facility of nomination in respect of share held by them pursuant to the amendment in the companies Act, 1956. The Prescribed form (form 2B) is required to be filled for the same. Members desiring to avail this facility may send their nomination form duly filled in, to the Company/ Share Transfer Agent by quoting their respective Folio Number.

12. **NO GIFTS / COUPONS WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING.**

13. **Appointment / Re- appointment of Directors:**
The details required as per clause 49 of the Listing Agreement

are furnished in the statement on Corporate Governance published elsewhere in this Annual Report.

EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS PURSUANT TO SECTION – 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

The Board of Directors of the Company in its meeting held on 30th March, 2013, at its Corporate Office, re- appointed Mr. Umesh Phalpher as the "Managing Director of the Company with effect from 1st April, 2013 for a period of five years on the following terms and conditions:

Remuneration

Subject to the provisions of the Schedule XIII of the companies Act, 1956, Mr. Umesh Phalpher shall be paid remuneration as set out in the below Schedule-I.

SCHEDULE-I

1. That the company appoints Shri Umesh Phalpher as "Managing Director" of the company as per the provisions of Section 198, 269,309, 317 and Schedule XIII of the companies Act, 1956 for the period of five years w.e.f 1st April, 2013.
2. That the appointee will be responsible for Marketing & Sales Department, Legal & Secretarial, Operation, Finance department and day to day affairs of the company.
3. That the appointee will be paid a consolidated monthly salary of Rs. 50,000/- in the consolidated scale of Rs. 50,000-5,000-75,000.
4. That the appointee will be entitled to Bonus as may be determined by the Board of Directors of the Company.
5. That the appointee will be entitled to maximum of one month's basic salary as medical reimbursement for the expenses incurred for self and family.
6. That the appointee will be entitled for leave travel concession for self and family, one in two years subject to maximum of one month salary.
7. That the company shall pay annual club fees for the appointee, subject to maximum of two clubs up to maximum of Rs.7,000/-.
8. That the appointee will be entitled to Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
9. That the company shall provide car with driver and telephone at residence for exclusive use for official purpose. The company shall bear the expenses used exclusively for official purpose on actual basis.
10. That the company or the appointee may terminate this agreement by giving a notice for 3 months to the opposite party or salary in lieu of notice.
11. That the company shall be liable for all the acts done by the appointee for and on behalf of the company acting in the interest of the company and which a person of ordinary prudent will do in the similar situation.
12. That the company shall authorize the appointee to execute, draft, make sign & verify all documents, deeds, papers and agreements for and on behalf of the company.

The above remuneration was also approved by the Remuneration Committee at its meeting held on 30th March, 2013.

The remuneration payable to Shri Umesh Phalpher (including salary, bonus, perquisites, benefits, amenities and facilities) shall be subject to the provisions laid down in Sections 198 and 309 and Schedule XIII of the Companies Act, 1956 or any other statutory provision, modification or re-enactment thereof.

The terms and conditions of re-appointment of Mr. Umesh Phalpher have already been sent to Members of the Company in terms of Section 302 of the Companies Act, 1956.

Shri Umesh Phalpher himself is concerned or interested in the said appointment.

The Board therefore recommends this resolution for your approval.

Place: New Delhi **By order of the Board of Directors**
Dated: 14th August, 2013

Umesh Phalpher
Chairman & Managing Director

DIRECTORS REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Twenty Seventh Annual Report together with the Audited Financial Statement of the Company for the Financial Year ended 31st March 2013.

FINANCIAL RESULTS:

The Financial Results for the year ended 31st March 2013 are given below:

(Rs. In lacs)

Particulars	Year ended 31.03.2013	Year ended 31.3.2012
Total Income	**240.77**	168.10
PBDIT	**18.55**	(30.38)
Interest	**1.50**	2.97
Depreciation	**65.72**	65.19
Profit/(Loss) Before Tax	**(48.67)**	(98.54)
Exceptional items	**147.60**	221.40
Profit/(Loss) before taxation	**(196.27)**	(319.94)
Earlier year Tax adjustment	**.15**	
Tax Expense	**-**	-
Profit/(Loss) after taxation	**(196.12)**	(319.94)
Balance carried forward to B/S	**(1766.61)**	(1570.49)

DIVIDEND

In view of loss incurred by the company during the year under review, your Directors are unable to recommend any dividend for the year ended 31st March 2013.

BUSINESS

Company's total income has been increased from Rs. 168.10 lacs to Rs. 240.77 lacs and Profit before depreciation, interest has increased from Rs. (30.38) Lacs to Rs. 18.55 Lacs during the year under review, despite not being able to undertake major up gradation of the hotel facilities due to financial constraints and low rate of Occupancy.

CORPORATE GOVERNANCE

The Company is committed to the application of best Management Practices, compliance with law, adherence to ethical standard. The Company has in all spheres of its activities adequate checks and balance to ensure protection of interest of all stakeholders. M/s Balika Sharma & Associates, Practicing Company Secretaries has examined company's compliance and have certified the same as required under the SEBI Guidelines. The said certificate, appearing as annexure, forms part of this report. A separate Management Discussion & Analysis Report, covering a wide range of issues relating to performance & business prospects is given as annexure to this report.

FIXED DEPOSIT

The company has not invited or accepted any fixed deposit from the public pursuant to Section 58A of the Companies Act, 1956 during the year under review.

SUBSIDIARY COMPANY:

The Ministry of Corporate Affairs vide their letter no. 5/12/2007-CL-III dated February 8, 2011, has granted a general exemption under Section 212(8) of the Companies Act, 1956, for publication of the accounts of subsidiary companies, subject to fulfillment of certain conditions. In view of the same, your Company is also exempted from publication of the accounts of its subsidiaries under the provision of Section 212 of the Companies Act, 1956. The accounts of the subsidiary companies are not separately included in the Annual Report. However, the consolidated Financial Statements of the Subsidiary, in accordance with relevant Accounting Standards of the Institute of Chartered Accountants of India, duly audited by the Statutory Auditors, forms part of the Annual Report and are reflected in the consolidated accounts.

The Financial Statements of the Subsidiary Company are available to the investors seeking such information at any point of time. The Annual accounts of the subsidiary companies will also be available at the Registered Office of the Company.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Article of Association of the Company, Mr. Harmeet Ghai and Mr. Kuldeep Chander Vats, Directors of the Company retire by rotation at the ensuing Annual General Meeting and offer themselves for re-appointment. (The tenure of Mr. Harmeet Ghai as Whole Time Director has been expired on 31st March, 2013 and was not reappointed by Board of Directors as Whole Time Director and continues to act as Ordinary Director liable to retire by rotation) The Board of Directors are of the opinion that their continued association as Director with the Company will be beneficial to the Board and recommend their re-appointment as Ordinary Director liable to retire by rotation.

DISPUTE & COMPROMISE WITH M/S UMAK INVESTMENT COMPANY PRIVATE LIMITED

Your Company had taken loan from M/s UMAK investment Company Private Limited for the purpose of repayment of amount of one time settlement to IFCI & TFCI Limited. Further the entire loan along with the upto date interest thereon has been settled by way of sale/transfer of 814930 no. of equity shares of the promoters, their relatives, friends and associates @ Rs 151/- per share. In addition to the above loan to the company M/s Umak Investment Company Pvt. Ltd has also advanced Rs. 3.256 Crore to Promoters Directors of the company in their personal capacity, the same has also been paid and settled along with up-to-date interest thereon by the Promoters Directors by way of sale/ Transfer of 217470 no. of equity shares @ Rs. 151/- per share as per the Memorandum of Understanding dated 15th March,2007 between M/s UMAK Investment Company Private Limited, Promoters Directors and the Company. Thereafter, with regard to repayment of above said loans, a dispute had arisen between the company and M/s Umak Investment Company Pvt. Ltd. The matter is still pending with Hon'ble Delhi High Court.

Thereafter, M/s Umak Investment Company Pvt. Limited along with Mr. AAkash Bajaj has filed petition under section 397/398 of the Companies Act, 1956, before the Hon'ble Company Law Board. After some hearing, both the parties had submitted their compromise offer before the Hon'ble Company Law Board. Hon'ble Company Law Board in their hearing held on 20th day of July, 2009 had settled the dispute between M/s Umak Investment Company Pvt. Limited, the Company and its promoter Directors. As per the order of Company Law Board, both the parties shall withdraw their legal cases pending before the various courts/forums also reverse the adjustment entries as above explained.

Subsequent to the order of Hon'ble Company Law Board, the accounting entries passed in Financial Year 2007-08 with regard to adjustment of loan of M/s Umak Investment Company Pvt. Limited have been reversed by the Board of directors of the company in their meeting

held on 27th July 2009. Both the parties are in process for withdrawing their legal cases pending before various courts/forums.

AUDITORS

The Statutory Auditors of the Company M/s. Sharma Goel & Company retire at the ensuring Annual General Meeting and offer themselves for re-appointment. The Auditors have furnished a certificate that their re-appointment would be within the limits prescribed under Section 224(1B) of Companies Act, 1956.

ACCOUNTS AND AUDIT REPORT:

The Notes to Accounts referred to in the Auditors' Report are self explanatory and, therefore, do not call for any further comments. However, in respect of dispute & compromise with M/S Umak Investment Company Private Limited, the Board of Directors wishes to explain as under:-

Company had taken loan from M/S UMAK Investment Company Private Limited for the purpose of repayment of amount of one time settlement to IFCI & TFCI Limited. Further, the entire loan along with the upto date interest thereon has been settled by way of sale/transfer of 8,14,930 no. of equity shares of the promoters, their relatives, friends and associates @Rs 151/- per share. In addition to the above loan to the company M/s Umak Investment Company Pvt. Ltd has also advanced Rs. 3.256 Crore to Promoters Directors of the company in their personal capacity, the same has also been paid and settled along with up-to-date interest thereon by the Promoters Directors by way of sale/ Transfer of 2,17,470 no. of equity shares @ Rs. 151/- per share as per the memorandum of Understanding dated 15th March, 2007 between M/s UMAK Investment Company Private Limited, Promoters Directors and the Company. Thereafter, with regard to repayment of above said loans, a dispute had been arisen between the company and M/s Umak Investment Company Pvt. Ltd.

Thereafter, M/s Umak Investment Company Pvt. Limited along with Mr. AAkash Bajaj has filed petition under section 397/398 of the Companies Act, 1956, before the Hon'ble Company Law Board. After some hearing, both the parties had submitted their compromise offer before the Hon'ble Company Law Board. Hon'ble Company Law Board in their hearing held on 20th day of July, 2009 had settled the dispute between M/s Umak Investment Company Pvt. Limited, the Company and its promoter Directors. As per the order of CLB, both the parties shall withdraw their legal cases pending before the various courts/forums and also reverse the adjustment entries as above explained.

Subsequent to the Order of Hon'ble Company Law Board, the accounting entries passed in Financial Year 2007-2008 with regard to adjustment of loan of M/s Umak Investment Company Pvt. Limited have been reversed by the Board of Director of the company in their meeting held on 27th July, 2009. A sum of Rs. 50 lacs (i.e. Rs. 30 lacs paid by company, Rs. 10 lacs paid by promoter directors and Rs. 10 lacs by other) has been paid to M/s Umak Investment Company Pvt. Limited. The company is also in process for withdrawing the legal cases pending before the various courts/forums. As on date, company as well as its promoters director have complied the Hon'ble Company Law Board order. In view of the above, your directors are of the opinion that the Balance Sheet now presents a complete true and fair picture.

In respect of nonpayment of employer's/employees contribution to provident fund, Administration charges on Provident Fund, Service tax, luxury tax and Vat amounting to Rs. 7.18 lacs, Rs. 4.66 lacs, Rs. 0.38 lacs, 7.98 lacs, Rs. 18.86 lacs and Rs. 5.93 respectively was due to financial crunch; however Company has upto date deposited employer's/employees contribution to provident fund, Administration charges on Provident Fund and others Statutory dues shall be paid shortly. All dues in respect of Car loans have been delayed paid, due to financial crunch. However, during the Year, Company have paid/ settled all car loans except loan from Central Bank of India. The Company has adequate Internal Control System commensurate with its size and business. Company has not received declaration from Mr. Harmeet Ghai under Section 274(1)(g) of the Companies Act, 1956.

LISTING OF SHARES

Your Company's shares are listed and traded at Bombay Stock Exchange, Delhi Stock Exchange and Ludhiana Stock Exchange. The Company has paid upto date listing fees to all Stock Exchanges.

PARTICULARS OF EMPLOYEES

There was no employee who was in receipt of remuneration over & above the limits prescribed under Section 217(2A) of the Companies Act, 1956 as such no statement is furnished under the said Section.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

(a) in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2013, the applicable Accounting Standards have been followed and that no material departures have been made there from;

(b) such accounting policies have been selected and applied consistently, and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

(c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) the Annual Accounts have been prepared on a 'going concern' basis.

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

Pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, (as amended) a statement giving the required information relating to energy conservation, technology absorption, foreign exchange earnings and outgo is as under:

a) FOREIGN EXCHANGE EARNINGS:

Conservation of Energy, Technology Absorption, Foreign Exchange / out go.

Foreign Exchange Earning	NIL
Foreign Exchange Outgo	NIL

b) RESEARCH & DEVELOPMENTS: NIL

c) TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION: NIL

1. Efforts in brief made towards technology absorption, adaptation & innovation: NIL
2. Benefits derived as a result of above efforts : Does not arise
3. In case of Imported Technology : N.A.

d) CONSERVATION OF ENERGY: Particulars relating to conservation of energy pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the

Board of Directors) Rules, 1988 is not applicable to the company. However, electricity consumed during the Financial Year is as under:

CONSUMPTION OF ENERGY:

Power and Fuel Consumption:	Year Ended 31.03.2013	Year Ended 31.03.2012
a) Electricity purchased:		
- No. of Units Purchased	1,72,537	1,73,066
- Total Amount (Rs.)	13,96,867	11,58,157
- Rate / Unit (Rs.)	8.09	6.70
b) Own Generation (Through Diesel Generator):		
- Hrs.(consumption)	290	303
- litre per hr.	30	30
- Rate / hr.(Rs.)	1385	1220

ACKNOWLEDGEMENTS

The Directors take the opportunity to express their grateful appreciation for the whole hearted and sincere cooperation, your company has received from the various departments of Central and State Government, Bankers, Financial Institutions, Customers, Travel Agents, suppliers and Contractors as well as shareholders of the company during the year under review. The directors also wish to place on records the appreciation for the contribution made by all the employees of all levels and hope that with their continued commitment and dedication the company could look forward to more profitable operations ahead.

Dated : 30.05.2013 **By order of the Board of Directors**
Place : New Delhi

Umesh Phalpher
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1) Industry Structure and Development

The Hotel Industry is playing in vital role on the economy. Buoyancy of tourist traffic increases with stable socio-economic conditions. India's socio-economic fabrics are anything but strengthening over the years. Coupled with this the economy is poised for a strong turn around on the back of stress on all around infrastructure development. With near normal rainfall during current season albeit little late farm economy's revival will provide much needed impetus to overall economic growth. The total direct and indirect economic impact of the Industry in India, was Rs. 6385 billion, being 6.6% of the GDP and over 39 million jobs, according to World Travel and Tourism Council (WTTC) Report. As per statistics updated by the Indian Ministry of Tourism, the foreign tourist arrivals in India for 2012, has been 6.65 million which is an 5.4 % increase over 6.31 million tourists of 2011. In terms of hospitality industry performance in India, data from Smith Travel Research reports indicate that the overall rates, occupancies and RevPAR (Revenue Per Available Room) have seen a decline in 2012, owing to the impact of increased supply in the marketplace and this trend is expected to continue for the next few years, given the gestation period for new hotel supply.

The Company has registered a mixed trend in both revenue and occupancy rate of the Resort. While the business environment for the tourism industry in the country is so far from optimistic.

2) Financial Performance

The company was unable to achieve a desired growth during the year under review, The main reason for lower income was due to not being able to undertake major up gradation of the hotel facilities due to financial constraints and low rate of occupancy. The company's total income has been increased from Rs. 168.10 lacs to Rs. 240.77 lacs.

The company's revenue, besides room rent, includes sale of food & beverage, recreational and health services. Revenue is recognized on completion of provision of services. Operating and administrative expenses comprise primarily on food & beverage cost, personnel cost, electricity & water charges, advertisement & Publicity, repair & maintenance cost etc. Company makes continuous efforts to rationalize costs while simultaneously achieving growth. Personnel cost include salaries & wages, contribution made to provident & other funds, staff welfare & medical expenses.

3) Opportunities, Threats, Risks and concerns.

Despite the economic and political scenario worldwide, demand for business travel has remained relatively robust. Companies are likely to increase spends and the multiplier effect of healthy salary increases will discretionary spending, especially on leisure travels. The company's resort having already built up a brand image amongst discerning travelers owing to it's exclusive & enchanting location is expected to improve it's revenues in coming times.

Though every business is subject to market risk at any one point of it's time cycle but company resort's location and its attendant facilities, including vast expanse of captive lush green open areas makes it much less vulnerable to any sever competition. Although locational advantages of your, Company's resort has enabled it to emerge as an attractive destination to domestic leisure traveler. However, over the years more players in leisure tourist market have made the market competitive. The company endeavors it's best to capitalize on any business opportunity and rationalize costs in order to enhance returns to it's shareholders.

4) Internal Control Systems and Their Adequacy.

The company's management has an effective & result oriented internal control system in place. Accountings of revenues and expenses & inventory management processes are subject to regular cross checking. Any untoward transaction, in a consolidated form, is reported to the Audit committee of the Board of Directors and necessary corrective action taken as suggested by the Audit committee.

5) Human Resources/ Industrial Relations.

HR is an integral part of company's strategy. This has resulted in creating genuine commitment amongst its personnel at all levels. Motivated to core, every employee endeavors to provide maximum value to each & every guest at the resort.

Crucial ingredients of company's HR policy comprise- active team working, quality decision making through delegation, providing incentives for superior performance and practicing fair and ethical treatment to one and all. Company maintains most congenial industrial relations by imposing trust, prompt addressing of grievances, practicing participative management and continuous counseling to all it's work force.

6) Cautionary Statement

Statements, made herein describing the Company's expectations or predictions, are "forward-Looking statements". The actual results may differ from those expected or predicted. Prime factors that may take a difference to the Company's performance include market conditions, raw material costs, Government Regulations, Economic developments and final outcomes of the proceedings in the Courts and other incidental factors.

REPORT ON CORPORATE GOVERNANCE

(Forming part of the Annual Report for the year ended 31st March, 2013)

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said Clause and practices as followed by the Company:

1. COMPANY'S PHILOSPHY

To be in league with best management practices your company has adopted Corporate Governance guidelines in letter & spirit, encompassing broad based Board representation, setting up various sub-committees & veracious disclosures in all internal & external communications as a result protecting rights & interests of all stakeholders. Optimum mix of executive & independent directors has assured candid discussions & impartial decisions.

Discreet disclosures in the annual reports is the hallmark of Company's communication with it's stakeholders. Company adopts most ethical business policies thus enhancing long- term shareholders value creation. Three pillars of company's ethics of Corporate Governance are accountability, transparency & ethics be it shareholders, suppliers, lenders, government or employees. Company believes that tenacious abiding of these traits only culminates into sustainable shareholder value.

2. BOARD OF DIRECTORS

The Board of U.G. HOTELS & RESORTS LTD. has an optimum combination of Executive and Non-Executive directors with a majority of non-executive & independent directors. The number of independent directors on the Board has 60% of the total board strength. Board members possess requisite skill experience and expertise required to take decisions, which are in the best interest of the company. Details of the directors on the Board of the Company for the Financial Year 2012-2013 are as under:

(a) Number of the directorship and all committee memberships/Chairmanships

Name	Category	Other Directorship (+)	Committee Memberships	Committee Chairmanships
Mr. Umesh Phalpher	Chairman & Managing Director, Executive, Promoter	Nil	Nil	Nil
Mr. Harmeet Ghai*	Whole Time Director, Executive , Promoter	N.A.	N.A.	N.A.
Mr. Sanjay Dhawan	Non-Executive and Independent Director	4	5	1
Mr. Kuldeep Chander Vats	Non-Executive and Independent Director	Nil	Nil	Nil
Ms. Saroj Sharma	Non-Executive and Independent Director	Nil	Nil	Nil

(+)Directorship in Companies registered under the Companies Act, 1956, excluding Directorships in Private Limited Companies, Companies under section 25 of the Companies Act and Alternate Directorships.

* upto 31st March, 2013 as Whole Time Director, w.e.f. 1st April, 2013 as Ordinary Director liable to retire by rotation.

b) Number of Board Meetings

Six Board Meetings were held during the year on 12th May 2012, 11th August 2012, 1st September 2012, 10th November 2012, 9th February 2013 and 30th March, 2013.

c) Directors' Attendance Record of Board Meetings & last AGM is as under:

Name	Category	Attendance Particulars	
		Board Meeting	Last AGM held on 29.09.2012
Mr. Umesh Phalpher	Promoter/ Chairman & Managing Director	6	Yes
Mr. Harmeet Ghai	Promoter/Whole Time Director	Nil	No
Mr. Sanjay Dhawan	Non- Executive Independent Director	6	Yes
Mr. Kuldeep Chander Vats	Non- Executive Independent Director	6	Yes
Ms. Saroj Sharma	Non- Executive Independent Director	6	Yes

3. AUDIT COMMITTEE

Composition of Audit Committee is in accordance with the revised requirements prescribed by the Code of Corporate Governance. The Committee consists of the following directors:

i) Mr. Sanjay Dhawan, Chairman
ii) Mr. Kuldeep Chander Vats
iii) Ms. Saroj Sharma

Composition of Audit Committee is in accordance with the revised requirements prescribed by the Code of Corporate Governance. All the Members of the Audit Committee are non-executive directors and financially literate. The Company Secretary acts as Secretary to the Audit Committee also. During the period under review the Audit Committee met five times on 12th May 2012, 11th August 2012, 1st September 2012, 10th November 2012 and 9th February 2013.

Attendance record of Audit Committee is as below:-

Sr.No.	Name of the Member	Status	No. of Meetings attended
1	Mr. Sanjay Dhawan	Non- Executive & Independent Director	5
2	Mr. Kuldeep Chander Vats	Non- Executive & Independent Director	5
3	Ms. Saroj Sharma	Non- Executive & Independent Director	5

The terms of reference of the Audit Committee are in conformity with the revised requirements of Clause 49 of the Listing Agreement read in conjunction with section 292A of the Companies Act, 1956.

The functions of the Audit Committee broadly cover the following:

a) to investigate any activity within its terms of reference;
b) to seek information from any employee;
c) to obtain outside legal or professional advice;
d) to secure attendance of outsiders with relevant expertise, if it considers it so necessary;
e) to oversee the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
f) to recommend the appointment and removal of the external auditor, fixation of audit fees and also approval for payment of any other services;
g) reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
   - ➢ any changes in accounting policies and practices; major
   - ➢ major accounting entries based on exercise of judgment by management;
   - ➢ qualifications in draft audit report;
   - ➢ significant adjustments arising out of audit;
   - ➢ the going concern assumption;
   - ➢ 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 interests of the company at large;
h) reviewing with the management, external and internal auditors, the adequacy of internal control system;
i) reviewing with the management the quarterly financial statements before submission to the Board;
j) reviewing the adequacy of internal audit function, reporting coverage and frequency of internal audit;
k) discussion with internal auditors on any significant findings and follow up thereon;
l) 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 systems of a material nature and reporting the matter to the Board;
m) discussion with external auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern;
n) reviewing the company's financial and risk management policies;
o) to look into the reasons for substantial defaults, if any, in the payment to creditors etc.
p) Approval of Appointment of Chief Financial Officer

The Audit Committee shall also mandatory review the following:

a) Management discussion and analysis of financial condition and results of operations;
b) Statement of significant related party transactions (as defined by the audit committee) submitted by management;
c) Management letters/letters of internal control weakness issued by the statutory auditors;
d) Internal audit report relating to internal control weakness;
e) The appointment, removal and terms of remuneration of the Chief Internal Auditor.

4. REMUNERATION COMMITTEE

To make compliance with the requirement of clause 49 of the Listing Agreement with the Stock Exchange, Board has constituted a remuneration committee comprising Shri Sanjay Dhawan, Shri Kuldeep Chander Vats and Ms. Saroj Sharma. All are Non-Executive and Independent directors. During the period under review the Remuneration Committee met on 30th March, 2013.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Whole Time Director based on performance and defined criteria. The remuneration policy is in consonance with the existing industry practice.

Details of remuneration of Executive & non-executive directors during the year ended 31.03.2013 is as under:

(Rs.)

Name of the Director	Sitting Fees	Commission	Salary	Perqui-sites	P.F.	Retirements Benefits	Total
Mr. Umesh Phalpher	NA	Nil	6,60,000	-	-	Gratuity	6,60,000
Mr. Harmeet Ghai	NA	Nil	6,60,000	-	-	Gratuity	6,60,000
Mr. Kuldeep Chander Vats	Nil	Nil	-	-	-	-	Nil
Mr. Sanjay Dhawan	Nil	Nil		-	-	-	Nil
Ms. Saroj Sharma	Nil	Nil	-	-	-	-	Nil

Mr. Kuldeep Chander Vats, Mr. Sanjay Dhawan and Ms. Saroj Sharma, Directors have voluntarily waived off their sitting fees.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Board has constituted an Investors' Grievance Redressal Committee to look after the redressal of shareholders/investors complaints. The committee comprises of 3 members, Mr. Kuldeep Chander Vats, Chairman, Mr. Umesh Phalpher and Ms. Saroj Sharma.

BRIEF DESCRIPTION OF THE TERMS OF REFERENCE:

The functioning and terms of reference of the Committee is as prescribed under and in due compliance with the Listing Agreement with the Stock Exchanges with particular reference to transfer, dematerialization, rematerialization, complaints of shareholders etc.

During the year Company has not received any Investor complaint. The Committee has met fourth times during the Financial Year ended 31st March, 2013.

Work relating to transfer of shares has been entrusted to Share Transfer Agent i.e. Beetal Computer & Financial Services (P) Ltd. Share Transfer Committee meet once in every fortnight and all share transfers are approved by the share transfer committee comprising three members (1) Mr. Umesh Phalpher (2) Mr. Harmeet Ghai and (3) Mr. Kuldeep Chander Vats and thereafter, necessary endorsement on share certificates is made by any Director/Company Secretary/ Authorized Signatory of the Company and note of the same is taken by the Board of Directors of the Company in its ensuing meeting.

6. LOCATION, DATE AND TIME OF LAST THREE AGMS:

Financial Period (ended)	Date	Time	Venue
March 31, 2012	29th September, 2012	10.00 A.M.	Shilon Resort, Shilon Bagh, Kufri-Chil Road, Distt. Shimla, Himachal Pradesh.
March 31, 2011	29th September, 2011	10.15 A.M.	Shilon Resort, Shilon Bagh, Kufri-Chil Road, Distt. Shimla, Himachal Pradesh.
March 31, 2010	28th September, 2010	10.00 A.M.	Shilon Resort, Shilon Bagh, Kufri-Chil Road, Distt. Shimla, Himachal Pradesh.

There was no requirement for seeking approval of shareholders by postal ballot in the above meetings.

7. DISCLOSURES

(i) During the year 2012-13, the Company had not materially significant related party transactions as is envisaged under corporate governance code that may have potential conflict with the interest of the company at large. However, related party transactions during the year are mentioned in note no. 32 "Notes to the Financial Statements".

(ii) There was no case of non-compliance by the company on any matter related to capital markets, during the last three years. No penalties have been imposed on the company by stock exchange and/or SEBI or by statutory authority on any matter related to capital markets during the Financial Year ended 31.03.2013.

(iii) Code of Conduct

The Board of Director of the Company has laid down a conduct for all the Board Members and the Senior Management of the Company. All the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Chairman and Managing Director to this effect is enclosed at the end of this report.

Disclosure regarding appointment or re-appointment of Directors

Mr. Harmeet Ghai and Mr. Kuldeep Chander Vats, Directors of the Company retire by rotation and being eligible, offer themselves for their re-appointment. Mr. Harmeet Ghai, is one of the Promoter Director of the Company.

Mr. Kuldeep Chander Vats, holds a bachelor's Degree. He has vast experience in the field of General Administration, Management. He is also the member of Audit Committee & Remuneration Committee and Chairman of Investor Grievance Committee.

In view of the background and valuable experience of Mr. Harmeet Ghai and Mr. Kuldeep Chander Vats, it will be in the interest of the Company to re-appoint them as a Director of the Company liable to retire by rotation.

8. MEANS OF COMMUNICATIONS

The unaudited quarterly, half-yearly financial results of the Company are sent to all the stock exchanges, where company's shares are listed immediately after they are approved by the Board. Quarterly results of the Company are published in one national English and one regional Hindi daily.

9. CEO/CFO CERTIFICATION ON THE FINANCIAL STATEMENT

Pursuant to Clause 49 of the Listing Agreement, the Chief Executive Officer (Managing Director) and the Chief Financial Officer (Head of Accounts) have submitted the desired certificate to the Board of Directors and the same has been taken on record by the Board of Directors in their meeting held on 30th May, 2013.

10. GENERAL INFORMATION FOR SHAREHOLDERS

Next Annual General Meeting details:

Date : 24th September, 2013
Time : 10.00 A.M.
Venue : Shilon Bagh, Kufri-Chail Road, P.O Mundaghat, Dist- Shimla, Himachal Pradesh – 171012

Financial Calendar for the Financial Year 2013-2014(Tentative) :

Unaudited Results for the quarter ended June 30, 2013	:	14th August, 2013
Unaudited Results for the quarter ending Sept, 30, 2013	:	14th November, 2013
Unaudited Results for the quarter ending Dec 31, 2013	:	14th February, 2014
Audited Results for the quarter/Year ending March 31, 2014	:	30th May, 2014
Period of Book Closure	:	14th September 2013 to 24th September, 2013 (both days inclusive) for the purpose of Annual General Meeting.
Dividend Payment date	:	Board of Directors has not recommended any dividend for the Financial Year ended 31.03.2013.
Listing on Stock Exchanges	:	The Ludhiana Stock Exchange Ltd., The Delhi Stock Exchange Ltd Bombay Stock Exchange Ltd.

Stock Code: UGHT, 21078 and 526463 respectively. The ISIN Number of U.G. HOTELS AND RESORTS LTD is ISIN INE 692D01010. Listing fee for the Financial Year 2013-2014 has been paid to respective stock exchanges.

STOCK DATA

1. There was nil trading of shares of the company in The Ludhiana Stock Exchange Ltd and The Delhi Stock Exchange Ltd.
2. Monthly high low at BSE of the Company's Share is as below:

Month	High (Rs.)	Low (Rs.)	Volume
April, 2012	6.25	6.25	200
May, 2012	6.86	5.94	3600
June, 2012	6.52	6.52	500
July, 2012	6.52	6.52	100
August, 2012	6.75	6.50	600
September, 2012	6.42	6.42	200
October, 2012	6.15	5.84	3600
November, 2012	6.00	4.81	2300
December, 2012	4.60	4.38	800
January, 2013	4.35	4.00	3000
February, 2013	3.83	3.83	200
March, 2013	4.02	2.82	6500

Share Price Performance in comparison to NSE Nifty over the past two years: - N. A-

Share Transfer System

Company has made arrangements for its shares to be traded on the Stock Exchanges through the depository system. In Compliance with SEBI Regulations of, December 2002, the Company has appointed a Common agency, M/s Beetal Computer & Financial Services (P) Ltd., Registrar & Share Transfer agent, for share registry and also providing connectivity with Central Depository Services Limited (CDSL). It's postal address is- 99 Madangir, 3rd floor Behind Local Shopping Centre, Near Dada Harsukhdas Mandir, New Delhi-62. Share Transfer Committee approves the Share Transfer in Physical mode within a maximum period of 10-15 days and after that these certificates after endorsement by Director/Company Secretary/ Authorized Signatory of the Company are sent to aforesaid Registrar and Share Transfer Agent for sending to respective shareholders.

Distribution of Equity Shareholding as on March 31, 2013: -

Shareholding of Nominal Value of (Rs.)	Shareholders		Share Amount	
	Number	%	In Rs.	%
Upto 5000	12,625	93.55	2,23,29,020	27.57
5001 To 10000	554	4.11	46,85,000	5.79
10001 To 20000	151	1.12	23,24,000	2.87
20001 To 30000	46	0.34	12,28,630	1.52
30001 To 40000	13	0.10	4,77,000	0.59
40001 To 50000	19	0.14	9,36,000	1.15
50001 To 100000	42	0.31	30,43,700	3.76
100001 & above	45	0.33	45,95,8650	56.75
Total	**13495**	**100.00**	**8,09,82,000**	**100.00**

Categories of Shareholders as on March 31, 2013:-

Category	No. of Shares held	% of Shareholding
A) PROMOTER'S HOLDING-		
Indian Promoters –	33,81,790	41.76
Foreign Promoters	———	———
Sub – Total (A)	**33,81,790**	**41.76**
B) NON- PROMOTER'S HOLDING		
-Institutional Investors		
Mutual Funds , Banks, FIIs, Insurance Companies etc.	Nil	Nil
Private Corporate Bodies	11,83,800	14.62
Indian Public	34,27,410	42.32
NRIs/ OCBs	1,00,900	1.25
Others:		
HUF	3400	0.04
(Clearing Members)	900	0.01
Sub – Total (B)	**47,16,410**	**58.24**
Grand Total	**80,98,200**	**100.00**

Dematerialization of Shares and Liquidity
As on March 31, 2013, 20,33,602 (25.11%) Shares of the Company were held in dematerialized form and the rest in physical form.
Investor communication may be addressed to :

Registered Address	:	Company Secretary Shilon Resorts, Shilon Bagh, P O Mundaghat, Dist.Shimla, Pin – 171012
Registrar and Share Transfer Agent	:	Beetal Financial & Computer Services (P) Ltd 99 Madangir, 3rd Floor, Behind Local Shopping Centre, Near Dada Harsukhdas Mandir, New Delhi – 62

Branch Locations:
Company has branches at following places
1. Corporate office: M-10, M-Block Market, Greater Kailash Part – II, New Delhi -110048

By Order of the Board of Directors

Place: New Delhi
Date: 30.05.2013

UMESH PHALPHER
CHAIRMAN & MANAGING DIRECTOR

CHIEF EXECUTIVE OFFICER'S DECLARATION ON CODE OF CONDUCT

As required by Clause 49 of the listing agreement, the CEO declaration for code of Conduct is given below:

The Members of
U G Hotels & Resorts Limited

This is to certify that all the Board Members and Senior Management personnel have affirmed to the compliance with the "code of conduct for Directors and Senior Management. "

For U G Hotels & Resorts Limited

Place: New Delhi
Date : 30.05.2013

Umesh Phalpher
Chairman & Managing Director

CERTIFICATE

To
The Members,
U.G. Hotels & Resorts Ltd.

We have examined the compliance of conditions of Corporate Governance by U.G. Hotels & Resorts Limited, for the year ended on March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.
The Compliance of conditions of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Committee.
We further state that such compliance is neither an assurance as to the viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Balika Sharma & Associates
Balika Sharma
Prop.
Company Secretary
C.P. No 3222
M.No . 4816

Place: New Delhi
Date: 30.05.2013

INDEPENDENT AUDITOR'S REPORT

To the Members of **U G HOTELS AND RESORTS LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of U G HOTELS AND RESORTS LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and Cash Flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the said accounts **due to Note 6(A) of regarding dispute & compromise with UMAK Investment Company Private Limited & Note 13 of regarding non provision of doubtful debts for Rs. 48.20 lacs,** give the information required by the Companies Act, 1956, in the manner so required **but don't give a true and fair view** in conformity with the accounting principles generally accepted in India, in view of the dispute and compromise with UMAK Investment Company Private Limited is still pending at various levels:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
b) in the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:
   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   d) in our opinion, the Balance Sheet, statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
   e) On the basis of written representations received from the directors, as at March 31, 2013 and taken on record by the Board of Directors, we report that none of the directors other than **Harmit Ghai** are disqualified as at March 31, 2013 from being appointed as a director in terms of Section 274 (1) (g) of the Act;

For Sharma Goel &Co.
Chartered Accountants
FRN: 000643N

Place: New Delhi
Date: 30.05.2013

Amar Mittal
(Partner)
M.No.017755

Annexure to the Auditors' Report of even date to the members of U G HOTELS AND RESORTS LIMITED, on the financial statements for the year ended March 31, 2013 (Refer to in paragraph 5(1) of our report of even date)

Based on the Audit Procedures performed for the purpose of reporting a true and fair view on the financials statements of the company and taking into the consideration the information and explanation given to us and the books of accounts and other records examined by us in the normal course of audit, we report that:

i) In respect of Fixed Assets of the Company and in our opinion:
   a. The Company has not maintained proper Fixed Assets records.
   b. The Company has a programme of physical verification of its fixed assets by which they are verified annually. In accordance with this programme, fixed assets were verified during the year and no discrepancies were noticed on such verification. In our opinion, the frequency of the physical verification is reasonable having regards to the size of the company and nature of fixed assets.
   c. The Company has not disposed any fixed assets during the year.

ii) In respect of Inventories of the Company and in our opinion:
   a. Inventories have been physically verified by management during the year and the frequency of verification is reasonable.
   b. The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
   c. The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification of inventory.

iii) In respect of loans, secured or unsecured, granted to or taken from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, in our opinion:
   a. The Company has granted unsecured interest free/interest-

bearing loans to its subsidiaries which are listed in the register maintained under Section 301 of the Companies Act, 1956. The terms and conditions of such loans are prima facie, not prejudicial to the interest of the Company.

b. The Company has taken loans from two parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding at any time during the year aggregated to Rs. 79, 61,928 and the balance outstanding at year end is Rs.79,61,928.

c. In our opinion rate of interest, where ever stipulated and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.

d. The payments of principal amount and interest where ever stipulated in respect of such loans have been regular.

e. In respect of loans and advances in the nature of loans given by the Company, the parties/employees have generally repaid the principal amount and interest as per terms, wherever stipulated.

iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and the sale of goods & services. We have not observed any major weakness in the internal control system during the course of the audit.

v)(a) In our opinion and according to the information and explanations given to us, the Company has entered into contracts or arrangements referred to in section 301 of the Companies Act, 1956, the particulars of which are required to be entered in the register required to be maintained under that section.

(b) In the absence of competitive information provided to us, we are unable to comment regarding the reasonableness of prices of the transactions entered. In our opinion, the Company has not entered into any contracts or arrangements referred to in Section 301 of the Companies Act, 1956, the particulars of which are required to be entered in the register, maintained section 301.

vi) In our opinion, the Company has not accepted any deposits from the public within the meaning of section 58A and section 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business. However, no Internal Audit Report was shown to us.

viii) The maintenance of cost records prescribed under section 209(1)(d) of the Companies Act,1956, is not applicable to the company.

ix) In respect of disputed and undisputed Statutory Dues of the Company and according to information and explanations given to us and on the basis of our examination of the records of the Company

a. Amounts deducted / accrued in the books of accounts in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and any other material Statutory Dues have generally been regularly deposited during the year by the Company with the appropriate authorities, to the extent applicable. There were no dues on account of Cess under Section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

b. According to the information and explanations given to us, no undisputed amounts payable in respect aforesaid dues were in arrears, as at March 31, 2013 for a period of more than six months from the date they became payable, wherever applicable **except Employer's contribution to Provident Fund, Employee contribution to Provident Fund, Administration charges on Provident Fund, Service Tax, Luxury Tax and VAT amounting to Rs.7.18 Lacs, Rs. 4.66 Lacs, Rs. 0.38 Lacs, Rs. 7.98 Lacs, Rs. 18.86 Lacs and 5.93 Lacs respectively.**

x) The Company has accumulated losses at the end of the financial year more than the Net Worth of the company and it has incurred cash losses in the current year as well as immediately preceding financial year.

xi) Based on our audit procedures and in our opinion, the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders **except for car loan from Central Bank of India, ICICI Bank Limited, Tata Capital Limited and Kotak Mahindra Limited, but during the financial year company has made settlement/ paid all these loans except loan from Central bank of India.**

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

xiii) The Company is not a Chit Fund or a Nidhi/Mutual Benefit fund/ society. Accordingly, the provisions of paragraph 4 clause (xiii) of the Order are not applicable.

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

xv) In our opinion, the terms and conditions of guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.

xvi) In our opinion and to the best of our knowledge and belief, proceeds of term loans taken were, prima facie, applied for the purpose it was obtained and no fresh term loan was obtained during the year.

xvii) In our opinion and on an overall examination of the balance sheet of the Company, no funds have been raised on short-term basis.

xviii) In our opinion, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

xix) In our opinion and the records examined by us, no debentures have been issued during the year.

xx) The Company has not raised any monies by way of public issue during the year. Accordingly, the provisions of paragraph 4 clause (xx) of the Order are not applicable.

xxi) In our opinion, no material fraud on or by the Company has been noticed or reported during the period covered by our audit.

FOR SHARMA GOEL & CO.
CHARTERED ACCOUNTANTS
FRN: 000643N

Amar Mittal
Partner
M.No. 017755

Place: New Delhi
Date: 30.05.2013

Balance Sheet as at March 31, 2013

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	Note	As at March 31, 2013	As at March 31, 2012
I. EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	8,09,82,000	8,09,82,000
Reserves and surplus	5	(16,57,51,855)	(14,61,39,873)
Total of shareholders' funds		**(8,47,69,855)**	**(6,51,57,873)**
Non-current liabilities			
Long -term borrowings	6	14,36,41,829	14,51,63,545
Long -term provisions	7	10,51,288	10,28,211
Total of non-current liabilities		**14,46,93,117**	**14,61,91,756**
Current liabilities			
Short -term borrowings	6	95,30,506	90,81,451
Trade payables	8	67,15,120	57,90,897
Other current liabilities	9	5,45,35,438	3,66,61,380
Short- term provisions	7	7,13,562	8,29,746
Total of current liabilities		**7,14,94,626**	**5,23,63,474**
Total of equity and liabilities		**13,14,17,887**	**13,33,97,357**
II. ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible assets	10	10,83,27,695	11,44,23,829
(ii) Intangible assets		-	-
Non-current investments	11	5,00,000	5,00,000
Long -term loans and advances	12	49,25,170	48,19,746
Total of non-current assets		**11,37,52,865**	**11,97,43,575**
Current assets			
Inventories		1,43,064	4,59,162
Trade receivables	13	1,07,75,315	1,03,71,663
Cash and bank balances	14	3,70,249	2,61,603
Short-term loans and advances	12	63,76,394	25,61,354
Total of current assets		**1,76,65,022**	**1,36,53,782**
Total of assets		**13,14,17,887**	**13,33,97,357**

The accompanying notes are an integral part of financial statements

As per our report of even date

For Sharma Goel & Co.
Chartered Accountants
FRN: 000643N

For and on behalf of the Board

Amar Mittal
Partner
Membership No: 017755

Umesh Phalpher
(Managing Director)

Sanjay Dhawan
(Director)

Place: New Delhi
Date: 30.05.2013

Company Secretary

Statement of Profit & Loss for the year ended 31st March, 2013

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	Note	For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue			
Revenue from operations	15	2,38,16,144	1,67,03,577
Other income	16	2,60,929	1,06,486
Total of revenue		**2,40,77,073**	**1,68,10,063**
Expenses			
Cost of Materials consumed	17	67,89,580	34,95,878
Employee benefit expenses	18	79,10,934	81,57,054
Operation & Administrative Exp.	19	75,22,003	81,88,598
Finance costs	20	1,50,272	3,03,885
Depreciation and amortisation expenses	10	65,71,503	65,18,660
Total of expenses		**2,89,44,292**	**2,66,64,075**
Loss before exceptional, extraordinary items and tax		(48,67,218)	(98,54,012)
Exceptional items		1,47,60,000	2,21,40,000
Loss before tax		**(1,96,27,218)**	**(3,19,94,012)**
Earlier year Tax Adjustment		15,236	**-**
Tax expense:			
Current tax		-	-
Loss for the year		**(1,96,11,982)**	**(3,19,94,012)**
Earnings per Equity Share			
- Basic (Rs.)		(2.42)	(3.95)
- Diluted (Rs.)		(2.42)	(3.95)

The accompanying notes are an integral part of financial statements

As per our report of even date

For Sharma Goel & Co.
Chartered Accountants
FRN: 000643N

For and on behalf of the Board

Amar Mittal
Partner
Membership No: 017755

Umesh Phalpher
(Managing Director)

Sanjay Dhawan
(Director)

Place: New Delhi
Date: 30.05.2013

Company Secretary

Cash flow statement for the year ended March 31, 2013

(All Amounts in Indian Rupees, except share data and where otherwise stated)

		For the year ended March 31, 2013	For the year ended March 31, 2012
A.	**Cash flow from operating activities:**		
	Net loss before tax	(1,96,27,218)	(3,19,94,012)
	Adjustments for profit and loss account items:		
	Depreciation	65,71,503	65,18,660
	Interest expense	1,48,58,010	2,24,04,979
	Earlier year Tax Adjustment	15,236	-
	Interest income	-	(27,086)
	Provision for gratuity and compensated absences	56,893	40,106
	Operating profit before working capital changes	**18,74,424**	**(30,57,353)**
	Adjustments for changes in working capital:		
	- (Increase)/decrease in trade receivables	(4,03,652)	(3,26,980)
	- (Increase)/decrease in loans and advances	(39,20,463)	(3,73,749)
	- (Increase)/decrease in inventories	3,16,098	(2,67,851)
	- Increase/(decrease) in trade payables	9,24,223	3,06,402
	- Decrease/(increase) in other liabilities and provisions	29,64,058	58,37,897
	Cash generated from / (used in) operating activities	17,54,687	21,18,366
	Income tax paid	-	-
	Net cash used in operating activities	**17,54,687**	**21,18,366**
B.	**Cash flow from investing activities:**		
	Purchase of fixed assets	(4,75,370)	(11,30,039)
	Interest received on fixed deposit receipts	-	27,086
	Net cash used in investing activities	**(4,75,370)**	**(11,02,953)**
C.	**Cash flow from financing activities:**		
	Proceeds from borrowigs	9,30,559	6,60,987
	Repayment of borrowing etc.	(20,03,220)	(37,61,091)
	Interest Paid	(98,010)	(2,64,979)
	Net cash (used in)/ generated from financing activities	**(11,70,671)**	**(33,65,083)**
D	**Increase/ (decrease) in cash and cash equivalents, net (A+B+C)**	1,08,646	(23,49,670)
E	Cash and cash equivalents at the beginning of the year	2,61,603	26,11,273
F	**Cash and cash equivalents at the end of the year (D+E)**	**3,70,249**	**2,61,603**

a) The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements' as notified under the Companies (Accounting Standards) Rules, 2006 as amended.

b) Cash and cash equivalents includes:

(a) Cash on hand	2,32,084	1,86,271
(b) bank balances		
- in current accounts	1,38,165	75,332
- In fixed deposit accounts *		
a) maturing within 12 months from reporting date		
b) maturing after 12 months from reporting date	-	-
	3,70,249	**2,61,603**

c) Previous year figures have been regrouped and/or reclassified wherever necessary to conform to those of the current year grouping and/or classification.

As per our report of even date
Sharma Goel & Co.
Chartered Accountants
FRN: 000643N

On behalf of the Board of Directors

Amar Mittal
Partner
Membership No: 017755

Umesh Phalpher
(Managing Director)

Sanjay Dhawan
(Director)

Place: New Delhi
Date: 30.05.2013

Company Secretary

Notes to Accounts for the year ended March 31, 2013

1. COMPANY OVERVIEW

M/s U G HOTELS AND RESORTS LIMITED, a public limited company established in 1986 and has set up the first 5 Star Resort Project in Himachal Pradesh, India. It has emerged a tourist destination of reckoning and is named as "Shilon Resort-Forty acres of Switzerland". The company is engaged in the business of running and maintaining "Hotel Business" and all other related and ancillary objects.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of compliance

The financial statements are prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles in India and in compliance with the applicable accounting standards as notified under the Companies (Accounting Standards) Rules, 2006, as amended and as per Revised Schedule VI to the Companies Act, 1956. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Use of estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as on date of the financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known or materialized.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Revenue Recognition

(i) Income from sale of rooms is recognized as and when booking is received, less cancellation, if any.

(ii) Income from cancellation fees from customers is recognized, as per revenue recognition principles laid down in Accounting Standard - 9 on "Revenue Recognition", when certainty of its collection is established.

(iii) Income from sale of food & beverages and other services related to hotel/ Resort operations revenue is recognized upon rendering of the services.

(iv) Interest income from deposits is recognized on accrual basis.

(v) Profit/ Loss on sale of investments is recognized on the date of the transaction of sale and is computed with reference to the carrying amount of investments.

b. FIXED ASSETS

Tangible fixed assets (other than land) are stated at cost, net of tax or duty credits availed, less accumulated depreciation and accumulated impairment losses, if any. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation. However, Land has been stated at a revalued figure and no depreciation is charged.

c. DEPRECIATION AND AMORTIZATION

Depreciation on fixed assets is provided on the straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, on a pro-rata basis from the date the asset is ready to put to use till the end of its useful life or till the asset is discarded, whichever is earlier. Temporary structures are depreciated over a period of twelve months, on a pro-rata basis, from the date it is ready to put to use.

Individual assets costing up to Rs. 5,000 per item are fully depreciated in the year of purchase. Fixed assets are depreciated up to 95 percent of its historical cost.

d. IMPAIRMENT OF ASSETS

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed.

e. INVENTORIES

Inventories have been valued at lower of cost or net realizable value. Cost includes cost of acquisition and development costs including freight & other related incidental expenses.

f. EMPLOYEE BENEFITS

(i) Defined Contribution Plan
Company's contributions for the year to Provident Fund & Employees Pension scheme are recognized in the Profit & Loss Account.

(ii) Defined Benefit Plan
Provision for gratuity has been made on the basis of actuarial valuation

(iii) Short term employee benefits Leave encashment are recognized as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the related benefits are paid.

g. INVESTMENTS

Investments are classified as long term or current investments. Long term investments are stated at cost. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

h. PROVISION FOR CURRENT TAX AND DEFERRED TAX:

Current tax

Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations.

Deferred tax

Deferred tax resulting from timing differences between taxable income and accounting income is accounted for at the current rate of tax or substantively enacted tax rates as at reporting date, to the extent that the timing differences are expected to crystallize.

Deferred tax assets are recognized where realization is reasonably certain whereas in case of carried forward losses or unabsorbed depreciation, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that such deferred tax assets will be realized .Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date.

i. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or,
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

j. EARNINGS PER EQUITY SHARE

Basic earnings per equity share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed using the weighted average number of equity and dilutive potential equity shares outstanding during the year.

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

		As at March 31, 2013		As at March 31, 2012
Note - 4				
SHARE CAPITAL				
Authorised	**No. of shares**		**No. of shares**	
Equity shares of face value of Rs. 10 each	1,00,00,000	10,00,00,000	1,00,00,000	10,00,00,000
		10,00,00,000		**10,00,00,000**
Issued, subscribed and fully paid up				
Equity shares of face value of Rs. 10 each				
Balance at the beginning of the year	80,98,200	8,09,82,000	80,98,200	8,09,82,000
Additions during the year	-	-	-	-
Total of equity share capital	**80,98,200**	**8,09,82,000**	**80,98,200**	**8,09,82,000**
Total of share capital		**8,09,82,000**		**8,09,82,000**

(i) The holders of equity shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. The holders of preference shares are entitled to receive dividends, but do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that holders of preference shares participate only to the extent of the face value of the shares.

Reconcilation of Share Capital

	No. of Share	Amount	No. of Share	Amount
Shares at the beginning of the accounting period	80,98,200	8,09,82,000	80,98,200	8,09,82,000
Addition during the year	-	-	-	-
Reduced during the year	-	-	-	-
	80,98,200	8,09,82,000	80,98,200	8,09,82,000

(ii) Details of share holding in excess 5% of share capital:

S.No.	***Name***	***No. of Shares***	***% of Holdings***
1.	Shri Umesh Phalpher	494004	6.10
2.	U.G. Him Resorts Pvt. Ltd.	537500	6.64
3	U.G. Leasing & Finance Ltd.	423900	5.23
4.	U.G. Builders Pvt Ltd.	760316	9.39
5.	UMAK Investment Company Pvt. Ltd.	803900	9.93

Note - 5				
RESERVES AND SURPLUS				
Capital reserve				
Balance as at the beginning of the year	9,09,000		9,09,000	
Addition during the year	-		-	
		9,09,000		9,09,000
Revaluation Reserve				
Balance as at the beginning of the year	1,00,00,000		1,00,00,000	
Addition during the year	-		-	
		1,00,00,000		1,00,00,000
Retained earnings				
Balance as at the beginning of the year	(15,70,48,873)		(12,50,54,861)	
Add: Loss of the year	(1,96,11,982)		(3,19,94,012)	
Loss available for appropriation	(17,66,60,855)		(15,70,48,873)	
Less: Appropriations	-		-	
		(17,66,60,855)		(15,70,48,873)
Total of reserves and surplus		**(16,57,51,855)**		**(14,61,39,873)**

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note - 6		
BORROWINGS		
Long term borrowings		
ICICI lease Advance	1,45,00,000	1,55,00,000
Tata Capital Car Loan	-	1,87,716
Time Share Dues	61,41,829	64,75,829
UMAK Investment Company Pvt. Ltd.	12,30,00,000	12,30,00,000
Total of long- term borrowings	**14,36,41,829**	**14,51,63,545**
Short term borrowings		
Director Borrowings - Harmit Ghai	18,26,000	18,26,000
Director Borrowings - Umesh Pharphar	61,35,928	48,42,743
ICICI lease Advance	10,00,000	10,00,000
ICICI Limited Car Loan	-	3,55,560
Kotak Mahindra Car Loan	-	1,51,551
Tata Capital Car Loan	-	3,62,626
Term Loan Car Indigo	2,34,578	2,08,971
Time Share Dues	3,34,000	3,34,000
Total of short term borrowings	**95,30,506**	**90,81,451**

(A) The Company had taken loan from M/S UMAK Investment Company Private Limited for the purpose of repayment of amount of one time settlement to IFCI & TFCI. The Loan from M/S UMAK Investment Company Private Limited was to be secured (of all original title deeds of assets, Share certificates etc, after release from the IFCI) by way of mortgage of all the immovable properties and movable assets except book debts and stocks and pledge of share certificates in respect of equity shares held by Guarantors in their own name or in the names of their friends, relatives and associates. Till the date of these Financial Statements, this Loan has not been secured by the Company as no documentation has been done by the Company in favour of M/s UMAK Investment Company Private Limited. However, the contention of the company was that the entire loan along with interest due on it aggregating Rs.12.30 crores has been adjusted into books against transfer of 8,14,930 number of equity shares of the promoters @ Rs.151/- per share, as M/S UMAK Investment Company Private Limited was interested in buying shares of M/S. UG Hotels & Resorts Ltd. The above settlement/ adjustment have been done as per the Memorandum of Understanding dated 15th March, 2007 in the books of the company for the financial year 2007-2008 but M/s UMAK Investment Company Private Limited has disputed the same at various forums.

In lieu of settlement or adjustment of loans, two documents dated 18/05/2007 & 28/06/2007 were executed between UG Hotels & Resorts Ltd. & Umak Investment Company Pvt. Ltd. and confirmed by Umak Investment Company Pvt. Ltd. In these documents, it was stated that 4,54,350 shares & 3,60,580 shares in original of M/s UG Hotels & Resorts Ltd. have been duly transferred in the name of Umak Investment Company Pvt. Ltd. along with CDSL depositing slips in favour of Umak Investment Company Pvt. Ltd., has been forwarded in compliance with obligation under and in lieu of the agreements mentioned in those documents.

On 18/05/2007 & 28/06/2007 UG Hotels & Resorts Ltd. has passed the adjustment entry of transfer of 3,94,000 equity shares by Mr. Umesh Phalpher @ Rs.151/- each to Umak Investment Company Pvt. Ltd. Accordingly, the Company has debited the Umak Investment Company Pvt. Ltd A/c with Rs.5,94,94,000 (3,94,000 equity shares @ Rs.151) and credited the amount to Mr. Umesh Phalpher Loan A/c (Creating a loan of Umesh Phalpher to such amount) in the books of UG Hotels & Resorts Ltd as per the Memorandum of Understanding dated 15th March, 2007 between U G Hotels & Resorts Ltd and its promoters.

Also on 18/05/2007 & 28/06/2007 UG Hotels & Resorts Ltd. has passed the adjustment entry of transfer of 4,20,930 equity shares by Harmeet Ghai @ Rs.151/- each to Umak Investment Company Pvt. Ltd. Accordingly, the Company has debited the Umak Investment Company Pvt. Ltd A/c with Rs.6,35,60,430/- (4,20,930 equity shares @ Rs.151/-) and credited the amount to Mr. Harmeet Ghai Loan A/c (Creating a loan of Harmeet Ghai to such amount) in the books of UG Hotels & Resorts Ltd as per the Memorandum of Understanding dated 15 th March, 2007 between U G Hotels & Resorts Ltd and its promoters.

Hence, the loan given by Umak Investment Company Pvt. Ltd. to UG Hotels & Resorts Ltd was claimed to be adjusted by way of transfer of shares belonging to Promoters, as they have transferred these shares as per agreed price of Rs.151 per share and hence have relinquished their rights in these shares at an agreed consideration as per MOU dated 15th March, 2007 between U G Hotels & Resorts Ltd and its promoters, so that such amount, in books of the Company is payable to them and accordingly the corresponding amount is shown as loans from Directors to such extent as on 31.03.2008.

After these adjustment entries, the Company has claimed to have settled the loan of M/s Umak Investment Company Pvt. Ltd and have shown the corresponding loans from the Director namely Mr. Umesh Phalpher & Harmeet Ghai to the extent of shares transferred by them at an agreed consideration which is disputed by UMAK Investment Company Private Limited. As on 31st March 2008, Rs.92,332/- was shown recoverable from Umak Investment Company Pvt. Ltd. in the books of the Company for the Financial Year 2007-08.

In addition to above loan to the Company, M/s UMAK Investment Company Private Limited has also advanced Rs 3.256 Crore loan to Directors of the Company in their personal capacity. This loan was adjusted by way of transfer of 2,17,470 equity shares belonging to promoters, relatives, friends and associates to M/s UMAK Investment Company Private Limited as per agreed price of Rs.151/- per share. The above settlement/ adjustment had

been done as per the Memorandum of Understanding dated 15th March, 2007, as M/s Umak Investment Company Pvt Limited was interested purchase the shares @ Rs.151/- per share from its promoters, relatives, friends and associates but disputed by UMAK Investment Company Private Limited.

With regard to repayment of above loans and related cases, a dispute had arisen between the Company, Its promoters, directors and M/s UMAK Investment Company Private Limited and both parties have filed various suits/complaints against each other at various levels.

M/s UMAK Investment Company Private Limited has lodged complaints to Ministry of Corporate Affairs and various Statutory and other authorities with regard to act of cheating, misappropriation, breach of trust, forgery etc. committed by the Directors of M/s U.G Hotels & Resorts Ltd. in relation to loans of Rs 12.14 Crores to Company and Rs 3 Crore loan to Directors. Further, M/S UMAK Investment Company Private Limited has also filed a suit for recovery of Rs 12.46 Crores and mandatory and permanent injunction in respect of movable and immovable properties including shares of the Company in the Hon'ble High Court of Delhi against the Company and suit for recovery of Rs 2.33 Crores and mandatory and permanent injunction against its promoters Directors Mr. Umesh Phalpher and Mr. Harmeet Ghai. The Company had also filed a criminal complaint against Dr. Ramesh Kapur, Chairman of M/s UMAK Investment Company Private Limited for illegally appointing himself as a Director on the Company's Board.

On 24th September 2007, the Hon'ble High Court of Delhi, inter-alia, passed the ex parte interim orders directing the Company to maintain status quo in respect of immovable properties and shares either in their own names or in the names of their friends, relatives and associates till further orders.

With regard to complaints lodged by M/s UMAK Investment Company Private Limited with Ministry of Corporate Affairs, notice/letter of inspection U/S 209A of the Companies Act, 1956 was received by M/S. UG Hotels & Resorts Ltd. and inspection was conducted by the official of the Office of the Regional Director (NR) of Ministry of Corporate Affair, Government of India. After conducting the inspection U/S 209A of the Companies Act, 1956, a letter No. 1351/JDI/Inspn/2008/10155 dated 11/11/2008 was issued by the Office of Regional Director (NR), asking the Company to give information on violation of various Sections of Companies Act 1956 & explanation on other matters. Subsequent to such inspection, Show Cause Notices have been issued by the office of Registrar of Companies, Punjab, H P and Chandigarh, Ministry of Corporate Affairs, Government of India for violation of various Sections as mentioned below:

a) Under Section 211(7) for violation of Section 211 read with schedule VI – Part 1 of the Companies Act, 1956.
b) Under Section 211(7) for violation of Section 211 of the Companies Act, 1956.
c) Under Section 217(5) for violation of the Section 217(1) (e) of the Act read with Companies (Disclosure of Particulars in the Board of Directors) Rule 1988.
d) Under Section 292A(11) for violation of the Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement.
e) For violation of Section 127/140 of the Companies Act, 1956.
f) Under Section 629A for violation of the Section 292 read with Section 286/287 of the Companies Ac, 1956.
g) Under Section 209(5) for violation of the Section 209 read with Section 211 of the Companies Act, 1956.
h) For violation of the Section 303(2) of the Companies Act, 1956

The Matter before Company Law Board New Delhi Branch, New Delhi CP No. 06/ND/2009 CA No. 360/09 was decided by Hon'ble Board on 20/07/2009 at 4:30 PM by the Chairman of the Board.

This Decision was pronounced as a result of joint compromise filed by M/s UG Hotels & Resorts Ltd., M/s Umak Investment Company Pvt. Ltd and their respective Promotors and all related parties before the Hon'ble Board. Salient features of the above mentioned order are as below:

a) Rs. 12.60 Crores to be paid by UG Hotels & Resorts Ltd. and Mr. Harmeet Ghai & Umesh Phalpher jointly or severally 12.15 Crores towards principal and Rs. 0.45 Crores towards interest.
b) Rs. 3.40 Crores to be paid by Mr. Umesh Phalpher and Mr. Harmeet Ghai jointly or severally, Rs. 3.25 Crores towards principal amount and Rs. 0.15 Crores towards interest.
c) Rs. 1 Crores to be paid by Mr. Layak Ram in respect of advance given for purchase of adjourning Land by Umak Investment Company Pvt. Ltd.
d) The repayment to be completed on or before 30.09.2010. Any remaining amount shall carry an interest @12% p.a. from 01.10.2010 till the date of payment of the entire amount. Company has paid Rs. 30 Lacs on 27.07.2009 and thereafter the Company has provided for interest to M/s Umak Investment Company Pvt. Ltd. on remaining balance amount in its books of accounts in this year for the period 1-10-2010 tills 31-3-2013.
e) The Company UG Hotels & Resorts Ltd. shall be entitled to locate another buyer/ lender and shall seek permission of Hon'ble Board and enter into a tripartite agreement between the Company UG Hotels Resorts Ltd. and M/s Umak Investment Company Pvt. Ltd. and the Buyer/Lender and the sale/mortgage/encumbrance etc. shall only be effected after the permission from Hon'ble Board and on payment of the balance sum to M/s Umak Investment Company Pvt. Ltd.
f) The Company U G Hotels & Resorts Ltd and its Promotors Mr. Harmeet Ghai & Mr. Umesh Phalpher and M/s Umak Investment Company Pvt. Ltd. shall jointly file the settlement and the orders passed by Hon'ble Company Law Board before the Hon'ble High Court of Delhi & they would obtain consent decrees in Civil Suit No. 1749/2007 & 1750/2007 which shall have the binding effect on the Company as well as its promoters.
g) After the Order is obtained from the Hon'ble Board, the parties shall withdraw all other cases/ litigation pending amongst them.
h) If the payments are not made entirely by the company and its promotors on or before 31.10.2010 or there is any breach of any of terms agreed the order passed by the Hon'ble Company Law Board and/ consent decrees passed by the honorable High Court can be executed by M/s Umak investment Company Pvt. Ltd.
i) The Company as well as its promoters undertakes not to allot, transfer any shares to the promoters group (except inter se transfer of shares within the promoter group of the Company) or change the Board of directors (except appointment and removal of independent directors) without prior permission of the Hon'ble Company Law Board.

Subsequent to the Order of Hon'ble Company Law Board, the accounting entries passed in Financial year 2007-2008 with regard to adjustment of loan of M/s Umak Investment Company Pvt. Limited have been reversed in financial year 2009-10 on 27th July, 2009, but have been accounted for as on 31st March, 2009 as an accounting prudence in preparation of these accounts. Interest @12% has been provided on Rs.12.30 crores for the financial year 2012-2013 amounting of Rs. 1.48 crores and has been treated as exceptional expenditure.

(B) The term loans taken from IFCI, TFCI were secured against mortgage of all the immovable property both present and future of Hotel/ Resort at Shilon Bagh, Shimla and by way of hypothecation of all movable assets except book debts and stocks present and future of the said resort/ hotel subject to first charges created and/ or to be created in favour of the company's bankers for working capital facilities. The mortgage and hypothecation charges referred to above rank pari passu amongst all lending financial institutions on which company's bankers have first charge. The Company had entered into a one time settlement with IFCI & TFCI in the earlier years. In terms of one time settlement, the Company has cleared the entire dues of IFCI & TFCI in the earlier years. Though these loans have been repaid with full & final settlement, the charge in favour of Financial Institutions is yet to be vacated.

(C) For the settlement of the upfront advance of ICICI, an adjustment of Rs.10 Lacs is done every year for squaring off the same as per agreement with ICICI.

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note - 7		
PROVISIONS		
Long -term provisions		
Provision for employee benefits:		
- gratuity	10,51,288	10,28,211
Total of long -term provisions	**10,51,288**	**10,28,211**
Short- term Provisions		
Provision for FBT	-	1,50,000
Provision for employee benefits:		
- gratuity	7,13,562	6,79,746
Total of short- term provisions	**7,13,562**	**8,29,746**
Note-8		
TRADE PAYABLES		
- Due to micro and small enterprises	-	-
- Due to others	67,15,120	57,90,897
Total of trade payables	**67,15,120**	**57,90,897**

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006:	Amount
i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	nil
ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	nil
iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	nil
iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	nil
v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	nil

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

Note-9		
OTHER CURRENT LIABILITIES		
Expenses Payable	3,87,46,163	2,39,54,167
Director's Remuneration Payable	48,34,158	36,14,958
Advance from Customers (Against Booking)	1,88,616	3,23,459
Other Liabilities	97,94,353	77,96,648
Club Members Deposit fees	9,72,148	9,72,148
Total of other current Liabilities	**5,45,35,438**	**3,66,61,380**

DETAILS OF FIXED ASSETS AS AT 31.03.2013

Note- 10

PARTICULARS	GROSS BLOCK (AT COST)					DEPRECIATION				NET BLOCK	
	RATES	AS AT 01.04.12	ADDITIONS DURING THE YEAR	SALES DURING THE YEAR	AS AT 31.03.13	UP TO 01.04.2012	FOR THE YEAR	ADD/DED/ADJ DURING THE YEAR	UP TO 31.03.13	AS AT 31.03.13	AS AT 31.03.12
1. LAND											
a) Land & Site Development	-	4,12,25,549	-	-	4,12,25,549	-	-	-	-	4,12,25,549	4,12,25,549
2. BUILDING	**3.34**	10,02,62,070	-	-	10,02,62,070	4,50,59,930	33,48,753	-	4,84,08,683	5,18,53,387	5,52,02,140
3. PLANT & MACHINERY											
a) Plant & Machinery	**4.75**	3,05,23,580	-	-	3,05,23,580	2,11,31,860	14,49,870	-	2,25,81,730	79,41,850	93,91,721
b) Vehicle (car, & truck)	**9.50**	80,98,627	-	-	80,98,627	51,45,777	7,69,370	-	59,15,147	21,83,480	29,52,850
c) Electicals & Electronics	**7.07**	49,80,164	1,16,668	-	50,96,832	37,97,094	3,58,692	-	41,55,786	9,41,046	11,83,070
d) Crockery & Cutlery	**7.07**	17,21,454	37,974	-	17,59,428	15,69,297	1,02,160	-	16,71,457	87,971	1,52,157
e) Office Equipments	**4.75**	20,07,134	13,800	-	20,20,934	9,85,850	95,935	-	10,81,785	9,39,149	10,21,284
f) Misc. Fixed Assets	**9.50**	29,50,300	-	-	29,50,300	28,02,785	-	-	28,02,785	1,47,515	1,47,515
g) Kitchen Equipments	**4.75**	20,89,351	-	-	20,89,351	12,01,550	99,244	-	13,00,794	7,88,557	8,87,801
h) Central Heating Equipments	**4.75**	28,20,007	-	-	28,20,007	20,85,190	1,33,950	-	22,19,140	6,00,867	7,34,817
i) Indoor/ Outdoor Recreation	**4.75**	8,80,669	-	-	8,80,669	5,87,890	41,832	-	6,29,722	2,50,947	2,92,779
j) Computer	**16.21**	2,71,830	-	-	2,71,830	1,30,017	44,064	-	1,74,081	97,749	1,41,813
l) Computer Software	**4.75**	-	30,890	-	30,890	-	1,378	-	1,378	29,512	-
4. FURNITURE & FIXTURES											
a) Furniture & fixtures	**6.33**	1,36,35,446	2,76,038		1,39,11,484	1,29,53,674	14,314	-	1,29,67,988	9,43,496	6,81,772
b) Interior Office Renovation	**7.07**	15,83,336	-	-	15,83,336	11,74,775	1,11,942	-	12,86,717	2,96,619	4,08,561
TOTAL		**21,30,49,517**	**4,75,370**	**-**	**21,35,24,887**	**9,86,25,689**	**65,71,503**	**-**	**10,51,97,192**	**10,83,27,695**	**11,44,23,829**
PREVIOUS YEAR		**21,19,19,478**	**1,1,30,039**	**-**	**21,30,49,517**	**9,21,07,029**	**65,18,660**	**-**	**9,86,25,689**	**11,44,23,829**	**11,98,12,449**

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note - 11		
INVESTMENTS		
Non-current investments (at costs)		
Investment in equity shares of Subsidiary Companies		
Non-trade, un-quoted-fully paid up (at cost)		
50,000 (previous year 50,000) Equity Shares of face value Rs. 10 each in U.G.Buildcon P. Limited	5,00,000	5,00,000
Total of non-current investments	**5,00,000**	**5,00,000**
Aggregate Book Value of Un-quoted Investments	5,00,000	5,00,000
Note - 12		
Loans and advances		
Long term loans and advances (Unsecured, considered good)		
Amount Receivable (Time Share)*	47,73,179	47,73,179
Others		
Prepaid expenses	1,51,991	46,567
Total of long term loans and advances	**49,25,170**	**48,19,746**
Short-term loans and advances		
(Unsecured, considered good)		
Advance to staff	9,25,327	12,16,720
Advance to suppliers	65,066	1,82,472
Advances to Others	43,88,029	-
Advance FBT	-	1,34,764
Deposits with Govt. & Others	5,07,092	5,06,902
Prepaid expenses	-	25,206
Inter-corporate deposits to related parties	35,480	30,480
Income Tax & T.D.S.	3,70,227	3,70,227
Recoverable From Kotak Mahindra	26,301	33,795
Recoverable From Tata capital	58,872	60,788
Total of short term loans and advances	**63,76,394**	**25,61,354**

*Amount received in the earlier years under Time Share Agreement has now been shown under the head unsecured loans, as per the direction/ instruction of Registrar of Companies vide their letter no. TS/209A/6678/641dated 09/07/2009.

Note - 13		
TRADE RECEIVABLES		
(Unsecured, considered good)		
-Debts outstanding for a period exceeding six months	54,69,628	53,12,826
-Others	4,85,885	2,84,477
(Unsecured, considered doubtful)		
-Debts outstanding for a period exceeding six months*	48,19,802	47,74,360
Total of trade receivables	**1,07,75,315**	**1,03,71,663**

*Provision for Rs. 48.20 lacs (Prev. Yr. 47.74 Lacs) has not been made for debts considered as doubtful.

Note - 14		
CASH AND BANK BALANCES		
(a) Cash and cash equivalents		
- Cash on hand	2,32,084	1,86,271
(b) Balances with banks		
- in current accounts	1,38,165	75,332
Total of cash and bank balances	**3,70,249**	**2,61,603**

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Note. 15		
Revenue from operations		
Rooms	81,45,167	81,37,809
Food & Beverages	79,37,438	64,22,601
Laundry	8,345	1,175
Misc. Sales*	63,91,194	8,07,992
Time Share Income **	3,34,000	3,34,000
Rental ICICI	10,00,000	10,00,000
Total of revenue from operations	**2,38,16,144**	**1,67,03,577**

* Misc. Sales includes various services on which Service Tax is applicable but Company neither charged nor paid Service tax on these services.

** The Time Share membership/ subscription amount is treated as revenue for the year on the basis of Receipts, net of sale Commission paid/ payable divided by Number of years (16 or 33, as the case may be) for which Time Sharing is sold, & 1/16 of the net amount has been recognized as income for each next 16 year subscription and 1/16 of the net amount every alternative year for 33 years subscription.

Note. 16		
Other income		
Misc. Income	2,60,929	79,400
Interest on FDR	-	27,086
Total of other income	**2,60,929**	**1,06,486**
Note -17		
COST OF MATERIAL CONSUMED		
FOOD & BEVERAGE		
Opening Stock	3,66,547	1,06,354
Add: Purchases	28,57,594	28,08,690
	32,24,141	29,15,044
Less: Closing Stock	72,710	3,66,547
(A)	31,51,431	**25,48,497**
Liquor		
Opening Stock	61,172	59,488
Add: Purchases	1,48,880	72,871
	2,10,052	1,32,359
Less: Closing Stock	42,655	61,172
(B)	1,67,397	**71,187**
Diesel		
Opening Stock	16,170	17,779
Add: Purchases	4,99,920	3,62,789
	5,16,090	3,80,568
Less: Closing Stock	20,699	16,170
(C)	4,95,391	**3,64,398**
Cooking Gas		
Opening Stock	15,273	7,690
Add: Purchases	26,26,739	5,19,379
	26,42,012	5,27,069
Less: Closing Stock	7,000	15,273
(D)	26,35,012	**5,11,796**
Total (E) = (A+B+C+D)	**64,49,230**	**34,95,878**
Material Consumed Others		
(F)	3,40,350	**-**
Total (E+F)	**67,89,580**	**34,95,878**

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Note.18		
Employee benefits expenses		
Salaries & Other Benefits	76,21,440	76,08,111
Staff welfare expenses	1,66,347	3,14,237
Medical Expenses	66,254	91,560
Gratuity	56,893	1,43,146
Total of employee benefits expenses	**79,10,934**	**81,57,054**
Note.19		
OPERATION & ADMINISTRATIVE EXPENSES		
Advertisement, Publicity & Exhibition	1,34,269	2,96,082
Auditor's Remuneration:		
-Audit Fees	1,68,540	1,68,540
-Tax Audit Fees	84,270	84,270
Business Promotion	84,779	1,45,824
Cartage & Freight	2,05,845	1,56,394
Coal & Cooking Gas	1,65,686	1,86,149
Communication Expenses	4,31,469	4,80,241
Director Sitting Fee	-	49,500
Directors Remuneration	13,20,000	13,20,000
Electricity & Water Charges	14,11,928	14,04,472
Hire Charges	16,460	21,415
Horticulture Expenses	11,484	4,410
House Keeping Expenses	52,247	3,52,063
Insurance	51,929	90,344
Laundry Expenses	2,16,000	1,92,490
Legal & Professional	2,02,719	2,14,738
Misc. Expenses	2,98,596	5,26,526
Penalty & Fine	1,93,942	-
Printing & Stationery	2,33,126	3,75,401
Rates, Fees & Taxes	3,95,307	2,75,615
Repair & Maintanance	13,02,968	11,69,702
Security Expenses	3,13,685	2,55,932
Travelling & Conveyance Exp.	2,11,580	3,86,365
Bank Charges	15,175	32,125
Total of operation & administrative expenses	**75,22,003**	**81,88,598**
Note. 20		
Finance costs*		
Bank Interest	-	31,899
Interest on Car Loans etc.	98,010	2,33,080
Interest on TDS	52,262	38,906
Total of finance costs	**1,50,272**	**3,03,885**

*Interest payable to UMAK Investment Co. Pvt. Ltd.@12% p.a. on Rs.12.30 crores and total interest is Rs. 1.48 Crore for the current financial year has been charged as an exceptional expenditure and not shown as a finance cost.

Notes to Accounts for the year ended March 31, 2013

21. CONTINGIENT LIABILITIES

Particulars	Current Year	Previous year
i) Suit filed against the Company by UMAK Investment Company Private Limited	Rs. 12.30 Crore	Rs. 12.30 Crore
ii) Suit filed against the Promoter Directors of the Company and others in their personal capacity by UMAK Investment Company Private Limited	Rs. 4.35 Crore	Rs. 4.35 Crore
iii) Tax demand notice under the H.P. Tax on Luxuries (in Hotels and Lodging Houses) Act, 1979 dated 29/03/2013*	Rs. 43.64 Lacs	Nil

* The Company has filed appeal against this demand of Luxury tax liability at Honorable High Court of Shimla.

22. Demand Order under Section 7A of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 has passed for the period of 08/07 to 04/2010 of Rs. 2,30,119/-, Company has paid it on vide challan No. 00718 dated 7th May, 2013.
23. Provision for Income Tax has not been made, there being no Income tax liability as there was a loss during the year and also accumulated losses from previous year.
24. Balance standing to the debit and credit of parties are subject to confirmation from them.
25. In the opinion of the management, all current assets, loans and advances have a value of realization at least equal to the extent considered good and stated in the Balance Sheet.
26. Ministry of Company Affairs has vide its Notification No. S.O. 301 (E) dated 08 February, 2011 has exempted the Company from the requirement of disclosure of quantitative details as per Part-II of Schedule VI of the Companies Act 1956, in the financial statements subject to fulfillment of the conditions stipulated in paragraph 2 of this notification. Company has been complied all conditions as mentioned in Notification.
27. C.I.F. Value of Imports –NIL.
28. Value of consumption of raw material components and spare parts.

Raw Materials	Current year Amount (In Lacs)	%	Previous Year Amount (In Lacs)	%
Imported	Nil	0%	Nil	0%
Indigenous	67.90	100%	34.96	100%
Components and Spare Parts				
Imported	0.00	Nil	0.00	Nil
Indigenous	0.00	NIL	0.00	NIL

29. Earning in Foreign Exchange Nil (P. Y. Nil)
30. Expenditure in Foreign Exchange Nil (P. Y. Nil)
31. **BASIC AND DILUTED EARNING PER SHARE**

Basic earnings per share are computed by dividing the net profit/ (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been Issued at a later date. The number of equity shares and potential diluted equity shares are adjusted for stock split, bonus shares and the potential dilutive effect of employee stock option plans as appropriate.

Basic and diluted earning per share for the year-ended 31.03.2013 is as under:

Description	Current Year	Previous year
Loss after taxation (A)(in Rs.)	(1,96,11,982)	(3,19,94,012)
No. of Shares (B)	80,98,200	80,98,200
Earnings per Share Basic & Diluted (A/ B) (in Rs.)	(2.42)	(3.95)

32. **RELATED PARTY TRANSACTION**

Pursuant to Accounting Standard (AS-18) – "Related Party Disclosure" following parties are to be treated as Related Parties.

Relationship	Name of the related parties
i) Related parties where control exists	
Subsidiary Company	U. G. Buildcon Pvt. Ltd
ii) Other related parties	
Key management personnel	Mr. Umesh Phalpher (Chairman & Managing Director) Mr. Harmit Ghai (Whole Time Director)

a) Summary of significant transactions:

Nature of transactions	Key Management Personnel	Total
Loans and advances from related parties *	Rs. 79,61,928	Rs. 79,61,928
	Rs. 66,68,743	*Rs. 66,68,743*
Loans and advances to related parties *	Rs. 35480	Rs. 35480
	Rs. 30,480	*Rs. 30,480*
Investment in U.G. Buildcon Pvt. Ltd.*	Rs. 5,00,000	Rs. 5,00,000
	Rs. 5,00,000	*Rs. 5,00,000*

Previous year figures are stated in italics.
*Maximum balance outstanding at any time during the year.

b) Summary of Material transactions:

Nature of transactions	Key Management Personnel	Total
Loans and advances from related parties	Rs. 12,93,185	Rs. 12,93,185
	Rs. 4,83,000	*Rs. 4,83,000*
Loans and advances to related parties	Rs. 5,000	Rs. 5,000
	Rs. 26,030	*Rs. 26,030*
Director's Remuneration	Rs. 13,20,000	Rs. 13,20,000
	Rs. 13,20,000	*Rs. 13,20,000*

Previous year figures are stated in italics.

c) Summary of balances outstanding as at March 31, 2013:

Nature of transactions	Key Management Personnel	Total
Loans and advances from related parties	Rs. 79,61,928	Rs. 79,61,928
	Rs. 6,668,743	*Rs. 6,668,743*
Loans and advances to related parties *	Rs. 35,480	Rs. 35,480
	Rs. 30,480	*Rs. 30,480*
Investment in U.G.Buildcon Pvt. Ltd.	Rs. 5,00,000	Rs. 5,00,000
	Rs. 5,00,000	*Rs. 5,00,000*

Previous year figures are stated in italics.

33. **DEFERRED TAX**

In compliance with Accounting Standard 22 (AS 22) – 'Accounting for taxes on income', as notified under the Companies (Accounting Standards) Rules, 2006, as amended, the Company in the absence of a virtual certainty of future profits, has not recognized any deferred tax assets during the current year.

34. **EMPLOYEE BENEFITS**

As per Accounting Standard 15" Employee Benefits" (Revised 2005), the disclosures of employee benefits as defined in Accounting Standard are given below:

The Company has classified the various benefits provided to employees as under:

I. Defined Contribution Plans

a. Provident Fund

b. Employer's Contribution to Employees' Pension Scheme 1995

During the year, the Company has recognized the following amounts in the Profit and Loss Account for the above Plans: Rs.0.57Lacs (P.Y.Rs.1.43 Lacs).

II. **Defined Benefit Plans**

Contribution to Gratuity Fund (Non- Funded Scheme)

In accordance with Accounting Standard 15 (Revised 2005), Actuarial Valuation was performed in respect of the aforesaid defined benefit plan based on the following assumptions:

	Current Year	Previous Year
Discount Rate (per annum)	8.00%	8.50%
Rate of increase in Compensation levels	6.00%	6.50%
Rate of Return on Plan Assets	0.00%	0.00%
Expected Average remaining working lives of employees (years)	20.44	27.21

A) Change in the present value of obligation

Non funded Scheme	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Present value of Obligation as at beginning	17.08	16.68
Interest Cost	1.37	1.42
Past Service Cost	-	-
Current Service Cost	1.11	1.38
Settlement Cost/(Credit)	-	-
Benefits Paid	-	(1.03)
Actuarial (gain)/loss on Obligations (Written Back)	(1.91)	(1.37)
Present Value of Obligation as at end	17.65	17.08

B) Changes in the Fair Value of Plan Assets

Non funded Scheme	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Present Value of Plan Assets as at beginning	-	-
Expected Return on Plan assets	-	-
Actuarial Gains and (Losses)	-	-
Contribution	-	-
Benefits Paid	-	-
Assets Distributed on Settlement	-	-
Fair value of Plan Assets as at end	-	-

C) Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets and Amount recognized in the Balance Sheet

	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Present Value of Non-funded Obligation at the end	17.65	17.08
Fair Value of Plan Assets as at the end of the year	-	-
Present Value of Un-funded Obligation at the end	(17.65)	(17.08)
Unrecognized Actuarial (gains)/losses	-	-
Unrecognized Actuarial (gains)/losses	-	-

D) Expenses Recognized in the Profit and Loss Account

Non funded Scheme	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Current Service Cost	1.11	1.38
Past Service Cost	-	-
Interest Cost	1.37	1.42
Expected Return on Plan Assets	-	-
Curtailment Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Net actuarial (gain)/loss recognized in the Year	(1.91)	(1.37)
Total Expenses recognized in the Profit and Loss Account	0.57	1.43

35. The Company has a subsidiary company hence the requirements of Accounting Standard–21 relating to consolidate Financial Statements is applicable to the Company.
36. Previous year figures have been regrouped, rearranged & reclassified where ever considered necessary to confirm current year figures.

As per our report even date attached.

FOR SHARMA GOEL & CO.
CHARTERED ACCOUNTANTS
FRN. 000643N

On Behalf of the Board of Directors

AMAR MITTAL
(PARTNER)
M. No. 017755

UMESH PHALPHER
(MANAGING DIRECTOR)

SANJAY DHAWAN
(DIRECTOR)

PLACE: NEW DELHI
DATED: 30.05.2013

(COMPANY SECRETARY)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of U G HOTELS AND RESORTS LIMITED

1. Report on the Financial Statements

We have audited the accompanying Consolidated Balance Sheet of U G HOTELS AND RESORTS LIMITED ("the Company") and its subsidiaries (collectively referred to as "the Group"), as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India.

Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We however did not audit the Financial Statements of certain subsidiaries, whose Financials statements reflect Net total Assets of Rs. 44, 20,82/- as at March 31, 2013 and Net cash Outflows of Rs. 5,418/- for the year then ended. These Financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management of the group, and our opinion is based solely in the report of other auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

1) In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements, **due to Note No. 6(A) of Notes to Accounts regarding dispute & compromise with UMAK Investment Company Private Limited & Note No. 13 of Notes to Accounts regarding non provision of doubtful debts for Rs. 48.20 lacs, don't give a true and fair view** in conformity with the accounting principles generally accepted in India, in view of the dispute and compromise with UMAK Investment Company Private Limited is still pending at various levels.

   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013 ;

   (b) in the case of the consolidated Statement of Profit and Loss, of the profit/ loss for the year ended on that date; and

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

FOR SHARMA GOEL & CO.
CHARTERED ACCOUNTANTS
FRN: 000643N

Amar Mittal
Partner
M.No: 017755

Date: New Delhi
Place: 30.05.2013

Consolidated Balance sheet as at March 31, 2013

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	Note	As at March 31, 2013	As at March 31, 2012
I. EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	8,09,82,000	8,09,82,000
Reserves and surplus	5	(16,58,64,931)	(14,62,19,729)
Total of shareholders' funds		**(8,48,82,931)**	**(6,52,37,729)**
Non-current liabilities			
Long -term borrowings	6	14,36,41,829	14,51,63,545
Long -term provisions	7	10,51,288	10,28,211
Total of non-current liabilities		**14,46,93,117**	**14,61,91,756**
Current liabilities			
Short -term borrowings	6	95,30,506	90,81,451
Trade payables	8	67,15,120	57,90,897
Other current liabilities	9	5,45,55,116	3,66,71,380
Short- term provisions	7	7,13,562	8,29,746
Total of current liabilities		**7,15,14,304**	**5,23,73,474**
Total of equity and liabilities		**13,13,24,490**	**13,33,27,501**
II. ASSETS			
Non-current assets			
Fixed assets			
(i) Tangible assets	10	10,83,27,695	11,44,23,829
(ii) Intangible assets		-	-
Long -term loans and advances	11	49,25,170	48,19,746
Total of non-current assets		**11,32,52,865**	**11,92,43,575**
Current assets			
Inventories		1,43,064	4,59,162
Trade receivables	12	1,07,75,315	1,03,71,663
Cash and bank balances	13	8,12,331	7,22,227
Short-term loans and advances	11	63,40,914	25,30,874
Total of current assets		**1,80,71,625**	**1,40,83,926**
Total of assets		**13,13,24,490**	**13,33,27,501**

The accompanying notes are an integral part of financial statements

As per our report of even date

For Sharma Goel & Co.
Chartered Accountants
FRN: 000643N

For and on behalf of the Board

Amar Mittal
Partner
Membership No: 017755

Umesh Phalpher
(Managing Director)

Sanjay Dhawan
(Director)

Place: New Delhi
Date: 30.05.2013

Company Secretary

Consolidated Statement of Profit & Loss for the year ended 31st March, 2013

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	Note	For the year ended March 31, 2013	For the year ended March 31, 2012
Revenue			
Revenue from operations	14	2,38,16,144	1,67,03,577
Other income	15	2,60,929	1,06,486
Total of revenue		**2,40,77,073**	**1,68,10,063**
Expenses			
Cost of Materials consumed	16	67,89,580	34,95,878
Employee benefit expenses	17	79,10,934	81,57,053
Operation & Administrative Exp.	18	75,55,223	82,22,128
Finance costs	19	1,50,272	3,03,885
Depreciation and amortisation expenses	10	65,71,503	65,18,660
Total of expenses		**2,89,77,512**	**2,66,97,604**
Loss before exceptional, extraordinary items and tax		(49,00,438)	(98,87,541)
Exceptional items		1,47,60,000	2,21,40,000
Loss before tax		**(1,96,60,438)**	**(3,20,27,541)**
Earlier year Tax adjustment		**15,236**	
Tax expense:			
Current tax		-	-
Loss for the year		**(1,96,45,202)**	**(3,20,27,541)**
Earnings per Equity Share			
- Basic (Rs.)		(2.43)	(3.95)
- Diluted (Rs.)		(2.43)	(3.95)

The accompanying notes are an integral part of financial statements

As per our report of even date

For Sharma Goel & Co.
Chartered Accountants
FRN: 000643N

For and on behalf of the Board

Amar Mittal
Partner
Membership No: 017755

Umesh Phalpher
(Managing Director)

Sanjay Dhawan
(Director)

Place: New Delhi
Date: 30.05.2013

Company Secretary

Consolidated Cash flow statement for the year ended March 31, 2013

(All Amounts in Indian Rupees, except share data and where otherwise stated)

			For the year ended March 31, 2013	For the year ended March 31, 2012
A.	**Cash flow from operating activities:**			
	Net Loss before tax		(1,96,60,438)	(3,20,27,541)
	Adjustments for profit and loss account items:			
	Depreciation		65,71,503	65,18,660
	Interest expense		1,48,58,010	2,24,04,979
	Earlier year Tax Adjustment		15,236	
	Interest income		-	(27,086)
	Provision for gratuity and compensated absences		56,893	40,106
	Operating profit before working capital changes		**18,41,204**	**(30,90,882)**
	Adjustments for changes in working capital:			
	- (Increase)/decrease in trade receivables		(4,03,652)	(3,26,980)
	- (Increase)/decrease in loans and advances		(39,15,463)	(3,47,719)
	- (Increase)/decrease in inventories		3,16,098	(2,67,851)
	- Increase/(decrease) in trade payables		9,24,223	3,06,402
	- Decrease/(increase) in other liabilities and provisions		29,73,736	58,42,897
	Cash generated from / (used in) operating activities		17,36,144	21,15,867
	Income tax paid		-	-
	Net cash used in operating activities		**17,36,144**	**21,15,867**
B.	**Cash flow from investing activities:**			
	Purchase of fixed assets		(4,75,370)	(11,30,039)
	Interest received on fixed deposit receipts		-	27,086
	Net cash used in investing activities		**(4,75,370)**	**(11,02,953)**
C.	**Cash flow from financing activities:**			
	Proceeds from borrowigs		9,30,559	6,60,987
	Repayment of borrowing etc.		(20,03,220)	(37,61,091)
	Interest Paid		(98,010)	(2,64,979)
	Net cash (used in)/ generated from financing activities		**(11,70,671)**	**(33,65,083)**
D	**Increase/ (decrease) in cash and cash equivalents, net**	**(A+B+C)**	90,104	(23,52,169)
E	Cash and cash equivalents at the beginning of the year		7,22,227	30,74,396
F	**Cash and cash equivalents at the end of the year**	**(D+E)**	**8,12,331**	**7,22,227**

a) The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements' as notified under the Companies (Accounting Standards) Rules, 2006 as amended.

b) Cash and cash equivalents includes:

(a) Cash on hand	6,74,166	6,33,771
(b) bank balances		
- in current accounts	1,38,165	88,456
- In fixed deposit accounts *		
a) maturing within 12 months from reporting date		
b) maturing after 12 months from reporting date	-	-
	8,12,331	**7,22,227**

c) Previous year figures have been regrouped and/or reclassified wherever necessary to conform to those of the current year grouping and/or classification.

As per our report of even date

FOR SHARMA GOEL & CO.
CHARTERED ACCOUNTANTS
FRN.: 000643N

On behalf of the Board of Directors

Amar Mittal
Partner
Membership No: 017755

Umesh Phalpher
(Managing Director)

Sanjay Dhawan
(Director)

Place: New Delhi
Date: 30.05.2013

Company Secretary

Notes to Accounts for the year ended March 31, 2013

1. COMPANY OVERVIEW

M/s U G HOTELS AND RESORTS LIMITED, a public limited company established in 1986 and has set up the first 5 Star Resort Project in Himachal Pradesh, India. It has emerged a tourist destination of reckoning and is named as "Shilon Resort-Forty acres of Switzerland". The company is engaged in the business of running and maintaining "Hotel Business" and all other related and ancillary objects.

2. BASIS OF CONSOLIDATION AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basis of Consolidation and Preparation:

The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 (AS 21) on Consolidated Financial Statements and Accounting Standard 23 (AS 23) on Accounting for Investment in Associates in Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006, as amended. Reference in these notes to the Company, Holding Company, Companies or Group shall mean to include U G Hotels & Resorts Ltd. ("UGH") or any of its subsidiaries and associate companies, unless otherwise stated.

Principles of Consolidation:

The Consolidated Financial Statements comprise of the Financial Statements of U G Hotels & Resorts Ltd. ("Parent Company") and its subsidiaries ("Subsidiary Companies"). The Consolidated Financial Statements are prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. Subsidiary Companies acquired and held by the parent or its subsidiaries for disposal in the near future are excluded from the Consolidated Financial Statements. The Consolidated Financial Statements are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard 21 (AS 21) Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006, as amended. The Company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealized profits and losses resulting from transactions between the Company and its associate companies to the extent of its share, through its Statement of Profit and Loss to the extent such change is attributable to their Statement of Profit and Loss and through its reserves for the balance, based on available information, in accordance with Accounting Standard 23 (AS 23) Accounting for Investments in Associates in Consolidated Financial Statements as notified under the Companies (Accounting Standards) Rules, 2006, as amended. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Goodwill/ Capital Reserve:

The difference between the cost of investment in the subsidiaries and the net assets at the time of acquisition of shares in the subsidiaries is recognized in the Consolidated Financial Statements as Goodwill or Capital Reserve as the case may be. Goodwill/ Capital Reserve represents the difference between the Company's share in the net worth of subsidiaries and the cost of acquisition at each point of time of making the investment in the subsidiaries. For this purpose, the Company's share of net worth is determined on the basis of the latest financial statements of such subsidiaries, prior to the acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital Reserve on consolidation is adjusted against Goodwill on consolidation, if any. The difference between the proceeds from disposal of investment in subsidiaries and the carrying amount of its net assets as of the date of disposal is recognized in the consolidated Statement of Profit and Loss being the profit or loss on disposal of investment in subsidiary.

Minority Interest:

Share of Minority interest in consolidated subsidiaries is arrived at and identified:

a. in case of Statement of Profit and Loss for the year ended, the loss attributable to them
b. in case of balance sheet, net assets attributable to them

Companies included in consolidation :

Name of Subsidiary Company	Country of Incorporation	Proportion of ownership interest	Year ended included in consolidation
U G Buildcon Private Limited	India	100%	April 01, 2012 to March 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance:

The Consolidated Financial Statements are prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles in India and in compliance with the applicable accounting standards as notified under the Companies (Accounting Standards) Rules, 2006, as amended and as per Revised Schedule VI to the Companies Act, 1956. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

b. Use of Estimate:

The presentation of financial statements is in conformity with the generally accepted accounting principles and require estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known or materialized.

c. Revenue Recognition

(i) Income from sale of rooms is recognized as and when booking is received less cancellation, if any.
(ii) Income from cancellation fees from customers is recognized, as per revenue recognition principles

laid down in Accounting Standard - 9 on "Revenue Recognition", when certainty of its collection is established.

(iii) Income from sale of food & beverages and other services related to hotel/ Resort operations revenue is recognized upon rendering of the services.

(iv) Interest income from deposits is recognized on accrual basis.

(v) Profit/ Loss on sale of investments is recognized on the date of the transaction of sale and is computed with reference to the carrying amount of investments.

(vi) Revenue from real estate development projects and plots under development is recognized in the financial year in which the agreement to sell or application forms is executed on the percentage of completion method.

d. Fixed Assets

Tangible fixed assets (other than land) are stated at cost, net of tax or duty credits availed, less accumulated depreciation and accumulated impairment losses, if any. Cost includes original cost of acquisition, including incidental expenses related to such acquisition and installation.

However, Land has been stated at a revalued figure.

e. Depreciation and Amortization

Depreciation on fixed assets is provided on the straight-line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, on a pro-rata basis from the date the asset is ready to put to use till the end of its useful life or till the asset is discarded, whichever is earlier. Temporary structures are depreciated over a period of twelve months, on a pro-rata basis, from the date it is ready to put to use.

Individual assets costing up to Rs. 5,000 per item are fully depreciated in the year of purchase. Fixed assets are depreciated up to 95 percent of its historical cost.

f. Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed.

g. Inventories

Inventories have been valued at lower of cost or net realizable value. Cost includes cost of acquisition and development costs including freight & other related incidental expenses.

h. Employee Benefits

(i) Defined Contribution Plan

Company's contributions for the year to Provident Fund & Employees Pension scheme are recognized in the Profit & Loss Account.

(ii) Defined Benefit Plan

Provision for gratuity has been made on the basis of actuarial valuation

(iii) Short term employee benefits are recognized as an expense at the undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.

i. Investments

Investments are classified as long term or current investments. Long term investments are stated at cost. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

j. Provisions for current tax and deferred tax:

Current tax

Current tax is determined as the tax payable in respect of taxable income for the year and is computed in accordance with relevant tax regulations.

Deferred tax

Deferred tax resulting from timing differences between taxable income and accounting income is accounted for at the current rate of tax or substantively enacted tax rates as at reporting date, to the extent that the timing differences are expected to crystallize.

Deferred tax assets are recognized where realization is reasonably certain whereas in case of carried forward losses or unabsorbed depreciation, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that such deferred tax assets will be realized .Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date.

k. Provisions, contingent liabilities and contingent assets

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or,
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

l. Earnings per equity share

Basic earnings per equity share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed using the weighted average number of equity and dilutive potential equity shares outstanding during the year.

COSOLIDATED NOTES TO FINANCIAL STATEMENT

(All Amounts in Indian Rupees, except share data and where otherwise stated)

		As at March 31, 2013		As at March 31, 2012
Note - 4				
SHARE CAPITAL				
Authorised	**No. of shares**		**No. of shares**	
Equity shares of face value of Rs. 10 each	1,00,00,000	10,00,00,000	1,00,00,000	10,00,00,000
		10,00,00,000		**10,00,00,000**
Issued, subscribed and fully paid up				
Equity shares of face value of Rs. 10 each				
Balance at the beginning of the year	80,98,200	8,09,82,000	80,98,200	8,09,82,000
Additions during the year	-	-	-	-
Total of equity share capital	**80,98,200**	**8,09,82,000**	**80,98,200**	**8,09,82,000**
Total of share capital		**8,09,82,000**		**8,09,82,000**

(i) The holders of equity shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. The holders of preference shares are entitled to receive dividends, but do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that holders of preference shares participate only to the extent of the face value of the shares.

Reconcilation of Share Capital

	No. of Share	Amount	No. of Share	Amount
Shares at the beginning of the accounting period	80,98,200	8,09,82,000	80,98,200	8,09,82,000
Addition during the year	-	-	-	-
Reduced during the year	-	-	-	-
	80,98,200	8,09,82,000	80,98,200	8,09,82,000

(ii) Details of share holding in excess 5% of share capital:

S.No.	*Name*	*No. of Shares*	*% of Holdings*
1.	Shri Umesh Phalpher	494004	6.10
2.	U.G. Him Resorts Pvt. Ltd.	537500	6.64
3.	U.G. Leasing & Finance Ltd.	423900	5.23
4.	U.G. Builders Pvt Ltd.	760316	9.39
5.	UMAK Investment Company Pvt. Ltd.	803900	9.93

Note - 5				
RESERVES AND SURPLUS				
Capital reserve				
Balance as at the beginning of the year	9,09,000		9,09,000	
Addition during the year	-		-	
		9,09,000		9,09,000
Capital reserve				
Balance as at the beginning of the year	1,00,00,000		1,00,00,000	
Addition during the year	-		-	
		1,00,00,000		1,00,00,000
Retained earnings				
Balance as at the beginning of the year	(15,71,28,729)		(12,51,01,188)	
Add: Loss of the year	(1,96,45,202)		(3,20,27,541)	
Loss available for appropriation	(17,67,73,931)		(15,71,28,729)	
Less: Appropriations	-		-	
		(17,67,73,931)		(15,71,28,729)
Total of reserves and surplus		**(16,58,64,931)**		**(14,62,19,729)**

COSOLIDATED NOTES TO FINANCIAL STATEMENT

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note - 6		
BORROWINGS		
Long term borrowings		
ICICI lease Advance	1,45,00,000	1,55,00,000
Tata Capital Car Loan	-	1,87,716
Time Share Dues	61,41,829	64,75,829
UMAK Investment Company Pvt. Ltd.	12,30,00,000	12,30,00,000
Total of long- term borrowings	**14,36,41,829**	**14,51,63,545**
Short term borrowings		
Director Borrowings - Harmit Ghai	18,26,000	18,26,000
Director Borrowings - Umesh Pharphar	61,35,928	48,42,743
ICICI lease Advance	10,00,000	10,00,000
ICICI Limited Car Loan	-	3,55,560
Kotak Mahindra Car Loan	-	1,51,551
Tata Capital Car Loan	-	3,62,626
Term Loan Car Indigo	2,34,578	2,08,971
Time Share Dues	3,34,000	3,34,000
Total of short term borrowings	**95,30,506**	**90,81,451**

(A) The Company had taken loan from M/S UMAK Investment Company Private Limited for the purpose of repayment of amount of one time settlement to IFCI & TFCI. The Loan from M/S UMAK Investment Company Private Limited was to be secured (of all original title deeds of assets, Share certificates etc, after release from the IFCI) by way of mortgage of all the immovable properties and movable assets except book debts and stocks and pledge of share certificates in respect of equity shares held by Guarantors in their own name or in the names of their friends, relatives and associates. Till the date of these Financial Statements, this Loan has not been secured by the Company as no documentation has been done by the Company in favour of M/s UMAK Investment Company Private Limited. However, the contention of the company was that the entire loan along with interest due on it aggregating Rs.12.30 crores has been adjusted into books against transfer of 8,14,930 number of equity shares of the promoters @ Rs.151/- per share, as M/S UMAK Investment Company Private Limited was interested in buying shares of M/S. UG Hotels & Resorts Ltd. The above settlement/ adjustment have been done as per the Memorandum of Understanding dated 15th March, 2007 in the books of the company for the financial year 2007-2008 but M/s UMAK Investment Company Private Limited has disputed the same at various forums.

In lieu of settlement or adjustment of loans, two documents dated 18/05/2007 & 28/06/2007 were executed between UG Hotels & Resorts Ltd. & Umak Investment Company Pvt. Ltd. and confirmed by Umak Investment Company Pvt. Ltd. In these documents, it was stated that 4,54,350 shares & 3,60,580 shares in original of M/s UG Hotels & Resorts Ltd. have been duly transferred in the name of Umak Investment Company Pvt. Ltd. along with CDSL depositing slips in favour of Umak Investment Company Pvt. Ltd., has been forwarded in compliance with obligation under and in lieu of the agreements mentioned in those documents.

On 18/05/2007 & 28/06/2007 UG Hotels & Resorts Ltd. has passed the adjustment entry of transfer of 3,94,000 equity shares by Mr. Umesh Phalpher @ Rs.151/- each to Umak Investment Company Pvt. Ltd. Accordingly, the Company has debited the Umak Investment Company Pvt. Ltd A/c with Rs.5,94,94,000 (3,94,000 equity shares @ Rs.151) and credited the amount to Mr. Umesh Phalpher Loan A/c (Creating a loan of Umesh Phalpher to such amount) in the books of UG Hotels & Resorts Ltd as per the Memorandum of Understanding dated 15th March, 2007 between U G Hotels & Resorts Ltd and its promoters.

Also on 18/05/2007 & 28/06/2007 UG Hotels & Resorts Ltd. has passed the adjustment entry of transfer of 4,20,930 equity shares by Harmeet Ghai @ Rs.151/- each to Umak Investment Company Pvt. Ltd. Accordingly, the Company has debited the Umak Investment Company Pvt. Ltd A/c with Rs.6,35,60,430/- (4,20,930 equity shares @ Rs.151/-) and credited the amount to Mr. Harmeet Ghai Loan A/c (Creating a loan of Harmeet Ghai to such amount) in the books of UG Hotels & Resorts Ltd as per the Memorandum of Understanding dated 15 th March, 2007 between U G Hotels & Resorts Ltd and its promoters. Hence, the loan given by Umak Investment Company Pvt. Ltd. to UG Hotels & Resorts Ltd was claimed to be adjusted by way of transfer of shares belonging to Promoters, as they have transferred these shares as per agreed price of Rs.151 per share and hence have relinquished their rights in these shares at an agreed consideration as per MOU dated 15th March, 2007 between U G Hotels & Resorts Ltd and its promoters, so that such amount, in books of the Company is payable to them and accordingly the corresponding amount is shown as loans from Directors to such extent as on 31.03.2008.

After these adjustment entries, the Company has claimed to have settled the loan of M/s Umak Investment Company Pvt. Ltd and have shown the corresponding loans from the Director namely Mr. Umesh Phalpher & Harmeet Ghai to the extent of shares transferred by them at an agreed consideration which is disputed by UMAK Investment Company Private Limited. As on 31st March 2008, Rs.92,332/- was

shown recoverable from Umak Investment Company Pvt. Ltd. in the books of the Company for the Financial Year 2007-08.

In addition to above loan to the Company, M/s UMAK Investment Company Private Limited has also advanced Rs 3.256 Crore loan to Directors of the Company in their personal capacity. This loan was adjusted by way of transfer of 2,17,470 equity shares belonging to promoters, relatives, friends and associates to M/s UMAK Investment Company Private Limited as per agreed price of Rs.151/- per share. The above settlement/ adjustment had been done as per the Memorandum of Understanding dated 15th March, 2007, as M/s Umak Investment Company Pvt Limited was interested purchase the shares @ Rs.151/- per share from its promoters, relatives, friends and associates but disputed by UMAK Investment Company Private Limited.

With regard to repayment of above loans and related cases, a dispute had arisen between the Company, Its promoters, directors and M/s UMAK Investment Company Private Limited and both parties have filed various suits/complaints against each other at various levels.

M/s UMAK Investment Company Private Limited has lodged complaints to Ministry of Corporate Affairs and various Statutory and other authorities with regard to act of cheating, misappropriation, breach of trust, forgery etc. committed by the Directors of M/s U.G Hotels & Resorts Ltd. in relation to loans of Rs 12.14 Crores to Company and Rs 3 Crore loan to Directors. Further, M/S UMAK Investment Company Private Limited has also filed a suit for recovery of Rs 12.46 Crores and mandatory and permanent injunction in respect of movable and immovable properties including shares of the Company in the Hon'ble High Court of Delhi against the Company and suit for recovery of Rs 2.33 Crores and mandatory and permanent injunction against its promoters Directors Mr. Umesh Phalpher and Mr. Harmeet Ghai. The Company had also filed a criminal complaint against Dr. Ramesh Kapur, Chairman of M/s UMAK Investment Company Private Limited for illegally appointing himself as a Director on the Company's Board. On 24th September 2007, the Hon'ble High Court of Delhi, inter-alia, passed the ex parte interim orders directing the Company to maintain status quo in respect of immovable properties and shares either in their own names or in the names of their friends, relatives and associates till further orders.

With regard to complaints lodged by M/s UMAK Investment Company Private Limited with Ministry of Corporate Affairs, notice/letter of inspection U/S 209A of the Companies Act, 1956 was received by M/ S. UG Hotels & Resorts Ltd. and inspection was conducted by the official of the Office of the Regional Director (NR) of Ministry of Corporate Affair, Government of India.

After conducting the inspection U/S 209A of the Companies Act, 1956, a letter No. 1351/JDI/Inspn/2008/10155 dated 11/11/2008 was issued by the Office of Regional Director (NR), asking the Company to give information on violation of various Sections of Companies Act 1956 & explanation on other matters. Subsequent to such inspection, Show Cause Notices have been issued by the office of Registrar of Companies, Punjab, H P and Chandigarh, Ministry of Corporate Affairs, Government of India for violation of various Sections as mentioned below:

a) Under Section 211(7) for violation of Section 211 read with schedule VI – Part 1 of the Companies Act, 1956.
b) Under Section 211(7) for violation of Section 211 of the Companies Act, 1956.
c) Under Section 217(5) for violation of the Section 217(1) (e) of the Act read with Companies (Disclosure of Particulars in the Board of Directors) Rule 1988.
d) Under Section 292A(11) for violation of the Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement.
e) For violation of Section 127/140 of the Companies Act, 1956.
f) Under Section 629A for violation of the Section 292 read with Section 286/287 of the Companies Ac, 1956.
g) Under Section 209(5) for violation of the Section 209 read with Section 211 of the Companies Act, 1956.
h) For violation of the Section 303(2) of the Companies Act, 1956

The Matter before Company Law Board New Delhi Branch, New Delhi CP No. 06/ND/2009 CA No. 360/09 was decided by Hon'ble Board on 20/07/2009 at 4:30 PM by the Chairman of the Board.

This Decision was pronounced as a result of joint compromise filed by M/s UG Hotels & Resorts Ltd., M/s Umak Investment Company Pvt. Ltd and their respective Promotors and all related parties before the Hon'ble Board. Salient features of the above mentioned order are as below:

a) Rs. 12.60 Crores to be paid by UG Hotels & Resorts Ltd. and Mr. Harmeet Ghai & Umesh Phalpher jointly or severally 12.15 Crores towards principal and Rs. 0.45 Crores towards interest.
b) Rs. 3.40 Crores to be paid by Mr. Umesh Phalpher and Mr. Harmeet Ghai jointly or severally, Rs. 3.25 Crores towards principal amount and Rs. 0.15 Crores towards interest.
c) Rs. 1 Crores to be paid by Mr. Layak Ram in respect of advance given for purchase of adjourning Land by Umak Investment Company Pvt. Ltd.
d) The repayment to be completed on or before 30.09.2010. Any remaining amount shall carry an interest @12% p.a. from 01.10.2010 till the date of payment of the entire amount. Company has paid Rs. 30 Lacs on 27.07.2009 and thereafter the Company has provided for interest to M/s Umak Investment Company Pvt. Ltd. on remaining balance amount in its books of accounts in this year for the period 1-10-2010 tills 31-3-2013.
e) The Company UG Hotels & Resorts Ltd. shall be entitled to locate another buyer/ lender and shall seek permission of Hon'ble Board and enter into a tripartite agreement between the Company UG Hotels Resorts Ltd. and M/s Umak Investment Company Pvt. Ltd. and the Buyer/Lender and the sale/mortgage/encumbrance etc. shall only be effected after the permission from Hon'ble Board and on payment of the balance sum to M/s Umak Investment Company Pvt. Ltd.
f) The Company U G Hotels & Resorts Ltd and its Promotors Mr. Harmeet Ghai & Mr. Umesh Phalpher and M/s Umak Investment Company Pvt. Ltd. shall jointly file the settlement and the orders passed by Hon'ble Company Law Board before the Hon'ble High Court of Delhi & they would obtain consent decrees in Civil Suit No. 1749/2007 & 1750/2007 which shall have the binding effect on the Company as well as its promoters.
g) After the Order is obtained from the Hon'ble Board, the parties shall withdraw all other cases/ litigation pending amongst them.
h) If the payments are not made entirely by the company and its promotors on or before 31.10.2010 or there is any breach of any of terms agreed the order passed by the Hon'ble Company Law Board and/ consent decrees passed by the honorable High Court can be executed by M/s Umak investment Company Pvt. Ltd.
i) The Company as well as its promoters undertakes not to allot, transfer any shares to the promoters group (except inter se transfer of shares within the promoter group of the Company) or change the Board of directors (except appointment and removal of independent directors) without prior permission of the Hon'ble Company Law Board.

Subsequent to the Order of Hon'ble Company Law Board, the accounting entries passed in Financial year 2007-2008 with regard to adjustment of loan of M/s Umak Investment Company Pvt. Limited have been reversed in financial year 2009-10 on 27th July, 2009, but have been accounted for as on 31st March, 2009 as an accounting prudence in preparation of these accounts. Interest @12% has been provided on Rs.12.30 crores for the financial year 2012-2013 amounting of Rs. 1.48 crores and has been treated as exceptional expenditure.

(B) The term loans taken from IFCI, TFCI were secured against mortgage of all the immovable property both present and future of Hotel/ Resort at Shilon Bagh, Shimla and by way of hypothecation of all movable assets except book debts and stocks present and future of the said resort/ hotel subject to first charges created and/ or to be created in favour of the company's bankers for working capital facilities. The mortgage and hypothecation charges referred to above rank pari passu amongst all lending financial institutions on which company's bankers have first charge. The Company had entered into a one time settlement with IFCI & TFCI in the earlier years. In terms of one time settlement, the Company has cleared the entire dues of IFCI & TFCI in the earlier years. Though these loans have been repaid with full & final settlement, the charge in favour of Financial Institutions is yet to be vacated.

(C) For the settlement of the upfront advance of ICICI, an adjustment of Rs.10 Lacs is done every year for squaring off the same as per agreement with ICICI.

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note - 7		
PROVISIONS		
Long -term provisions		
Provision for employee benefits:		
- gratuity	10,51,288	10,28,211
Total of long -term provisions	**10,51,288**	**10,28,211**
Short- term Provisions		
Provision for FBT	-	1,50,000
Provision for employee benefits:		
- gratuity	7,13,562	6,79,746
Total of short- term provisions	**7,13,562**	**8,29,746**
Note-8		
TRADE PAYABLES		
- Due to micro and small enterprises	-	-
- Due to others	67,15,120	57,90,897
Total of trade payables	**67,15,120**	**57,90,897**

Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006: Amount

i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year; nil

ii) the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year; nil

iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act; nil

iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; and nil

v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23. nil

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

Note-9		
OTHER CURRENT LIABILITIES		
Expenses Payable	3,87,46,163	2,39,54,167
Director's Remuneration Payable	48,34,158	36,14,958
Advance from Customers (Against Booking)	1,88,616	3,23,459
Other Liabilities	98,14,031	78,06,648
Club Members Deposit fees	9,72,148	9,72,148
Total of other current Liabilities	**5,45,55,116**	**3,66,71,380**

FIXED ASSETS

U.G. Hotels and Resorts Ltd. Group

Note - 10

DETAILS OF FIXED ASSETS AS AT 31.03.2013

PARTICULARS	GROSS BLOCK (AT COST)					DEPRECIATION				NET BLOCK	
	RATES	AS AT 01.04.12	ADDITIONS DURING THE YEAR	SALES DURING THE YEAR	AS AT 31.03.13	UP TO 01.04.2012	FOR THE YEAR	ADD/DED/ADJ DURING THE YEAR	UP TO 31.03.13	AS AT 31.03.13	AS AT 31.03.12
1. LAND											
a) Land & Site Development	-	4,12,25,549	-	-	4,12,25,549	-	-	-	-	4,12,25,549	4,12,25,549
2. BUILDING	**3.34**	10,02,62,070	-	-	10,02,62,070	4,50,59,930	33,48,753	-	4,84,08,683	5,18,53,387	5,52,02,140
3. PLANT & MACHINERY											
a) Plant & Machinery	**4.75**	3,05,23,580	-	-	3,05,23,580	2,11,31,860	14,49,870	-	2,25,81,730	79,41,850	93,91,721
b) Vehicle (car, & truck)	**9.50**	80,98,627	-	-	80,98,627	51,45,777	7,69,370	-	59,15,147	21,83,480	29,52,850
c) Electicals & Electronics	**7.07**	49,80,164	1,16,668	-	50,96,832	37,97,094	3,58,692	-	41,55,786	9,41,046	11,83,070
d) Crockery & Cutlery	**7.07**	17,21,454	37,974	-	17,59,428	15,69,297	1,02,160	-	16,71,457	87,971	1,52,157
e) Office Equipments	**4.75**	20,07,134	13,800	-	20,20,934	9,85,850	95,935	-	10,81,785	9,39,149	10,21,284
f) Misc. Fixed Assets	**9.50**	29,50,300	-	-	29,50,300	28,02,785	-	-	28,02,785	1,47,515	1,47,515
g) Kitchen Equipments	**4.75**	20,89,351	-	-	20,89,351	12,01,550	99,244	-	13,00,794	7,88,557	8,87,801
h) Central Heating Equipments	**4.75**	28,20,007	-	-	28,20,007	20,85,190	1,33,950	-	22,19,140	6,00,867	7,34,817
i) Indoor/ Outdoor Recreation	**4.75**	8,80,669	-	-	8,80,669	5,87,890	41,832	-	6,29,722	2,50,947	2,92,779
j) Computer	**16.21**	2,71,830	-	-	2,71,830	1,30,017	44,064	-	1,74,081	97,749	1,41,813
l) Computer Software	**4.75**	-	30,890	-	30,890	-	1,378	-	1,378	29,512	-
4. FURNITURE & FIXTURES											
a) Furniture & fixtures	**6.33**	1,36,35,446	2,76,038		1,39,11,484	1,29,53,674	14,314	-	1,29,67,988	9,43,496	6,81,772
b) Interior Office Renovation	**7.07**	15,83,336	-	-	15,83,336	11,74,775	1,11,942	-	12,86,717	2,96,619	4,08,561
TOTAL		**21,30,49,517**	**4,75,370**	**-**	**21,35,24,887**	**9,86,25,689**	**65,71,503**	**-**	**10,51,97,192**	**10,83,27,695**	**11,44,23,829**
PREVIOUS YEAR		**21,19,19,478**	**11,30,039**	**-**	**21,30,49,517**	**9,21,07,029**	**65,18,660**	**-**	**9,86,25,689**	**11,44,23,829**	**11,98,12,449**

COSOLIDATED NOTES TO FINANCIAL STATEMENT

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	As at March 31, 2013	As at March 31, 2012
Note - 11		
Loans and advances		
Long term loans and advances (Unsecured, considered good)		
Amount Receivable (Time Share)*	47,73,179	47,73,179
Others		
Prepaid expenses	1,51,991	46,567
Total of long term loans and advances	**49,25,170**	**48,19,746**
Short-term loans and advances		
(Unsecured, considered good)		
Advance to staff	9,25,327	12,16,720
Advance to suppliers	65,066	1,82,472
Advances to Others	43,88,029	
Advance FBT	-	1,34,764
Deposits with Govt. & Others	5,07,092	5,06,902
Prepaid expenses	-	25,206
Income Tax & T.D.S.	3,70,227	3,70,227
Recoverable From Kotak Mahindra	26,301	33,795
Recoverable From Tata capital	58,872	60,788
Total of short term loans and advances	**63,40,914**	**25,30,874**

* Amount received in the earlier years under Time Share Agreement has now been shown under the head unsecured loans, as per the direction/ instruction of Registrar of Companies vide their letter no. TS/209A/6678/641dated 09/07/2009.

Note - 12		
TRADE RECEIVABLES		
(Unsecured, considered good)		
-Debts outstanding for a period exceeding six months	54,69,628	53,12,826
-Others	4,85,885	2,84,477
(Unsecured, considered doubtful)		
-Debts outstanding for a period exceeding six months*	48,19,802	47,74,360
Total of trade receivables	**1,07,75,315**	**1,03,71,663**

* Provision for Rs. 48.20 lacs (Prev. Yr. 47.74 Lacs) has not been made for debts considered as doubtful.

Note - 13		
CASH AND BANK BALANCES		
(a) Cash and cash equivalents		
- Cash on hand	6,74,166	6,33,771
(b) Balances with banks		
- in current accounts	1,38,165	88,456
Total of cash and bank balances	**8,12,331**	**7,22,227**

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

		For the year ended March 31, 2013	For the year ended March 31, 2012
Note. 14			
Revenue from operations			
Rooms		81,45,167	81,37,809
Food & Beverages		79,37,438	64,22,601
Laundry		8,345	1,175
Misc. Sale*		63,91,194	8,07,992
Time Share Income **		3,34,000	3,34,000
Rental ICICI		10,00,000	10,00,000
Total of revenue from operations		**2,38,16,144**	**1,67,03,577**

* Misc. Sales includes various services on which Service Tax is applicable but Company neither charged nor paid Service tax on these services.

** The Time Share membership/ subscription amount is treated as revenue for the year on the basis of Receipts, net of sale Commission paid/ payable divided by Number of years (16 or 33, as the case may be) for which Time Sharing is sold, & 1/16 of the net amount has been recognized as income for each next 16 year subscription and 1/16 of the net amount every alternative year for 33 years subscription.

Note.15			
Other income			
Misc. Income		2,60,929	79,400
Interest on FDR		-	27,086
Total of other income		**2,60,929**	**1,06,486**
Note -16			
COST OF MATERIAL CONSUMED			
FOOD & BEVERAGE			
Opening Stock		3,66,547	1,06,354
Add: Purchases		28,57,594	28,08,690
		32,24,141	29,15,044
Less: Closing Stock		72,710	3,66,547
	(A)	31,51,431	**25,48,497**
Liquor			
Opening Stock		61,172	59,488
Add: Purchases		1,48,880	72,871
		2,10,052	1,32,359
Less: Closing Stock		42,655	61,172
	(B)	1,67,397	**71,187**
Diesel			
Opening Stock		16,170	17,779
Add: Purchases		4,99,920	3,62,789
		5,16,090	3,80,568
Less: Closing Stock		20,699	16,170
	(C)	4,95,391	**3,64,398**
Cooking Gas			
Opening Stock		15,273	7,690
Add: Purchases		26,26,739	5,19,379
		26,42,012	5,27,069
Less: Closing Stock		7,000	15,273
	(D)	26,35,012	**5,11,796**
Total (E) = (A+B+C+D)		**64,49,230**	**34,95,878**
Material Consumed Others	(F)	3,40,350	**-**
Total (E+F)		**67,89,580**	**34,95,878**

Notes to financial statements

(All Amounts in Indian Rupees, except share data and where otherwise stated)

	For the year ended March 31, 2013	For the year ended March 31, 2012
Note.17		
Employee benefits expenses		
Salaries & Other Benefits	76,21,440	76,08,110
Staff welfare expenses	1,66,347	3,14,237
Medical Expenses	66,254	91,560
Gratuity	56,893	1,43,146
Total of employee benefits expenses	**79,10,934**	**81,57,053**
Note.18		
OPERATION & ADMINISTRATIVE EXPENSES		
Advertisement, Publicity & Exhibition	1,34,269	2,96,082
Auditor's Remuneration:		
-Audit Fees	1,73,540	1,73,540
-Tax Audit Fees	84,270	84,270
Business Promotion	84,779	1,45,824
Cartage & Freight	2,05,845	1,56,394
Coal & Cooking Gas	1,65,686	1,86,149
Communication Expenses	4,31,469	4,80,241
Director Sitting Fee	-	49,500
Directors Remuneration	13,20,000	13,20,000
Electricity & Water Charges	14,11,928	14,04,472
Hire Charges	16,460	21,415
Horticulture Expenses	11,484	4,410
House Keeping Expenses	52,247	3,52,063
Insurance	51,929	90,344
Laundry Expenses	2,16,000	1,92,490
Legal & Professional	2,23,197	2,43,268
Misc. Expenses	2,98,596	5,26,526
Penalty & Fine	1,93,942	-
Printing & Stationery	2,33,126	3,75,401
Rates, Fees & Taxes	3,98,225	2,75,615
Repair & Maintanance	13,02,968	11,69,702
Security Expenses	3,13,685	2,55,932
Travelling & Conveyance Exp.	2,11,580	3,86,365
Bank Charges	19,999	32,125
Total of operation & administrative expenses	**75,55,223**	**82,22,128**
Note.19		
Finance costs*		
Bank Interest	-	31,899
Interest on Car Loans etc.	98,010	2,33,080
Interest on TDS	52,262	38,906
Total of finance costs	**1,50,272**	**3,03,885**

*Interest payable to UMAK Investment Co. Pvt. Ltd.@12% p.a. on Rs.12.30 crores and total interest is Rs. 1.48 Crore for the current financial year has been charged as an exceptional expenditure and not shown as a finance cost.

20. CONTINGIENT LIABILITIES

Particulars	Current Year	Previous year
i) Suit filed against the Company by UMAK Investment Company Private Limited	Rs. 12.30 Crore	Rs. 12.30 Crore
ii) Suit filed against the Promoter Directors of the Company and others in their personal capacity by UMAK Investment Company Private Limited	Rs. 4.35 Crore	Rs. 4.35 Crore
iii) Tax demand notice under the H.P. Tax on Luxuries (in Hotels and Lodging Houses) Act, 1979 dated 29/03/2013*	Rs. 43.64 Lacs	Nil

* The Company has filed appeal against this demand of Luxury tax liability at Honourable High Court of Shimla.

21. Demand Order under Section 7A of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 has passed for the period of 08/07 to 04/2010 of Rs. 2,30,119/-, Company has paid it on vide challan No. 00718 dated 7th May, 2013.

22. Provision for Income Tax has not been made, there being no Income tax liability as there was a loss during the year and also accumulated losses from previous year.

23. Balance standing to the debit and credit of parties are subject to confirmation from them.
24. In the opinion of the management, all current assets, loans and advances have a value of realization at least equal to the extent considered good and stated in the Balance Sheet.
25. Ministry of Company Affairs has vide its Notification No. S.O. 301 (E) dated 08 February, 2011 has exempted the Company from the requirement of disclosure of quantitative details as per Part-II of Schedule VI of the Companies Act 1956, in the financial statements subject to fulfillment of the conditions stipulated in paragraph 2 of this notification. Company has been complied all conditions as mentioned in Notification.
26. C.I.F. Value of Imports –NIL.
27. Value of consumption of raw material components and spare parts.

Raw Materials	Current year Amount (In Lacs)	%	Previous Year Amount (In Lacs)	%
Imported	Nil	0%	Nil	0%
Indigenous	67.90	100%	34.96	100%
Components and Spare Parts				
Imported	0.00	Nil	0.00	Nil
Indigenous	0.00	NIL	0.00	NIL

28. Earning in Foreign Exchange Nil (P. Y. Nil)
29. Expenditure in Foreign Exchange Nil (P. Y. Nil)
30. **BASIC AND DILUTED EARNING PER SHARE**

Basic earnings per share are computed by dividing the net profit/ (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity shares and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been Issued at a later date. The number of equity shares and potential diluted equity shares are adjusted for stock split, bonus shares and the potential dilutive effect of employee stock option plans as appropriate.

Basic and diluted earning per share for the year-ended 31.03.2013 is as under:

Description	Current Year	Previous year
Loss after taxation (A)(in Rs.)	(1,96,45,202)	(3,20,27,541)
No. of Shares (B)	80,98,200	80,98,200
Earnings per Share Basic & Diluted (A/ B) (in Rs.)	(2.43)	(3.95)

31. **RELATED PARTY TRANSACTION**

Pursuant to Accounting Standard (AS-18) – "Related Party Disclosure" following parties are to be treated as Related Parties.

Relationship	**Name of the related parties**
i) Related parties where control exists	
Subsidiary Company	U. G. Buildcon Pvt. Ltd
ii) Other related parties	
Key management personnel	Mr. Umesh Phalpher (Chairman & Managing Director) Mr. Harmit Ghai (Whole Time Director)

a) Summary of significant transactions:

Nature of transactions	Key Management Personnel	Total
Loans and advances from related parties *	Rs. 79,61,928	Rs. 79,61,928
	Rs. 66,68,743	*Rs. 66,68,743*
Loans and advances to related parties *	Rs. 35480	Rs. 35480
	Rs. 30,480	*Rs. 30,480*
Investment in U.G. Buildcon Pvt. Ltd.*	Rs. 5,00,000	Rs. 5,00,000
	Rs. 5,00,000	*Rs. 5,00,000*

Previous year figures are stated in italics.

*Maximum balance outstanding at any time during the year.

b) Summary of Material transactions:

Nature of transactions	Key Management Personnel	Total
Loans and advances from related parties	Rs. 12,93,185	Rs. 12,93,185
	Rs. 4,83,000	*Rs. 4,83,000*
Loans and advances to related parties	Rs. 5,000	Rs. 5,000
	Rs. 26,030	*Rs. 26,030*
Director's Remuneration	Rs. 13,20,000	Rs. 13,20,000
	Rs. 13,20,000	*Rs. 13,20,000*

Previous year figures are stated in italics.

c) Summary of balances outstanding as at March 31, 2013:

Nature of transactions	Key Management Personnel	Total
Loans and advances from related parties	Rs. 79,61,928	Rs. 79,61,928
	Rs. 6,668,743	*Rs. 6,668,743*
Loans and advances to related parties *	Rs. 35,480	Rs. 35,480
	Rs. 30,480	*Rs. 30,480*
Investment in U.G.Buildcon Pvt. Ltd.	Rs. 5,00,000	Rs. 5,00,000
	Rs. 5,00,000	*Rs. 5,00,000*

Previous year figures are stated in italics.

32. **DEFERRED TAX**

In compliance with Accounting Standard 22 (AS 22) – 'Accounting for taxes on income', as notified under the Companies (Accounting Standards) Rules, 2006, as amended, the Company in the absence of a virtual certainty of future profits, has not recognized any deferred tax assets during the current year.

33. **EMPLOYEE BENEFITS**

As per Accounting Standard 15" Employee Benefits" (Revised 2005), the disclosures of employee benefits as defined in Accounting Standard are given below:

The Company has classified the various benefits provided to employees as under:

I. Defined Contribution Plans

a. Provident Fund

b. Employer's Contribution to Employees' Pension Scheme 1995

During the year, the Company has recognized the following amounts in the Profit and Loss Account for the above Plans: Rs.0.57Lacs (P.Y.Rs.1.43 Lacs).

II. **Defined Benefit Plans**

Contribution to Gratuity Fund (Non- Funded Scheme)

In accordance with Accounting Standard 15 (Revised 2005), Actuarial Valuation was performed in respect of the aforesaid defined benefit plan based on the following assumptions:

	Current Year	Previous Year
Discount Rate (per annum)	8.00%	8.50%
Rate of increase in Compensation levels	6.00%	6.50%
Rate of Return on Plan Assets	0.00%	0.00%
Expected Average remaining working lives of employees (years)	20.44	27.21

A) Change in the present value of obligation

Non funded Scheme	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Present value of Obligation as at beginning	17.08	16.68
Interest Cost	1.37	1.42
Past Service Cost	-	-
Current Service Cost	1.11	1.38
Settlement Cost/(Credit)	-	-
Benefits Paid	-	(1.03)
Actuarial (gain)/loss on Obligations (Written Back)	(1.91)	(1.37)
Present Value of Obligation as at end	17.65	17.08

B) Changes in the Fair Value of Plan Assets

Non funded Scheme	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Present Value of Plan Assets as at beginning	-	-
Expected Return on Plan assets	-	-
Actuarial Gains and (Losses)	-	-
Contribution	-	-
Benefits Paid	-	-
Assets Distributed on Settlement	-	-
Fair value of Plan Assets as at end	-	-

C) Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets and Amount recognized in the Balance Sheet

	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Present Value of Non-funded Obligation at the end	17.65	17.08
Fair Value of Plan Assets as at the end of the year	-	-
Present Value of Un-funded Obligation at the end	(17.65)	(17.08)
Unrecognized Actuarial (gains)/losses	-	-
Unrecognized Actuarial (gains)/losses	-	-

D) Expenses Recognized in the Profit and Loss Account

Non funded Scheme	Current Year Rs. (In Lacs)	Previous Year Rs. (In Lacs)
Current Service Cost	1.11	1.38
Past Service Cost	-	-
Interest Cost	1.37	1.42
Expected Return on Plan Assets	-	-
Curtailment Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Net actuarial (gain)/loss recognized in the Year	(1.91)	(1.37)
Total Expenses recognized in the Profit and Loss Account	0.57	1.43

34. The Company has a subsidiary company hence the requirements of Accounting Standard–21 relating to consolidate Financial Statements is applicable to the Company.
35. Previous year figures have been regrouped, rearranged & reclassified where ever considered necessary to confirm current year figures.

As per our report even date attached.

For SHARMA GOEL & CO.
CHARTERED ACCOUNTANTS
FRN. 000643N

On Behalf of the Board of Directors

AMAR MITTAL
(PARTNER)
M. No. 017755

UMESH PHALPHER
(MANAGING DIRECTOR)

SANJAY DHAWAN
(DIRECTOR)

PLACE: NEW DELHI
DATED: 30.05.2013

(COMPANY SECRETARY)

Statement pursuant to general exemption received under section 212(8) of the companies act, 1956 relating to susidiary companies

(Amount In Rs.)

S.No.	Name of the subsidiary company	Reporting currency	Exchange rete	Capital	Reserves	Total assets	Total libilities	Investment other than investment in subsidiary	Turnover	Profit/ (Loss) before taxation	Provision for taxation	Profit/ (Loss) after	Propsed Dividend	Country
1	U G BUILDCON PRIVATE LIMITED	INR	1.00	500,000	(113,076)	442,082	442,082	-	-	(33,220)	-	(33,220)	-	India

As per our report of even date

For Sharma Goel & Co.
Chartered Accountants
FRN: 000643N

For and on behalf of the Board

Amar Mittal
Partner
Membership No: 017755

Umesh Phalpher
(Managing Director)

Sanjay Dhawan
(Director)

Place: New Delhi
Date: 30.05.2013

Company Secretary

U.G. HOTELS AND RESORTS LTD.

REGISTERED OFFICE : Shilon Resort, Shilon Bagh, Kufri-Chail Road, Distt. Shimla, Himachal Pradesh

ATTENDANCE SLIP

(THIS ATTENDANCE SLIP DULY FILLED IN TO BE HANDED OVER AT THE ENTRANCE OF THE MEETING HALL)

L.F. NO(s)	**CLIENT ID NO.**
D.P.ID NO.	**NO OF SHARES HELD**

Name of the attending Member……..
(in Block Letters)
Name of Proxy(s) (in Block Letters) ……
(to be filled in if the Proxy attends instead of the member)

I hereby record my presence at the 27th Annual General Meeting of the Company held on Tuesday, 24th day of September, 2013 at 10.00 A.M. at Shilon Bagh, Kufri Chail Road, P.O. Mundaghat, Shimla, Himachal Pradesh

……..……..
Member's /Proxy's Signature
(to be signed at the time of handling over this slip)

.....…….....……PLEASE TREAR HERE…….....……

U.G. HOTELS AND RESORTS LTD.

REGISTERED OFFICE : Shilon Resort, Shilon Bagh, Kufri-Chail Road, Distt. Shimla, Himachal Pradesh

PROXY FORM

L.F. NO(s)	**CLIENT ID NO.**
D.P.ID NO.	**NO OF SHARES HELD**

I /We …….. of ……. Being member(s) of U G HOTELS AND RESORTS LIMITED, hereby appoint…….. of …….. in the district of …… or falling him / her …… of …… in the district of…… as my / our Proxy to attend and vote for me / us, on my / our behalf at the 27th Annual General Meeting of the Company to be held on Tuesday, 24th day of September, 2013 at 10.00 A.M. at Shilon Bagh, Kufri Chail Road, P.O. Mundaghat, Shimla, Himachal Pradesh and at any adjournment thereof.

AS WITNESS my / our hand(s) this …….....…. day of ….....…… 2013.

Affix a Revenue Stamp Signature

Note: i) The Proxy must be sent so as to reach the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting.

ii) The Proxy need not be a member of the company

Shilon Resort
Mountain Tops
Shilon Bagh, Shimla

U.G. HOTELS AND RESORTS LTD.

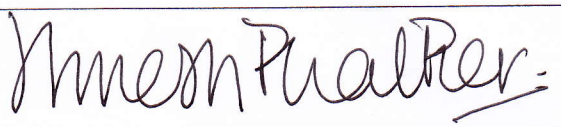
CORPORATE OFFICE : M-10, (MARKET) GREATER KAILASH-II, NEW DELHI - 110048.
Phone : 29210315, 29215323, Telefax : 011-29210376 Mobile : 09810092711, 09971792711 Email : delhi@shilonresorts.net
REGD. OFFICE : "SHILON RESORT" SHILON BAGH KUFRI-CHAIL ROAD P.O. MUNDAGHAT DISTT. SHIMLA - 171012
Tel. : 0177-2733343/44/57-61, Telefax : 0177-2733362, Mobile : 098160-28333/34/35
Email : shilonbagh@shilonresorts.net Website : www.shilonresorts.net

FORM B

1.	Name of the Company	U G Hotels & Resorts Limited
2.	Annual Financial statements for the year ended	31st March, 2013
3.	Type of audit Qualification	a)Regarding dispute & Compromise with UMAK Investment Company Private Limited & Note 13 regarding non-provision of doubtful debts for Rs. 48.20 Lacs and none of the directors other than Mr. Harmeet Ghai are disqualified as at March 31, 2013 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act. b)According to the information and explanations given to Auditors,the amounts were in arrears, as at March 31, 2013 for a period of more than 6 months from the date they become payable are the Employer's contribution to Provident Fund, Employee contribution to provident Fund, Administration charges on Provident Fund, Service Tax, Luxury Tax and VAT amounting to Rs. 7.18 lacs, Rs. 4.66 Lacs, Rs. 0.38 Lacs, Rs. 7.98 Lacs, Rs. 18.86 lacs and 5.93 Lacs respectively. c) Based on Audit the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders except for car loan from Central Bank of India, ICICI Bank Limited, Tata Capital Limited and Kotak Mahindra Limited, but during the financial year company has made settlement / paid all these loans except loan from Central bank of India.
4.	Frequency of Qualification	Since 2008 w.r.t dispute with Umak Investment Company private Limited.
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the Director's Report	a) Company have taken loan from M/s Umak Investment Company Pvt. Ltd. For the purpose of repayment of amount of one time settlement to IFCI & TFCI Limited. Further entire loan along with interest has been settled by sale/transfer of 814930 no. of equity shares of the promoters , their relatives, friends and associates @ Rs. 151/- per share. In addition to abovementioned loan to Company,

FORM B

1.	Name of the Company	U G Hotels & Resorts Limited
2.	Annual Financial statements for the year ended	31st March, 2013
3.	Type of audit Qualification	a)Regarding dispute & Compromise with UMAK Investment Company Private Limited & Note 13 regarding non-provision of doubtful debts for Rs. 48.20 Lacs and none of the directors other than Mr. Harmeet Ghai are disqualified as at March 31, 2013 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act. b)According to the information and explanations given to Auditors,the amounts were in arrears, as at March 31, 2013 for a period of more than 6 months from the date they become payable are the Employer's contribution to Provident Fund, Employee contribution to provident Fund, Administration charges on Provident Fund, Service Tax, Luxury Tax and VAT amounting to Rs. 7.18 lacs, Rs. 4.66 Lacs, Rs. 0.38 Lacs, Rs. 7.98 Lacs, Rs. 18.86 lacs and 5.93 Lacs respectively. c) Based on Audit the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders except for car loan from Central Bank of India, ICICI Bank Limited, Tata Capital Limited and Kotak Mahindra Limited, but during the financial year company has made settlement / paid all these loans except loan from Central bank of India.
4.	Frequency of Qualification	Since 2008 w.r.t dispute with Umak Investment Company private Limited.
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the Director's Report	a) Company have taken loan from M/s Umak Investment Company Pvt. Ltd. For the purpose of repayment of amount of one time settlement to IFCI & TFCI Limited. Further entire loan along with interest has been settled by sale/transfer of 814930 no. of equity shares of the promoters , their relatives, friends and associates @ Rs. 151/- per share. In addition to abovementioned loan to Company,

FORM B

		tax, luxury tax and Vat amounting to Rs, 7.18 Lacs, Rs. 4.66 lacs, Rs. 0.38 Lacs, Rs. 7.98 Lacs, Rs. 18.86 Lacs and Rs. 5.93 Lacs respectively was due to financial crunch, however company has upto date deposited employer's/ employees contribution to provident fund, Administration charges on provident Fund and others Statutory dues shall be paid shortly. C) All dues in respect of car loans have been delayed paid, duee to financial crunch. However, during the year, Company have paid/ settled all car loans except loan from Central Bank of India. The Company has adequate Internal Control System commensurate with its size and business. Company has not received declaration from Mr. Harmeet Ghai under Section 274(1) (g) of the Companies act, 1956.
	Additional comments from the board/audit Committee chair	NA-
6	To be signed by CEO/Managing Director CFO Auditor of the Company Audit Committee Chairman