

Watsonia Developers Limited

Annual Report

2010-11

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their First Report together with the audited accounts of the Company for the period ended 31st March, 2011.

Incorporation

Your Company was incorporated on 2nd June, 2010 and has obtained its Certificate of Commencement of Business on 13th July, 2010.

FINANCIAL HIGHLIGHTS

	(Amount in Rs.)
	For the period 2nd June, 2010 to 31st March, 2011
Total Income	—
Profit / (Loss) Before Depreciation, Interest and Taxation	(1,13,737)
Less : Depreciation	—
Profit / (Loss) Before Interest and Taxation	(1,13,737)
Less : Interest	—
Profit / (Loss) Before Taxation	(1,13,737)
Less : Provision for Taxation	—
Current Tax	—
Deferred Tax	—
Profit / (Loss) for the period after Taxation	(1,13,737)
Balance carried forward to the Balance Sheet	(1,13,737)

Operations

Your Company is exploring business opportunity in residential developments and shall undertake a few projects at an appropriate time.

Dividend

In view of the losses, your Directors do not recommend a dividend for the period under review.

Capital

The Authorised Equity Share Capital of your Company is Rs.10 lakh and the paid-up equity capital of your Company is Rs. 5 lakh.

Your Company is a wholly owned subsidiary of Mahindra Lifespace Developers Limited and consequently a subsidiary of the ultimate holding company, Mahindra & Mahindra Limited.

Directors

Ms. Anita Arjundas, Mr. Rajan Narayan and Mrs. Beroz Gazdar being the first Directors of the Company hold office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received notices from a member signifying the intention to propose Ms. Anita Arjundas, Mr. Rajan Narayan and Mrs. Beroz Gazdar as candidates for the office of Director, and consequently their appointments at the forthcoming Annual General Meeting are recommended for your approval.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors, based on the representations received from the Operating Management and after due enquiry, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments

and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the loss of the Company for the period ended on that date;

- iii) 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;
- iv) the annual accounts have been prepared on a going concern basis.

Code of Conduct

The Company had adopted Code of Conduct ("the Code/s") for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company's business and seeks to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

The Company has for the period under review, received declarations under the Code from the Board Members of the Company affirming compliance with the Code.

Auditors

M/s. B. K. Khare & Co., Chartered Accountants, Mumbai, the first Auditors of the Company, who were appointed by the Board of Directors, retire as Auditors of the Company at the forthcoming Annual General Meeting and have given their consent for re-appointment. The members are requested to appoint Auditors from the conclusion of the forthcoming Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

As required under the provisions of Section 224 of the Companies Act, 1956, the Company has obtained a written certificate from M/s. B. K. Khare & Co., Chartered Accountants, Mumbai, to the

effect that their re-appointment if made, would be in conformity with the limits specified in the said Section.

Public Deposits and Loans / Advances

The Company has not accepted deposits from the public or employees during the period under review.

The Company has not made any loans/advances of the nature, which are required to be disclosed in the annual accounts pursuant to Clause 32 of the Listing Agreements of the parent companies Mahindra Lifespace Developers Limited and Mahindra & Mahindra Limited with the Stock Exchanges.

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

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure to this Report.

Particulars of Employees as required under section 217(2A) of the Companies Act, 1956 and the Rules made thereunder

The Company had no employee, who was employed throughout the Financial Year and was in receipt of remuneration, of not less than Rs. 60,00,000 p.a. during the year ended 31st March, 2011, or was employed for a part of Financial Year and was in receipt of remuneration of not less than Rs. 5,00,000 p.m. during any part of the period.

Acknowledgment

The Directors are thankful to all consultants and associates of your Company for the support received from them during the period under review.

For and on behalf of the Board

Anita Arjundas
Chairperson

Mumbai, 19th April, 2011

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST MARCH, 2011.

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures taken : The operations of your Company are not energy-intensive. However, adequate measures have been initiated to reduce energy consumption
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy : Nil
- (c) Impact of the measures taken/to be taken at (a) & (b) above for : Not Applicable
reduction of energy consumption and consequent impact on the cost of production of goods
- (d) Total energy consumption and energy consumption per unit : Not Applicable
of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the Schedule

B. TECHNOLOGY ABSORPTION

Research & Development (R&D)

- 1. Areas in which R & D is carried out : The Company has not carried out any R&D activities during the period
- 2. Benefits derived as a result of the above efforts : Not Applicable
- 3. Future Plan of action : Further quality improvement
- 4. Expenditure on R & D : Nil
- 5. Technology absorption, adaptation and innovation : Nil
- 6. Imported Technology for the last 5 years : Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

There was no inflow or outflow of foreign exchange involved during the period under review.

For and on behalf of the Board

Anita Arjundas
Chairperson

Mumbai, 19th April, 2011

**AUDITORS' REPORT
TO THE MEMBERS OF
WATSONIA DEVELOPERS LIMITED**

1. We have audited the attached Balance Sheet of Watsonia Developers Limited as at March 31, 2011 and the Profit and Loss Account and the Cash Flow Statement of the Company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 it appears from our examination of the books.
 - c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,
 - ii) in the case of the Profit and Loss Account, of the loss for the period ended on that date, and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2011, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of
B. K. Khare and Co.
Chartered Accountants
Firm Registration No. 105102W

Padmini Khare Kaicker
Partner
M. No. 44784

Place: Mumbai
Dated: April 19, 2011

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of Watsonia Developers for the year ended March 31, 2011.

1. The company did not own any fixed assets at the beginning or at the end of the year. Also it has not purchased or sold any fixed assets during the year. Therefore, provisions of sub-clause (a), (b) and (c) of sub-para (i) of para 4 of the Order are not applicable.
2. Since the company does not hold any finished goods, stores, spares and raw materials. Therefore, provisions of sub-clause (a), (b) and (c) of sub-para (ii) of para 4 of the Order are not applicable.
3. The Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore, provisions of sub-clause (b), (c), (d), (e), (f) and (g) of sub-para (iii) of para 4 of the Order are not applicable.
4. Since the company has not dealt in purchase and sale of any finished goods, stores, spares and raw materials. Also neither it owned any fixed assets at the beginning or at the end of the year nor has purchased or sold any fixed assets during the year. Therefore provisions of sub-para (iv) of para 4 of the Order are not applicable.
5. In respect of transactions entered in the register maintained under section 301 of the Companies Act, 1956:
 - a) In our opinion and according to the information and explanation given to us, there were no transactions exceeding the value of Rs. five lakhs in case of any party that need to be entered in the Register maintained in pursuance of section 301 of the Companies Act, 1956.
 - b) As there are no transactions exceeding the value of Rs. five lakhs in case of any party that need to be entered in the Register maintained pursuant to section 301 of the Companies Act, 1956, sub-clause (b) of sub-para (v) of Para 4 of the Order regarding reasonability of price at which such transactions have been entered is not applicable
6. In our opinion and according to the information and explanations given to us, the company has not accepted any loans or deposits within the meaning of Rule 2(b) of the Companies (Acceptance of Deposit's Rule), 1975.
7. The provisions relating to internal audit are not applicable to the Company.
8. We have been informed that the Central Government has not prescribed maintenance of Cost records u/s 209(1)(d) of the Companies Act, 1956.
9. (i) According to the records of the Company, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respects of income-tax, wealth tax, sales tax, custom duty and excise duty were outstanding, as on March 31, 2011, for a period more than six months from the date they became payable.
 - (ii) There are no disputed dues outstanding as on March 31, 2011 on account of sales tax, customs duty, income tax, excise duty, service tax, income tax, wealth tax and cess.
10. The company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the period is fifty percent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to Financial Institutions and Banks.
12. According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/society are not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the period.
16. To the best of our knowledge and belief and according to the information and explanations given to us, the company has not obtained any term loans during the period ended March 31, 2011.
17. In our opinion and according to information and explanations given to us and on an overall examination of the balance sheet of the company, no funds raised on short term basis have been used for long term investments.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the period.

19. The company has not issued any debentures during the period.
20. During the period the company has not raised any money by way of public issue.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the

company, noticed or reported during the period, nor have we been informed of such case by the management.

For and on behalf of
B. K. Khare and Co.
Chartered Accountants
Firm Registration No. 105102W

Place: Mumbai
Dated: April 19, 2011

Padmini Khare Kaicker
Partner
M. No. 44784

BALANCE SHEET AS AT 31 MARCH 2011

	Schedule	As at March 31, 2011 Rupees
SOURCES OF FUNDS		
Shareholders' funds		
Share capital.....	1	500,000
Total.....		<u>500,000</u>
APPLICATION OF FUNDS		
Current assets, loans and advances		
Cash and bank balances.....	2	402,808
Less: Current liabilities and provisions		
Current liabilities.....	3	16,545
Net current assets		<u>386,263</u>
Profit and loss account		113,737
Total.....		<u>500,000</u>

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

In terms of our report attached

For **B.K. Khare & Co.**

Chartered Accountants

Padmini Khare Kaicker

Partner

Place: Mumbai

Date: April 19, 2011

For and on behalf of the Board of Directors

Anita Arjundas

Chairperson

Rajan Narayan

Beroz Gazdar

Directors

Place: Mumbai

Date: April 19, 2011

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM JUNE 2, 2010 TO MARCH 31, 2011

	Schedule	June 2, 2010 to March 31, 2011 Rupees
EXPENDITURE		
Other expenses	4	113,737
Total.....		<u>113,737</u>
Profit / (Loss) after tax		(113,737)
Profit / (Loss) carried to the balance sheet.....		<u>(113,737)</u>

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

In terms of our report attached

For **B.K. Khare & Co.**

Chartered Accountants

Padmini Khare Kaicker

Partner

Place: Mumbai

Date: April 19, 2011

For and on behalf of the Board of Directors

Anita Arjundas

Chairperson

Rajan Narayan

Beroz Gazdar

Directors

Place: Mumbai

Date: April 19, 2011

CASH FLOW STATEMENT FOR THE PERIOD FROM JUNE 2, 2010 TO MARCH 31, 2011

June 2, 2010
to March 31, 2011
Rupees

A. Cash flow from operating activities

Profit / (Loss) before tax	(113,737)
Adjustments for:	
Operating profit / (loss) before working capital changes	(113,737)
Changes in:	
Increase / (decrease) in current liabilities	16,545
Cash (used in) / generated from operations	(97,192)
Taxes Paid	—
Net cash (used in) / from operating activities	(97,192)

B. Cash flow from investing activities:

Net cash (used in) / from investing activities	—
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C. Cash flow from financing activities:

Proceeds from issue of shares	500,000
Net cash (used in) / from financing activities	500,000
Net increase / (decrease) in cash and cash equivalents (A+B+C)	402,808

Cash & cash equivalents

Opening balance	—
Closing balance	402,808
Net increase / (decrease) in cash and cash equivalents	402,808

In terms of our report attached

For **B.K. Khare & Co.**

Chartered Accountants

Padmini Khare Kaicker

Partner

Place: Mumbai

Date: April 19, 2011

For and on behalf of the Board of Directors

Anita Arjundas

Chairperson

Rajan Narayan

Beroz Gazdar

Directors

Place: Mumbai

Date: April 19, 2011

SCHEDULES FORMING PART OF ACCOUNTS FOR THE PERIOD JUNE 2, 2010 TO MARCH 31, 2011

	As at March 31, 2011 Rupees
SCHEDULE 1 :	
SHARE CAPITAL	
Authorised	
50,00,000 Equity shares of Rs. 10 each	50,000,000
Issued, subscribed and paid up.	
50,000 equity shares of Rs.10 each fully paid	500,000
(The above shares are held by Mahindra Lifespace Developers Limited, the holding company and its nominees)	
	500,000

	As at March 31, 2011 Rupees
SCHEDULE 2 :	
CASH AND BANK BALANCES	
Balances with scheduled bank	
- on current account	402,808
	402,808

SCHEDULE 3: CURRENT LIABILITIES

	As at March 31, 2011 Rupees
Current liabilities	
Sundry creditors	
- dues to micro enterprises and small enterprises	-
- others	16,545
	16,545
	June 2, 2010 to March 31, 2011 Rupees

SCHEDULE 4 : OTHER EXPENSES

Preliminary Expenses	96,566
Remuneration to auditors	
- Audit Fees	16,545
Miscellaneous Expenses	626
	113,737

SCHEDULE 5:

NOTES TO THE ACCOUNTS FOR THE PERIOD JUNE 2, 2010 TO MARCH 31, 2011

Background

The Company was incorporated on 2nd June, 2010 and is engaged in the business of development of Residential complexes and is in the process of identifying lands for acquisition.

1. Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards notified by the Central Government of India under The Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

b) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carried forward losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

c) Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

2. The particulars regarding dues to Micro Enterprises and Small Enterprises have 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.

3. Related Party Disclosures:

(i) List of related parties

1	Mahindra & Mahindra Limited	Ultimate Holding Company
2	Mahindra Lifespace Developers Limited	Holding Company

(ii) Related party transactions for the period:

	Rs.
Mahindra Lifespace Developers Limited:	June 2, 2010 to March 31, 2011.
Investment in Equity shares	5,00,000
Expenses reimbursed	31,521
Payable as at the year end	Nil

4. In line with AS 22, accounting for Taxes on Income, on principles of prudence, the company has not recognized the net deferred tax asset arising due to unabsorbed losses.

5. Earnings per share:

Net (loss) after tax (Rs.)	(1,13,737)
Weighted average number of Equity shares (Nos.)	41,507
Basic and Diluted Earnings per share (Rs.)	(2.74)
Nominal value of shares.(Rs.)	10

6. The company was incorporated on June 2, 2010 and the first accounts of the company are drawn for the period June 2, 2010 to March 31, 2011. Accordingly there are no previous year's figures.

