

MAC CHARLES (INDIA) LIMITED

26th Annual Report 2005-06

Le **MERIDIEN**

BANGALORE

The International Businessman's Hotel



BOARD OF DIRECTORS

Mr. C.B. Pardhanani	Chairman
Mr. J. Matthan	Director
Mr. B.N. Garudachar	Director
Mr. K.R. Sampath	Director
Mr. P.B. Appiah	Director
Mrs. Kavita C. Pardhanani	Director
Miss. Sangeeta C. Pardhanani	Executive Director

SECRETARY & FINANCIAL CONTROLLER

Mr. M.S. Reddy *B.Com., L.L.B., MBIM, FCA, FCS*

AUDITORS

K. B. Nambiar & Associates
101, President Chambers
8, Richmond Road
Bangalore - 560 025

BANKS

State Bank of India, Bangalore
State Bank of Mysore, Bangalore

SHARE DEPARTMENT

28, Sankey Road
Bangalore – 560 052

REGISTERED OFFICE

Le Meridien Bangalore
28, Sankey Road, Bangalore - 560 052

Tel : 22262233/22282828

Fax : 22267676/22262050

E-Mail : secretarial.bangalore@lemeridien.com
leme.bangalore@lemeridien.com

REGISTRAR & TRANSFER AGENTS

CANBANK COMPUTER SERVICES LTD
(A Subsidiary of CANARA BANK)
R & T Centre, Naveen Complex
4th Floor, # 14, M. G. Road
Bangalore - 560 001.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE MEMBERS THAT the 26th Annual General Meeting of **MAC CHARLES (INDIA) LIMITED** will be held at Hotel Le Meridien, No. 28, Sankey Road, Bangalore – 560 052, on **Monday the 25th September 2006 at 3:00 pm** to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the audited accounts of the Company for the year ended 31 March 2006 together with the Directors' and Auditors' report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mrs. Kavita C. Pardhanani, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. P. B. Appiah, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board of Directors

Bangalore
29 August 2006

M.S. REDDY
Company Secretary

NOTES:

- a) A member entitled to attend and vote is entitled to appoint a proxy (whether a member or not) to attend and vote instead of himself but a proxy so appointed has no right to speak at the meeting. **Children accompanying a member/proxy will not be allowed inside the meeting hall.**
- b) Proxy form duly completed and signed should be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the Meeting. Blank proxy form is annexed hereto.
- c) The Register of Members and Share Transfer Books of the Company remain closed from **19th September, 2006 to 22nd September, 2006** (both days inclusive) in connection with this Annual General Meeting.
- d) The dividend on Equity Shares as recommended by the Board, if declared at the meeting will be payable to those shareholders whose names shall appear in the Company's Register of Members on **18th September 2006**.
- e) To avoid the possibility of the dividend warrant being stolen or illegally misappropriated, it is requested to indicate Bank Account Number, Bank Name and its Branch details for incorporation on the dividend warrants. The said Bank Mandate should reach the Registered Office of the Company on or before **25th September, 2006**.
- f) As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the meeting.
- g) Members having specific queries regarding accounts are requested to deposit their queries in writing at the Registered Office of the Company not less than forty-eight (48) hours before the commencement of the meeting, so as to make the management to furnish the clarification.

MAC CHARLES (INDIA) LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the 26th Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31 March 2006

FINANCIAL RESULTS

	<i>Rs. in Lakhs</i>	
	2005-06	2004-05
Sales Turnover	7189.78	5898.15
Other Income	2354.73	691.66
Expenditure	3286.74	2697.56
Provision for Taxation	1679.53	1340.39
Profit for the year	4578.24	2551.87
Profit brought forward from previous year	680.31	301.43
Dividend including Corporate Dividend Tax	746.92	672.98
Transfer to General Reserve	4000.00	1500.00
Profit transfer to Balance Sheet	511.63	680.31
Earning Per Share	69.89	38.95

HOTEL OPERATIONS

The strong economic growth in general coupled with the IT and BPO boom in Bangalore helped the Hotels to attain high room occupancy and better average room rates. The sales turnover has increased considerably and the profit after tax has increased to Rs.4578 lacs. During the year under report, M/s. Starwood Hotels & Resorts, USA acquired Le Meridien Group of Hotels worldwide, which will enhance the brand value and marketing of our Hotel at Bangalore.

FUTURE PROSPECTS

During the current financial year, the hotel business is being maintained and good working results are likely to be achieved barring unforeseen events.

FINANCE

During the year under report, the financial position of the Company has been further improved with significantly increased reserves and surplus.

DIVIDEND

The Board of Directors have recommended a dividend of Rs.10/- per share on share capital of Rs.6.55 crores divided into 65,50,526 equity shares of Rs.10/- each. The dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear in the Register of Members as on 18th September 2006.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- Applicable accounting standards have been followed in the preparation of annual accounts. Material departures therefrom, if any, are properly explained in the notes on accounts ;

- The Board of Directors has selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period ;
- The Board has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- The Annual Accounts have been prepared for the financial year ended March 31' 2006 on a going concern basis.

FOREIGN EXCHANGE EARNINGS

Foreign Exchange Earnings during the year were Rs.5243 lacs which is 73% of the Hotel Sales Turnover. The Foreign Exchange utilisation during the year was Rs.890 lacs.

DUES TO SMALL SCALE UNDERTAKINGS

There are no dues payable to small scale undertakings.

CORPORATE GOVERNANCE

Members are aware that the Corporate Governance code has become a statutory requirement as per listing guidelines framed by the Stock Exchanges. Members will be happy to know that their Company is complying with the stipulations of the new code as on date. In line with this requirement of the code, a Corporate Governance Report and a Management Discussion and Analysis Report of the Company is furnished elsewhere in this Annual Report.

ENERGY CONSERVATION

Conservation of energy continues to be on top priority of the management. The following energy conservation measures have been taken:

- an effective key-tag system is in vogue in all guest rooms to switch off lights & power connections automatically.
- substantially switched over to PL lamps from conventional lamps with a view to saving energy on lighting.
- installed solar panels which are feeding hot water required for the guest rooms.
- imported and installed three highly fuel efficient screw chillers for our AC plant.
- replaced windows with double glazed reflective glass which is supposed to save 10% power on AC consumption.
- installed two on load tap charger transformers for stabilising voltage fluctuations and thereby to save power and prevent damage to electric motors and other installations.
- thermostatic Controls, Timers and Photo Cell Switches have been installed wherever necessary to control power consumption.
- imported and installed two temperature control systems to reduce power consumption.
- constituted an energy conservation committee to monitor power consumption regularly.

TECHNOLOGY ABSORPTION

In the opinion of the Board, the required particulars, pertaining to technology absorption in terms of Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable as hotel forms part of the service industry and the Company does not have any significant manufacturing operations. However, the management has been adopting the latest technology like LCD TV systems, high speed internet installed in all the guest rooms, latest high speed computers, modern guest amenities, best audio-video equipment, newest model transport vehicles for complimentary transport of hotel guests, video conferencing facility and various latest hotel operational equipments. Further the Hotel has been conforming to the Le Meridien's International Standards.

PARTICULARS OF EMPLOYEES

Information under section 217(2A) of the Companies Act, 1956, read with Companies (particulars of employees) Rules, 1975, is appended below :

Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 :

Employed throughout the year :

Name	Mr.Suresh Kumar Badhaney	Ms.Sangeeta C.Pardhanani
Age	56 Years	38 Years
Remuneration	Rs.48,49,846/-	Rs.1,64,44,375/-
Qualification	B.ComDHM	B.ComDBM
Experience	30 Years	4 Years
Date of Commencement of employment	16.03.1992	01.10.2002
Last Employment held Designation	Chola Sheraton, Chennai General Manager	-- Executive Director

EMPLOYEES

The settlement agreements individually and in groups have been signed by majority of workmen. The Union's charter of Demands has been referred to the Labour Tribunal for adjudication. The relationship with employees has been cordial. The total number of persons employed by the Company is 493 as at 31 March 2006.

DIRECTORS

Out of the present Directors, Mrs. Kavita C. Pardhanani and Mr. P.B. Appiah will retire by rotation at the 26th Annual General Meeting and being eligible offer themselves for re-appointment.

AUDIT COMMITTEE

The Audit Committee comprising of Mr. C.B. Pardhanani, Mr. J. Matthan, Mr. B.N. Garudachar and Mr. P.B. Appiah all Directors of the Company with Mr. J. Matthan as the Chairman, discharged its duties and functions in consultation with the Internal

and Statutory Auditors: (a) To review the adequacy of the internal control system and internal Audit Reports and their compliance thereof: (b) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible: and (c) To review with the management, the financial statements before submission to the Board.

AUDITORS' REPORT ON CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, the Auditor's Certificate is given as an annexure to Directors Report.

AUDITORS

M/s. K.B. Nambiar & Associates, Chartered Accountants, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

INTERNAL AUDITORS

M/s. B.P. Rao & Company, Internal Auditors have been conducting quarterly audits of all operations of the Company and their findings have been reviewed regularly by the Audit Committee. Your Directors note with satisfaction that no material deviations from the prescribed policy and procedures have been observed.

SECRETARIAL AUDIT

As per SEBI Regulations, secretarial audit is being carried out at the specified periods by a practicing Company Secretary. The findings of the secretarial audit are satisfactory.

FUND

"Investors Education & Protection Fund in terms of Section 205C of the Companies Act, 1956 - There is no amount to be credited to the fund as on date. As such the question of remitting any amount to the Investors Education & Protection Fund does not arise".

ACKNOWLEDGEMENTS

Your Directors are grateful to the Shareholders for their support, patience and co-operation extended to the Company for many years. The Directors also thank the Banks namely State Bank of India and State Bank of Mysore for their co-operation and support. The Directors wish to place on record the support and encouragement received from the Department of Tourism, Government of India, Karnataka State Government and Foreign collaborators M/s.Le Meridien. The Directors also acknowledge the dedicated services rendered by the officers and all the staff of the Company.

For and on behalf of the Board

Bangalore
29 August 2006

C.B. Pardhanani
Chairman

MAC CHARLES (INDIA) LIMITED

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is the social, legal and economic process by which companies function and are held accountable. Messrs. Mac Charles (India) Ltd., is committed in implementing corporate governance in true letter and spirit, maximizing shareholder value and paving way for good partnership and alliances. The company believes in having a long term partnership with investors by having transparency and fairness in the dealings and placing an uncompromising emphasis on integrity and regularity of compliance.

The functions of the Board of Directors and the executive management are well defined and are distinct from one another. The Chairman of the company is a non-executive Director. More than 1/3rd strength of the Board of Directors is independent. Various (presently three) Committees of the Board of Directors, mainly consist of Executive and non-executive Directors and have been formed to oversee the functions of the executive management and impart professionalism to the Board.

BOARD OF DIRECTORS

The Company has an appropriate mix of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and the executive management. During the year the Board comprised of Chairman, one Executive Director and five Non-Executive Directors of whom four were independent Directors.

Board Meetings are scheduled well in advance. Agenda papers along with explanatory notes are distributed in a timely manner to Board members. The Board meets at least once in every quarter to review the quarterly financial results and discuss issues of import. During the year under review six Board Meetings have taken place on 28 June 2005, 26 September 2005, 26 October 2005, 13 December 2005, 19 December 2005 and 10 March 2006.

Table 1 : Details of attendance of each Director at various meetings of the company and their Directorship held at other corporate bodies are as follows :

Sl. No	Name of Director	Category	No. of Board Meetings Attended	Last AGM attended	No. of Committee Member	No. of Chairmanship in Board / Committee	No. of Other Directorships (Public Ltd Companies)	No. of Other Directorships (Private Ltd. Companies)	Number of Shares Held
1.	Mr. C.B. Pardhanani	Non- Executive	6	YES	3	2	NONE	3	1000150
2.	Mr. J. Matthan	Independent	6	YES	3	2	1	1	200
3.	Mr. B.N. Garudachar	Non- Executive Independent	6	YES	1	NONE	NONE	NONE	----
4.	Mr. K.R.Sampath	Non- Executive Independent	4	YES	NONE	NONE	NONE	NONE	-----
5.	Mr. P.B. Appiah	Non- Executive Independent	6	YES	2	NONE	1	NONE	-----
6.	Mrs. Kavita C. Pardhanani	Non-Executive	3	YES	NONE	NONE	NONE	NONE	2500
7.	Miss. Sangeeta C. Pardhanani	Executive	4	YES	NONE	NONE	NONE	3	321750

None of the Directors is a Member of more than ten Board-level Committees, or a Chairman of more than five such Committees, as required under clause 49 of the listing agreement.

Particulars of Directorships of other Companies and Memberships of their Committees

Name of the Director	Other Directorships		Other Committee Membership	
	Name of the Company	Position	Name of the Company	Committee Position
Mr. C B Pardhanani	Kapi Investment Ink Ltd., Mauritius	Director		NIL
	Sanko Properties Pvt. Ltd.	Director		
	Vaswani Properties Pvt.Ltd.	Director		
	Vaswani Investments & Holdings P. Ltd.	Director		
Mr. J Matthan	Bombay Burmah Trading Corp.Ltd.	Director	Bombay Burmah Trading Corp.Ltd.}	Audit Committee Chairman
	Hosmat Hospital Pvt.Ltd.	Director		Remuneration Committee Chairman
Mr. B N Garudachar		NIL		NIL
Mr. K R Sampath		NIL		NIL
Mr. P B Appiah	Integrated Finance Co.Ltd.	Director	Integrated Finance Co.Ltd.	Audit Committee Member
Mrs.Kavita C Pardhanani		NIL		NIL
Ms.Sangeeta C Pardhanani	Sanko Properties Pvt. Ltd.	Director		NIL
	Vaswani Properties Pvt.Ltd.	Director		
	Vaswani Investments & Holdings P. Ltd.	Director		

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COMMITTEES OF THE BOARD

The following subcommittees of the Board of Directors of the Company have been constituted :

a) AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Name of Directors	Designation	Category
Mr. J. Matthan	Chairman	Independent - Non Executive
Mr. C.B. Pardhanani	Member	Non-Executive
Mr. B.N. Garudachar	Member	Independent - Non Executive
Mr. P.B. Appiah	Member	Independent - Non-Executive

Mr.J. Matthan, Chairman of Audit Committee is a former Chairman of LIC with a wide experience in finance and administration. The Committee regularly keeps a watch on the adequacy of internal control systems. It reviews the company's financial reporting systems, the monthly and quarterly financial results, half yearly results and ensures that the financial statements prepared by the company give a true and fair view of the affairs of the company. Three meetings of the Committee were held on 28 June 2005, 9 November 2005 and 10 March 2006.

Table 2 : Attendance record of Audit Committee Members :

NAME OF THE DIRECTOR	CATEGORY	NUMBER OF MEETINGS	
		HELD	ATTENDED
Mr. C.B. Pardhanani	Non-Executive	3	2
Mr. J. Matthan	Independent - Non-Executive	3	3
Mr. B. N. Garudachar	Independent - Non-Executive	3	3
Mr. P. B. Appiah	Independent - Non-Executive	3	3

b) SHARE TRANSFER & SHAREHOLDERS GRIEVANCE COMMITTEE

This committee comprises of Mr. C. B. Pardhanani - Chairman and Mr. J. Matthan, who is an independent and non-executive Director. The committee approves and monitors transfers, transmissions of shares, transposition of names, and investigates and directs redressal of shareholders' grievances. Share transfers are processed in not more than a month's time. The Committee endeavors to attend to the investors' grievances/correspondences within a period of fortnight from the date of receipt of the same, except in cases which are constrained by disputes or legal impediments.

Compliance Officer : MR. M. S. REDDY,
Company Secretary

Communication Address : No. 28, Sankey Road,
P.B. No. 174, Bangalore - 560 052.

Table 3 : Details as to the shareholders complaints received and handled during the year is given under :

NATURE OF COMPLAINT	NO. OF COMPLAINTS RECEIVED	NO. OF COMPLAINTS REPLIED	NO. OF PENDING COMPLAINTS
With regard to share transfer/ Transmission/ Transposition/ Dividend / Annual Reports etc.,	21	21	Nil

MAC CHARLES (INDIA) LIMITED

c) REMUNERATION COMMITTEE :

The composition of the Audit Committee is as follows:

Name of Directors	Designation	Category
Mr. J. Matthan	Chairman	Independent - Non Executive
Mr. C.B. Pardhanani	Member	Non-Executive
Mr. P.B. Appiah	Member	Independent - Non-Executive

The company has set up a Remuneration Committee of the Board. The Committee determines on behalf of Board and on behalf of the shareholders as per agreed terms of reference, the Company's policy of remuneration package. Mr.J. Matthan, Chairman of Remuneration Committee, is a former Chairman of LIC with a wide experience in finance and administration. No stock option has been offered to the Directors or Executives of the Company. The remuneration policy of the Company is based on individual employee's merit and performance in particular and the Company's working results in general. Two meetings of the Committee were held on 26 September 2005 and 9 November 2005.

Table 4 : Attendance record of Remuneration Committee :

NAME OF THE DIRECTOR	CATEGORY	NUMBER OF MEETINGS	
		HELD	ATTENDED
Mr. C.B. Pardhanani	Non-Executive	2	1
Mr. J. Matthan	Independent - Non-Executive	2	2
Mr. P. B. Appiah	Independent - Non-Executive	2	2

Table 5 : Details of remuneration payable to Directors, during the Financial Year 2005-2006 are as under :

Name of the Director	Sitting Fees (Rs.)	Commission /Fees / Remuneration (Rs.)
Shri C.B. Pardhanani	-	52,48,500
Shri J. Matthan	67,500	-
Shri B.N. Garudachar	37,500	-
Shri K.R. Sampath	15,000	-
Shri P.B. Appiah	45,000	1,32,000
Smt. Kavita C Pardhanani	15,000	-
Miss. Sangeeta C Pardhanani	-	1,64,44,375
	1,80,000	2,18,24,875

NON-MANDATORY REQUIREMENTS

The chairman of the Company, who is a Non-Executive Director, is entitled to maintain a Chairman's office and is allowed reimbursement of expenses incurred in performance of his duties.

GENERAL BODY MEETING

Table 6 : The Company has held last three AGM's as per the details furnished below :

Financial Year (ended)	Date	Time	Venue
31 March 2003	30 September 2003	3:00 p.m.	Hotel Le Meridien, No.28, Sankey Road, Bangalore – 560 052.
31 March 2004	30 September 2004	3:00 p.m.	Hotel Le Meridien, No.28, Sankey Road, Bangalore – 560 052.
31 March 2005	13 December 2005	3:00 p.m.	Hotel Le Meridien, No.28, Sankey Road, Bangalore – 560 052.

A. CODE OF CONDUCT

Pursuant to Clause 49 of the listing agreement with the Stock Exchanges effective 1st January, 2006, all listed Companies are required to adopt a Code of Conduct for Board Members and members of the Senior Management. Accordingly, the Board of Directors of the Company has laid down a Code of Conduct applicable to all the Board Members and Senior Management Personnel. All those governed by the said Code of Conduct have made the following declaration with respect to adoption of the Code of Conduct.

Dear All (or Members),

This is to certify that all Board Members and Senior Management Personnel(s), to whom the Code of Conduct of the Company applies, are complying / abiding by the same and no instance of non-compliance with the same has been reported till date.

Place : Bangalore

Date : 11 August 2006

Sangeeta C. Pardhanani
Executive Director

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B. CEO CERTIFICATION

As per the requirement of Corporate Governance Code, the Executive Director and Chief Financial Officer have furnished a necessary certificate to the Board of Directors with respect to financial statements and cash flow statement for the year ended 31 March 2006.

DISCLOSURES

Under related party transactions :

Rental Income of the Director's House : In order to provide official housing for the Executive Director, the Company has entered into a lease agreement for a transit house with Miss. Sangeeta C Pardhanani, Executive Director on a monthly rent of Rs. 95,000/- as against the fair market rental of Rs.3,00,000/-.

MEANS OF COMMUNICATION

The Company is publishing unaudited quarterly results in the newspaper namely, Financial Express/ Business Standard.

GENERAL SHAREHOLDER INFORMATION**Annual General Meeting**

Date	Time	Venue
Monday, 25 September 2006	3 p.m.	Hotel Le Meridien, No.28, Sankey Road, Bangalore – 560 052.

Financial Calendar (Tentative and subject to change)

Table : 7 1st April 2006 to 31st March 2007 :

Financial Reporting for the Quarter ending 30th June, 2006	27th July, 2005
Financial Reporting for the Quarter ending 30th September, 2006	End of October, 2006
Financial Reporting for the Quarter ending 31st December, 2006	End of January, 2007
Financial Reporting for the Quarter ending 31st March, 2007	End of April, , 2007

Date of Book Closure : 19th September, 2006 to 22nd September, 2006 (both days inclusive)

Dividend Payment Date : On or before 24th October, 2006

Listing on Stock Exchanges	Address	Stock Code
The Bangalore Stock Exchange The Stock Exchange	No. 51, Stock Exchange Towers, J.C. Road, Banglaore – 560 027. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.	BgSE : MAC BSE : 507836

The Company has paid Annual Listing Fees to the above Stock Exchanges.

DEMAT / PHYSICAL : All shares of the Company are traded in Physical form.

The Company has applied to the respective Depositories mentioned below for depository services :

National Securities Depository Ltd.

Trade World 4th Floor, Kamla Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

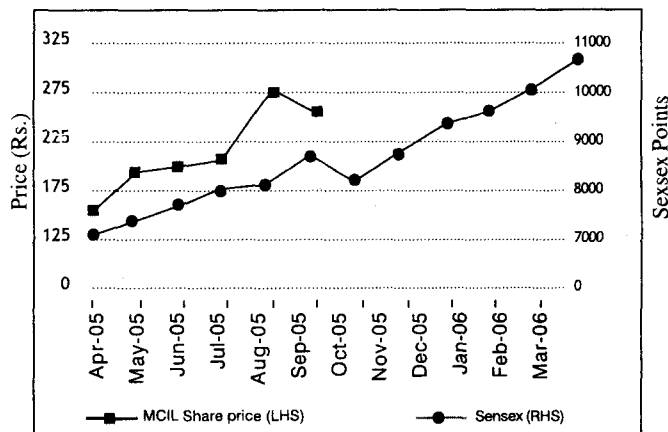
Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street, Mumbai - 400023

Share Price Performance

Table : 8 (a) The shares of the Company are listed on Bombay Stock Exchange, Mumbai and the share price movements are as follows:

Month	Monthly High (Rs.)	Monthly Low (Rs.)
April 2005	145.00	134.50
May 2005	202.85	132.60
June 2005	206.50	169.15
July 2005	213.50	165.70
August 2005	274.90	192.15
September 2005	253.00	222.40
October 2005	-	-
November 2005	-	-
December 2005	-	-
January 2006	-	-
February 2006	-	-
March 2006	-	-

BSE suspended trading w.e.f. 22.09.2005 for non payment of listing fees.



(b) No shares are traded on Bangalore Stock Exchange from 1.4.2005 to 31.3.2006.