



India Hospitality Corp. Interim Results

India Hospitality Corp. is pleased to announce its interim results for the period ended 30 September 2009.

Key operational highlights

- Company obtains extension for its Delhi Air Catering Unit
- Settles warranty claims
- Acquires the rights to "You" brand of hotels
- Incentivises and aligns interests of new management team through share grants
- Management assumes full control of operating subsidiaries
- Entered into a hospitality development partnership with leading Indian real estate firm, Entertainment World Developers Pvt. Ltd. post the reporting period

Financial Highlights

- Total Revenue of US\$21.8 million
- Net loss after tax of US\$8.7 million
- Basic and Diluted earnings per share US\$ (0.29)

The Condensed Consolidated Interim Financial statements of the Company for the period ended 30 September 2009 are presented below and a full version of these will be available on the Company's website www.indiahospitalitycorp.com.

The financial information set out in these interim results is unaudited and does not constitute the Company and its subsidiaries (together "the Group") statutory financial statements.

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About India Hospitality Corp.

India Hospitality Corp (IHC), through its operating subsidiaries has pan-Indian interests in the air catering, hospitality and leisure industries. Its mission is to create a portfolio of opportunities through the acquisition and successful integration of India oriented businesses and assets in the hospitality, food services and related industries. In July 2007, IHC closed on the acquisition of India-based Mars Restaurants Private Limited, an emerging hotel and restaurant company, and SkyGourmet Catering Private Limited, an airline catering company with 2,800 employees across its facilities in India. IHC is based in the Cayman Islands and listed on the AIM market of the London Stock Exchange. The Company is substantially owned by Ravi Deol, Sandeep Vyas and Hayground Cove Asset Management.

Chairman's Statement

On behalf of the India Hospitality Corp. the Board of Directors are pleased to report the Company's unaudited interim financial results for the period ending 30 September 2009.

The results for the first half of FY 2010 reflect the tough economic environment, especially as it relates to the Hospitality Industry in India.

On a consolidated basis, revenues for the Group for the six month period ended 30 September 2009 were US\$21.8 million when compared with US\$20.4 million during the same period last year. The revenue for the period under review includes US\$4.57 million from the settlement agreement arrived at with Navis Capital Partners and certain private shareholders as announced on 6 May 2009.

The Group reported a total loss of US\$8.6 million during the first half of the fiscal year, compared with a loss of US\$5.6 million during the same period last year. The expenses include a number of non-recurring items relating to the issuance of shares to the new management and IHC assuming full control of its operating subsidiaries.

Airline Catering

SkyGourmet Private Limited ("Sky Gourmet"), the Company's airline catering division, generated revenues of US\$13.5 million for the six month period ended 30 September 2009, compared with US\$14.4 million during the same period last year. Adjusted for the impact of currency fluctuations, revenues increased 7.1%. Sky Gourmet generated an EBITDA of US\$1.9 million during the period compared with an EBITDA of US\$1.6 million in the same period last year, representing a 39% growth rate on a constant currency basis. The Directors believe that the prospects for the catering division are expected to remain positive as the aviation industry continues to recover in India. Sky Gourmet has experienced sequential margin expansion as capacity utilisation levels stabilise. In spite of the tough operating environment during the first half of the year, the Directors believe that Sky Gourmet's performance is a testament to the long term profitability and longevity of the business.

Hotels

The Company's hotel asset in South Mumbai was severely impacted by the Mumbai terrorist attacks in November 2008, which impacted on the majority of the period under review. Revenues for this business segment during the first half of FY 2010 were US\$0.9 million compared with US\$1.3 million during the same period last year. Occupancy levels during the period under review were 66%, a solid recovery from historic lows experienced following the last calendar quarter of 2008, and average room rates, while lower than the prior year, are still showing good signs of recovery. We are very excited about the Company's near term hotel expansion plan through its partnership with Entertainment World Developers Private Limited ("EWDPL"), announced 3 December 2009. IHC will continue to execute its plan to expand its hotel management business and the agreement with EWDPL is anticipated to increase its room base by approximately 1,000 rooms (in two tranches) over the next few years.

Restaurants

The restaurants division reported revenues of US\$ 2.5 million during the first half of FY 2010 compared to US\$ 3.8 million in the same period last year. The decline in revenue is primarily on account of the loss of 3 restaurant locations in Mumbai that coincided with IHC assuming full control of its operating subsidiaries. Management believe that there remains a significant opportunity in the branded restaurant sector and there is a continued effort to rationalise our brands and leverage our air catering infrastructure to provide high quality, high margin food services to Indian consumers.

Board of Directors

As announced on 29 October 2009, Mr Richard Foyston and Mr Nicholas Bloy resigned from the board of the Company. The Board would like to thank Mr Foyston and Mr Bloy for their contributions throughout their time with the Company.

Outlook

While the hospitality industry in general and the aviation sector in specific have experienced a turbulent last 18 months, the Directors remain optimistic given the muted signs of a rebound that are being seen in India. Based on data released by the Ministry of Civil Aviation, air passenger numbers in India have shown an increase of approximately 33% and 30% in the months of October 2009 and November 2009 when compared with the same periods in 2008. According to HVS, a global hospitality consultancy firm, hotel occupancy levels across key markets in the country have firmed up considerably in the months of October and November this year when compared with the same period last year. With this improvement in the hospitality and aviation sector coupled with the strength of the Company's management team and strong business development efforts, the

Directors remain positive about the long term outlook of the Company.

The Directors would like to thank the Shareholders for their continued support and we look forward to achieving continued success together.

Jason Ader
Chairman of the Board of Directors

Condensed Consolidated Statement of Financial Position

(All amounts in USD, unless otherwise stated)

	As at September 30, 2009 (Unaudited)	As at September 30, 2008 (Unaudited)	As at March 31, 2009 (Audited)
Assets			
Non current			
Goodwill	25,895,374	26,272,730	23,843,420
Property, plant and equipment	73,995,026	76,231,790	70,233,618
Intangible assets	40,063,882	45,045,786	39,308,905
Capital work in progress	-	4,054,668	-
Deferred tax assets	594,268	844,558	594,268
Other long term financial assets	6,058,574	5,708,124	5,947,368
Prepayments and accrued income	3,720,919	4,944,022	3,716,086
Restricted cash	304,277	879,330	224,583
Investment	-	2,181	-
Total non current assets	150,632,320	163,983,189	143,868,248
Current			
Inventories	415,382	395,782	415,083
Trade and other receivables, net	11,855,187	8,619,749	8,819,013
Other short term financial assets	4,043,848	2,492,000	3,281,722
Prepayments and accrued income	317,047	328,140	303,295
Cash and cash equivalents	3,070,349	7,929,270	3,103,891
Restricted cash	-	7,392	-
Total current assets	19,701,813	19,772,333	15,923,004
Total assets	170,334,133	183,755,522	159,791,252
Liabilities and Equity			
Current liabilities			
Interest bearing loans and borrowings	9,897,106	21,198,309	8,879,335
Trade and other payables	13,384,914	12,020,314	11,305,032
Total current liabilities	23,282,020	33,218,623	20,184,367
Non current			
Interest bearing loans and borrowings, net of current portion	26,558,185	11,657,928	22,251,185
Employee benefit obligations	593,553	629,953	574,198
Deferred tax liability	16,815,097	18,181,684	15,300,754
Total non current liabilities	43,966,835	30,469,565	38,126,137
Total liabilities	67,248,855	63,688,188	58,310,504

Additional paid in capital	148,517,102	147,469,659	147,469,159
Stock options	525,377	-	-
Translation reserve	(21,807,382)	(20,685,977)	(30,513,587)
Accumulated earnings	(24,180,727)	(6,743,947)	(15,502,923)
Total equity	103,085,278	120,067,334	101,480,748
Total liabilities and equity	170,334,133	183,755,522	159,791,252

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

Condensed Consolidated Statement of Comprehensive

Income

(All amounts in USD, unless otherwise stated)

	For period April 1, 2009 to September 30, 2009 (Unaudited)	For period April 1, 2008 to September 30, 2008 (Unaudited)
Revenues		
Operating revenue	17,001,162	19,541,543
Finance and other income	4,759,330	873,532
Total	21,760,492	20,415,075
Expenses		
Direct operating expenses	17,483,717	20,414,534
Administrative expenses	10,808,096	3,833,027
Selling expenses	40,434	59,869
Finance charges	2,034,640	1,766,297
Total	30,366,887	26,073,727
Loss before tax	(8,606,395)	(5,658,652)
Taxes		
Current tax expense	-	-
Deferred tax charge/credit for the period	71,410	(214,411)
Loss for the period	(8,677,805)	(5,444,241)
Other Comprehensive Income:		
Exchange difference on translating foreign operations	8,706,205	(20,765,515)
Total comprehensive income for the period attributable to the owners of India Hospitality Corp.	28,400	(26,209,756)
Earnings per share		
Basic	(0.29)	(0.20)
Diluted	(0.29)	(0.20)

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

Condensed Consolidated Statement of Changes in Equity

(All amounts in USD, unless otherwise stated)

	Equity attributable to share holders of India Hospitality Corp.				
	Common stock – Amount	Additional paid in capital	Translation reserve	Accumulated earnings	Total
Balance as at April 1, 2009					
(Audited)	28,099	147,469,159	(30,513,587)	(15,502,923)	101,480,748
Share based payment to directors	2,809	1,047,943	-	-	1,050,752
Stock compensation reserve		525,378	-	-	525,378
Transactions with owners	2,809	1,573,321	-	-	1,576,130
Loss for the period	-	-	-	(8,677,805)	(8,677,805)
Other Comprehensive Income					
Exchange difference on translating foreign operations	-	-	8,706,205	-	8,706,205
Total comprehensive income for the period			8,706,205	(8,677,805)	28,400
Balance as at September 30, 2009 (Unaudited)	30,908	149,042,480	(21,807,382)	(24,180,728)	103,085,278
Balance as at April 1, 2008					
(Audited)	27,584	147,369,661	79,537	(1,299,706)	146,177,077
Share based payment to directors	16	99,998	-	-	100,014
Transactions with owners	16	99,998	-	-	100,014
Loss for the period	-	-	-	(5,444,241)	(5,444,241)
Other Comprehensive Income					
Exchange difference on translating foreign operations	-	-	(20,765,515)	-	(20,765,515)
Total comprehensive income for the period			(20,765,515)	(5,444,241)	(26,209,756)
Balance as at September 30, 2008 (Unaudited)	27,600	147,469,659	(20,685,978)	(6,743,947)	120,067,334

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

Condensed Consolidated Statement of Cash Flows

(All amounts in USD, unless otherwise stated)

	For six months ended September 30, 2009 (Unaudited)	For six months ended September 30, 2008 (Unaudited)
Operating activities		
Loss before tax	(8,606,395)	(5,658,652)
Adjustments for non cash items:		
Depreciation and amortisation	5,855,231	5,398,328
Interest expenses, net	2,034,640	1,762,844
Income on settlement of warranty claim relating to business combinations	(4,565,756)	-
Loss on sale of asset, net	156,502	109,576
Interest income, net	(2,173)	(50,123)
Dividend income	-	(367,128)
Expense for share based payments to directors	1,047,944	99,997
Others	18,150	171
Net Changes in working capital		
Increase/(decrease) in current liability	2,281,762	(2,080,586)
(Increase)/decrease in current assets	(2,522,181)	(217,244)
Taxes paid	(60,235)	(77,191)
Cash used in operating activities	(4,362,511)	(1,080,008)
Investing activities		
Interest received	2,636	28,827
Proceeds from sale of property, plant and equipment	61,200	18,727
Payments for purchase of property, plant and equipment	(849,711)	(7,531,479)
Proceeds from sale of investments	95	-
Dividend received	-	144,128
Income on settlement of warranty claim relating to business combinations	4,565,756	-
Cash generated from / (used in) investing activities	3,779,976	(7,339,797)
Financing activities		
Proceeds from issue of shares	2,810	16
Interest paid	(2,034,640)	(1,762,844)
Proceeds from bank loans	3,248,735	1,924,655
Repayment of bank loans	(623,622)	(1,031,275)
Cash generated from / (used in) financing activities	593,283	(869,448)

Cash in hand	65,929	107,703
Balances with banks	3,004,420	1,217,180
Investment in highly liquid funds	-	6,596,600
Share in joint venture	-	7,787
	<u>3,070,349</u>	<u>7,929,270</u>

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

Notes to Condensed Consolidated Interim Financial statements

(All amounts in USD, unless otherwise stated)

NOTE A - BACKGROUND INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF OPERATIONS

India Hospitality Corp. ("IHC" or "the Company") and its subsidiaries operate a diversified pan-Indian hospitality and leisure business. The Company was formed on May 12, 2006 as a blank-check company to acquire Indian businesses or assets in the hospitality, leisure, tourism, travel and related industries, including but not limited to hotels, resorts, timeshares, serviced apartments and restaurants.

In July 2007, the Group completed the acquisition of India-based Mars Restaurants Private Limited ("MRPL" or Mars), an emerging hotel and restaurant company and SkyGourmet Catering Private Limited ("SGCPL" or SkyGourmet), an airline catering company from affiliates of Navis Asia Funds and certain private shareholders (the "Sellers") pursuant to a share purchase agreement ("SPA").

Mars was incorporated in the year 2000 with the objective of operating and managing restaurants. Since its incorporation, Mars has diversified into bakery outlets and operating and managing food courts and hotels.

SkyGourmet was incorporated in the year 2002 and currently provides in-flight catering services to a number of domestic and international airlines with operations in Mumbai, New Delhi, Bangalore, Hyderabad, Chennai and Pune.

2. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on May 12, 2006 and its shares are publicly traded on the AIM market operated by the London Stock Exchange. As of September 30, 2009, the Company has subsidiaries incorporated in Mauritius, Netherlands and India. The Company expects to conduct business, including making of acquisitions, through its Mauritius subsidiary.

These condensed consolidated interim financial statements have been approved by the Board of Directors on December 18, 2009.

3. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Company with its subsidiaries for the six months period ended September 30, 2009 and the relevant comparatives have been prepared in accordance with IAS 34 Interim Financial Reporting as developed and published by the International Accounting Standards Board ('IASB'). They do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended March 31, 2009. These condensed consolidated interim financial statements have been prepared on a going concern basis.

The Group has been impacted by the current economic environment and in particular the difficult circumstances being experienced by the Indian aviation industry which has resulted in uneven operating cash flows in recent months. The Group has incurred a loss after tax of USD 8,677,805 during the period ended September 30, 2009. While the Group has the ability to meet its obligations in the ordinary course of business, the funding of its future operations is dependent upon its ability to obtain additional debt or equity financing. The Group's ability to fund its future operations is dependent upon its ability to establish profitable operations and to obtain additional debt or equity financing. Management believes that the Group needs to raise additional finance or reschedule its existing indebtedness over the next few months without which there could be delays in planned capital expenditure and the Group being unable to take advantage of growth opportunities especially as it relates to the hotel and restaurants business. Management has been focused on cash preservation and cost control and is in the process of exploring potential sources of further funding (both from existing shareholders and third parties). The Group is

currently not in breach of its banking covenants. Having considered these matters management is satisfied that preparation of the financial statements on a going concern basis is appropriate. Accordingly, these financial statements do not include any adjustments that might result from the outcome of this uncertainty.

These condensed consolidated interim financial statements of the Group is prepared and presented in United States Dollars ("USD"), the Company's reporting currency. The Group has chosen to present the condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity along with selected explanatory notes (referred to as 'condensed consolidated interim financial statements').

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended March 31, 2009 except for the adoption of:

- IAS 1 Presentation of Financial Statements (Revised 2007)
- IFRS 8 Operating Segments

5. CHANGE IN ACCOUNTING POLICIES

5.1. Adoption of IAS 1 Presentation of Financial Statements (Revised 2007)

The Group has adopted IAS 1 Presentation of Financial Statements (Revised 2007) in its consolidated financial statements. The adoption of this standard makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange differences arising on translation of foreign operations. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. In particular, an amount of USD 8,706,205 (2008: USD 20,765,978) that would previously have been recognised directly in equity, has now been recognised in Consolidated Statement of Comprehensive Income. Further, a 'Statement of changes in equity' is presented as a primary statement.

These accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

5.2 Adoption of IFRS 8 Operating Segments

The Group has adopted IFRS 8 Operating Segments, which replaces IAS 14 Segment Reporting. The adoption of this standard has not affected the identified operating segments for the Group however the accounting policy for identifying these segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns, which required the Group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. Refer to note 4.7 for further information about the entity's segment reporting accounting policies under IFRS 8.

These accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

6. BASIS OF CONSOLIDATION

The subsidiaries which consolidate under India Hospitality Corp. comprise the entities listed below:

Name of the Entity	Period end date	Holding Co.	Country of Incorporation	Effective Group Share-holding (%)
India Hospitality Corp. (IHC)	September 30, 2009		Cayman Island	100
IHC Mauritius (IHC M)	September 30, 2009	IHC	Mauritius	100
Mars Restaurants Private Limited (MRPL)	September 30, 2009	IHC M	India	100
SkyGourmet Catering Private Limited (SCPL)	September 30, 2009	IHC M	India	100
IHC Advisory Services Private Limited	September 30, 2009	IHC	India	100
New India Glass Private Limited	September 30, 2009	SCPL	India	100
Gordon House Estates Private Limited	September 30, 2009	MRPL	India	100
Navigate India Investments B.V	September 30, 2009	IHC M	Netherlands	100
IBEA Mars and GHH Holdings B.V	September 30, 2009	IHC M	Netherlands	100
S.C. Ventures Ltd	September 30, 2009	IBEA	Mauritius	100
Karia Investments B.V	September 30, 2009	Navigate	Netherlands	100

Till July 31, 2009 MRPL held a 49% stake in Gourmet Restaurants Private Limited ("GRPL"), a joint venture company and the remaining 51% was held by the Tendulkar family. Pursuant to the assumption of operating controls of the Indian entities as discussed in Note B.4, MRPL has transferred its entire interest in GRPL to the Mars Catering Services Private Limited and accordingly GRPL operations for 4 months period between April 1, 2009 and July 31, 2009 have been included in these condensed consolidated interim financial statements.

All of the above entities apply uniform accounting policies.

In consolidating the financial information of SGCPL and MRPL, whose functional currency is the Indian Rupee, the assets and liabilities for each statement of financial position presented has been translated to USD, the presentation currency at the closing rate at the date of that statement of financial position, and income and expenses for each income statement have been translated at exchange rates at the dates of the transactions and all resulting exchange differences are recognised in the statement of comprehensive income. Between the dates of the two statements of financial positions, there has been a significant movement in the exchange rates of Indian Rupee to the USD from Rs 52.17/USD as of March 31, 2009 to Rs 48.04/USD as of September 30, 2009. This has resulted in a significant exchange difference of \$ 8.71 million, which has been shown under currency translation reserve.

NOTE B - SIGNIFICANT EVENTS DURING THE PERIOD

1. Settlement of warranty claims

In December 2008, the Group had initiated a claim for indemnification against the Sellers pursuant to the SPA. In May 2009, the Group resolved all outstanding disputes with the seller and a settlement agreement was executed by the Group, the Group's subsidiary IHC Mauritius Corp. ("IHC Mauritius") and the Sellers. In terms of this settlement, the Group received an amount of USD 4.57 million of the amounts held in the Escrow Account, which has been included in other income for the period ended September 30, 2009. During the period, the Group took an additional loan of USD 2.01 million (total loan of USD 4 million) at 10% interest per annum for a period of one year. The interest payable of these loans of USD 149,643 is included in finance charges. This entire outstanding loan amount of USD 4 million is secured by creating a charge on the land owned by the Group in Delhi and included in property, plant and equipment.

2. Acquisition of 'You' brand

In June 2009, the Group entered into an agreement with Firstcorp Invesco Pvt Ltd ("Firstcorp") to acquire the "You" brand from Firstcorp for a cash consideration of \$400,000. Firstcorp is a company owned and controlled by Mr. Ravi Deol (Director and CEO of IHC) and Mr. Sandeep Vyas (Chief Operating Officer and also a Director of IHC). This brand has been recognised as an intangible asset in these condensed consolidated interim financial statements.

3. Issue of shares to Directors

In June 2009, the Group issued 1,873,000 ordinary shares of USD 0.001 each ("Ordinary Shares") to Mr. Ravi Deol (Director and CEO of IHC) and 936,500 Ordinary Shares to Mr. Sandeep Vyas (Chief Operating Officer and also a Director of IHC) at par value pursuant to share grant agreements entered into with Mr Deol and Mr Vyas.

Additionally, per the Share Grant scheme the Group has agreed to issue further 1,873,000 Ordinary Shares to Mr Deol and 936,500 Ordinary shares to Mr Vyas at par value, based on meeting certain share price targets and other vesting conditions; however the agreement does not specify a finite vesting period within which these vesting conditions should be fulfilled.

Accordingly the Group has recorded a cost of USD 1,047,944 as share issue expenses for share grant of 1,873,000 Ordinary Shares to Mr Deol and 936,500 Ordinary shares to Mr Vyas at par value and for the remaining 2,809,500 Ordinary Shares which will be issued based on fulfillment of vesting conditions the Group has recorded a cost and created a stock compensation reserve of USD 525,377 based on binomial valuation model in accordance of IFRS 2 - Share Based Payments. The total share

based payments recognised in the Statement of Comprehensive income for the period is USD 1,573,321.

4. Operating control of Indian subsidiaries

In August 2009, IHC assumed direct operating control of its Indian subsidiaries, after the disengagement of the operating agreements between IHC's operating companies, MRPL and Sky Gourmet (together the "Operating Companies") and Mars Catering Services Private Limited ("Mars Catering"), a company controlled by Mr. Sanjay Narang, as of July 31, 2009.

IHC entered into the operating agreements with Mars Catering at the time of the reverse acquisition and re-admission to AIM on July 24, 2007 and the operating agreements were scheduled to run for a minimum period of two years.

As a part of the disengagement, the Group has agreed to the following:

- **Management:** Mr Sanjay Narang will be appointed the honorary non-executive chairman of Sky Gourmet, the airline catering business, for a period of 2 years for the purpose of providing a smooth transition and business continuity.
- **Gordon House Brand:** IHC, via its subsidiary MRPL, has also entered into a licence agreement with Mr. Sanjay Narang whereby it has allowed the continued use of the Gordon House brand for the Hotel Sahar, Mumbai, owned by Mr. Sanjay Narang, for a further period of 2 years at no cost. Additionally, the Group has extended the existing agreement with Mr. Sanjay Narang for IHC to continue to directly manage the operations of the Gordon House hotel in Colaba on the existing commercial terms.
- **Restaurants:** Following the disengagement of the Agreements, the restaurant locations being used by Not Just Jazz by the Bay, Pizzeria Pasta Bar and Just around the Corner, owned by Mr. Sanjay Narang, have been transferred back to Mr. Sanjay Narang as per the original contract on an as is where is basis and the group has accordingly recorded USD 0.2 million as an one time loss on transfer of the assets held and maintained at these locations. MRPL also paid operating fees of USD 0.5 million which was due to Mr. Sanjay Narang; following the disengagement, these operating fees will not be incurred in the future.

IHC subsequently entered into an arrangement with Mr. Sanjay Narang whereby IHC franchised the aforementioned restaurant brands to Mr. Sanjay Narang for a period of 1 year for a franchise fee @ 3% of the net sales of each of these restaurants only for the initial three month period.

- **Non Compete Agreement:** As a result of the disengagement, Mr. Sanjay Narang and his affiliated entities shall be bound by exclusivity, non-compete and non-solicit restrictions relating to Sky Gourmet for a period of 2 years. This arrangement will enable the IHC management to continue to develop the existing airline relationships alongside Mr. Sanjay Narang and for this relationship IHC has incurred a one time settlement cost of USD 1.9 million which is included in administrative expenses.
- **Tendulkars (Gourmet Restaurants Private Limited):** As a result of disengagement and the entity incurring losses, MRPL has transferred its 49% stake in GRPL to Mars Catering at a nominal value. The diminution in investment and cost were provided as at 31 March 2009 and accordingly at July 31, 2009 a net loss of USD 0.05 million on transfer of this interest has been included in administrative expenses.

NOTE C - EARNINGS PER SHARE

The basic earnings per share for the six months ended September 30, 2009 and for the Comparative period has been calculated using the net results attributable to shareholders of India Hospitality Corp. as the numerator. None of the dilutive shares relate to interest or similar expense recognisable in the income statement for the six months ended September 30, 2009 and the comparative period.

Calculation of basic and diluted EPS is as follows:

	Six months ended September 30, 2009	Six months ended September 30, 2008
Net results attributable to shareholders of India Hospitality Corp., for basic and dilutive	(8,677,805)	(5,444,241)
Weighted average numbers Shares outstanding during the period for Basic	29,612,925	27,587,137
Basic and Diluted EPS, in USD	(0.29)	(0.20)

The incremental shares from assumed conversions of share warrants and share grants are not included in calculating the diluted per share amount because these dilutive shares operate as anti dilutive in nature.

NOTE D - RELATED PARTY TRANSACTIONS

Related parties with whom the Group has transacted during the period

Key Management Personnel

Particulars

Ravi Deol
Sandeep Vyas
Ajit Mathur
Sanjay Narang
Arvind Ghei (till July 31, 2009)
Patrick Rodrigues (till July 6, 2009)
Jaswinder Singh (till July 6, 2009)
Ramesh Joshee (till July 6, 2009)

Enterprises over which significant influence exercised by key management personnel till July 31, 2009

Bullworker Pvt. Ltd
Mars Food Services
Mars Enterprises
Mars Corporation
Mars Hotel & Resorts Private Limited
Mars Catering Services Private Limited
Gordon House Airport Hotels Pvt. Ltd
Gordon House City Hotels Pvt. Ltd
Gordon House Estate Pvt. Ltd
Gordon House Hotel & Resorts Pvt. Ltd
Gordon House Properties Private Limited

Summary of transactions with related parties during the period

Summary of transactions with related parties during the period

Nature of Transaction	September 30, 2009	September 30, 2008
<i>Transactions with key management personnel</i>		
Remuneration	616,450	264,697
Acquisition of intangible assets	400,100	-
Share based payments	1,047,944	-
<i>Transactions with enterprises over which significant influence exercised by key management personnel till July 31, 2009</i>		
Sale of Goods	85,740	132,473
Rendering of other services	361,582	615,520
Services received	750,176	539,530
Loans and advances	1,156	-
Deposit given	8,957,122	9,189,923
Amount payable at the period end	271,084	127,434
Amount receivable at the period end	1,798,968	1,865,355

NOTE E - SEGMENT REPORTING

Primary segments

During the six months ended September 30, 2009 the Group has not made any changes in the basis of segmentation or basis of measurement of segment profit or loss from the basis adopted for presentation of segment information in the last annual financial statements for March 31, 2009.

Business segments

6 months to 30 Sept 2009	Air Catering Unit	Gordon House Hotel	Restaurants and others	Total
Revenue from external customers	13,539,696	943,386	2,518,080	17,001,162
Inter-segment revenues				
Segment Revenue	13,539,696	943,386	2,518,080	17,001,162
Costs of material	3,629,521	133,476	997,042	4,760,039
Direct operating expenses	4,211,062	351,657	1,118,341	5,681,060
Employee remuneration	2,265,822	196,631	1,224,341	3,686,794
Depreciation and amortisation	4,093,897	358,825	676,720	5,129,442
Administration and selling expenses	1,488,438	80,617	438,179	2,090,404
Segment operating profit	(2,149,044)	(177,820)	(1,936,543)	(4,263,407)

Segment assets	12,579,133	14,487,041	13,061,844	153,339,018
Segment liabilities	31,381,980	341,153	1,149,778	32,872,913

6 months to 30 Sept 2008	Air Catering Unit	Gordon House Hotel	Restaurants and others	Total
Revenue from external customers	14,364,993	1,325,774	3,850,775	19,541,543
Inter-segment revenues	-	-	-	-
Segment Revenue	14,364,993	1,325,774	3,850,775	19,541,543
Costs of Material	4,898,649	79,305	654,605	5,632,559
Direct Operating Expenses	5,093,276	330,588	733,935	6,157,799
Employee Remuneration	2,446,487	116,828	803,838	3,367,153
Depreciation and Amortisation	2,659,123	271,649	208,767	3,139,539
Administration & Selling expenses	336,142	394,406	254,569	985,117
Segment operating profit	(1,068,684)	132,998	1,195,061	259,375
Segment assets	126,791,293	15,628,538	14,091,045	156,510,876
Segment liabilities	21,017,102	8,916,346	11,463,874	41,397,322

The totals presented for the Group's operating segments reconcile to the entity's key financial figures as presented in its financial statements as follows:

Particulars	6 months to 30 Sept 2009	6 months to 30 Sept 2008
Revenue		
Total Segment revenue	17,001,162	19,541,543
Reconciling items:		
Finance Income	2,173	393,536
Other corporate income:		
Royalty Income	13,064	-
Income on settlement of warranty claim relating to business combinations	4,565,756	-
Income from sale of investments	-	256,718
Other miscellaneous income	178,337	223,279
Total Revenue	21,760,492	20,415,076

Profit and loss	6 months to 30 Sept 2009	6 months to 30 Sept 2008
Segment operating profit	(4,263,407)	259,375
Reconciling items:		
Other corporate incomes:		
Royalty Income	13,064	-
Income on settlement of warranty claim relating to business combinations	4,565,756	-
Income from sale of investments	-	256,718
Other miscellaneous income	180,514	223,279
Other corporate expenses:		
Costs incurred on disengagement of operating agreements	(1,877,850)	-
Losses incurred on transfer of assets in line with disengagement of operating agreements	(156,166)	-
Share issue expenses	(1,573,320)	-
Senior management employee costs	(1,204,435)	(1,674,633)
Corporate office administration expenses	(1,603,347)	(2,359,308)
Depreciation/amortisation on corporate assets and intangibles	(654,737)	(991,322)
Group operating profit	(6,573,928)	(4,285,892)
Finance costs	(2,034,640)	(1,766,297)
Finance income	2,173	393,536
Group loss before tax	(8,606,395)	(5,658,652)
Assets		
	6 months to 30 Sept 2009	6 months to 30 Sept 2008
Total Segments assets	153,339,018	156,510,876
Other assets:		
Cash and cash equivalents	3,070,349	7,929,294
Surplus Land	10,920,325	13,093,981
Deferred Tax assets	2,410,164	844,558
Other corporate assets	594,268	5,376,813
Total assets	170,334,124	183,755,522
Liabilities		
	6 months to 30 Sept 2009	6 months to 30 Sept 2008
Total Segments liabilities	32,872,913	41,397,322
Other liabilities:		
Loans and other borrowings	12,014,326	-
Employee Retirement benefits	593,553	629,953
Deferred tax liability	16,815,097	18,181,683
Other corporate liabilities	4,952,966	3,479,230
Total Liabilities	67,248,855	63,688,188

Description of business segments

Air Catering Unit: SG CPL acquired by the Group is identified as an independent business segment offering air catering services. SG CPL also provides handling, stores management, transportation of meals, loading/unloading of goods and other consumable and ancillary services. However these services are directly related and covered under the original meals supply contract and related air catering services.

Hotels: Currently this segment represents independent operations of Gordon House Hotel located at Mumbai. The Hotel is a modern boutique providing state of the art facilities.

Restaurants and others: This segment comprises operating speciality restaurants, and a chain of patisserie, cake shops and food courts.

Geographical segments

The Group has not presented geographical segments as all its operations are carried out in India.

NOTE F - SUBSEQUENT EVENTS

Change in board of directors:

There has been change in the Directors. Mr. Richard Foyston and Mr. Nicholas Bloy have resigned from October 29, 2009. Mr. Foyston and Mr. Bloy were Board members nominated by Navis Management Sdn Bhd, a substantial shareholder of IHC.

New business venture:

IHC, through its subsidiary Gordon House Estate Private Limited, has entered into a partnership agreement with Entertainment World Developers Pvt. Ltd. ("EWDPL"), a leading real estate and hospitality developer in India's tier-II cities. As part of the agreement, IHC will manage EWDPL's hotels and Food and Beverage ("F&B") outlets in various malls that are currently under development across India. The hotels and F&B outlets are part of EWDPL's 24 million square foot development pipeline across India, eleven new shopping malls, ten additional hotels and eleven townships. The total capital commitment by IHC for both the Hotel and F&B build out in the First Phase of the development pipeline will be approximately INR 1,000 million. (USD 21.2 million) The Group plans to fund this initial commitment through equity, internal accruals and bank borrowings.

Acquisition of Treasure F&B business from EWDPL

IHC, through GHEPL, has also agreed to acquire Treasure Food & Beverage Pvt. Ltd. ("Treasure"), the franchisee for "Pizza Hut" in central India, from EWDPL. Treasure operates two Pizza Hut locations in Indore and Bhopal and also manages fine dining outlets and the food court at EWDPL's Treasure Island Mall in Indore. The completion of this transaction is subject to consent from YUM brands for the transfer of franchisee rights from EWDPL to IHC.

Investment from EWDPL

Additionally, EWDPL has agreed to acquire a 15% stake in IHC's subsidiary, GHEPL, in conjunction with the overall transaction. The investment in GHEPL will be completed through phased transactions over the next three years at a value equivalent to IHC's equity investment in GHEPL, increased by 12% per annum.