

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001

Your Directors submit their Report and Accounts for the financial year ended 31st March, 2001.

PERFORMANCE

During the year under review, your Company earned a Licence Fee of Rs. 36.11 lacs (previous year - Rs. 31.56 lacs) and a Net Profit of Rs. 27.34 lacs (previous year - Rs. 21.92 lacs) after providing for payment of Minimum Alternate Tax of Rs. 2.54 lacs (previous year - Rs. 2.91 lacs) as required under the provisions of the Income-Tax Act, 1961.

The increase in the flight services to Port Blair during the year resulted in better occupancies and improved financial performance of your hotel, under licence with ITC Hotels Limited. The hotel has recorded a turnover of Rs. 246.34 lacs (previous year - Rs. 215.83 lacs) registering a growth of 14% and the Profit Before Tax at Rs. 40.37 lacs was marginally lower than the previous year (Rs. 41.83 lacs) due to a major renovation of the hotel at an outlay of Rs. 21 lacs. Effective, 1st April, 2001, your hotel is being run and operated by Fortune Park Hotels Limited, a subsidiary of ITC Hotels Limited, under the 'Fortune' banner, in keeping with the re-branding strategy of ITC Hotels Limited and accordingly, the hotel has been named as 'Fortune Resort Bay Island'.

CONSERVATION OF ENERGY

Considering the fact that the hotel is under an operating licence with ITC Hotels Limited, no comment is made on conservation of energy. However, the hotel continues to focus on energy conservation, safety and environment.

FOREIGN EXCHANGE EARNINGS AND OUTFLOW

There has been no foreign exchange income or outflow during the year.

ARTICLES OF ASSOCIATION

Consequent to enactment of the Companies (Amendment) Act, 2000 the Company, which was hitherto a deemed public company under Section 43A of the Companies Act, 1956, became a public limited company. In order to comply with the requirements of a public limited company, the Articles of Association of the Company needs to be amended. An appropriate resolution on the matter is included in the Notice convening the forthcoming Annual General Meeting for your approval.

EMPLOYEES

The relationship between the staff and the management continues to be cordial. Your Directors wish to record their sincere appreciation of the efforts made and support rendered by the employees during the year.

DIRECTORS

Mr. S.S.H. Rehman, Director of the Company, resigned from the Board of Directors of the Company with effect from 27th April, 2001. Your Directors would like to place on record their sincere appreciation of the services rendered by Mr. S.S.H. Rehman during his tenure as a Director.

In terms of the provisions of the Companies Act, 1956, Mr. G.H.C. Jadwet and Mr. M. Riaz Ahmed will retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

None of the employees fall under the purview of the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

COMPLIANCE CERTIFICATE UNDER COMPANIES ACT, 1956

A certificate issued by M/s. S. R. Sundaram & Associates, Company Secretaries in terms of the provisions of Section 383A of the Companies Act, 1956, to the effect that the Company has complied with the applicable provisions of the said Act is attached to this Report.

AUDITORS

The Auditors of your Company, M/s S.B. Dandekar & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors state that :

a) in the preparation of annual accounts under review the applicable accounting standards had been followed b) appropriate accounting policies were selected and applied consistently and reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and of the profit or loss of the Company for that period c) proper and sufficient care was 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 are prepared on a going concern basis.

On behalf of the Board

Nakul Anand *Director*
M. Riaz Ahmed *Director*

New Delhi, 8th May, 2001

COMPLIANCE CERTIFICATE

Regn. No. of the Company : 55-105131
Nominal Capital : Rs.1,20,00,000/-

To
The Members
M/s Bay Islands Hotels Limited
25, Community Centre
Basant Lok
Vasant Vihar
New Delhi – 110 057

We have examined the registers, records, books and papers of M/s Bay Islands Hotels Limited (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2001. In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the period –

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies within the time prescribed under the Act and the Rules made thereunder.
3. The Company was a deemed public company and due to enactment of the Companies (Amendment) Act, 2000, became a public company effective from 13th December, 2000. Steps are being taken to raise the minimum number of members to seven, as required for a public company. Further amendments to the Articles of Association etc. with regard to public company, are proposed to be considered in its ensuing Annual General Meeting.
4. The Board of Directors of the Company met four times respectively on 9th May, 2000, 13th September, 2000, 7th November, 2000 and 30th March, 2001. In respect of such meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed the Register of its Members during the financial year.
6. The Annual General Meeting of the Company for the financial year ended 31st March, 2000 was held on 24th August, 2000 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year.
8. The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act, as no such contracts were made during the financial year.
10. The Company is maintaining the register under Section 301 of the Act, however, there were no contracts to be entered therein during the financial year.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. (i) There was no allotment/transfer/transmission of securities during the financial year.
(ii) The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
(iii) The Company was not required to post warrants to any Member of the Company as no dividend was declared during the financial year.
(iv) The Company has generally complied with the applicable requirements of Section 217 of the Act in respect of last year.
14. The Board of Directors of the Company is duly constituted and the appointment of Directors and Additional Directors have been duly made.
15. The Company has not appointed any Managing Director/Wholtime Director/Manager during the financial year.
16. The Company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approval of the Central Government, Company Law Board, Regional Director, Registrar and/or such authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the Rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There was no transaction necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings during the financial year ended 31st

March, 2001.

25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum during the year under scrutiny, with respect to :
 - (i) situation of the Company's Registered Office from one State to another
 - (ii) the objects of the Company
 - (iii) the name of the Company and
 - (iv) share capital of the Company.
27. The Company has not altered its Articles of Association during the financial year.
28. There was/were no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
29. The Company has not received any money as security from its employees during the financial year.
30. The Company has not constituted Provident Fund for its employees and as such, Section 418 of the Act is not applicable to the Company.

For S.R. Sundaram & Associates

S. Ramasundaram
Proprietor
C.P. No. 2530

New Delhi, 8th May, 2001

ANNEXURE – A

Registers as maintained by the Company :
Statutory Registers

1. Register of Members under Section 150
2. Minutes Book of Board Meetings
3. Minutes Book of General Meetings
4. Books of Account under Section 209
5. Register of particulars of contracts in which Directors are interested under Section 301
6. Register of Directors under Section 303
7. Register of Directors' Shareholding under Section 307.

Annexure 'B'

Forms and Returns as filed by the Company with the Registrar of Companies during the financial year ended 31st March, 2001.

| S.No. | Form No./ Return | Filed under Section | For | Date of filing | Whether filed within prescribed time Yes/No | If delay in filing whether requisite additional fee paid Yes/No |
|-------|------------------|---------------------|--|----------------|---|---|
| 1. | Form 23AA | 209(1) proviso | Keeping Books of accounts at a place other than its Regd. office | 15.5.2000 | Yes | N.A. |
| 2. | Annual Return | 159 | For the AGM held on 24.8.2000 | 21.9.2000 | Yes | N.A. |
| 3. | Balance Sheet | 220 | As on 31.3.2000 | 20.9.2000 | Yes | N.A. |
| 4. | Form 29 | 264 | Appointment of Mr. Nakul Anand | 21.9.2000 | Yes | N.A. |
| 5. | Form 32 | 303 | -do- | 21.9.2000 | Yes | N.A. |
| 6. | Form 32 | 303 | Retirement of Mr. V.K. Chowdhry | 21.9.2000 | Yes | N.A. |

REPORT OF THE AUDITORS TO THE MEMBERS

1. We have examined the attached Balance Sheet of Bay Islands Hotels Limited as at 31st March, 2001 and the annexed Profit and Loss Account for the year ended on that date which are in agreement with the books of accounts.
2. Based on the representation made by all the Directors of the Company and information and explanation as made available, the Directors of the Company do not prima facie have any disqualification as referred to in Clause (g) of Sub-Section (1) to Section 274 of the Companies Act, 1956.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon/attached thereto give, in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at 31st March, 2001 and its profit for the year ended on that date.
4. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for our audit. In our opinion proper books of account have been kept as required by law so far as appears from our examination of the books. In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such examination of the books and records of the Company, as we considered appropriate, and the information and explanations given to us during the course of our audit, we report that, in our opinion :
 - i) As per the information and explanations given to us and also taking into consideration the nature of the Company's activities, items (iii), (iv), (v), (vi), (xi), (xii), (xiv) and (xvi) of clause A of paragraph 4 of Order are not applicable to the Company.
 - ii) The Company has maintained proper records to show full particulars, including quantitative details and situation of its Fixed Assets. The Fixed Assets of the Company have been physically verified by the management at reasonable intervals during the year and no material discrepancies between book records and physical inventory have been noticed on such verification.
 - iii) The Company has not revalued any of its Fixed Assets during the year.
 - iv) The Company has not taken loans from companies, firms or other parties as listed in the register, maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are not applicable to a Company on and after the commencement of the Companies (Amendment) Act, 1999.
 - v) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of Section 370 are not applicable to a Company on and after the commencement of the Companies (Amendment) Act, 1999.
 - vi) The Company has not granted any loans or advances in the nature of loans.
 - vii) In our opinion, the Company has adequate internal control procedure commensurate with the size of the Company and nature of its business.
 - viii) The Company has not accepted any deposits from the public.
 - ix) As required under item no. (xv) of the said Order, since the Company has Paid-up Capital less than Rs. 25,00,000/-, internal audit system is not necessary.
 - x) The Company has deposited Provident Fund dues regularly through the licensee, M/s. ITC Hotels Limited.
 - xi) There are no undisputed amounts in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty and no outstanding of such amounts as at 31st March, 2001 for a period of more than six months from the date they became payable.
 - xii) No personal expenses have been charged to Profit and Loss Account.
 - xiii) The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
 - xiv) In relation to service activities of the Company :
 - a) Items (ii) and (iii) of Clause B of paragraph 4 are not applicable.
 - b) There exists reasonable internal control system commensurate with the size of the Company and nature of its business.

For and on behalf of
S. B. DANDEKAR & COMPANY

V. VENKATESAN
Chartered Accountant

Port Blair, 9th May, 2001

BALANCE SHEET AS AT 31ST MARCH, 2001

| Schedule | As at 31st March, 2001 | | As at 31st March, 2000 | |
|--|---------------------------|-------------|---------------------------|---------------|
| | (Rs.) | (Rs.) | (Rs.) | (Rs.) |
| I. SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| (a) Share Capital | 1 | 11,87,500 | 11,87,500 | |
| (b) Reserves & Surplus | 2 | 6,52,47,497 | 6,64,34,997 | 6,68,21,920 |
| Total | | | 6,56,34,420 | 6,68,21,920 |
| II. APPLICATION OF FUNDS | | | | |
| 1. Fixed Assets | | | | |
| (a) Gross Block | 3 | | 8,89,57,576 | 8,89,57,576 |
| (b) Less Depreciation | | 1,71,24,548 | 1,62,57,015 | |
| (c) Net Block | | | 7,18,33,028 | 7,27,00,561 |
| 2. Current Assets, Loans & Advances | | | | |
| (a) Cash & Bank Balances | 4 | 1,693 | 1,693 | |
| (b) Loans & Advances | 5 | 2,60,266 | 2,98,700 | |
| | | 2,61,959 | 3,00,393 | |
| Less: Current Liabilities and Provisions | 6 | 1,41,04,297 | 1,73,57,132 | |
| Net Current Assets | | | (1,38,42,338) | (1,70,56,739) |
| 3. Profit & Loss Account | | | | |
| Total | | | 84,44,307 | 1,11,78,098 |
| Notes to the Accounts | 8 | | 6,64,34,997 | 6,68,21,920 |

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

This is the Balance Sheet referred to in our Report of even date.

For and on behalf of

S.B. DANDEKAR & COMPANY

V. VENKATESAN

Chartered Accountant

Port Blair, 9th May, 2001

On behalf of the Board

NAKUL ANAND Director

M. RIAZ AHMED Director

New Delhi, 8th May, 2001

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2001

| Schedule | For the year ended 31st March, 2001 (Rs.) | For the year ended 31st March, 2000 (Rs.) |
|---|---|---|
| I. INCOME | | |
| Operating Licence Fee | 36,10,699 | 31,55,853 |
| | 36,10,699 | 31,55,853 |
| II. EXPENDITURE | | |
| Operating and Administrative Expenses | 7 | 1,42,248 |
| Depreciation | | 4,80,610 |
| | | 6,22,858 |
| III. PROFIT/(LOSS) | | |
| Profit Before Taxation | 29,87,841 | 24,83,254 |
| Provision for Taxation | 2,54,050 | 2,90,774 |
| Profit After Taxation | 27,33,791 | 21,92,480 |
| Loss Brought Forward from Previous Year | (1,11,78,098) | (1,33,70,578) |
| Loss Carried Forward to Balance Sheet | (84,44,307) | (1,11,78,098) |
| Notes to the Accounts | 8 | |

The Schedules referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our Report of even date.

For and on behalf of

S.B. DANDEKAR & COMPANY

V. VENKATESAN

Chartered Accountant

Port Blair, 9th May, 2001

On behalf of the Board

NAKUL ANAND Director

M. RIAZ AHMED Director

New Delhi, 8th May, 2001

SCHEDULES TO THE ACCOUNTS

| | As at 31st March, 2001 (Rs.) | As at 31st March, 2000 (Rs.) | | As at 31st March, 2001 (Rs.) | As at 31st March, 2000 (Rs.) |
|--|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| 1. SHARE CAPITAL | | | | | |
| Authorised | | | 2. RESERVES & SURPLUS | | |
| 90,000 Equity Shares of Rs. 100/- each | 90,00,000 | 90,00,000 | Revaluation Reserve | 6,42,93,960 | 6,47,01,248 |
| 30,000 - 13.5% Redeemable Cumulative Preference Shares of Rs. 100/- each | 30,00,000 | 30,00,000 | Less : Depreciation during the year | 3,86,923 | 4,07,288 |
| | 1,20,00,000 | 1,20,00,000 | Subsidy Reserve | 13,40,460 | 13,40,460 |
| | | | | 6,52,47,497 | 6,56,34,420 |
| Issued, Subscribed & Paid-up | | | | | |
| 11,875 Equity Shares of Rs. 100/- each | 11,87,500 | 11,87,500 | | | |
| fully called up and paid in cash | 11,87,500 | 11,87,500 | | | |

3. FIXED ASSETS

| Particulars | As at 31st March, 2000 (Rs.) | COST | | | Up to 31st March, 2000 (Rs.) | DEPRECIATION | | | NET BLOCK | |
|------------------------|------------------------------------|--------------------|------------------------------|------------------------------------|------------------------------------|-----------------------|-------------------|------------------------------------|---------------------------|---------------------------|
| | | Additions (Rs.) | Sale/ Adjustment (Rs.) | As at 31st March, 2001 (Rs.) | | This Year (Rs.) | Transfer (Rs.) | Up to 31st March, 2001 (Rs.) | 31st March, 2001 (Rs.) | 31st March, 2000 (Rs.) |
| 1. Land | 5,70,00,000 | — | — | 5,70,00,000 | — | — | — | — | 5,70,00,000 | 5,70,00,000 |
| 2. Building | 2,38,03,599 | — | — | 2,38,03,599 | 89,85,430 | 7,40,908 | — | 97,26,338 | 1,40,77,261 | 1,48,18,169 |
| 3. Plant & Machinery | 68,35,570 | — | — | 68,35,570 | 59,95,484 | 1,16,856 | — | 61,12,340 | 7,23,230 | 8,40,086 |
| 4. Furniture & Fitting | 3,93,035 | — | — | 3,93,035 | 3,70,798 | 5,755 | — | 3,76,553 | 16,482 | 22,237 |
| 5. Motor Vehicles | 12,500 | — | — | 12,500 | 11,855 | 167 | — | 12,022 | 478 | 645 |
| 6. Equipments | 19,585 | — | — | 19,585 | 17,663 | 384 | — | 18,047 | 1,538 | 1,922 |
| 7. Other Assets | 8,68,773 | — | — | 8,68,773 | 8,52,960 | 3,163 | — | 8,56,123 | 12,650 | 15,813 |
| 8. Cycles | 5,175 | — | — | 5,175 | 4,607 | 114 | — | 4,721 | 454 | 568 |
| 9. Flower Pots | 14,284 | — | — | 14,284 | 13,777 | 101 | — | 13,878 | 406 | 507 |
| 10. Weighing Scale | 5,055 | — | — | 5,055 | 4,441 | 85 | — | 4,526 | 529 | 614 |
| Total | 8,89,57,576 | — | — | 8,89,57,576 | 1,62,57,015 | 8,67,533 | — | 1,71,24,548 | 7,18,33,028 | 7,27,00,561 |
| Previous Year | 8,89,57,576 | — | — | 8,89,57,576 | 1,53,28,583 | 9,28,432 | — | 1,62,57,015 | 7,27,00,561 | 7,36,28,993 |

SCHEDULES TO THE ACCOUNTS (Contd.)

| | As at 31st March, 2001 (Rs.) | As at 31st March, 2000 (Rs.) |
|---|---|---|
| 4. CASH & BANK BALANCES | | |
| With Scheduled Banks in Current Accounts | 1,693 | 1,693 |
| | <u>1,693</u> | <u>1,693</u> |
| 5. LOANS AND ADVANCES | | |
| Income Tax Refund | 13,566 | 13,566 |
| Advance Tax | 2,46,700 | 2,85,134 |
| | <u>2,60,266</u> | <u>2,98,700</u> |
| 6. CURRENT LIABILITIES AND PROVISIONS | | |
| Provision for Income Tax | 2,54,050 | 2,90,774 |
| Provision for Expenses | 2,625 | 2,625 |
| Other Liabilities | 1,38,47,622 | 1,70,63,733 |
| | <u>1,41,04,297</u> | <u>1,73,57,132</u> |
| | For the year ended 31st March, 2001 (Rs.) | For the year ended 31st March, 2000 (Rs.) |
| 7. OPERATING AND ADMINISTRATIVE EXPENSES | | |
| Salaries and Wages | 90,275 | 80,950 |
| Printing and Stationery | 8,000 | 8,000 |
| Travelling & Conveyance | 41,348 | 50,455 |
| Audit fees | 2,625 | 2,750 |
| Miscellaneous Expenses | — | 9,300 |
| | <u>1,42,248</u> | <u>1,51,455</u> |

8. NOTES TO THE ACCOUNTS

- The Hotel operations are under an Operating Licence Agreement with ITC Hotels Limited.
- The Land and Building were revalued as on 31st March, 1999 at Rs. 5,70,00,000/- and Rs. 2,38,03,599/- respectively, by an approved valuer and accounted for accordingly in the books of account in the financial year ended 31st March, 1999.
- (i) Depreciation has been charged on written down values in accordance with rates prescribed in Schedule XIV of the Companies Act, 1956.
(ii) Gross Depreciation for the year amounted to Rs.8,67,533/- of which Rs. 3,86,923/- has been adjusted against Revaluation Reserve.
- Provision for Income Tax : Minimum Alternate Tax for the year under review is considered at Rs. 2,54,050/-
- Figures have been rounded off to the nearest rupee.

On behalf of the Board

NAKUL ANAND *Director*
M. RIAZ AHMED *Director*

New Delhi, 8th May, 2001

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue

Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Application of Funds

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover Total Expenditure

Profit/Loss Before Tax Profit/Loss After Tax
(Please tick the appropriate box + for profit, - for loss)

Earnings per Share in Rs.

Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

Product Description

*** No Item code has been assigned to 'Hotels' under the Indian Trade Classification.