



**HOTEL CORPORATION OF
INDIA LIMITED**

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BOARD OF DIRECTORS (AS ON 17.12.2008)

Shri Raghu Menon

Chairman

Cmdr. D. Jena

Managing Director

Smt. Vilasini Ramachandran

Shri R. K. Singh

Secretary

Kum. Shyamala P Kunder

Auditors

M/s.P.Parikh & Associates

Solicitors

M/s.Mulla & Mulla & Craigie Blunt & Caroe

M/s. M. V. Kini & Co.

Bankers

State Bank of India

United Bank of India

Axis Bank Limited

Registered Office

1st floor, Transport Annexe Building,
Air India Complex, Old Airport,
Santacruz (E), Mumbai-400 029.

**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Thirty-seventh Annual Report and the Audited Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

The Financial Results of the Company for 2007-08 are summarized below:

PARTICULARS	(Rupees in Lakhs)	
	2007-08	2006-07
TOTAL REVENUE	6128.07	6650.34
TOTAL OPERATING EXPENDITURE	7544.16	7723.36
GROSS OPERATING PROFIT/(LOSS)	(1416.09)	(1073.02)
INTEREST	-	0.10
CASH PROFIT/(LOSS)	(1416.09)	(1072.92)
DEPRECIATION	162.37	146.50
NET PROFIT/(LOSS) BEFORE EXTRA ORDINARY ITEMS	(1578.46)	(1219.62)
EXTRA ORDINARY ITEMS	906.26	26.90
PRIOR PERIOD ADJUSTMENTS	(1.24)	0.54
NET PROFIT/(LOSS) AFTER EXTRA ORDINARY ITEMS BUT BEFORE TAX	(2483.48)	(1247.06)
FRINGE BENEFIT TAX	13.18	23.32
NET PROFIT/(LOSS) AFTER TAX	(2496.66)	(1270.38)

OVERVIEW :

The total revenue of the Company has decreased by 8% over the previous year. The total expenditure has decreased by 2% over the previous year. During the year, 157 employees applied for VRS at Centaur Hotel Srinagar and as on March 2008, 150 have been relieved under VRS. The total financial outgo was Rs. 884.78 lakhs. During the year, 127 guest rooms of Centaur Delhi were taken up for renovation at an estimated cost of Rs. 10.70 crores, resulting in reduction in Room Revenue during the year. As on 12.3.2008, 32 renovated rooms were handed over for sale and the same has been provisionally capitalized to the extent of Rs. 2.15 crores as on 31.3.2008.

Provision has been made for outstanding dues of Rs. 391.52 lakhs payable to Mumbai International Airport Ltd. (MIAL) and Delhi International Airport Ltd. (DIAL) on account of lease rentals @ Rs. 163/- per sq. mtrs p.a. and turnover levy for Chefair Flight Catering Mumbai, Centaur Hotel Delhi Airport and Chefair Flight Catering Delhi.

The Unit-wise performance of the Company is as under:

CENTAUR HOTEL DELHI AIRPORT :

The Unit earned a revenue of Rs.2582 lakhs as compared to Rs. 2757.71 lakhs in the previous year i.e. a decrease of 6% over the previous year. This is mainly due to reduction in number of rooms being available for sale due to 127 rooms being under renovation. The total expenditure was Rs.2662.40 lakhs as against Rs. 2738.72 lakhs in the previous year. This includes provision for additional union category wages of Rs. 107.32 Lakhs and amount payable to DIAL Rs. 210.36 lakhs.

As a result, the Unit made an Operating Loss of Rs. 80.40 lakhs as compared to an Operating Profit of Rs. 18.99 lakhs in the previous year. After providing for interest, depreciation and extra-ordinary items, the unit incurred a Net Loss of Rs. 178.31 lakhs as against Rs. 70.77 lakhs in the previous year.

CENTAUR LAKE VIEW HOTEL, SRINAGAR.

The Unit earned a revenue of Rs. 632.60 lakhs as compared to Rs. 531.75 lakhs in the previous year i.e. an increase of 19% over the previous year. The total expenditure was Rs.1043.01 lakhs as against Rs. 1328.09 lakhs in the previous year.

As a result, the Unit made an Operating Loss of Rs. 410.41 lakhs as against Rs. 796.34 lakhs in the previous year. After providing for interest, depreciation and extra-ordinary items (including VRS compensation), the unit incurred a Net Loss of Rs. 1318.47 lakhs as against Rs. 818.02 lakhs in the previous year.

CHEFAIR FLIGHT CATERING MUMBAI:

The Unit earned a revenue of Rs.1596.95 lakhs as compared to Rs. 1904.98 lakhs in the previous year i.e. a decrease of 16% over the previous year. The total expenditure was Rs. 2181.52 lakhs as against Rs. 2063.47 lakhs in the previous year. This includes provision for Rs. 118.46 lakhs payable to MIAL and Rs. 208.13 lakhs for additional union category wages.

As a result, the Unit made an Operating Loss of Rs.584.57 lakhs as against Rs. 158.49 lakhs in the previous year. After providing for interest, depreciation and extra-ordinary items, the unit incurred a Net Loss of Rs. 614.67 lakhs as against Rs. 183.84 lakhs in the previous year.

CHEFAIR FLIGHT CATERING DELHI:

The Unit earned a revenue of Rs. 345.86 lakhs as compared to Rs. 292.43 lakhs in the previous year i.e. an increase of 18% over the previous year. The total expenditure was Rs.1146.18 lakhs as against Rs. 1009.73 lakhs in the previous year. This includes Rs.156.41 lakhs for additional provision of union category wages and Rs. 62.70 lakhs payable to DIAL.

As a result, the Unit made an Operating Loss of Rs.800.32 lakhs as against Rs. 717.30 lakhs in the previous year. After providing for interest, depreciation and extra-ordinary items, the unit incurred a Net Loss of Rs. 820.92 lakhs as against Rs. 738.36 lakhs in the previous year.

ANNUAL PLAN OUTLAY 2007-08 :

The Government had approved an Annual Plan Outlay of Rs. 15 crores for the financial year 2007-08. The actual outlay was Rs.15 crores mainly towards renovation of guest rooms and other related works at Centaur Delhi and other normal capital commitments.

EMPLOYMENT OF EX-SERVICEMEN:

The Company is following the Government directive received in this regard for employment of Ex-Servicemen.

EMPLOYMENT OF SC, ST & OBC :

Subsequent to the disinvestment of three out of six Units of HCI, there was a ban on recruitment and hence, no recruitment exercise was carried out. However, the Company continued to observe the Government directives for reservation of posts in promotions of SC, ST and OBC candidates.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY :

With regard to the implementation of Official Language Policy, the directives received from the Government from time to time were being followed.

TRAINING & DEVELOPMENT :

During the year under review, opportunities were provided to its employees at all levels to acquaint themselves with Modern Management, Technical Concept and latest innovation in the Hotel Industry through sponsoring them for various Seminars, Conferences and various short duration Refresher Courses organised by various agencies.

VIGILANCE :

During the year under report, two officers from NACIL Vigilance were deputed, one each at Mumbai and Delhi, for setting up and organising infrastructural requirements for a proper Vigilance set up in HCI as also to assist the Chief Vigilance Officer with investigation of Vigilance cases. Periodic surprise checks and inspections were carried out at all units of HCI. Reports to the various agencies have been started based on inputs received from the Administration Department. During the year, two workshops on Tender Procedures were conducted by the Chief Vigilance Officer. Procedural advice was being rendered from time to time in matters pertaining to tender/ purchase procedures.

FOREIGN TOURS :

The Company incurred nil expenditure under this head during the year under review.

PERSONNEL :

As on 31 March, 2008 the Company had on its payroll a total of 1486 employees as against 1664 as on 31 March 2007 in the Head Office/ various Units of the Company. The Management's relations with the employees continued to be good and cordial during the year under review.

WAGE SETTLEMENT :

On receipt of the Government/Board of Director's approval for wage revision for unionised category of employees of all the Units of the Company, a Wage Negotiation Committee was constituted in the month of February 2007 to negotiate on the Charter of Demands submitted by the Unions and other conditions of employment.



The Wage Negotiation Committee had commenced negotiation with the various Unions since April 2007 and on receipt of approval on general guidelines and increase proposed from the Chairman, the Committee could arrive at an amicable understanding on the entire Charter and all other issues, differences, disputes etc., with different Unions of all the Units of HCL and signed a Memorandum of Understanding with the respective Unions.

PARTICULARS OF EMPLOYEES :

Furnishing of particulars under Section 217(2A) of the Companies Act, 1956 does not arise as during the year under review none of the employees were drawing more than Rs.2,00,000/- per month.

FOREIGN EXCHANGE EARNINGS & OUTGO :

The Foreign Exchange earnings during the year were Rs. 172.72 lakhs as against Rs. 217.08 lakhs in the previous year. The outgo of Foreign Exchange during the year was nil.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

Energy conservation continues to be given a high priority by the Company. Constant efforts are being made to reduce energy consumption. Energy conservation has been made possible due to automation and better controls.

Particulars required under Form B of the relevant Rules Pursuant to Section 217(1)(e) of the Companies Act, 1956 have not been given since the Company has no Research and Development activity. The question of technology absorption, adaptation or innovation is not applicable to the Company, in view of it being a Service Industry.

STATUS ON REMAINING UNITS OF HCL:

CHEFAIR FLIGHT CATERING, MUMBAI & CENTAUR LAKE VIEW HOTEL, SRINAGAR :

- The Ministry of Civil Aviation had approved the proposal of running the remaining units on Management Contract Basis. As per the decision of the Board, the Company had appointed M/s.Tourism Finance Corporation of India as the Management Consultant for selection of parties for running the Hotel & Flight Kitchen on Management Contract Basis.
- The Consultant short-listed four parties and a presentation was made by all the parties in August 2008. Subsequently, a site visit to inspect these properties is being arranged before obtaining the Financial Bids.

CENTAUR HOTEL DELHI & CHEFAIR DELHI :

- As per the Board's approval, the overall sanction of Rs.1070 lakhs was for renovation of 127 guest rooms and other related works (i.e. AC plant, DG set engines & water proofing works). Accordingly, a Contractual Agreement was executed and the physical work commenced at site w.e.f. 24 August 2007. 96 fully renovated guest rooms have been handed over by the Contractor and put to use. The renovation work of balance 31 rooms is near completion and will be handed over shortly for putting to use. As a part of the renovation, two DG sets were procured and commenced on 11 October 2007. The work of replacing two AC plants has been completed and commissioned on 11 August 2008.

POST DISINVESTMENT ISSUES :

- The issue of settlement of Net Current Assets and other obligations in both the properties divested, viz., Centaur Hotel Mumbai Airport and Centaur Hotel Juhu Beach was yet to be resolved. In case of Centaur Hotel Mumbai Airport, as disputes were raised by the Buyer, the matter was referred to Arbitration and arbitration proceedings are in process.
- In case of Centaur Hotel Juhu Beach, the matter on three divergent issues is now before the Sole Arbitrator, Joint Secretary, Ministry of Civil Aviation. As advised by him, an internal committee has been constituted to resolve the pending issues with M/s Tulip Hospitality Services Limited.

DIRECTORS :

As on 31 March 2008, the Board consisted of the following Members :

Shri V.Thulasidas, Chairman & Managing Director, National Aviation Company of India Ltd.	- Chairman
Omde D. Jena	- Managing Director

Shri Raghu Menon
Special Secretary & Financial Advisor,
Ministry Of Civil Aviation

- Director

Shri R. K. Singh,
Joint Secretary,
Ministry Of Civil Aviation

- Director

Upon attaining the age of superannuation, Shri V.Thulasidas retired with effect from 1 April 2008 and Shri Raghu Menon, the then Special Secretary & Financial Advisor, MOCA was appointed as Chairman. During the year Smt.Vilasini Ramchandran, Addl. Secretary & Financial Advisor, MOCA was appointed on the Board with effect from 10 June 2008.

The Board places on record its appreciation for the valuable services rendered by Shri V. Thulasidas, as Chairman on the Board during his tenure.

As on 1 October 2008, the Board consisted of the following Members:

Shri Raghu Menon,
Chairman & Managing Director,
National Aviation Company of India Ltd.

- Chairman

Cmde D. Jena

- Managing Director

Smt.Vilasini Ramchandran,
Additional Secretary & Financial Advisor,
Ministry of Civil Aviation

- Director

Shri R.K.Singh,
Joint Secretary,
Ministry of Civil Aviation

- Director

DIRECTORS' RESPONSIBILITY STATEMENT :

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

1. In the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at the 31 March, 2008 and of the profit or loss of the Company for that period.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the best of the knowledge and ability of the Directors.
4. The Directors had prepared the Annual Accounts on a going concern basis.

AUDIT COMMITTEE :

The constitution of the Audit Committee was as follows :

Shri Raghu Menon,
Special Secretary & Financial Advisor,
Ministry of Civil Aviation

- Chairman

Shri V. Thulasidas,
Chairman & Managing Director,
National Aviation Company of India Ltd.

- Member

Shri R. K. Singh,
Joint Secretary,
Ministry of Civil Aviation

- Member

Ms. Shyamala P Kunder

- Secretary



During the year under report, there was one meeting held of the audit committee.

The Audit Committee of the Board has been reconstituted during the year after induction of Smt. Vilasini Ramchandran, Additional Secretary & Financial Advisor, MOCA.

The constitution of the Audit Committee is now as follows :

Smt. Vilasini Ramchandran, Additional Secretary & Financial Advisor, Ministry of Civil Aviation	-	Chair Person
Shri Raghu Menon, Chairman & Managing Director, National Aviation Company of India Ltd.	-	Member
Shri R.K. Singh, Joint Secretary, Ministry of Civil Aviation	-	Member
Cmdr. D. Jena Managing Director, Hotel Corporation of India Ltd.	-	Member
Ms. Shyamala P Kunder	-	Secretary

REVIEW OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2008 AND COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE COMPANY:

The Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors' on the accounts of the Hotel Corporation of India Limited for the year ended 31 March 2008 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

AUDITORS' REPORT :

As regards the comments of the Statutory Auditors, the Notes to Accounts clarifies the stand taken by the Management.

AUDITORS :

M/s P. Parikh & Associates, Chartered Accountants, Statutory Auditors of the company, will retire at the forthcoming Annual General Meeting of the company. They have been reappointed as the sole auditors of the Company for the financial year 2008-09 by the Comptroller & Auditor General of India in accordance with the provisions of the Section 619 of the Companies Act, 1956.

ACKNOWLEDGEMENTS :

The Directors wish to place on record their appreciation for the support and co-operation extended by the employees of the Company. The Board also wishes to acknowledge gratefully the support and guidance received from the Ministry of Civil Aviation and National Aviation Company of India Limited. The Directors wish to thank the Comptroller and Auditor General of India, Chairman and members of the Audit Board, Statutory Auditors and Banks.

For and on behalf of the Board

sd/-
RAGHU MENON
Chairman

Place : Mumbai
Date : 17 December 2008

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF HOTEL CORPORATION OF INDIA LIMITED, FOR THE YEAR ENDED 31 MARCH 2008.

The preparation of financial statements of Hotel Corporation of India Limited for the year ended 31 March 2008 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30 September 2008.

I, on behalf of the Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors' on the accounts of Hotel Corporation of India Limited for the year ended 31 March 2008 and as such have no comments to make under section 619 (4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor General of India

sd/-

Sarit jafa

**Principal Director of Commercial Audit
& ex-officio Member, Audit Board-II, Mumbai**

Place : Mumbai
Date : 29 October 2008.

**AUDITOR'S REPORT**

To,
The Members of
Hotel Corporation of India Limited

1. We have audited the attached Balance Sheet of **Hotel Corporation of India Ltd.** as at 31st March 2008, the related Profit and Loss Account and Cash Flow Statement for the year 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 have conducted our audit in accordance with 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 the 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, as amended by the Companies (Auditor's Report Amendment) Order, 2004, issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us, we enclose in the **Annexure** a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
The Company has not provided liability for lease rentals, turnover levy and interest thereon of Rs.2106.26 lacs (Previous year Rs. 2196.49 lacs)(Refer Note No.2b- Schedule 13). By this Credit balance of Profit & Loss a/c is overstated by Rs. 2106.26 lacs and Current liabilities is understated by Rs. 2106.26 lacs.
5. We further report that:
 - i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of audit;
 - ii) In our opinion, proper books of account, as required by law have been kept by the company, so far as appears from our examination of those books;
 - iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet and the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956;
 - v) The company being a government company defined in section 617 of the Companies Act, 1956 is exempted from the applicability of the provision of section 274(1)(g) of the said act, vide circular No.2/5/2001/CV.V General Circular No.8/2002 dated 22.3.2002 issued by the Ministry of Law, Justice and Company Affairs ;
 - vi) Subject to our comment in paragraph 4 above, in our opinion and to the best of our knowledge and according to the explanations given to us, the said financial statements read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true & fair view in conformity with the accounting principles generally accepted in India :-
 - a. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2008 and;
 - b. in the case of the Profit and Loss Account, of the **Loss** of the Company for the year ended on that date; and
 - c. in the case of Cash Flow Statement, of the cash flow of the Company for the year ended on that date.

For P. Parikh & Associates
Chartered Accountants,

sd/-
Jitesh Jain
Partner

Membership No. 114920

Place : Mumbai
Dated : 30 September 2008

**ANNEXURE TO AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 3
OF OUR REPORT OF EVEN DATE**

- (I) In respect of Fixed Assets:
- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) We have been informed that most of the Fixed Assets have been physically verified by the management during the year in phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) During the year no substantial part of fixed assets has been disposed off by the Company.
- (II) In respect of inventory of stores, operating supplies and food and beverages:
- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. As explained to us, discrepancies noticed on physical verification between the physical stocks and the book records were not material and the same have been properly dealt with in the books of accounts.
- (III) In respect of the loans, secured or unsecured, granted or taken by the Company to Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanation given to us:
- (a) The Company has granted unsecured loan to Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum outstanding during the year was Rs. 61.55 Crores and the year-end balance of loan granted to such Company was Rs. 31.40 Crores.
 - (b) The rate of interest and other terms and conditions of such loan are, in our opinion, prima facie, not prejudicial to the interest of the company.
 - (c) There is no stipulation as to the repayment in respect of loan granted to such Company. However, the Company is regular in receipt of interest.
 - (d) In view of there being no stipulation as to the repayment of loan granted to such Company, the question of any amount being overdue does not arise. Therefore, the provision of clause III(d) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, in our opinion, are not applicable to the Company.
 - (e) The Company has not taken any loans secured or unsecured from Companies, Firm or parties covered under Section 301 of the Companies Act, 1956. Therefore, the provision of clause III (e), (f), (g) and (h) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, in our opinion, are not applicable to the Company.
- (IV) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regards to purchase of inventory, fixed assets and sale of goods and services. During the course of our audit, we have neither come across nor have we been informed of any continuing failure to correct major weakness in the internal control system.
- (V) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and beliefs and according to the information and explanations given to us:
- (a) The transaction made in pursuance of contracts or arrangements are not required to be entered in the register maintained under Section 301 of the Companies Act, 1956, being a Government Company.
 - (b) In our opinion, the transactions in pursuance of contracts or arrangements are not required to be entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 500,000/- (Rupees five lacs only) or more in respect of Air India Limited, being Government Company. However, the rates are considered to be reasonable having regards to the prevailing market price at the relevant time.



- (VI) In our opinion and according to the explanations given to us, the Company has not accepted any deposits from the public and consequently, the directives issued by Reserve Bank of India, the provision of Section 58A and 58AA of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975, with regards to the deposits accepted from the public are not applicable.
- (VII) In our opinion, the company's internal audit system is commensurate with the size and nature of its business.
- (VIII) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of any of the activities of the Company.
- (IX) According to information and explanation given to us in respect of statutory dues:
- (a) The Company has generally regular in depositing undisputed dues of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it, with the appropriate authorities during the year. According to the information and explanation given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty and cess were outstanding as at 31st March 2008 for a period of more than six months from the date they become payable.
- (b) Due relating to items below have not been deposited as on 31st March, 2008 on account of disputes with the related authorities is as under:

Name of statute	Nature of the dues	Amount in disputes (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Property Tax	Tax	568.47	1985-86 to 2000-01	J. & K High Court
Luxury Tax	Tax	1.35	1996-97 1997-98 1999-00	Commissioner of Sales Tax (Appeals), Mumbai
	Interest	0.21		
	Penalty	0.04		
		1.60		
Luxury Tax	Tax	99.02	2001-02	Jt. Commissioner of Sales Tax (Appeals)
	Interest	119.50		
	Penalty	09.58		
		228.10		
Expenditure Tax	Interest	3.74	1996-97	Jt. Commissioner for rectification
Sales Tax	Tax	7.00	1992-93	Tribunal
	Penalty	5.27		
	Less: Paid	4.00		
		8.27		
Sales Tax	Tax	14.34	1993-94	Commissioner of Sales Tax (Appeals)
	Penalty	10.91		
	Less: Paid	7.50		
		17.75		
Sales Tax	Tax	1.30	1999-00	
	Interest	0.82		
		2.12		
	Less: Paid	0.70		
	Net Amount	1.42		
Sales Tax	Tax	18.93	2000-01	
	Interest	0.29		
	Penalty	0.02		
		19.24		

	Less: Paid	10.00		
	Net Amount	9.24		
Sales Tax	Tax	264.57	2001-02	Dy. Commissioner of Sales Tax (Appeals)
	Interest	169.41		
	Penalty	15.82		
	Net Amount	449.80		
	Less: Paid	25.00		
	Net Amount	424.80		
Income Tax		29.09	1981-82	Income Tax Appellate Tribunal
Income Tax		41.90	1996-97	Commissioner of Income Tax Appeal
Sales Tax	Tax	216.63	2002-03	Reassessment Dy Commissioner Sales Tax
	Interest	1.00		
	Penalty	167.88		
		385.51		
Luxury Tax	Tax	40.00	2002-03	Jt Commissioner Sales Tax (Appeal)
	Interest	1.00		
	Penalty	41.70		
		82.70		
Income Tax	Tax	624.03	2003-04	Commissioner Income Tax (A) VIII
	Grand Total	2426.62		

- (X) The Company has no accumulated loss as at 31st March 2008. However, it has incurred cash losses in the financial year covered under audit and in the immediately preceding financial year.
- (XI) The Company has not taken loan from any financial institutions or banks or debenture holders. Therefore, the provisions of clause 4 (xi) of the Companies (Auditor's Report) Order, 2003, are not applicable to the company.
- (XII) In our opinion and according to the information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (XIII) In our opinion, the Company is not a chit fund or a nidhi, mutual benefit fund/society. Therefore the provisions of Clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (XIV) In our opinion and according to the information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of Clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (XV) The Company has not given any guarantee for the loans taken by others from Banks or Financial institutions during the year.
- (XVI) The company has not taken any term loan. Therefore the provision of Clause 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (XVII) According to the information and explanations given to us, and on overall examination of the Balance Sheet of the Company, fund raised on short term basis have, *prima facie*, not been used during the year for long term investment.
- (XVIII) The Company has not raised any money by issue of preferential allotment of shares to the parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore the provision of Clause 4 (xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.



- (XIX) The Company has not issued any debentures during the year under audit. Therefore, the provision of Clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (XX) The Company has not raised any money by public issue during the year. Therefore, the provision of Clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (XXI) To the best of our knowledge and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company nor have we been informed of any such case by the Management.

For P.Parikh & Associates
Chartered Accountants,

sd/-
Jitesh Jain, Partner
Membership No. 114920

Place : Mumbai
Dated: 30 september 2008

BALANCE SHEET AS AT MARCH 31, 2008

(Rupees in Lakhs)

Particulars	Schedule	March 31, 2008		March 31, 2007	
I. SOURCES OF FUNDS :					
1. SHAREHOLDERS' FUNDS :					
A) Share Capital	1		4,060.00		4,060.00
B) Reserves and Surplus	2		3,017.47		5,514.13
TOTAL			7,077.47		9,574.13
II. APPLICATION OF FUNDS :					
1. FIXED ASSETS					
Gross Block	3	7,232.53		6,866.48	
Less : Depreciation		4,127.14		4,058.37	
Net Block		3,105.39		2,808.11	
Capital work in progress		150.29		1.19	
			3,255.68		2,809.30
2. INVESTMENTS	4		0.47		0.47
3. CURRENT ASSETS, LOANS AND ADVANCES :					
A) Inventories	5	256.04		242.26	
B) Sundry Debtors		1,257.20		1,451.04	
C) Cash and Bank balances		1,367.40		1,450.61	
D) Loans and advances		6,836.36		8,691.94	
		9,717.00		11,835.85	
Less: CURRENT LIABILITIES AND PROVISIONS:					
A) Liabilities	6	3,834.84		3,294.30	
B) Provisions		2,060.84		1,777.19	
		5,895.68		5,071.49	
NET CURRENT ASSETS			3,821.32		6,764.36
TOTAL			7,077.47		9,574.13
ACCOUNTING POLICIES	11				
NOTES ON ACCOUNTS	12				

THE SCHEDULES REFERRED TO ABOVE FORM AN INTEGRAL PART OF THE BALANCE SHEET.
AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR P. PARIKH & ASSOCIATES
CHARTERED ACCOUNTANTS

For and on behalf of the Board

sd/-
Jitesh Jain
Partner

sd/-
Raghu Memon
Chairman

sd/-
Cmde. D. Jena
Managing Director

sd/-
Shyamala P Kunder
Company Secretary

Place: Mumbai
Date : 30 September, 2008

Place: Mumbai
Date : 30 September, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

(Rupees in Lakhs)

Particulars	Schedule	2007-08		2006-07	
INCOME :					
Sales (net of allowances / discounts)	7	5,577.01		6,079.59	
Other Income		551.06		570.75	
			6,128.07		6,650.34
EXPENDITURE :					
Operating and General Expenses	8	7,544.16	7,544.16	7,723.36	7,723.36
OPERATING PROFIT / (LOSS)			(1,416.09)		(1,073.02)
Depreciation		162.37		146.50	
Interest and other Financial Charges	9	-	162.37	0.10	146.60
PROFIT / (LOSS) FOR THE YEAR BEFORE TAX & EXTRAORDINARY / PRIOR PERIOD ITEMS			(1,578.46)		(1,219.62)
VRS / Extraordinary Items			906.26		26.90
Prior Period Adjustments (Net)	10		(1.24)		0.54
PROFIT / (LOSS) FOR THE YEAR BEFORE TAX			(2,483.48)		(1,247.06)
Fringe Benefit Tax			13.18		23.32
NET LOSS FOR THE YEAR			(2,496.66)		(1,270.38)
Profit & Loss Brought Forward From Last Year			3,775.33		5,045.71
Balance Carried To Balance Sheet			1,278.67		3,775.33
Earnings per share on Share of Rs 100 each (Basic & Diluted)		Rs	(61.49)	Rs	(31.29)

THE SCHEDULES REFERRED TO ABOVE FORM AN INTEGRAL PART OF THE PROFIT AND LOSS ACCOUNT. AS PER OUR REPORT OF EVEN DATE ATTACHED

FOR P. PARIKH & ASSOCIATES
CHARTERED ACCOUNTANTS

For and on behalf of the Board

sd/-
Jitesh Jain
Partner

sd/-
Raghu Memon
Chairman

sd/-
Cmde. D. Jena
Managing Director

sd/-
Shyamala P Kunder
Company Secretary

Place: Mumbai
Date: 30 September, 2008

Place: Mumbai
Date : 30 September, 2008

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CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

(Rupees in Lakhs)

Particulars	2007-08		2006-07	
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit After Tax & Extra Ordinary Items		(2,496.66)		(1,270.88)
ADJUSTMENTS FOR :				
Depreciation	162.37		146.50	
Finance Cost	-		0.10	
Interest Income	(77.22)		(56.58)	
Loss on sale of Fixed Assets	-		2.48	
(Profit) on sale of Fixed Assets	(12.16)	72.99	(5.16)	8.88
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES ADJUSTMENT FOR		(2,423.67)		(1,180.88)
(Increase) / Decrease in Sundry Debtors	193.84		(315.33)	
(Increase) / Decrease in Loans & Advances	1,855.58		(304.18)	
(Increase) / Decrease in Stock	(13.78)		(17.96)	
Increase / (Decrease) in Current Liabilities & Provisions	824.19	2,859.83	2,094.27	1,450.88
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES (A)		436.16		270.88
B CASH FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(608.26)		(81.66)	
Proceeds from Sale of Fixed Assets	11.67		16.24	
Interest Received	77.22	(519.37)	56.58	(81.66)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES (B)		519.37		(81.66)
C CASH FROM FINANCING ACTIVITIES				
Interest Paid	-	-	(0.10)	(0.10)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES (C)		-		(0.10)
NET CASH FLOWS DURING THE YEAR (A+B+C)		(83.21)		260.88
CASH AND CASH EQUIVALENTS (OPENING BALANCE)		1,450.61		1,180.88
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)		1,367.40		1,450.88

Note :Previous year's figures have been regrouped, wherever necessary, to conform to this year's classification.

FOR P. PARIKH & ASSOCIATES
CHARTERED ACCOUNTANTS

For and on behalf of the Board

sd/-
Jitesh Jain
Partner

sd/-
Raghu Memon
Chairman

sd/-
Cmde. D. Jena
Mnaging Director

sd/-
Shyamala P Kunder
Company Secretary

Place: Mumbai
Date: 30 September, 2008

Place: Mumbai
Date : 30 September, 2008



SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 1 : SHARE CAPITAL :

(Rupees in Lakhs)

Particulars	31/03/2008	31/03/2007
Authorised 41,00,000 (Previous year 41,00,000) Equity shares of Rs. 100 each	4,100.00	4,100.00
Issued ,Subscribed and Paid up 40,60,000 (Previous Year 40,60,000) Equity shares of Rs. 100 each fully paid up (The entire share capital of the Company is held by NACIL and its nominees.)	4,060.00	4,060.00

SCHEDULE - 2 : RESERVES AND SURPLUS :

(Rupees in Lakhs)

Particulars	31/03/2008	31/03/2007
1 General Reserves	1,738.80	1,738.80
2 Profit & Loss Account	1,278.67	3,775.33
	3,017.47	5,514.13

SCHEDULE 3 : FIXED ASSETS :

(Rs. in lakhs)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 1.4.2007	Additions during the year	Deductions/ Adjustments during the year	Cost as at 31.3.2008	Upto 1.4.2007	Provided during the year	Deductions/ Adjustments during the year	Upto 31.3.2008	As at 31.3.2008	As at 31.3.2007
Land (Leasehold)	27.09	-	-	27.09	7.59	0.27	-	7.86	19.23	19.50
Buildings (On leasehold land)	2,999.18	93.83	-	3,093.01	827.58	40.03	-	867.61	2,225.40	2,171.60
Plant and Machinery	2,262.05	166.95	(64.55)	2,364.45	2,004.30	55.96	(64.52)	1,995.74	368.71	257.75
Furniture,Fixtures, Office Equipment, Electrical Installations etc.	1,373.17	135.73	(19.38)	1,489.52	1,146.96	45.91	(19.90)	1,172.97	316.55	226.21
Vehicles	197.25	62.65	(9.18)	250.72	65.47	19.88	(9.18)	76.17	174.55	131.78
Object d'Art	7.74	-	-	7.74	6.47	0.32	-	6.79	0.95	1.27
	6,866.48	459.16	(93.11)	7,232.53	4,058.37	162.37	(93.60)	4,127.14	3,105.39	2,808.11
Previous year	6,825.38	81.66	(40.56)	6,866.48	3,938.87	146.50	(27.00)	4,058.37	2,808.11	
Capital work in progress									150.29	1.19

Note :

Buildings (on leasehold land) include Rs.500/- (Previous year - Rs.500/-) being the cost of 10 shares (Prev 10 Shares) in co-operative societies.

SCHEDULE - 4 : INVESTMENTS :

(Rupees in Lakhs)

Particulars	31/03/2008	31/03/2007
Long Term Investments		
Other Investments (Non Trade)		
Government Securities		
7 year National Savings Certificate (deposited with government and local authorities)	0.47	0.47
	0.47	0.47

SCHEDULE-5 : CURRENT ASSETS, LOANS AND ADVANCES :

(Rupees in Lakhs)

Particulars	31/03/2008		31/03/2007	
A. Current Assets :				
a) Inventories (certified by the Management)				
i) Food and Beverages	26.41		23.57	
ii) Stores	47.12		44.76	
iii) Operating Supplies	182.51	256.04	173.93	242.26
b) Sundry Debtors (unsecured) (Refer Note 9)				
Outstanding over six months :				
Considered good	1,121.68		259.84	
Considered doubtful	233.04		233.42	
Others :		1,354.72	493.26	
Considered good	135.52		1,191.20	
Considered doubtful	-		-	
Less : Provision for doubtful debts				
		1,490.24	1,684.46	
		233.04	233.42	1,451.04
c) Cash and Bank Balances :				
1) Cash on hand		21.12	34.80	
(including cheques on hand / in transit				
Rs.16.41lakhs- previous year				
Rs. 30.00 lakhs)				
2) Balances With Scheduled Banks :				
i) On Current Accounts	276.38		479.06	
ii) On Fixed Deposit Accounts.	1,069.90		936.75	
		1,346.28	1,415.81	1,450.61
TOTAL (A)			2880.64	3,143.91
B. Loans and Advances (unsecured, Considered good, unless otherwise stated) : (Refer Note 9)				
a) Loans				
(i) Staff Considered Good		11.93	-	15.42
b) Advances recoverable in cash or in kind or for value to be received:				
i) Considered good	1,676.25		1,010.76	
ii) Considered doubtful	2.97		2.97	
	1,679.22		1,013.73	
Less : Provision for doubtful advances				
		1,676.25	2.97	1,010.76
c) Loan to Holding Company		3,140.00		6,155.00
d) Receivable from Sahara Hospitality Ltd (Ref note 11)		297.81		297.81

Particulars	(Rupees in Lakhs)			
	31/03/2008		31/03/2007	
e) Receivable from Tulip Hospitality Services Ltd. (Ref note 10 & 11)		42.72		42.72
f) Subsidy Receivable		113.24		222.41
g) Deposit with Public Bodies and others		96.78		43.59
h) Advance Tax ,TDS & FBT		1,457.63		904.23
TOTAL (B)		6,836.36		8,691.94
TOTAL (A+B)		9,717.00		11,835.85

SCHEDULE - 6 : CURRENT LIABILITIES AND PROVISIONS :

Particulars	(Rupees in Lakhs)			
	31/03/2008		31/03/2007	
(a) Current Liabilities				
Sundry Creditors (Refer Note 9)	317.59		293.22	
Advances from Customers	38.92		204.66	
Amount Due to Holding Company	16.32		65.08	
Security and other deposits	208.29		151.78	
Other Liabilities (Refer Note 6)	2,962.53		2,355.95	
VRS Payable	291.19		223.61	
		3,834.84		3,294.30
(b) Provisions				
Gratuity	1,551.06		1,364.58	
Leave Encashment	469.20		382.34	
Taxation (FBT)	40.58		30.27	
		2,060.84		1,777.19
		5,895.68		5,071.49

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**SCHEDULE - 7: SALES AND OTHER INCOME :**

Particulars	(Rupees in Lakhs)	
	2007-08	2006 - 07
1. Revenue from Hotels and Flight Kitchens (net of allowances/discounts)		
a) Rooms-guest Accomodation	2,428.27	2,525.77
b) Food, Cigars and Cigarettes	2,727.17	3,039.58
c) Beverages (Wine and Liquor)	21.88	24.65
d) Telex and Telephones	9.62	11.88
e) Other Services	287.24	380.42
f) Licence fees for shops and offices	102.83	97.29
	5,577.01	6,079.59
2. Other Income		
a) Profit on Assets sold/scrapped	12.16	5.16
b) Interest (Gross) (TDS Rs - 87.39 lakhs -Previous Year Rs.115.63 lakhs)		
On Loan to Holding Company	355.39	462.68
On Staff Loans	0.64	0.87
Interest on Fixed Deposit	77.22	56.58
	433.25	520.13
c) Miscellaneous Income	105.65	45.46
	551.06	570.75
	6,128.07	6,650.34

SCHEDULE - 8: OPERATING AND GENERAL EXPENSES :

Particulars	(Rupees in Lakhs)	
	2007-08	2006 - 07
1. Food Consumed (including cigars and cigarettes)		
Opening stock	21.40	17.64
Add : Purchases	796.49	782.45
	817.89	800.09
Less : Closing stock	22.35	21.40
	795.54	778.69
2. Beverages (Wine and Liquor)		
Opening stock	2.17	3.05
Add : Purchases	7.53	4.17
	9.70	7.22
Less : Closing stock	4.06	2.17
	5.64	5.05
3. Consumption Of Stores and Supplies {net of recoveries of Rs. 40.68 lakhs (Previous year Rs. 42.59 lakhs)}		
	43.70	42.24
4. Power,Fuel,Electricity and Water Charges		
	845.67	769.32
5. Staff Cost		
Salaries, Wages and Bonus (Refer Note 6)	3,536.34	4,530.01
Contribution to Provident Fund , ESI etc.	345.76	308.21
Provision for Leave Encashment	197.24	113.17
Provision for Gratuity	433.81	213.19
Welfare and others {net of recoveries Rs 0.32 lakhs (Previous year Rs. 0.25 lakhs)}	307.87	345.57
	4,821.02	5,510.15
6. Soft Furnishings		
	35.19	26.04
7. Printing and Stationery		
	28.36	26.53
8. Communication		
	21.92	25.54
9. Travelling & Conveyance		
Travelling	14.72	17.71
Conveyance & Vehicle Expenses	65.25	55.95
	79.97	73.66



Particulars	(Rupees in Lakhs)	
	2007-08	2006 - 07
10. Guest Transportation Expenses		10.56
11. Rent and Licence Fees (Refer Note 2 a)	15.31	37.50
12. Rates and Taxes	415.50	45.74
13. Hire Charges	44.40	8.05
14. Repairs & Maintenance		
Buildings	57.51	59.87
Plant and Machinery	70.59	55.11
Others	70.36	73.78
15. Insurance	198.46	188.76
16. Commission	22.08	30.61
17. Advertisement and Publicity	13.78	8.66
18. Security Charges	33.21	21.13
19. Legal & Professional Charges	47.65	55.34
20. Auditors' Remuneration	39.37	35.30
a) Audit Fees (Incl.of Service Tax)	1.57	1.57
b) Travelling Exps	0.83	0.23
c) Out of pocket Expenses	-	0.60
21. Miscellaneous Expenses	2.40	2.40
22. Loss on Assets sold/scrapped	29.40	19.61
	-	2.48
	7,544.16	7,723.36

SCHEDULE - 9 : INTEREST AND OTHER FINANCIAL CHARGES :

Particulars	(Rupees in Lakhs)	
	2007-08	2006 - 07
1. Interest On:		
Others	-	0.10
	-	0.10

SCHEDULE - 10 : PRIOR PERIOD EXPENSES/INCOME :

Particulars	(Rupees in Lakhs)	
	2007-08	2006 - 07
I. EXPENSES		
Communication	1.34	-
Food & Bev Consumed		(0.03)
Repairs & Maint		0.27
Miscellaneous Expenses	-	0.29
	1.34	0.54
II. INCOME		
Miscellaneous Income	2.58	-
	2.58	-
III. PRIOR PERIOD ITEMS (NET)	(1.24)	0.54

SCHEDULE - 11 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS :**A SIGNIFICANT ACCOUNTING POLICIES****1 GENERAL**

The accounts are prepared in accordance with the generally accepted accounting principles under the historical cost convention on the basis of a going concern.

2 INCOME & EXPENDITURE RECOGNITION

- 2.1 Income & Expenditure are accounted on the accrual basis except income from Health Club which is accounted on cash basis.
- 2.2 Sales represent the amount of Invoices to customers, net of trade discounts.

3 FIXED ASSETS

- 3.1 Fixed Assets are stated at historical cost.
- 3.2 In case of contracts extending over years, revision in cost estimates are reflected in the Accounting period in which the revisions crystallise.
- 3.3 Leasehold land is amortised over the period of lease.

4 DEPRECIATION

- 4.1 Depreciation on fixed assets is provided, irrespective of the lease period, at the rates & in the manner prescribed in Schedule XIV to the Companies Act ,1956 on the Straight Line Method on prorata basis from the month of addition except in the case of the following assets:
- a) In respect of assets acquired prior to April,1st,1982, at rates on the estimated useful life of the Fixed Asset.
- b) In respect of the assets acquired from 1 st April, 1982 to 2 nd April ,1987 at the rates prescribed under the Income Tax Act, 1961 and rules thereunder.
- 4.2 Assets purchased / installed during the year having cost less than Rs 5,000/- each are being fully depreciated in the year of purchase.

5 AMORTISATION

- 5.1 Kitchen utensils purchased for the first time for a new unit are written off equally in four years. Any additions in the subsequent years are written off in the year of purchase.
- 5.2 Carpets purchased initially for a new unit / major renovation are capitalised as Fixed Assets in the year of purchase and depreciated on the Straight Line Method as specified in para 4 above. Carpets purchased in the subsequent years are being written off as Soft furnishings in the year of purchase.
- 5.3 Heavy curtains are written off in the year of issue.

6 TREATMENT OF EXPENDITURE DURING CONSTRUCTION PERIOD

All revenue expenses directly attributable to ongoing projects are set apart as expenses during construction and capitalised on the basis of value of work completed during the year in which the area is put to use.

7 FOREIGN EXCHANGE TRANSACTION

- 7.1 Foreign Currency balances are valued on the basis of exchange rates prevailing as on the date of the Balance Sheet.
- 7.2 The exchange difference pertaining to the Current Assets and Current Liabilities are transferred to the Profit & Loss Account.
- 7.3 Collection transaction in Foreign Currencies are translated into rupees at the rate of exchange ruling at the date of deposit with the Bank.

**8 VALUATION OF INVENTORIES**

Stock is valued at cost after making allowance for spoilage, except in case of linen, cutlery & crockery in rooms and outlets which are being valued at cost irrespective of the period of use.

9 RETIREMENT BENEFITS

9.1 Gratuity and Leave Encashment are provided on the basis of Actuarial Valuation as at the Balance Sheet date.

9.2 Voluntary Retirement scheme is accounted for in the year of announcement of scheme by the company and acceptance of the same by the employees.

10 INVESTMENTS

Long term investments, if any, are stated at cost, less permanent diminution in value. Current investments are valued at lower of the cost or fair market value.

11 LIABILITIES & PROVISIONS

11.1 The Company considers claims under arbitration as Contingent Liability.

11.2 The effect of arbitration awards decided against the Company for which Appeals have been preferred, are accounted in the year of final disposal.

11.3 Show Cause Notices received from various authorities/parties are not considered as Contingent Liabilities. However, when Demand Notices are raised against the same, those demands are either paid or treated as Liabilities, if accepted by the Company, and are treated as Contingent Liabilities if disputed by the Company.

11.4 Outstanding current liabilities are reviewed periodically and those over three years, if not considered payable are transferred to other Income.

12 PRIOR PERIOD ADJUSTMENTS

Expenditure/Income pertaining to prior year(s) is classified as Prior Period items, only in cases where the amount exceeds Rs. 25,000/- per transaction.

13 ACCOUNTING FOR DOUBTFUL DEBTS

Outstanding balances of Sundry Debtors (other than Government) are reviewed periodically and due provision is made for debts considered doubtful of recovery.

14 ACCOUNTING FOR TAXATION

14.1 Current tax is determined as the amount of tax payable in respect of taxable income for the period.

14.2 Deferred tax is recognised on timing differences, between taxable income and accounting income that originate in one period and is capable of reversal in one or more subsequent periods. Deferred Tax Assets, subject to consideration of prudence, are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. This is in accordance with AS-22 "Accounting for taxes on income" which came into effect in respect of accounting periods commencing on or after 1.4.2002.

SCHEDULE - 12 : NOTES ON ACCOUNTS :**NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2008 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008**

	2007-08 Rupees in lakhs	2006-07 Rupees in lakhs
1 Contingent Liabilities in respect of :		
a) Claims against the Company not acknowledged as debts.	119.03	139.49
b) Claims under Arbitration :		
i) Counter Claim made by M/s Tulip Hospitality Services Ltd. the buyer of Centaur Hotel Juhu Beach for Rs.3.33 crores towards Net current Assets, has been disputed by the Company as the Net Current Assets and other obligations of the buyers were to be settled in terms of the Agreement to Sell dated 11.03.2002 and on this issue as per the said Agreement, a sum of Rs. 0.43 crore is payable by the buyers and accordingly reflected as receivable on account of Net Current Assets. Since there was no consensus on some issues, the same was referred for adjudication to the Ministry of Civil Aviation.		
ii) Counter claim of Rs. 2.36 crores by M/s Sahara Hospitality Ltd. (formerly known as M/s Batra Hospitality Pvt.Ltd.), the buyer of Centaur Hotel Mumbai Airport, towards Net Current Assets which was disputed by the company, as the Net Current Assets and other obligations of the buyer were to be settled in terms of the Agreement to Sell dated 18.4.2002. On this issue, as per the Agreement, a sum of Rs.2.98 crores is payable by the buyer and accordingly reflected as receivable on account of Net Current Assets. The matter is pending before the Hon'ble Arbitral Tribunal for such claim and counter claim for settlement.		
iii) Giner Claims pending under Arbitration	103.92	103.92
iv) Awards that have gone against the Company for which appeals are preferred and pending disposal.	10.62	10.62
c) Guarantees given to Customs Authorities	5.00	20.00
d) i) Claims of Income Tax Authorities for which the department has preferred an appeal	29.09	29.09
ii) Claims of Income Tax Authorities for which the Company has preferred an appeal	665.93	41.90
iii) Disputed Sales Tax Liability for which the Company has preferred an appeal	846.99	486.48
iv) Claims of Luxury Tax authorities, for which the Company has preferred an appeal	312.40	317.41
v) Expenditure tax for the assessment year 1997-98	3.74	3.74
vi) Claim of Property Tax for which the Company has preferred an appeal	568.47	568.47
vii) Claims of ESIC ,for which the Company has preferred an appeal	2.03	
e) Claims made by employees	Amount	Amount
	Interdeterminate	Interdeterminate



2	a	During the year, provision has been made in the Profit and Loss Account for lease rentals payable at the rate of Rs. 163/- per square metre and turnover levy payable to Mumbai International Airport Ltd (MIAL) amounting to Rs.118.46 lakhs for Chefair Flight Catering Mumbai and to Delhi International Airport Ltd (DIAL) amounting to Rs.273.06 lakhs for Centaur Hotel Delhi Airport and Chefair Flight Catering Delhi, effective 3.5.2006.		
	b	No provision has been made for the following:		
	i)	Lease rentals and turnover levy payable to Airports Authority of India upto 2.5.2006.	2,027.67	2,027.67
	ii)	Lease rental differential payable to Mumbai International Airport Ltd (MIAL) for Chefair Flight Catering Mumbai, effective 3.5.2006	17.43	40.64
	iii)	Lease rental differential payable to Delhi International Airport Ltd (DIAL) for Centaur Hotel Delhi Airport and Chefair Flight Catering Delhi, effective 3.5.2006	61.16	128.18
3		Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of mobilisation advance)	910.07	107.21
4		Company had filed a case against Delhi Vidyut Board in the National Consumer Disputes Redressal Commission, New Delhi for refund of deposit amounting to Rs.69.70 lakhs (Previous year Rs.69.70 Lakhs) which was dismissed being not maintainable vide Order dated 07.03.06. However as per the advice of the Legal Advisor, Company has filed a "Summary Suit" against all the parties involved. Exemption from filing certified copies of the correspondence has been granted by the Registrar & notice has been served to the concerned parties.	69.70	69.70
5		During the year, 127 guest rooms and other related works was taken up for renovation at Centaur Hotel Delhi Airport at an estimated cost of Rs. 9.70 crores, out of which, 32 rooms were put to use on 12.03.2008. Provisional capitalization to the extent of Rs. 2.15 crores has been made as on 31 st March 2008 and depreciation has been charged to Profit and Loss Account. Accordingly, total capitalization on actual basis would be made after the renovation is completed during 2008-09.		
6		As per the approval of the Ministry of Civil Aviation, wage negotiations for the unionised category of employees effective 1.1.2002 for Centaur Hotel Delhi, Chefair Delhi & Centaur Hotel Srinagar & effective 15.11.2002 for Chefair Mumbai were concluded during the year. An estimated provision of Rs 16.85 crores was made in the books of accounts in the previous year. During the current year, an additional provision of Rs 5.13 crores has been made in the books of Accounts.		
7	a)	Buildings (on leasehold land) include value of ownership flats - Rs.8.98 lakhs (at cost) (previous year - Rs. 8.98 lakhs) Conveyance deeds / agreements in respect thereof are pending execution since matter is subjudice.		
	b)	Mutation in respect of the property of housing colony at Srinagar in favour of the Company is pending. Some part of the land has been encroached by a school for which the Company has filed a suit in the Court.		
8		The Flight Catering units at Delhi and Mumbai were commissioned in the new premises during 1983 and 1986 respectively. In accordance with the accounting policy prevalent, depreciation was provided on the buildings thereon as per the rates provided under the Income Tax Act, 1961, whereby the cost of the building gets depreciated in 59 years. However, in view of the disinvestment process for the flight catering units, fresh lease agreements were signed with the Airports Authority of India effective 1.4.2002, for a period of 30 years, extendable for another 30 years.		



- 9 Sundry Debtors are subject to confirmation, reconciliation and the consequent adjustments. Balances of Loans and Advances and Creditors are subject to confirmation, reconciliation and consequent adjustments.
- 10 Since the business of Centaur Hotel Juhu Beach on disinvestment has been transferred to M/s Tulip Hospitality Services Ltd effective 31.5.2002 and the company had deposited a sum of Rs.122.20 lakhs of principal amount and Rs.158.61 lakhs towards interest (total Rs.280.81 lakhs) with the Bombay High Court against dues payable to the Contractor engaged in Civil works, this amount was adjusted against the sale proceeds in the year 2002-03. However, an undertaking has been taken from M/s Tulip Hospitality Services Ltd.that if any refund is received as per the direction of the Hon'ble High Court, the same would be refunded to the Company and would be accounted in the year of receipt and any further liability in this regard, if any, would be of the buyer.
- 11 During 2002-03, the Company has accounted for Rs 0.43 crores and Rs 2.98 crores as receivable from M/s Tulip Hospitality Services Ltd and M/s Sahara Hospitality Ltd respectively on account of Net Current Assets transferred to the respective buyers of the two units viz Centaur Hotel Juhu Beach and Centaur Hotel Mumbai Airport. Both the buyers, M/s Tulip Hospitality Ltd and M/s Sahara Hospitality Ltd. have disputed the same. But in the opinion of the Management, both claims are receivable and considered good. Therefore, the same have been accounted for and disclosed accordingly.
- 12 The matter relating to the cost sharing arrangement pertaining to Centaur Lake View Hotel Srinagar between the Company and Government of Jammu & Kashmir had been agreed by both the parties in a joint meeting held on 15.10.2004 and all the matters of divergent views were settled. Accordingly, the Company accounted for the same in the books of accounts. The net receivable amount from the Govt of J&K on this issue is Rs 5.69 crores (Previous year Rs 5.31 crores) as per books of accounts.
- 13 As per the in principle sanction received from the Ministry of Civil Aviation, the Company is in the process of giving the running of its two units i.e.. Centaur Lake View Hotel Srinagar & Chefair Flight Catering Mumbai to professionals on Management Contract. The company appointed a management consultant to assist in the selection of the parties. Expression of the interest has been called for from interested parties & the same has been short listed by the Management Consultant. Impact of such Management Contract would be accounted in the year of implementation.
- 14 In the absence of information of suppliers status, as defined under the Interest on Delayed payments to Small-Scale & Ancillary Industrial Undertakings Act, 1993, the disclosure for unpaid amounts together with interest on delayed payments, if any, to such suppliers, could not be made in the Accounts.
- 15 The company is required to present segment reporting based on its business segments as per the AS 17 issued by the Institute of Chartered Accountants of India. In accordance with that, the segment reporting is given as per Annexure "I"
- 16 Related party transaction:
- Disclosure as regard related party relationship and transactions with State Controlled Enterprise are not required to be disclosed as mentioned in Clause 9 of AS-18 issued by the Institute of Chartered Accountants of India.
- a) Key Managerial personnel & Relatives
Cmde.D.Jena, NM VSM(Retd), Managing Director
- b) Related party transactions.
1. There are no transactions with key managerial personnel except remuneration and perquisites to Managing Director in note no. 21.



2.	No remuneration and perquisite to relatives of Managing Director have been paid.			
c)	No loans or credit transactions were outstanding with directors or officers of the company or their relatives at the end of the year which are required to be disclosed in accounts under the Companies Act, 1956.			
17	The Company is required to present a cashflow statement for the period for which financial statements are presented, which is given as Annexure II.			
18	The Accounting for taxes on income in pursuance of AS-22 issued by the Institute of Chartered Accountants of India is applicable. There is a Deferred Tax Asset for the year 2007-08. The Deferred Tax Asset is subject to consideration of prudence and are recognised and carried forward only to the extent that there is sufficient future taxable income available. The company does not consider that its future taxable income may be available and as such there is no virtual certainty. Hence Deferred Tax Asset is not recognised in the books of accounts.			
19	Earnings per share:			
	i) Net Profit / (Loss) for the year	(2,496.66)		(1,270.38)
	ii) No. of Equity Shares			4,060,000
	iii) Nominal value per equity share (Rs.)	4,060,000		100/-
	iv) Basic and Diluted EPS (Rs.) per share	100/-		(61.49)
20	During the year,			
	a) VRS was implemented in Centaur Lake View Hotel Srinagar, 157 employees opted for VRS, out of which, as on 31.03.2008, 150 were relieved at a total outflow of Rs 8.85 crores.			
	b) Out of 34 employees remaining to be released on VRS out of the earlier 378 employees, none were released on VRS during the year.			
21	Employees remuneration, benefits & other costs include remuneration to Managing Director for the year is as under			
	a) Salary (net of pension amount Rs 1.96 lakhs - Previous Year Rs.1.14 lakhs)	3.16		1.94
	b) Company's contribution to Provident Fund	0.56		0.31
	c) Perquisites (Calculated as per Income Tax Act, 1961)	0.38		0.13
22	Additional information pursuant to paras 3,4-C and 4-D of part II of Schedule VI to the Companies Act, 1956			
	i) The application to get exemption regarding information required by para 3(1)(a) of part II of the Companies Act, as amended by Notification No. GSR494(E) dated the 30th October, 1973 has already been submitted to Department of Company Affairs, approval is awaited.			
	ii) CIF Value of Imports	-		-
	iii) Expenditure / Remittance in Foreign Currency Foreign Travel	-		0.50
	iv) Consumption of Raw Materials			
	Imported	-		-
	Indigenous	801.18	100%	783.74 100%
	v) Consumption of Spares & Components (Maintenance spares)			
	Imported	-		-
	Indigenous	3.98	100%	11.19 100%

vi) **Earnings in Foreign Exchange**

a)	Amounts of currency and Travelers Cheques (Foreign Currency) encashed at hotel counters	59.74	57.23
b)	Payments received through Credit Cards, Travel Agents, Airlines (on the basis of exchange Certificates)	112.98	159.85

23 Previous year's figures have been regrouped and rearranged wherever necessary to make the same comparable with current year's figures.

AS PER OUR REPORT OF EVEN DATE ATTACHED

SIGNATURE TO SCHEDULES 1 TO 12

FOR P. PARIKH & ASSOCIATES
CHARTERED ACCOUNTANTS

For and on behalf of the Board

sd/-
Jitesh Jain
Partner

sd/-
Raghu Memon
Chairman

sd/-
Cmde. D. Jena
Managing Director

sd/-
Shyamala P Kunder
Company Secretary

Place : Mumbai
Date : 30 September, 2008

Place : Mumbai
Date : 30 September, 2008



ANNEX-I

Segmentwise Reporting for the year 2007-08

Rs in Lakhs

	Hotels	Flight Kitchens	Others	Total
1 SEGMENT REVENUE				
(a) Room Sales	2,428.27 (2,525.77)	- -	- -	2,428.27 (2,525.77)
(b) F & B Sales	573.13 (619.02)	2,175.92 (2,445.21)	- -	2,749.05 (3,064.23)
Other Services	48.88 (65.41)	247.98 (326.89)	- -	296.86 (392.30)
Misc Income	164.32 (79.26)	53.85 (48.16)	435.72 (540.62)	653.89 (668.04)
Total Revenue	3,214.60 (3,289.46)	2,477.75 (2,820.26)	435.72 (540.62)	6,128.07 (6,650.34)
2 Total Revenue of each segment as a percentage of total revenue of all segments	53 (50)	40 (42)	7 (8)	100 (100)
3 SEGMENT RESULT				
Combined Result of all Segments in loss	(1,496.78) (-888.79)	(1,435.60) (-922.21)	435.72 (540.62)	(2,496.66) (-1270.38)
4 Segment Result	60 (71)	58 (73)	(18) (-44)	100 100
5 SEGMENT ASSETS				
FIXED ASSETS	2,802.17 (2,446.97)	410.07 (316.54)	43.44 (45.79)	3,255.68 (2,809.30)
CURRENT ASSETS	2,171.44 (1,970.80)	1,435.72 (1,275.46)	6,109.84 (8,559.29)	9,717.00 (11,805.55)
INVESTMENT	-	-	0.47 (0.47)	0.47 (0.47)
TOTAL ASSETS	4,973.61 (4,417.77)	1,845.79 (1,592.00)	6,153.75 (8,605.55)	12,973.15 (14,615.32)
6 Segment assets as a percentage of total assets of all segments.	38 (30)	14 (10)	47 (60)	100 (100)
7 SEGMENT LIABILITIES				
TOTAL liability	1,005.13 (1,598.45)	1,824.26 (1,090.90)	10,143.76 (11,926.02)	12,973.15 (14,615.37)
8 Segment liabilities as a percentage of total liabilities of all segments.	8 (43)	14 (41)	78 (16)	100 (100)
9 TOTAL CAPITAL EXPENDITURE	348.21 (49.67)	108.75 (29.83)	2.20 (2.16)	459.16 (81.66)
10 Segment capital expenditure as a percentage of all segments.	76 (61)	24 (37)	(1) 3	100 (100)
11 TOTAL Depreciation	110.05 (112.07)	48.45 (30.97)	3.87 (3.46)	162.37 (146.50)

Figures in brackets indicates previous year.



Part IV of Schedule VI of Companies Act, 1956 (As amended) Balance Sheet Abstract and Company's General Business Profile.

I. Company's Registration Details :

Registration No.	15217
State Code	11
Balance Sheet Date	31.3.2008

II. Capital raised during the year:

Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placement	-

III. Details of Mobilisation and Development of Funds:

Total Liabilities	(Rs.in lakhs) 7,077.47
Total Assets	7,077.47

Source of Funds :

Paid up Capital	4,060.00
Reserves & Surplus	3,017.47
Secured Loans	-
Unsecured Loans	-

Application of Funds:

Net Fixed Assets	3,255.68
Investments	0.47
Net Current Assets	3,821.32
Misc. Expenditure	-

IV. Performance of Company :

Turnover	6,128.07
Total Expenditure (Incl. prior period Expenses)	7,705.29
Extraordinary Items	906.26
Profit/(Loss) before Tax	(2,483.48)
Profit/(Loss) after Tax	(2,496.66)
Earning per share in Rs.	(61.49)

V. Generic names of three principal products/services of Company

(as per monetary terms)

Item Code No.
Product description

Entry No.34
HOTEL,MOTEL
FLIGHT CATERING
AND TOURISM
RELATED INDUSTRY

FOR AND ON BEHALF OF BOARD

sd/-
Raghu Memon
Chairman

sd/-
Cmdr. D. Jena
Managing Director

sd/-
Shyamala P Kunder
Company Secretary

Place : Mumbai
Date : 30 September, 2008



HIGHLIGHT FOR THE FINANCIAL YEAR

(Rupees in Lakhs)

PARTICULARS	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
OPERATING RESULTS AT A GLANCE										
TOTAL REVENUE	6,128.07	6,650.34	5,856.77	4,921.25	4,074.92	5,177.09	8,186.01	9,426.71	8,881.68	9,771.90
TOTAL OPERATING COST	7,544.16	7,723.36	5,804.69	5,122.56	4,758.69	6,300.68	10,590.22	11,429.76	9,362.51	9,248.81
GROSS OPERATING PROFIT	(1,416.09)	(1,073.02)	52.08	(201.31)	(683.77)	(1,123.59)	(2,404.21)	(2,003.05)	(480.83)	523.09
DEPRECIATION	162.37	146.50	142.82	139.67	144.59	191.50	363.25	330.85	243.49	225.18
INTEREST	-	0.10	184.77	333.34	181.51	72.71	494.50	151.99	109.86	102.70
ADJUSTMENT OF PRIOR YEARS	-	-	13.48	70.23	439.85	1,121.90	-	-	-	-
PRIOR PERIOD & OTHER ADJUST	905.02	27.44	(14.95)	11.21	(31.73)	160.50	(29.92)	22.54	(20.87)	5.14
ADJUSTMENT OF INCOME TAX / FBT	13.18	23.32	-	19.96	26.33	94.68	274.48	-	-	-
NET SALE PROCEEDS OF UNITS	-	-	-	-	-	19,737.68	-	-	-	-
PROFIT /(LOSS) BEFORE TAX	(2,496.66)	(1,270.38)	(303.94)	(775.72)	(1,507.78)	17,388.48	(3,566.36)	(2,508.43)	(855.05)	190.07
PROVISION FOR TAX	-	-	-	-	-	1,297.00	-	-	-	122.00
FOREIGN EXCHANGE EARNINGS	-	-	-	-	-	-	-	21.00	-	21.00
RESERVES	-	-	-	-	-	-	-	-	-	-
PROFIT /(LOSS) AFTER TAX	(2,496.66)	(1,270.38)	(303.94)	(775.72)	(1,507.78)	15,996.80	(3,566.36)	(2,487.43)	(855.05)	47.07
APPROPRIATION	-	-	-	-	-	-	-	-	-	-
TRANSFER TO GENERAL RESERVE	-	-	-	-	-	1,738.00	-	-	-	-
DIVIDEND	-	-	-	-	-	2,030.00	-	-	-	-
SHARE CAPITAL	4,060.00	4,060.00	4,060.00	4,060.00	4,060.00	4,060.00	4,060.00	4,060.00	4,060.00	4,060.00
RESERVES & SURPLUS	3,017.47	5,514.13	6,784.51	7,088.45	7,864.19	9,371.95	-	-	1,479.94	1,639.84
NET WORTH	7,077.47	9,574.13	10,844.51	11,148.45	11,924.17	13,431.95	(534.85)	3,031.51	5,539.94	5,699.84
BORROWINGS	-	-	-	4,326.49	3,436.56	-	625.86	1,830.93	617.06	1,737.35
GROSS BLOCK	7,232.53	6,866.48	6,825.39	6,758.46	6,700.20	6,686.62	12,266.09	11,844.79	10,408.39	10,237.02
DEPRECIATION	4,127.14	4,058.37	3,938.88	3,828.75	3,721.94	3,591.94	6,096.39	5,753.72	5,615.36	5,391.64
NET BLOCK	3,105.38	2,808.11	2,886.51	2,929.71	2,978.26	3,094.68	6,169.70	6,091.07	4,793.03	4,845.38
CAPITAL WORK IN PROGRESS	150.29	1.19	1.19	1.19	1.19	1.19	104.69	230.45	419.64	34.25
CURRENT ASSETS	9,717.00	11,805.58	10,855.69	3,742.07	3281.14	3,931.27	3,282.17	4,109.34	5,284.41	7,143.76
CURRENT LIABILITIES	5,895.68	5,041.22	2,899.35	2,698.50	2,400.33	5,095.66	7,016.02	5,595.09	4,436.55	4,682.75
NET CURRENT ASSETS	3,821.32	6,764.36	7,956.34	1,043.57	880.81	(1,164.39)	(3,733.85)	(1,485.75)	847.86	2,461.01
CAPITAL EMPLOYED	6,926.70	9,572.47	10,842.85	3,973.28	3,859.07	1,930.29	2,435.85	4,605.32	6,060.53	7,340.64
OPERATIONAL STATISTICS										
AVERAGE OCCUPANCY:										
CENTAUR HOTEL - MUMBAI %	-	-	-	-	-	35	41	54	37	59
CENTAUR HOTEL - DELHI %	73	76	67	74	39	28	13	19	19	24
CENTAUR LAKE VIEW HOTEL-SRINAGAR %	46	34	27	58	36	40	40	40	41	40
CENTAUR HOTEL JUHU BEACH -MUMBAI %	-	-	-	-	-	30	28	43	35	34
TOTAL NO OF GUESTS										
CENTAUR HOTEL - MUMBAI	-	-	-	-	-	2,989	48,301	68,075	54,323	88,622
CENTAUR HOTEL - DELHI	62,201	65,778	56,158	54,020	45,151	24,576	23,837	35,377	30,261	42,952
CENTAUR LAKE VIEW HOTEL-SRINAGAR	32,525	31,176	33,727	36,000	32,500	52,033	53,555	56,705	62,642	55,595
CENTAUR HOTEL JUHU BEACH -MUMBAI	-	-	-	-	-	4,392	48,395	65,252	64,138	57,720
EARNINGS IN FOREIGN EXCHANGE										
(RS IN LAKHS)	172.72	217.08	250.06	217.86	154.75	26.20	705.37	900.25	971.51	1,172.51
NO.OF EMPLOYEES (YEAR END)	1486	1664	1695	1715	1789	2196	3838	3885	3923	4066
EMPLOYEES' REMMUNERATION	4,821.02	5,510.15	3,549.81	3,292.57	3,398.94	3,955.53	5,880.32	6,277.86	4,750.55	4,756.12
BENEFITS (RS IN LAKHS)	-	-	-	-	-	-	-	-	-	-