

**HOTEL CORPORATION OF
INDIA LIMITED**

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BOARD OF DIRECTORS

Shri Rohit Nandan

Chairman

Shri S. Machendranathan

Shri Prashant Sukul

Company Secretary

Ms. Shyamala P. Kunder

Auditors

M/s. R. K. J. K. Khanna & Co.

Solicitors

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 Fortieth Annual Report and the Audited Accounts for the year ended 31 March 2011.

FINANCIAL RESULTS :

The Financial Result of the Company for 2010-11 are summarised below :

PARTICULARS	(Rupees in Lakhs)	
	2010-11	2009-10
TOTAL REVENUE	5357.63	4128.51
TOTAL OPERATING EXPENDITURE	7880.83	6690.58
GROSS OPERATING PROFIT / (LOSS)	(2523.20)	(2562.07)
INTEREST	42.74	30.77
CASH PROFIT / (LOSS)	(2565.94)	(2592.84)
DEPRECIATION	196.60	232.09
NET PROFIT / (LOSS) BEFORE EXTRA ORDINARY ITEMS	(2762.54)	(2824.93)
EXTRA ORDINARY ITEMS	7.65	20.33
PRIOR PERIOD ADJUSTMENTS	(99.18)	65.87
NET PROFIT / (LOSS) AFTER EXTRA ORDINARY ITEMS BUT BEFORE TAX	(2671.01)	(2911.13)

OVERVIEW :

- During the year the total revenue has increased to Rs. 5357.63 lakhs as against Rs 4128.51 lakhs, an increase on of Rs. 1229.12 lakhs (30%) over 2009-10. This is mainly on account of increase in total revenue of Centaur Delhi by Rs 1187.13 lakhs (69%) mainly on account of increase in occupancy from 33% last year to 55% in 2010-11.
- The total expenditure has increased to Rs. 7880.83 lakhs, i.e. by Rs. 1190.25 lakhs (18%) over previous year mainly on account of increase in the Staff Cost due to the increase in the actuarial valuation of Gratuity Rs. 841.55 lakhs (on account of increase in the Gratuity limit from Rs. 3.50 lakhs to Rs. 10 lakhs) and Leave encashment Rs. 233.67 lakhs.
- In view of the above, the Gross Operating Loss is Rs. 2523.20 lakhs as against Rs. 2562.07 lakhs during the previous year.
- The Net Loss after tax is Rs. 2671.01 lakhs as against Rs. 2911.13 lakhs in the previous year a reduction of Rs 240.12 lakhs (8%) due to reduction in depreciation and prior period/extraordinary items.

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

CENTAUR HOTEL DELHI AIRPORT :

The Unit earned a revenue of Rs. 2897.66 lakhs as compared to Rs. 1710.53 lakhs in the previous year i.e. an increase of 69% over the previous year. This is mainly due to increase in occupancy from 33% in the previous year, to 57% in 2010-11.

The total expenditure is Rs. 2115.53 lakhs, as against Rs. 2427.44 lakhs in the previous year. As a result, the Unit made an Operating Loss of Rs. 217.87 lakhs as compared to Rs. 716.91 lakhs in the previous year. After providing for interest and depreciation, the Unit made a Net Loss of Rs 336.86 lakhs as compared to Rs. 865.44 lakhs in the previous year.

After considering extra-ordinary items, the unit has incurred a Net Loss of Rs. 343.86 lakhs as against Rs. 871.62 lakhs in the previous year.

CENTAUR LAKE VIEW HOTEL, SRINAGAR :

The Unit earned a revenue of Rs. 723.21 lakhs as compared to Rs. 709.08 lakhs in the previous year i.e. an increase of 2% over the previous year.

The total expenditure is Rs. 1092.49 lakhs as against Rs. 912.94 lakhs in the previous year. As a result, the Unit made an Operating Loss of Rs. 369.28 lakhs as against Rs. 203.86 lakhs in the previous year. After providing for interest and depreciation, the Unit incurred a Net Loss of Rs. 398.34 lakhs as compared to Rs. 231.71 lakhs in the previous year.

After considering extra-ordinary items, the unit has incurred a Net Loss of Rs. 402.10 lakhs as against Rs. 245.11 lakhs in the previous year.

CHEFAIR FLIGHT CATERING, MUMBAI :

The Unit earned a revenue of Rs. 593.95 lakhs as compared to Rs. 736.67 lakhs in the previous year i.e. a reduction of 19% over the previous year.

The total expenditure is marginally lower at Rs. 1816.36 lakhs as against Rs. 1856.42 lakhs in the previous year.

As a result, the Unit made an Operating Loss of Rs. 1222.41 lakhs as against Rs. 1119.75 lakhs in the previous year. After providing for interest and depreciation, the Unit incurred a Net Loss of Rs. 1273.12 lakhs as compared to Rs. 1166.68 lakhs in the previous year.

After considering extra-ordinary items, the unit has incurred a Net Loss of Rs.1204.88 lakhs as against Rs. 1169.74 lakhs in the previous year.

CHEFAIR FLIGHT CATERING, DELHI :

The Unit earned a revenue of Rs. 342.64 lakhs as compared to Rs. 352.58 lakhs in the previous year i.e a reduction of Rs. 9.94 lakhs (3%). The total expenditure is Rs. 1227.65 lakhs as against Rs. 1047.34 lakhs in the previous year.

As a result, the Unit made an Operating Loss of Rs. 885.01 lakhs as against Rs. 694.76 lakhs in the previous year. After providing for interest and depreciation and extraordinary items, the Unit incurred a Net Loss of Rs. 922.25 lakhs as against Rs. 730.82 lakhs in the previous year.

ANNUAL PLAN OUTLAY 2010-11 :

The Government had approved an Annual Plan Outlay of Rs. 15 crores for the financial year 2010-11. The actual outlay was Rs. 1.25 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, periodic surprise checks and inspections were carried out at all units of HCI. Report to various agencies have been sent based on inputs received from the administrative department. During the year, procedural advice was rendered from time to time in matters pertaining to tender/purchase procedures. Vigilance Awareness Week was observed from 31 October to 5 November 2011.

FOREIGN TOURS :

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

PERSONNEL :

As on 31st March, 2011 the Company had on its payroll a total of 1325 employees as against 1382 as on 31st March 2010 in the Head Office and 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 :

The Wage settlement signed with the various Unions representing Unionised category of employees of all the Units for the period 2002 to 2006 has already been executed and the new wage revision effective January 2007 is pending.

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. 5,00,000/- per month.

FOREIGN EXCHANGE EARNING & OUTGO :

The Foreign Exchange earning during the year were Rs. 89.06 lakhs as against Rs. 91.71 lakhs in the previous year. The outgo of Foreign Exchange during the year was nil.

CONSERVATION OF ENERGY & 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 HCI :**Chefair Flight Catering, Mumbai :**

As per the approval of the Ministry of Civil Aviation, several attempts were made in the earlier years to offer the unit of Chefair Flight Catering, Mumbai (CFCM) under Management Contract by the Consultant M/s. Tourism Finance Corporation of India Limited (TFCI), who were appointed for the same. Due to uncertainty involved in taking over of the unit by Mumbai International Airports Limited (MIAL) under the airport expansion project, all efforts to offer the unit under Management Contract was failed. In view of the same, the Board advised the management to make the unit as a separate profit centre and a viability report was then submitted to the Board. Subsequently, effort is being made to make HCI as a Special Business Unit, so that it can cater to the flight catering needs of Air India for all its ex-Mumbai and Delhi flights and the same is under process.

Centaur Lake View Hotel, Srinagar :

Subsequent to the execution of Management Contract with the selected bidder M/s BD & P Hotels (India) Private Ltd., on 15 September 2011 a Writ Petition was filed by certain unions of the CLVH (viz., Centaur Hotel Employees Union, Srinagar and Centaur Hotel Officers' Welfare Association, Srinagar) against the proposal of offering the unit under Management. The unit could not be handed over due to the Interim stay Order passed by the Hon'ble High Court of Jammu & Kashmir in the matter.

Subsequently, the State government of J&K conveyed its intention to take over the property of CLVH under its management. Accordingly, the management conveyed its acceptance for the same and reiterated that the CLVH would be transferred to the State Government on "as is where is" basis alongwith its employees.

In view of the change in the situation, the unit could not be given under management contract to M/s. BD & P Hotels (India) Pvt. Ltd., and the Management Contract was terminated by invoking the clause of "Force Majeure" and the Interest Free Security Deposit and Minimum Guaranteed Amount was refunded to the party. Taking cognizance of the same, the bidder M/s. BD & P Hotels (India) Pvt. Ltd., had filed an Arbitration Petition in the Hon'ble High Court at Bombay which was listed for hearing.

POST DISINVESTMENT ISSUES:

The issue of settlement of Net Current Assets and other obligations with respect to **Centaur Hotel Mumbai Airport** was disputed and the disputes raised by the Buyer were referred to Arbitration. As per the Award, the Hon'ble Tribunal was pleased to award in favour of HCI a sum of Rs.188,48,920/- together with interest @2% p.a over and above the SBI Prime Lending Rate amounting to Rs. 215, 37,085.84 and also Rs.40 lakhs towards legal cost. The total amount receivable from the Respondent as on 30 April 2011 amounts to Rs. 443,86,005.84/-.

The said Award was then served on the Respondent, M/s. Sahara Hospitality Limited for its enforcement, who challenged the award and made an application for setting aside the said Award and the matter is yet to come up on regular Board for hearing.

In case of **Centaur Hotel Juhu Beach**, the matter on three divergent issues referred to then Executive Director-Finance & Company Secretary, NACIL, currently Director - Finance, Air India Ltd., as advised by the Sole Arbitrator, Joint Secretary, Ministry of Civil Aviation, appointed by the Ministry. Several meetings were held with M/s.Tulip Hospitality Services Limited and the points of disputes were narrowed down and the final settlement is awaited.

DIRECTORS :

During the year 2010-11, the Board consisted of the following Members :

Shri Arvind Jadhav, CMD, Air India Ltd.	-	Chairman & Managing Director
Shri E. K. Bharat Bhushan Addl. Secretary & Fin. Advisor, MOCA	-	Director
Shri Prashant Sukul Joint Secretary, MOCA	-	Director

The Ministry of Civil Aviation, vide Order F.No. AV.18014/02/2011-AI dated 12 August 2011 had appointed Shri Rohit Nandan as the Chairman & Managing Director of Air India Limited. The Chairman-AIL is the ex-officio Chairman of Hotel Corporation of India Limited. Further, vide its letter No.AV.18013/001/1992-AI dated 2 January 2012 MOCA had appointed Shri S. Machendranathan, Additional Secretary & Financial Advisor vice Shri E. K. Bharat Bhushan as director on the board of HCI.

The Board places on record its appreciation for the valuable services rendered by Shri Arvind Jadhav, as CMD and Shri E. K. Bharat Bhushan as Director on the Board during their tenure.

As on 1st February 2012, the Board consisted of the following Members :

Shri Rohit Nandan, CMD, Air India Ltd.	-	Chairman
Shri S. Machendranathan Addl. Secy. & Fin. Advisor, MOCA	-	Director
Shri Prashant Sukul Joint Secretary, MOCA	-	Director

DIRECTORS RESPONSIBILITY STATEMENT :

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

In the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.

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 31st March, 2011 and of the profit or loss of the Company for that period.

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.

The Directors had prepared the Annual Accounts on a going concern basis.

AUDIT COMMITTEE :

During the year 2010-11, the constitution of the Audit Committee was as follows :

Shri E. K. Bharat Bhushan AS & FA, MOCA	-	Chairman
Shri Arvind Jadhav, CMD - AIL	-	Member
Shri Prashant Sukul Joint Secretary, MOCA	-	Member
Ms. Shyamala P. Kunder	-	Secretary

The quorum for the meeting of Audit Committee would be 1/3rd of the total strength or 2 whichever is higher.

As on 1st February 2012, the Audit Committee consisted of the following Members :

Shri S. Machendranathan Addl. Secretary & Fin. Advisor, MOCA	-	Chairman
Shri Rohit Nandan, CMD - AIL	-	Member
Shri Prashant Sukul Joint Secretary, MOCA	-	Member
Ms. Shyamala P. Kunder	-	Secretary

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA :

The comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31 March 2011 is annexed to this report.

AUDITORS' REPORT :

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

AUDITORS :

M/s. R. K. J. K. Khanna & Co., Chartered Accountants, Statutory Auditors of the company, will retire at the forthcoming Annual General Meeting of the company. M/s. Guru Jana Chartered Accountants, have been appointed as the sole auditors of the Company for the financial year 2011-12 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 Air 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 of Directors

Sd/-
Rohit Nandan
Chairman

Place : New Delhi
Date : 27 February 2012

COMMENTS OF THE COMPTROLLER AND 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 31ST MARCH 2011.

The preparation of financial statements of **Hotel Corporation of India Limited** for the year ended 31st March 2011 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 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 1st March 2012.

I, on the behalf of the Comptroller and Auditor General of India (CAG), have conducted a supplementary audit of **Hotel Corporation of India Limited** under section 619(3)(b) of the Companies Act, 1956 of the financial statements for the year ended 31st March 2011. This supplementary audit has been carried out independently with access to limited working papers of the Statutory Auditors and is also limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report :

Auditors' Report

Reference is invited to Para 4 (f)(4) of the Statutory Auditor's Report where the Auditor has qualified his Report in regard to non-provision of lease rentals/turnover fees (Rs.23.03 crore) and interest (Rs.14.65 crore) thereon payable to Airports Authority of India, Mumbai International Airport Limited and Delhi International Airport Limited. This included lease rentals/turnover fee of Rs.0.75 crore and interest of Rs.3.15 crore for the year 2010-11.

Non-provision of the lease rentals/turnover fee and the interest has resulted in :

- (a) overstatement of 'Prior Period Adjustments (Net Credit)' by Rs.33.78 crore; and understatement of
 - (i) 'Loss for the year (Rs.27.63 crore) before Extraordinary/Prior Period Items' by Rs.3.90 crore;
 - (ii) 'Loss (Rs.26.71 crore) after Extraordinary/Prior Period Items and Tax', depicted in the Profit and Loss Account, by Rs.37.68 crore; and
- (b) understatement of 'Current Liabilities and Provisions' and 'Profit and Loss Account (Debit Balance)', depicted in the Balance Sheet, each by Rs.37.68 crore.

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

Sd/-
Parama Sen
Principal Director of Commercial Audit
& *ex-officio* Member, Audit Board II, Mumbai

Place : Mumbai
Date : 26 April 2012

**MANAGEMENT REPLIES TO THE COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE COMPANY
FOR THE YEAR ENDED MARCH 31, 2011.**

COMMENTS	MANAGEMENT'S REPLY
<p>AUDITORS' REPORT</p> <p>Reference is invited to Para 4 (f) (4) of the Statutory Auditor's Report where the Auditor has qualified his Report in regard to non-provision of lease rentals/turnover fees (Rs.23.03 crore) and interest (Rs.14.65 crore) thereon payable to Airport Authority of India, Mumbai International Airport Limited and Delhi International Airport Limited. This included lease rentals/turnover fees of Rs.0.75 crore and interest of Rs.3.15 crore for the year 2010-11.</p> <p>Non-provision of the lease rentals/turnover fee and interest has resulted in :</p> <p>(a) overstatement of 'Prior Period Adjustment' (Net Credit) by Rs.33.78 crore and under-statement of</p> <p>(i) 'Loss for the year (Rs.27.63 crore) before Extraordinary/Prior Period Items' by Rs.3.90 crore;</p> <p>(ii) 'Loss (Rs.26.71 crore) after Extraordinary/Prior Period Items and Tax', depicted in the Profit & Loss Account, by Rs.37.68 crore; and</p> <p>(b) understatement of 'Current Liabilities and Provisions', and Profit and Loss Account (Debit Balance), depicted in the Balance Sheet, each by Rs.37.68 crore.</p>	<p>Statement of Fact. Non-provision of lease rentals/turnover levy and interest thereon has been adequately disclosed by the Company in Notes on Accounts, Schedule 19 (Point No. 2b).</p>

REPORT OF THE AUDITORS TO THE MEMBERS OF HOTEL CORPORATION OF INDIA LIMITED

1. We have audited the attached Balance Sheet of **Hotel Corporation of India Limited** (the company) as at 31 March 2011 and also the Profit & Loss Account and the 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 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 statement. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements 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 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') 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 explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that :
 - a) We have called for, and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of audit **except details relating to :**
 1. **dispute with M/s. V. Hotels Limited referred to in Note 1a) b) i) of Notes on Accounts (Schedule 19) disclosing a contingent liability of Rs. 3.33 crore (whereas amounts claimed by the said party aggregate to Rs. 8.28 crore as per information provided to us) and continuing to show the sum of Rs.0.43 crore as receivable from the said party;**
 2. **counter claim of Rs.6.50 crore made on Delhi International Airport Ltd. referred to in Note No. 2 b) iii) of Notes on Accounts (Schedule 19);**
 3. **housing colony at Srinagar in respect of which mutation in favour of the company was pending as reported in the previous year's financial statements, it is now reported that since the records of rights has been obtained in favour of the company from the concerned Naib Tehsildar the mutation was no more required (without explaining how mere mention of possession in Girdawari could obviate the requirement of mutation and confer full ownership rights in the land, admittedly part of which has been encroached by a school) referred to in Note No. 6 b) of Notes on Accounts - Schedule 19;**
 4. **claims referred to in Note No. 1 d) of Notes on Accounts (Schedule 19) of**

Income Tax	-	Rs. 29.09 lac and Rs. 41.90 lac (included in the figure of Rs. 665.93 lac)
Sales Tax	-	Rs. 21.36 lac (included in the figure of Rs. 2409.39 lac)
Expenditure Tax	-	Rs. 3.74 lac
Property Tax	-	Rs. 639.23 lac

for which appeals have been filed;
 5. **debit balances in Luxury Tax account, Expenditure Tax account, Sales Tax account and Service Tax account aggregating to Rs. 32.04 lac appearing in the books of account of Head Office, Mumbai, Chefair, Mumbai and Chefair, Delhi brought forward from earlier years;**
 6. **accounting of Rs. 65.45 lac as "prior period income" by linking the receipt of the amount with deductions from the bills raised in earlier years on Air India by Chefair, Mumbai;**

where complete, updated and adequate information though called for has not been made available to us to enable us form an opinion.
 - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
 - c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
 - d) Being a Government company, pursuant to the notification no. GSR 829(E) dated 21 October, 2003 issued by the Government of India, provisions of clause (g) of sub section (1) of section 274 of the Companies Act, 1956 are not applicable to the company.

- e) In our opinion the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply in all material aspects with the applicable Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, **except in regard to Policy No.8 – Schedule 18 (Significant Accounting Policies) regarding inventories being valued at cost instead of “cost or net realizable value whichever is lower” which is at variance with Accounting Standard 2 on Valuation of Inventories.**
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes appearing thereon, give the information required by the Companies Act, 1956 in the manner so required **and subject to :**
1. **Our comments at paragraph 4(a) and 4(e) above;**
 2. **Note no. 8 of Notes on Accounts (Schedule 19) regarding non-confirmation and non-reconciliation of sundry debtors, loans and advances, sundry creditors and a few bank accounts, including dues from the holding company (Air India Ltd.) amounting to Rs. 458.80 lac being part of sundry debtors of Rs. 905.34 lac. Reconciliation/confirmation of these/various accounts may have effect on the Profit/ Loss and Assets/Liabilities of the company for the year ended 31 March, 2011, the impact of which is unascertained at this stage;**
 3. **Note no. 5 of Notes on Accounts (Schedule 19) regarding Catering and Handling revenue of Chefair Flight Catering, Delhi amounting to Rs. 300.04 lac accounted for on provisional basis. We further report that during the year an unilateral increase with effect from February 2011 has been made by the company (Rs. 24.00 lac per month up to 31 January 2011 and Rs. 30.00 lac per month from 1 February 2011 onwards) without any acceptance or confirmation from Air India Ltd;**
 4. **Note no. 2b of Notes on Accounts (Schedule 19) regarding non-provision of lease rentals and turnover fees payable to Mumbai International Airport Limited, Delhi International Airport Limited and Airport Authority of India amounting to Rs. 2302.38 lac and liability on account of interest on delay in payment amounting to Rs. 1465.30 lac;**
 5. **Non-disclosure of possible liability arising out of unilateral cancellation by the company of management agreement in respect of Centaur Lake View Hotel, Srinagar with BD & P Hotels (India) Private Limited referred to in Note No. 12 of Notes on Accounts (Schedule 19);**
 6. **Note No. 1 f) and Note No. 15 of Notes on Accounts (Schedule 19) regarding non-filing of statutory returns and consequent liabilities on account of tax, interest and penalties (amounts not computed by the company);**
 7. **Non-confirmation of Rs. 6.66 crore shown as net receivable from Govt. of Jammu & Kashmir referred to in Note No. 11 of Notes on Accounts (Schedule 19);**
 8. **Schedule 9 - Current Liabilities - other liabilities have been understated to the tune of Rs. 86.95 lac by reducing the debit balances of Sales Tax account, Expenditure Tax account and Luxury Tax account with corresponding understatement of Current Assets- Loans and Advances- Schedule 8; and**
 9. **Status regarding Micro, Small or Medium Enterprises of parties having credit balance not obtained referred to in Note No. 13 of Notes on Accounts (Schedule 19);**

give a true & fair view in conformity with the accounting principles generally accepted in India :

- i. in the case of Balance Sheet, of the state of affairs of the company as at 31 March, 2011,
- ii. in the case of the Profit and Loss Account, of the Loss of the company for the year ended on that date, and
- iii. In the case of Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For R. K. J. K. Khanna & Co
Chartered Accountants
FRN : 000033N

Sd/-
Vipin Bali
Partner

Membership No. 083436

Place : New Delhi
Dated : 01 March 2012

ANNEXURE TO AUDITOR'S REPORT

Referred to in Paragraph (3) of our report of even date.

As required by the Companies (Auditors Report) Order, 2003 and amendments thereto and according to the information and explanations given to us during the course of the audit and on the basis of such checks of the books and records as were considered appropriate we report that :

- i.
 - (a) The company has generally maintained records showing particulars including quantitative details of its fixed assets **except that the record of situation of its assets has not been maintained for Centaur, Delhi, Chefair, Mumbai, Head Office, Mumbai. Updated fixed asset register could not be shown to us for Chefair, Delhi and Centaur, Srinagar.**
 - (b) For Centaur, Delhi, the fixed assets have been physically verified by the management during the year which in our opinion is reasonable having regard to the size of the Unit and nature of its assets and no material discrepancies were noticed on such verification. A physical inventory of fixed assets for Chefair, Delhi was taken at the end of the year; **however, no comments can be made whether any material discrepancy has been noticed or not as neither an updated fixed asset register could be shown to us nor any reconciliation with the financial books of account. No such exercise has been undertaken in respect of other Units, namely Centaur, Srinagar, Chefair, Mumbai and Head Office, Mumbai.**
 - (c) On the basis of the information and explanations given and records produced we report that the company has not disposed off substantial part of its fixed assets during the year affecting its going concern status.
- ii.
 - (a) At Chefair, Mumbai it is the policy of the management to physically verify the stock on monthly basis. For other Units the inventory has been physically verified by the management at the year end. **At Centaur, Delhi, physical verification did not cover stock of groceries and meat items lying in the kitchen. In our opinion, physical verification should be carried out periodically at all the Units and should not be an annual exercise.**
 - (b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. **However, in respect of Chefair, Mumbai differences between physical verification and inventory records (maintained in a separate Store Accounting System) are not reconciled and stock as per physical verification is taken as correct.**
 - (c) The company has maintained proper records of inventory and no material discrepancy were noticed between the book records and physical verification at the end of the year.
- iii.
 - (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and as such the provisions of para 4(iii) (a), (b), (c), (d) of the Order in respect of granting loans are not applicable to company.
 - (b) We are informed that the company maintains a current account with its holding company wherein adhoc advances in the nature of short term advances, expenditure/payments by the holding company on its behalf are reflected. During the year, amounts aggregating to Rs. 12.82 crore have been taken from its holding company and the balance at year end is Rs. 13.36 crore. We are further informed that there is no stipulation of repayment of the amounts taken and of charge of interest on the outstanding amounts.
- iv. In our opinion and according to the information and explanations given to us, there are internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services **except for certain shortcomings observed during our audit which are highlighted below that reflect inadequacies in the system being followed and call for strengthening the internal control systems and procedures :**
 - a) **at Centaur, Delhi :**
 1. **instances observed of purchase of fixed assets accounted for on the basis of proforma invoice and again on the receipt of the invoice along with delivery of the concerned asset resulting in duplicate credits in the suppliers accounts and duplicate debits in the fixed assets account;**
 2. **the Unit maintains its books of account manually and even customer billing has not been computerized; Front Office Register (prepared on excel sheets wherein room revenue receipts, sale proceeds from laundry, health club etc. are summarized) has no inbuilt internal control checks to capture errors, especially errors of compensatory nature. The observation of the internal auditors regarding computerization in their report dated June 24, 2011 is reproduced below :**

“In spite of the fact the same has been mentioned in all our earlier year reports and also a comment in the Government Auditors report the management has yet not computerized the accounts of Centaur, Delhi till date. We have had several meetings with the concerned personnel with regard to the same matter and they have always given assurances that the same will be incorporated in the current year or by the time of our next visit. However till date there has been no improvement in the status what it was two years ago”;

- b) no bills are raised by Chefair, Delhi for catering and handling services provided to Air India and an internal break up has been arrived at by the Unit to segregate its revenue between ‘sale of goods component’ and ‘handling and hi-lift services component’ and on this internal breakup Value Added Tax is calculated on the sale of goods component and service tax on the hi-lift and handling charges component, which statutory liabilities also inherit the provisional nature of the Unit’s revenue. We further report that record of extra items supplied and record of cancelled flights could not be shown to us;
- c) the internal auditors in their reports dated 24 June 2011 of Centaur, Delhi and 16 June 2011 of Centaur, Srinagar have reported that I.O.U.s also formed part of cash on hand; we are explained that these I.O.U.s represent advances to staff given for cash purchases. In our opinion this is not a proper procedure nor a good accounting practice and also results in overstatement of cash on hand and understatement of advances with issues in insurance claims in case of any mishappening;
- d) at Chefair, Mumbai :
1. it was observed that contract for Face Masks was awarded on the basis of quotations received from related parties;
 2. cash purchases are straight away debited to the expense account (Raw material account) and instances were observed of payment of purchases on credit debited to the expense account at the time of the payment to the supplier having the impact of overstating value of purchases and amounts payable to suppliers;
 3. instances observed of purchases accounted for in the books of account for the entire year on 31 March 2011 even though supplies were effected and payment made from time to time throughout the year (e.g. purchase of chicken from Zorabian Sales amounting to Rs. 61 lac);
 4. invoices forwarded to Air India are not supported by the requisite documents (wherever required) for bought out items on which a 20% mark up is charged, resulting in deduction of the entire billed amount of such bought out items from the amounts received from Air India;
 5. the goods received are checked at the Receiving Counter by Security Personnel and no further inspection of the goods is carried out by the Stores personnel;
 6. instances observed of Purchase Orders issued after the goods have been procured;
- e) Income tax at source is deducted on payment basis in many cases which is contrary to the provisions of the Income Tax Act, 1961 with consequent impact on computation of Loss/Income under the Income Tax Act as also may attract penal provisions, the quantum of which is unascertained;
- v. According to the information and explanations given to us, there were no transactions with companies, firms or others parties attracting the provisions of section 301 of the Companies Act, 1956 and such provisions of para 4(v) (b) in regard to prevailing market prices are not applicable to the company.
- vi. The company has not accepted any deposits from the public within the meaning of section 58A and section 58AA of the Companies Act, 1956 and rules framed there under.
- vii. The company has an internal audit system commensurate with its size and nature of its business. **However, in our opinion the internal audit should be a periodic exercise and not an annual audit conducted after close of the financial year. The reports for the year are dated :**

Unit	Period covered	Date of audit report
Head Office	April'10 to March'11	June 24, 2011
Centaur, Delhi	April'10 to March'11	June 24, 2011
Chefair and Canteen, Delhi	April'10 to December'10	March 14, 2011
	January'11 to March'11	June 15, 2011
Centaur, Srinagar	April'10 to March'11	June 16, 2011
Chefair and Canteen, Mumbai	April'10 to December'10	March 1, 2011
	January'11 to March'11	June 24, 2011

Further, in our opinion, the internal audit may also cover certain accounting aspects, specifically to review whether uniform and consistent accounting practices are followed at all the Units (for example, the accounting practices followed by the Units in many cases differ in respect of classification of account heads which then have to be regrouped during the finalization process).

viii. The Central Government has not prescribed for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for the company.

ix. (a) **Undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-Tax, Sales-Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other statutory dues have not been regularly deposited with the appropriate authorities and there have been serious delays in a number of cases. On the basis of the information and explanations given to us and records produced, outstanding statutory dues as at the last day of the financial year for a period of more than six months from the date they become payable are :**

(Rs. in lac)				
Particulars	Centaur, Delhi	Chefair, Delhi	Chefair, Mumbai	Total
Provident Fund	-	13.25	-	13.25
Service Tax	5.31	2.18	20.93	28.42
Sales Tax	-	-	7.23	7.23
Total	5.31	15.43	28.16	48.90

(b) According to the information and explanations given to us, subject to our comments at para 4 (a) 4 of our main report, and the records of the Company examined by us, the particulars of dues of Income Tax, Sales Tax, Luxury Tax, Expenditure Tax and Service Tax as at balance sheet date which have not been deposited on account of a dispute, are as follows :

Name of Statute	Nature of the dues	Amount in dispute (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Sales Tax				
Sales Tax	Tax	7.00	1992-93	Maharashtra Sales Tax Tribunal
	Penalty	5.27		
	Total	12.27		
	Less : Paid	4.00		
	Net Amount	8.27		
Sales Tax	Tax	14.34	1993-94	Maharashtra Sales Tax Tribunal
	Penalty	12.12		
	Total	26.46		
	Less : Paid	7.50		
	Net Amount	18.96		
Sales Tax	Tax	1.30	1999-00	Jt. Com. of Sales Tax Appeal
	Interest	0.82		
	Total	2.12		
	Less : Paid	0.70		
	Net Amount	1.42		
Sales Tax	Tax	18.93	2000-01	Jt. Com. of Sales Tax Appeal
	Interest	0.29		
	Penalty	0.02		
	Total	19.24		
	Less : Paid	10.00		
	Net Amount	9.24		
Sales Tax	Tax	1080.92	2001-02	Maharashtra Sales Tax Tribunal
	Interest	389.26		
	Penalty	1.24		
	Total	1471.42		
	Less : Paid	25.00		
	Net Amount	1446.42		
Sales Tax	Tax	645.14	2002-03	Maharashtra Sales Tax Tribunal
	Interest	232.55		
	Penalty	0.19		
	Total	877.88		
	Less : Paid	20.00		
	Net Amount	857.88		

Name of Statute	Nature of the dues	Amount in dispute (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Luxury Tax				
Luxury Tax	Tax	1.35	1996-97	Jt. Com. of Sales Tax Appeal
	Interest	0.21	1997-98	
	Penalty	0.04	1999-00	
	Total Amount	1.60		
Luxury Tax	Tax	73.83	2000-01	Addl. Com. of Sales Tax Appeal
	Interest	106.24		
	Penalty	0.13		
	Total	180.20		
	Less : Paid	0.19		
	Net Amount	180.01		
Luxury Tax	Tax	19.84	2002-03	Commissioner of Sales Tax Appeal
	Interest	20.76		
	Penalty	1.00		
	Net Amount	41.60		
Expenditure Tax	Interest	3.74	1996-97	Jt. Com. of Rectification
Income Tax	Tax	29.09	1981-82	Income Tax Appellate Tribunal
Income Tax	Tax	41.90	1996-97	Commissioner of Income Tax Appeal
Income Tax	Tax	624.03 covered by refunds withheld by the tax authorities	2003-04	Income Tax Appellate Tribunal

- x. The accumulated losses of the company are more than fifty percent of its net worth in as much as its entire net worth as at 31 March 2011 stood eroded. The company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. The company has not defaulted in repayment of dues to a financial institution or bank. The company has not issued any debentures.
- xii. According to the information and explanation given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The company is not a chit fund or nidhi /mutual benefit fund /society. Therefore the provisions of para 4(xiii) of the Order are not applicable to the company.
- xiv. In our opinion and according to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of para 4(xiv) of the Order are not applicable to the company.
- xv. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi. In our opinion and according to the information and explanations given to us, the company has not taken or obtained any term loans during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis during the year have been used for long term investments.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of shares to the parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. According to the information and explanation given to us, the company has not issued any debentures during the year. Therefore the provisions of para 4(xix) of the Order are not applicable to the company.

- xx.** The company has not raised money by way of public issue during the year.
- xxi.** During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of any fraud on or by the company, noticed or reported during the year, nor have we been informed of such cases by the Management.

For R. K. J. K. Khanna & Co
Chartered Accountants
FRN : 000033N

Sd/-
Vipin Bali
Partner
Membership No. 083436

Place : New Delhi
Dated : 01 March 2012

BALANCE SHEET AS AT MARCH 31, 2011

(Rupees in Thousands)

Particulars	Schedule	March 31, 2011		March 31, 2010	
I. SOURCES OF FUNDS :					
1. Shareholders' Funds :					
A) Share Capital	1		406,000.00		406,000.00
2. Loan Funds :					
A) Secured Loans	2		611,156.60		52,026.14
TOTAL			467,156.60		458,026.14
II. APPLICATION OF FUNDS :					
1. Fixed Assets					
Gross Block	3	804,024.64		826,953.88	
Less : Depreciation		449,047.70		457,607.51	
Net Block		354,976.94		369,346.37	
Capital work in progress		2,068.84		2,071.26	
			357,045.78		371,417.63
2. Investments	4		-		47.00
3. Current Assets, Loans and Advances :					
A) Inventories	5	21,640.32		22,828.82	
B) Sundry Debtors	6	90,534.06		69,561.51	
C) Cash and Bank balances	7	223,642.41		88,857.48	
D) Loans and Advances	8	375,847.20		405,551.17	
			711,663.99		586,798.98
Less : Current Liabilities and Provisions					
A) Current Liabilities	9	708,537.71		429,504.36	
B) Provisions	10	335,622.33		246,239.40	
			1,044,160.04		675,743.76
Net Current Assets			(332,496.05)		(88,944.78)
4. Profit and Loss Account (Debit Balance)	11		442,606.87		175,506.30
TOTAL			467,156.60		458,026.14

Significant Accounting Policies 18

Notes on Accounts 19

The Schedules referred to above form an integral part of the Balance Sheet.
As per our report of even date attached.

For **R.K.J.K. Khanna & Co.**
Chartered Accountants
FRN : 000033N

For and on behalf of Board of Directors

Sd/-
Vipin Bali
Partner
M. No. 083436

Sd/-
Rohit Nandan
Chairman & Managing Director

Sd/-
Prashant Sukul
Director

Sd/-
Shyamala P. Kunder
Company Secretary

Place : New Delhi
Date : 01 March 2012

Place : New Delhi
Date : 27 February 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in Thousands)

Particulars	Schedule	2010-11		2009-10	
Income :	12				
Sales / Services rendered and Other Income		535,762.87		412,850.65	
			535,762.87		412,850.65
Expenditure :					
Operating Expenses	13	160,200.83		154,685.44	
Staff Cost	14	530,905.98		429,842.53	
Administrative & Other Expenses	15	96,975.96		84,529.99	
			788,082.77		669,057.96
Profit / (Loss) Before Depreciation and Interest			(252,319.90)		(256,207.31)
Depreciation (Ref. note no. 7, Schedule 19)			19,660.48		23,209.40
Interest	16		4,273.88		3,077.01
			(276,254.26)		(282,493.72)
Profit / (Loss) for the Year Before Tax & Extraordinary / Prior Period Items					
VRS (Refer note no. 23, Schedule 19)			764.85		2,032.91
Prior Period Adjustments (Net)	17		(9,918.54)		6,587.02
			(267,100.57)		(291,113.65)
Profit / (Loss) for the Year Before Tax					
Provision for Tax					
Current Tax			-		-
Deferred Tax			-		-
Fringe Benefit Tax			-		-
			(267,100.57)		(291,113.65)
Profit / (Loss) for the Year After Tax					
Balance Brought Forward From Previous Year			(349,386.30)		(58,272.65)
Transfer from General Reserve			173,880.00		-
			(442,606.87)		(349,386.30)
Balance Carried To Balance Sheet					
Basic & Diluted Earnings per share on Share of Rs.100 each			Rs. (65.79)		Rs. (71.70)

Significant Accounting Policies **18****Notes on Accounts** **19**

The Schedules referred to above form an integral part of the Profit and Loss Account.
As per our report of even date attached.

For R.K.J.K. Khanna & Co.
Chartered Accountants
FRN : 000033N

For and on behalf of Board of Directors

Sd/-
Vipin Bali
Partner
M. No. 083436

Sd/-
Rohit Nandan
Chairman & Managing Director

Sd/-
Prashant Sukul
Director

Sd/-
Shyamala P. Kunder
Company Secretary

Place : New Delhi
Date : 01 March 2012

Place : New Delhi
Date : 27 February 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in Thousands)

Particulars	2010-11		2009-10	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax & Extra Ordinary Items		(276,254.26)		(282,493.72)
ADJUSTMENTS FOR :				
Prior Period Adjustment (Net)	9,918.54		(6,587.02)	
VRS	(764.85)		(2,032.91)	
Depreciation	19,660.48		23,209.40	
Interest Charged	4,273.88		3,077.01	
Loss / (Profit) on Sale of Fixed Assets (Net)	(1,171.97)		13.08	
Provision for Doubtful Debts / Bad Debts	17,367.33		11,946.29	
Interest Income	(18,376.66)		(10,906.14)	
		30,906.75		18,719.71
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(245,347.51)		(263,774.01)
Changes in :				
Trade and Other Receivable	(48,440.18)		91,600.00	
Inventories	1,188.50		3,857.00	
Trade and Other Payables	368,416.28		84,077.00	
		321,164.60		179,534.00
Cash generated from Operations		75,817.09		(84,240.01)
Direct Taxes		39,851.27		(8,344.00)
Net Cash Flow Before Exrta Ordinary Items		115,668.36		(92,584.01)
NET CASH FLOW FROM OPERATING ACTIVITIES		115,668.36		(92,584.01)
B. CASH FROM INVESTING ACTIVITIES				
Investment in Fixed Assets / in New Projects (Net)		(4,116.67)		(340.15)
Interest Received		18,376.66		10,906.14
NET CASH FLOW FROM INVESTING ACTIVITIES		14,259.99		10,565.99
C. CASH FROM FINANCING ACTIVITIES				
Increase / (Decrease) in Cash Credit		9,130.46		52,026.14
Interest Paid		(4,273.88)		(3,077.01)
NET CASH FLOW FROM FINANCING ACTIVITIES		4,856.58		48,949.13
NET CHANGES IN CASH AND CASH EQUIVALENTS		134,784.93		(33,068.89)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		88,857.48		121,925.00
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		223,642.41		88,857.48

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

For R.K.J.K. Khanna & Co.
Chartered Accountants
FRN : 000033N

Sd/-
Vipin Bali
Partner
M. No. 083436

For and on behalf of Board of Directors

Sd/-
Rohit Nandan
Chairman & Managing Director

Sd/-
Prashant Sukul
Director

Sd/-
Shyamala P. Kunder
Company Secretary

Place : New Delhi
Date : 01 March 2012

Place : New Delhi
Date : 27 February 2012

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE - 1 : SHARE CAPITAL :****(Rupees in Thousands)**

Particulars	March 31, 2011	March 31, 2010
Authorised		
41,00,000 (Previous Year 41,00,000) Equity shares of Rs.100 each.	410,000.00	410,000.00
	410,000.00	410,000.00
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 Air India Ltd. and its nominees)	406,000.00	406,000.00
	406,000.00	406,000.00

SCHEDULE - 2 : SECURED LOANS :**(Rupees in Thousands)**

Particulars	March 31, 2011	March 31, 2010
From United Bank of India	61,156.60	52,026.14
(Overdraft facility under United Demand Loan Scheme by pledging of Term Deposits amounting to Rs.65,000 Thousands)	61,156.60	52,026.14

SCHEDULE - 3 : FIXED ASSETS (At Cost less Depreciation) :**(Rupees in Thousands)**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 1.4.2010	Additions during the year	Deductions/ Adjustments during the year	Cost as at 31.3.2011	Upto 31.3.2010	Provided during the year	Deductions/ Adjustments during the year	Upto 31.3.2011	As at 31.3.2011	As at 31.3.2010
Land (Leasehold)	2,708.80	-	-	2,708.80	841.09	27.50	-	868.59	1,840.21	1,867.71
Buildings (On leasehold land)	334,926.87	36.55	-	334,963.42	95,655.30	4,563.50	-	100,218.80	234,744.62	239,271.57
Plant and Machinery	290,214.24	5,208.96	(28,236.98)	267,186.22	218,210.52	7,671.32	(28,155.65)	197,726.19	69,460.03	72,003.72
Furniture, Fixtures, Office Equipment, Electrical Installations etc.	173,253.95	182.23	(120.00)	173,316.18	129,811.97	5,117.87	(64.64)	134,865.20	38,450.98	43,441.98
Vehicles	25,075.77	-	-	25,075.77	12,332.50	2,262.18	-	14,594.68	10,481.09	12,743.27
Object d'Art	774.25	-	-	774.25	756.13	18.11	-	774.24	0.01	18.12
Current Year	826,953.88	5,427.74	(28,356.98)	804,024.64	457,607.51	19,660.48	(28,220.29)	449,047.70	354,976.94	369,346.37
Previous Year	818,151.07	17,815.50	(9,014.69)	826,953.88	434,760.86	23,209.40	(362.75)	457,607.51	369,346.37	
Capital work in progress									2,068.84	2,071.26

Note : Refer Note no. 6, Schedule 19

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

SCHEDULE - 4 : INVESTMENTS :

(Rupees in Thousands)

Particulars	March 31, 2011	March 31, 2010
Long Term Investments		
Other Investments (Non Trade)		
Government Securities		
7 Year National Savings Certificate (deposited with government and local authorities)	-	47.00
	-	47.00

SCHEDULE - 5 : INVENTORIES :

(Rupees in Thousands)

Particulars	March 31, 2011	March 31, 2010
Inventories (As taken, valued and certified by the Management)		
i) Food and Beverages	2,058.85	2,027.88
ii) Stores	4,203.31	3,679.88
iii) Operating Supplies	15,378.16	17,121.06
	21,640.32	22,828.82

SCHEDULE - 6 : SUNDRY DEBTORS :

(Rupees in Thousands)

Particulars	March 31, 2011	March 31, 2010
Sundry Debtors (unsecured) (Refer Note 8 & 9, Schedule 19)		
Outstanding over six months :		
Considered good	28,083.38	28,993.54
Considered doubtful	33,637.05	32,958.51
	61,720.43	61,952.05
Less : Provision for doubtful debts	33,637.05	32,958.51
	28,083.38	28,993.54
Others :		
Considered good	62,450.68	40,567.97
Considered doubtful	-	-
	62,450.68	40,567.97
	90,534.06	69,561.51

SCHEDULE - 7 : CASH & BANK BALANCES :**(Rupees in Thousands)**

Particulars	March 31, 2011		March 31, 2010	
Cash and Bank Balances :				
1) Cash on hand (including cheques on hand / in transit Rs. Nil - previous year Rs. 262 thousands)		293.47	463.44	
2) Balances with Scheduled Banks :				
i) On Current Accounts		5,166.84	11,159.10	
ii) On Fixed Deposit Accounts		218,182.10	77,234.94	
		223,642.41		88,857.48

SCHEDULE - 8 : LOANS & ADVANCES :**(Rupees in Thousands)**

Particulars	March 31, 2011		March 31, 2010	
Loans and Advances (Unsecured, Considered Good, unless otherwise stated) : (Refer Note 8 & 11, Schedule 19)				
a) Loans to Staff (Considered Good)		519.16		2,746.23
b) Advances recoverable in cash or in kind or for value to be received:				
i) Considered good		172,857.74	163,114.48	
ii) Considered doubtful		2,503.09	2,503.09	
		175,360.83	165,617.57	
Less : Provision for doubtful advances		2,503.09	2,503.09	
		172,857.74		163,114.48
c) Receivable from Sahara Hospitality Ltd. (Refer Note 1(b) ii & 10, Schedule 19)		18,895.92		29,781.38
d) Receivable from Tulip Hospitality Services Ltd. (Refer Note 1(b) i & 10, Schedule 19)		4,271.58		4,271.58
e) Subsidy Receivable		19,748.06		6,274.83
f) Deposit with Public Bodies and Others		6,155.94		6,112.60
g) Advance Tax, TDS & FBT		153,398.80		193,250.07
		375,847.20		405,551.17

SCHEDULE - 9 : CURRENT LIABILITIES :**(Rupees in Thousands)**

Particulars	March 31, 2011		March 31, 2010	
Current Liabilities				
Sundry Creditors (Refer Note 8, Schedule 19)	98,087.38		98,275.16	
Advances from Customers	11,325.98		6,902.32	
Amount Due to Holding Company	133,644.40		5,471.41	
Security and other deposits	127,421.90		28,085.85	
Other Liabilities (Refer Note 4, Schedule 19)	314,794.72		267,426.56	
VRS Payable (Refer Note 23, Schedule 19)	23,263.33		23,343.06	
		708,537.71		429,504.36

SCHEDULE - 10 : PROVISIONS :**(Rupees in Thousands)**

Particulars	March 31, 2011		March 31, 2010	
Provisions				
Gratuity	251,221.94		180,259.77	
Leave Encashment	79,000.34		60,591.09	
Taxation (FBT)	5,288.57		5,288.57	
Wealth Tax	111.48		99.97	
		335,622.33		246,239.40

SCHEDULE - 11 : PROFIT AND LOSS ACCOUNT (Debit Balance) :**(Rupees in Thousands)**

Particulars	March 31, 2011		March 31, 2010	
Balance of Profit and Loss Account	442,606.87		349,386.30	
Less : General Reserve	-		173,880.00	
		442,606.87		175,506.30

SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT**SCHEDULE - 12 : SALES / SERVICES RENDERED AND OTHER INCOME :****(Rupees in Thousands)**

Particulars	2010 - 11		2009 - 10	
1. Revenue from Hotels and Flight Kitchens				
a) Rooms - Guest Accomodation	257,722.14		178,346.61	
b) Food, Cigars and Cigarettes (Refer Note 5, Schedule 19)	212,080.08		188,186.11	
c) Beverages (Wine and Liquor)	2,400.47		1,779.85	
d) Telex and Telephones	385.78		766.88	
e) Other Services (Refer Note 5, Schedule 19)	26,480.89		17,491.87	
f) Licence fees for Shops and Offices	12,545.76		9,728.07	
		511,615.12		396,299.39
2. Other Income				
a) Profit on Fixed Assets sold / scrapped		1,210.01		57.81
b) Interest (Gross) (TDS Rs.814 thousand - Previous Year Rs.285 thousand)				
On Loan to Air India Limited	-		536.39	
On Income Tax Refund	9,418.21		3,478.15	
On Staff Loans	44.91		49.13	
On Fixed Deposits	8,913.54		6,842.47	
		18,376.66		10,906.14
c) Provision no longer required, written back		2,422.15		1,414.84
d) Difference in Foreign Exchange		147.92		86.06
e) Miscellaneous Income		1,991.01		4,086.41
		535,762.87		412,850.65

SCHEDULE - 13 : OPERATING EXPENSES :**(Rupees in Thousands)**

Particulars	2010 - 11		2009 - 10	
1. Food Consumed (including cigars and cigarettes)				
Opening stock	1,645.72		1,722.92	
Add : Purchases	75,935.78		72,459.76	
	77,581.50		74,182.68	
Less : Closing stock	1,579.16		1,645.72	
		76,002.34		72,536.96
2. Beverages (Wine and Liquor)				
Opening stock	382.16		318.44	
Add : Purchases	505.48		281.24	
	887.64		599.68	
Less : Closing stock	386.70		382.16	
		500.94		217.52
3. Consumption of Stores and Supplies {net of recoveries of Rs.4,798.98 thousand (Previous year Rs.3,103 thousand)}		2,272.85		4,445.98
4. Power, Fuel, Electricity and Water Charges		78,046.50		75,244.62
5. Soft Furnishings		3,378.20		2,240.36
		160,200.83		154,685.44

SCHEDULE - 14 : STAFF COST :

(Rupees in Thousands)

Particulars	2010 - 11		2009 - 10	
	Salaries, Bonus, Leave Encashment & Gratuity	469,125.16		370,315.16
Contribution to Provident Fund and Other Funds	36,187.02		32,266.32	
Welfare and others	25,593.80		27,261.05	
		530,905.98		429,842.53

SCHEDULE - 15 : ADMINISTRATIVE & OTHER EXPENSES :

(Rupees in Thousands)

Particulars	2010 - 11		2009 - 10	
	1. Rent and Licence Fees (Refer Note No. 2a, Schedule 19)		22,469.27	
2. Rates and Taxes		5,074.40		6,022.82
3. Repairs & Maintenance				
Buildings	5,080.51		6,894.17	
Plant and Machinery	6,929.41		6,145.79	
Others	4,752.88		3,980.88	
		16,762.80		17,020.84
4. Travelling & Conveyance				
Travelling	405.81		736.32	
Conveyance	1,487.58		1,969.45	
Vehicle Expenses	4,037.20		3,651.47	
		5,930.59		6,357.24
5. Guest Transportation Expenses		1,782.85		1,286.32
6. Printing and Stationery		2,098.01		2,259.04
7. Communication Costs		2,111.63		1,976.93
8. Insurance		1,375.00		1,257.15
9. Commission		146.67		440.27
10. Advertisement and Publicity		1,009.15		1,571.06
11. Security Charges		11,329.87		10,501.14
12. Legal & Professional Charges		4,216.37		3,182.07
13. Auditors' Remuneration				
a) Audit Fees (Incl. of Service Tax)	157.00		157.00	
b) Travelling Expenses	65.44		58.89	
c) Other Services	16.17		-	
		238.61		215.89
14. Miscellaneous Expenses		5,025.37		2,226.85
15. Loss on Fixed Assets sold / scrapped		38.04		70.89
16. Bad Debts Written Off		16,688.79		-
17. Provision for Doubtful Debts		678.54		11,946.29
		96,975.96		84,529.99

SCHEDULE - 16 : FINANCIAL CHARGES :**(Rupees in Thousands)**

Particulars	2010 - 11	2009 - 10
Interest on Secured Loans	3,886.68	3,011.56
Interest Others	387.20	65.45
	4,273.88	3,077.01

SCHEDULE - 17 : PRIOR PERIOD EXPENSES / INCOME :**(Rupees in Thousands)**

Particulars	2010 - 11	2009 - 10
I. Expenses		
1. Staff Cost	(3,421.84)	888.28
2. Repairs & Maintenance	439.14	-
3. Miscellaneous Expenses	97.30	151.50
4. Depreciation	(5.87)	(254.77)
	(2,891.27)	785.01
II. Income		
1. Catering Revenue	6,722.24	54.22
2. Handling Revenue	118.87	96.89
3. Interest	186.18	(5,953.12)
	7,027.28	(5,802.01)
III. Prior Period Items (Net)	(9,918.54)	6,587.02

SCHEDULE - 18 : 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 1st April, 1982, at rates on the estimated useful life of the Fixed Asset.

b) In respect of the assets acquired from 1st April, 1982 to 2nd 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 Assets 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**

Debts pertaining to the Government, Government Departments and Public Sector Undertakings are provided for only when specifically known to be doubtful. All other debts are provided for, if they are either more than 3 years old or specifically known to be doubtful.

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."

15. **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimated are recognized in the period which the result are materialized.

16. **IMPAIRMENT OF FIXED ASSETS**

At the end of the year, the Company determines where a provision should be made for impairment loss on fixed assets by considering the indication that an impairment loss may have occurred in accordance with Accounting Standards 28 on Impairment of Assets issued by ICAI where the recoverable amount of any fixed assets is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

SCHEDULE - 19 : NOTES ON ACCOUNTS :

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	2010-11 Rupees in Thousands	2009-10 Rupees in Thousands
1. Contingent Liabilities in respect of :		
a) Claims against the Company not acknowledged as debts.	32,364.00	29,299.00
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. Under their advice, the matter is being amicably resolved between the Company & M/s. V. Hotels Ltd. (Previously known as M/s. Tulip Hospitality Services Ltd.)		
ii) Counter claim of Rs.3.55 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, interest thereon and other issues raised during Arbitration and Appeal in the Bombay High Court 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 was payable by the buyer on account of Net Current Assets and Rs.0.11 crores against other dues and accordingly was reflected as receivable in the books of accounts. The Hon'ble Arbitral Tribunal has published their award in the current year, under which the buyer has to finally pay an amount of Rs.1.88 crores together with interest and legal cost of Rs.0.40 crores. However, the buyers have preferred an appeal in the Hon'ble High Court of Bombay against the award, which is pending for final hearing. Based on the award, an amount of Rs.1.20 crores has been written off in the books of accounts. However, no effect has been given for legal costs and interest receivable which would be accounted for on final disposal of the appeal by the Hon'ble High Court.		
iii) Awards that have gone against the Company - claims pending final disposal before Arbitrator.	1,062.00	1,062.00
c) Guarantees given to Customs Authorities.	300.00	300.00
d) i) Claims of Income Tax Authorities for which the department has preferred an appeal	2,909.00	2,909.00
ii) Claims of Income Tax Authorities for which the Company has preferred an appeal with various authorities (includes a demand of Rs.6.24 crores from Income Tax Department for the financial year 2002-03 (A.Y. 2003-04) regarding capital gain on sale of 2 properties i.e. Centaur Hotel Mumbai Airport & Centaur Hotel Juhu Beach, disputed by the Co. in Tribunal, covered by refunds withheld by the Income Tax Authorities)	66,593.00	66,593.00

<p>iii) Disputed Sales Tax Liability for which the Company has preferred an appeal with various authorities (includes demand of Sales Tax on "slump sale" for the sale of 2 properties in 2002-03 i.e. Centaur Hotel Mumbai Airport & Centaur Hotel Juhu Beach for the Assessment Years 2001-02 and 2002-03 based on Agreements to Sell dated 11.3.2002 and 18.4.2002) against which Company has deposited Rs.6,720 thousand - previous year Rs.4,720 thousand)</p>	240,939.00	240,818.00
<p>iv) Claims of Luxury Tax authorities, for which the Company has preferred an appeal with various authorities (includes demand of Luxury Tax for 2 properties sold in 2002-03 i.e. Centaur Hotel Mumbai Airport and Centaur Hotel Juhu Beach) (against which Company has deposited Rs.19 thousand - previous year Rs.19 thousand)</p>	22,340.00	20,165.00
<p>v) Expenditure tax for the assessment year 1997-98 for which the Company has preferred an appeal</p>	374.00	374.00
<p>vi) Claim of Property Tax for which the Company has preferred an appeal (against which Company has deposited Rs.7,076 thousand)</p>	63,923.00	63,923.00
<p>vii) Claims of ESIC, for which the Company has preferred an appeal</p>	323.00	323.00
<p>e) Claims made by employees</p>	Amount Indeterminate	Amount Indeterminate
<p>f) Penalty on account of non filling of Service Tax Return</p>	Amount Indeterminate	Amount Indeterminate
<p>2. a) During the year, provision has been made in the Profit and Loss Account for lease rentals at the rate of Rs.163/- per square meter and turnover levy payable to :</p>		
<p>i) Mumbai International Airport Ltd. (MIAL) for Chefair Flight Catering Mumbai</p>	4,723.00	4,723.00
<p>ii) Delhi International Airport Ltd. (DIAL) for Centaur Hotel Delhi Airport & Chefair Flight Catering Delhi</p>	15,231.45	12,592.00
<p>b) No provision has been made for the following :</p>		
<p>i) Lease rentals and turnover levy payable to Airports Authority of India upto 2.5.2006.</p>	202,767.00	202,767.00
<p>ii) Lease rental differential payable to Mumbai International Airport Ltd . (MIAL) for Chefair Flight Catering Mumbai, effective 3.5.2006</p>	5,084.00	3,976.00
<p>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. (A counter claim for Rs.6.50 crores has been lodged by the Co. with DIAL for loss of business revenue during the construction activity by DIAL in front of the hotel in 2009-10)</p>	22,387.00	16,004.00
<p>iv) Interest on above</p>		
<p>a) payable to AAI</p>	101,425.00	} Amount unascertained
<p>b) payable to MIAL</p>	9,898.00	
<p>c) payable to DIAL</p>	35,207.00	

3.	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of mobilisation advance)	2,810.00	0.00
4.	As per the approval of the Ministry of Civil Aviation, wage negotiations for all the unionized 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 . Against a total estimated provision of Rs. 21.98 crores for all the units made in the books of accounts , the Company has since fully disbursed and settled liability amounting to Rs.11.53 crores for Centaur Delhi and Srinagar. Out of total arrears provision of Rs 10.45 crores for Chefair Mumbai, Chefair Delhi and Dining Facility Centre, Mumbai, a balance of Rs.2.19 crores (previous year Rs.2.51 Crores) , being the final installment, is yet to be disbursed .		
5.	During the year 2010-11, Catering and Handling revenue for Chefair Flight Catering Delhi amounting to Rs. 30,004 thousands (previous year Rs. 33,432 thousands), has been booked on provisional basis effective 25.05.2009, since the new rates have not been finalised.		
6.	<p>a) Buildings (on leasehold land) include value of ownership flats - Rs.898 thousands (at cost) (previous year - Rs.898 thousands) Conveyance deeds/agreements in respect thereof are pending execution since matter is subjudice.</p> <p>b) Mutation in respect of the property of housing colony at Srinagar is nor required since records of rights has been obtained in favour of the Company from the concerned Naib Tehsildar. Some part of the land has been encroached by a school for which the Company has filed a suit in the Court.</p>		
7.	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.		
8.	Balance of Sundry Debtors, Sundry Creditors, Loans and Advances from Debtors and few bank accounts are as per their respective ledger accounts and subject to confirmation and reconciliation. Consequent impact thereof, if any, will be considered as and when determined.		
9.	Sundry Debtors includes dues from Holding Company (Air India Limited) Rs.45,880.19 thousands (Previous year Rs.68,872 thousands), subject to reconciliation.		
10.	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. Based on the Arbitration award in case of M/s. Sahara Hospitality Ltd. the amount receivable by the Company from M/s. Sahara Hospitality Ltd. is Rs.1.88 crores plus legal costs Rs. 0.40 crores and interest. The accounts have been suitably adjusted to the extent of the award of Rs.1.88 crores. In the opinion of the Management, both claims are receivable and considered good. Therefore the same have been accounted for and disclosed accordingly.		

11. 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.6.66 crores (Previous year Rs.6.24 crores) as per books of accounts.

12. As per the in principle sanction received from the Ministry of Civil Aviation, the Company had proposed to give the running of its two units i.e. Centaur Lake View Hotel Srinagar & Chefair Flight Catering Mumbai to Professionals on Management Contract.

In case of Chefair Flight Catering Mumbai, no financial bid was received from short listed parties. Hence the matter was closed.

As regards Centaur Lake View Hotel, Srinagar the Management Contract Agreement based on the single bid received was executed on 15.9.2010 with M/s. B.D. & P Hotels (India) Pvt. Limited and an interest-free Security Deposit of Rs 10 crores and proportionate Minimum Guaranteed Amount of Rs.1.08 crores upto 31.3.2011 was deposited by the party. However, before the hotel could be handed over under Management Contract, instructions were received from the Ministry of Civil Aviation, and as per Committee of Secretaries, Government of India, that the J&K State Government had conveyed that since the land was leased to the Company by J&K Government, the Management Contract was not feasible. Hence, after approval of the Board of Directors, Management Contract Agreement was terminated effective 26.09.2011 and the Security deposit and Minimum Guaranteed Amount upto 31.3.2011 were returned to the party. Thereafter, party has filed a writ in the High Court of Bombay for invoking arbitration and stay on the termination of Agreement, which is pending for hearing.

13. The name of the Micro, Small and Medium Enterprises suppliers defined under "The Micro Small and Medium Enterprises Development Act 2006" could not be identified, as the necessary evidence is not the possession of the Company.

14. In the opinion of the Company, the Current Assets and Loans and Advances (except those considered doubtful) have been stated at a value realizable in the ordinary course of the business and provision for the year is adequate and not in excess of the amount reasonably necessary.

15. The Company is in the process of filing certain mandatory returns required to be filed under various fiscal statues. However actual amount of liability is presently not ascertainable.

16. **Employee Benefits :**
Defined Benefit Plan - Gratuity (unfunded)

a) **Change in Benefit Obligation :**

Present value of benefit obligation as at the beginning of the current period	180,259.77	166,975.00
Interest cost	13,970.13	12,106.00
Current service cost	6,910.47	6,227.00
Past service cost - Non vested benefit	0.00	0.00
Past service cost - Vested benefit	8,168.09	0.00
Liability transferred in	0.00	0.00
(Liability transferred out)	0.00	0.00
(Benefit paid)	(13,192.73)	(14,618.00)
Actuarial (gain) / loss on obligations	55,106.21	9,570.00
Present value of benefit obligation as at the end of the current period	251,221.94	180,260.00

b) Recognition of Transitional Liability :

Unrecognized transitional liability at the start of the period	0.00	0.00
Transitional liability recognized during the period	0.00	0.00
Unrecognized transitional liability at the end of the period	0.00	0.00

c) Amount Recognized in the Balance Sheet :

Fair value of plan assets at the end of the period	0.00	0.00
Present value of benefit obligation as at the end of the period	251,221.94	180,260.00
Funded status	0.00	0.00
Unrecognized past service cost at the end of the period	0.00	0.00
Unrecognized transitional liability at the end of the period	0.00	0.00
Net Liability Recognized in the Balance Sheet	251,221.94	180,260.00

d) Expenses Recognized in the Profit and Loss :

Current service cost	6,910.47	6,227.00
Interest cost	13,970.13	12,106.00
Actuarial (Gain)/ Loss	55,106.21	9,570.00
Past service cost -Non vested benefit recognized during the period	0.00	0.00
Past service cost -Vested benefit recognized during the period	8,168.09	0.00
Transitional liability recognized during the period	0.00	0.00
Expenses Recognized in the Profit and Loss	84,154.90	27,903.00

e) Balance Sheet Reconciliation :

Opening net liability	180,259.77	166,975.00
Expense as above	84,154.90	27,903.00
Net transfer in	0.00	0.00
Net transfer out	0.00	0.00
Employer's contribution	(13,192.73)	(14,618.00)
Net Liability Recognized in the Balance Sheet	251,221.94	180,260.00

f) Assumptions :

Discount rate previous	7.75%	7.25%
Salary escalation previous	2.00%	2.00%
Attrition rate previous	2.00%	2.00%
Discount rate current	8.00%	7.75%
Salary escalation current	5.00%	2.00%
Attrition rate current	2.00%	2.00%

17. The Company has unpaid statutory dues of Provident Fund & Luxury Tax for Centaur Delhi amounting to Rs.3,166 thousands & Rs.7,546 thousands respectively & Service Tax for Chefair Delhi amounting to Rs.523 thousands. Interest & penalty payable on these has not been provided for in the books of Accounts.

18. 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".

19. 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 (upto 30.04.2010)

b. Related party transactions.

1. There are no transactions with key managerial personnel except remuneration and perquisites to Managing Director in note no. 24.
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.

20. The company is required to present a cash flow statement for the year for which financial statements are presented, which is given as **Annexure "II"**.

21. 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 2010-11. 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.

22. Earnings per share :

i)	Net Profit / (Loss) for the year	(267,100.57)	(291,113.65)
ii)	No. of Equity Shares	4,060,000	4,060,000
iii)	Nominal value per equity share (Rs.)	100/-	100/-
iv)	Basic and Diluted EPS (Rs.) per share	(65.79)	(71.70)

23. During the year,

- a)** At Centaur Lake View Hotel Srinagar, out of 3 employees remaining to be released on VRS (out of earlier 157 employees), none were released on VRS during the year.
- b)** Out of 21 employees remaining to be released on VRS (out of the earlier 378 employees of other units), 2 employees were released on VRS during the year at a total outflow of Rs.1,866 thousands.
- c)** VRS amounting to Rs.765 thousands (previous year Rs. 2,033 thousands) debited to Profit and Loss Account represents amount over and above provisions adjusted.

24. Employees remuneration, benefits & other costs include remuneration to Managing Director for the year (upto 30th April, 2010) is as under

a)	Salary (net of pension amount of Rs.16 thousands, Previous Year Rs.196 thousands)	41.00	442.00
b)	Company's contribution to Provident Fund	6.00	72.00
c)	Perquisites (Calculated as per Income Tax Act, 1961)	8.00	90.00

25. Additional information pursuant to paras 3, 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956.

i) The Ministry of Corporate Affairs vide Notification dated 8 February 2011 has granted exemption to Hotel Companies (including Restaurants) from disclosing in their Profit & Loss account the information required under clauses 3(i) (a) and (i) (d) of part II of Schedule VI under section 211 of the Companies Act, 1956.

ii)	CIF Value of Imports		0.00		0.00
iii)	Expenditure / Remittance in Foreign Currency		0.00		0.00
iv)	Consumption of Raw Materials				
	Imported	0.00	0.00	0.00	0.00
	Indigenous	76,503.29	100%	72,754.48	100%
v)	Consumption of Spares & Components (Maintenance spares)				
	Imported	0.00	0.00	0.00	0.00
	Indigenous	4,589.55	100%	3,834.47	100%
vi)	Earnings in Foreign Exchange				
	a) Amounts of currency and Travelers Cheques (Foreign Currency) encashed at hotel counters		2,724.00		1,916.00
	b) Payments received through Credit Cards, Travel Agents, Airlines (on the basis of exchange Certificates)		6,182.00		7,255.00

26. 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 19

For R.K.J.K. Khanna & Co.
Chartered Accountants
FRN : 000033N

Sd/-
Vipin Bali
Partner
M. No. 083436

Place : New Delhi
Date : 01 March 2012

For and on behalf of Board of Directors

Sd/-
Rohit Nandan
Chairman & Managing Director

Place : New Delhi
Date : 27 February 2012

Sd/-
Prashant Sukul
Director

Sd/-
Shyamala P. Kunder
Company Secretary

SEGMENTWISE REPORTING FOR THE YEAR 2010-11

ANNEXURE - I

(Rupees in Thousands)

	Hotels	Flight Kitchens	Others	Total
1. SEGMENT REVENUE				
(a) Room Sales	257,722.14 (178,346.61)	- -	- -	257,722.14 (178,346.61)
(b) F & B Sales	77,032.28 (45,515.60)	137,448.27 (144,450.36)	- -	214,480.55 (189,965.96)
Other Services	11,589.79 (6,698.07)	15,276.88 (11,560.68)	- -	26,866.67 (18,258.75)
Misc. Income	15,743.41 (11,400.47)	743.91 (4,262.15)	20,206.19 (10,616.71)	36,693.51 (26,279.33)
Total Revenue	362,087.62 (241,960.75)	153,469.06 (160,273.19)	20,206.19 (10,616.71)	535,762.87 (412,850.65)
2. Total Revenue of each segment as a percentage of total revenue of all segments.	68 (59)	29 (39)	4 (3)	100 (100)
3. SEGMENT RESULT				
Combined result of all segments in loss	(74,595.87) (-111,673.56)	(212,710.89) (-190,056.79)	20,206.18 (10,616.17)	(267,100.58) (-291,113.64)
4. Segment Result	28 (38)	80 (65)	(8) (-3)	100 (100)
5. SEGMENT ASSETS				
FIXED ASSETS	322,437.46 (332,838.78)	31,152.11 (34,796.91)	3,456.21 (3,781.94)	357,045.78 (371,417.63)
CURRENT ASSETS	157,047.95 (129,259.46)	139,911.10 (138,521.79)	414,704.94 (319,017.74)	711,663.99 (586,798.99)
INVESTMENT	- -	- -	- (47.00)	- (47.00)
TOTAL ASSETS	479,485.41 (462,098.24)	171,063.21 (173,318.70)	418,161.15 (322,846.68)	1,068,709.77 (958,263.62)
6. Segment assets as a percentage of total assets of all segments.	45 (48)	16 (18)	39 (34)	100 (100)
7. SEGMENT LIABILITIES				
TOTAL LIABILITY	348,005.20 (256,662.67)	440,585.76 (401,145.99)	722,725.68 (475,961.26)	1,511,316.64 (1,133,769.92)
8. Segment liabilities as a percentage of total liabilities of all segments.	23 (23)	29 (35)	48 (42)	100 (100)
9. TOTAL CAPITAL EXPENDITURE	5,365.80 (17,803.21)	61.95 -	(0.00) (14.29)	5,427.75 (17,817.50)
10. Segment capital expenditure as a percentage of all segments.	99 (100)	1 -	(0) (-1)	100 (100)
11. TOTAL DEPRECIATION	13,920.35 (16,650.92)	5,410.71 (6,214.99)	329.42 (343.49)	19,660.48 (23,209.40)

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	31.3.2011

II. Capital raised during the year :

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

III. Details of Mobilisation and Development of Funds :

	(Rs. in Thousand)
Total Liabilities	467,156.60
Total Assets	467,156.60

Source of Funds :

Paid up Capital	406,000.00
Reserves & Surplus	0.00
Secured Loans	61,156.60
Unsecured Loans	0.00

Application of Funds :

Net Fixed Assets	357,045.78
Investments	0.00
Net Current Assets	(332,496.05)
Profit and Loss Account	442,606.87

IV. Performance of Company :

Turnover	535,762.87
Total Expenditure (Incl. prior period Expenses)	802,098.59
Extraordinary Items	764.85
Profit / (Loss) before Tax	(267,100.57)
Profit / (Loss) after Tax	(267,100.57)
Earning per share in Rs.	(65.79)

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

(as per monetary terms)

Item Code No.	Entry No. 34
Product description	HOTEL, MOTEL FLIGHT CATERING AND TOURISM RELATED INDUSTRY

For and on behalf of the Board

Sd/-
Rohit Nandan
Chairman & Managing Director

Sd/-
Prashant Sukul
Director

Sd/-
Shyamala P. Kunder
Company Secretary

Place : New Delhi
Date : 27 February 2012

HIGHLIGHTS FOR THE FINANCIAL YEAR**(Rupees in Lakhs)**

PARTICULARS	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
OPERATING RESULTS AT A GLANCE										
TOTAL REVENUE	5,357.63	4,128.51	4,905.23	6,128.07	6,650.34	5,856.77	4,921.25	4,074.92	5,177.09	8,186.01
TOTAL OPERATING COST	7,880.83	6,690.58	6,494.58	7,544.16	7,723.36	5,804.69	5,122.56	4,758.69	6,300.68	10,590.22
GROSS OPERATING PROFIT	(2,523.20)	(2,562.07)	(1,589.35)	(1,416.09)	(1,073.02)	52.08	(201.31)	(683.77)	(1,123.59)	(2,404.21)
DEPRECIATION	196.60	232.09	220.49	162.37	146.50	142.82	139.67	144.59	191.50	363.25
INTEREST	42.74	30.77	-	-	0.10	184.77	333.34	181.51	72.71	494.50
ADJUSTMENT OF PRIOR YEARS	-	-	-	-	13.48	70.23	439.85	1,121.90	-	-
PRIOR PERIOD & OTHER ADJUST	(91.54)	86.20	39.25	905.02	27.44	(14.95)	11.21	(31.73)	160.50	(29.92)
ADJUSTMENT OF INCOME TAX / FBT	-	-	12.31	13.18	23.32	-	19.96	26.33	94.68	274.48
NET SALE PROCEEDS OF UNITS	-	-	-	-	-	-	-	-	19,737.68	-
PROFIT / (LOSS) BEFORE TAX	(2,671.01)	(2,911.13)	(1,861.40)	(2,496.66)	(1,270.38)	(303.94)	(775.72)	(1,507.78)	17,388.48	(3,566.36)
PROVISION FOR TAX	-	-	-	-	-	-	-	-	1,297.00	-
FOREIGN EXCHANGE EARNINGS RESERVES	-	-	-	-	-	-	-	-	-	-
PROFIT / (LOSS) AFTER TAX	(2,671.01)	(2,911.13)	(1,861.40)	(2,496.66)	(1,270.38)	(303.94)	(775.72)	(1,507.78)	15,996.80	(3,566.36)
APPROPRIATION										
TRANSFER TO GENERAL RESERVE	-	-	-	-	-	-	-	-	1,738.00	-
DIVIDEND	-	-	-	-	-	-	-	-	2,030.00	-
SHARE CAPITAL										
RESERVES & SURPLUS	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
NET WORTH	(366.07)	2,304.94	5,216.07	7,077.47	9,574.13	10,844.51	11,148.45	11,924.17	13,431.95	(534.85)
BORROWINGS	611.57	520.26	-	-	-	-	4,326.49	3,436.56	-	625.86
GROSS BLOCK	8,040.25	8,269.54	8,181.52	7,232.53	6,866.48	6,825.39	6,758.46	6,700.20	6,686.62	12,266.09
DEPRECIATION	4,490.48	4,576.08	4,347.62	4,127.14	4,058.37	3,938.88	3,828.75	3,721.94	3,591.94	6,096.39
NET BLOCK	3,549.77	3,693.46	3,833.90	3,105.39	2,808.11	2,886.51	2,929.71	2,978.26	3,094.68	6,169.70
CAPITAL WORK IN PROGRESS	20.69	20.71	109.10	150.29	1.19	1.19	1.19	1.19	1.19	104.69
CURRENT ASSETS	7,116.64	5,868.00	7,189.26	9,717.00	11,835.85	10,855.69	3,742.07	3,281.14	3,931.27	3,282.17
CURRENT LIABILITIES	10,441.60	6,757.43	5,916.66	5,895.68	5,071.49	2,899.35	2,698.50	2,400.33	5,095.66	7,016.02
NET CURRENT ASSETS	(3,324.96)	(889.43)	1,272.60	3,821.32	6,764.36	7,956.34	1,043.57	880.81	(1,164.39)	(3,733.85)
CAPITAL EMPLOYED	224.81	2,804.03	5,106.50	6,926.71	9,572.47	10,842.85	3,973.28	3,859.07	1,930.29	2,435.85
OPERATIONAL STATISTICS										
AVERAGE OCCUPANCY :										
CENTAUR HOTEL - MUMBAI %	-	-	-	-	-	-	-	-	35	41
CENTAUR HOTEL - DELHI %	57	33	46	73	76	67	74	39	28	13
CENTAUR LAKE VIEW HOTEL-SRINAGAR %	45	48	47	46	48	27	58	36	40	40
CENTAUR HOTEL JUHU BEACH-MUMBAI %	-	-	-	-	-	-	-	-	30	28
TOTAL NO. OF GUESTS										
CENTAUR HOTEL - MUMBAI	-	-	-	-	-	-	-	-	2,989	48,301
CENTAUR HOTEL - DELHI	48,522	29,344	39,053	62,201	65,778	56,158	54,020	45,151	24,576	23,837
CENTAUR LAKE VIEW HOTEL-SRINAGAR	34,525	36,957	35,632	32,525	31,176	33,727	36,000	32,500	52,033	53,555
CENTAUR HOTEL JUHU BEACH - MUMBAI	-	-	-	-	-	-	-	-	4,392	48,395
EARNINGS IN FOREIGN EXCHANGE										
(RS. IN LAKHS)	89.06	91.71	114.05	172.72	217.08	250.06	217.86	154.75	26.20	705.37
NO. OF EMPLOYEES (YEAR END)	1325	1381	1439	1486	1664	1695	1715	1789	2196	3838
EMPLOYEES' REMMUNERATION	5,309.06	4,298.43	4,225.85	4,821.02	5,510.15	3,549.81	3,292.57	3,398.94	3,955.53	5,880.32
BENEFITS (RS. IN LAKHS)										