

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2014

Your Directors submit their Report for the financial year ended 31st March, 2014.

Financial Performance

During the year under review, your Company earned an income of ₹ 161.80 lakhs (previous year - ₹ 152.48 lakhs) registering a growth of 6%. The post-tax profits of your Company amounted to ₹ 103.34 lakhs (previous year - ₹ 96.82 lakhs) after providing for income tax of ₹ 51.90 lakhs (previous year - ₹ 48.92 lakhs). Earnings Per Share for the year stands at ₹ 870 (previous year - ₹ 815.35).

Your Directors are pleased to recommend a dividend of ₹ 70/- (previous year ₹ 70/-) per equity share of ₹ 100/- each for the year ended 31st March, 2014. Your Board further recommends a transfer to General Reserve of ₹ 10.33 lakhs (previous year - ₹ 9.68 lakhs).

The Company has an Operating License Agreement with ITC Limited which in turn has Operating and Marketing Services Agreement with Fortune Park Hotels Limited having expertise in operating and maintaining four / three star categories of hotels in India having a wide spread marketing and reservation network for the operations of the hotel.

The Company's hotel Fortune Resort Bay Island in Port Blair commands patronage in the city primarily due to its fabulous location and excellent architectural design. Your Company is in the process of obtaining municipal approvals and Environmental Clearances from Ministry of Environment and Forests for its renovation and expansion.

Others

Your Company's registered office has been shifted from National Capital Territory of Delhi to the State of Haryana and the same is situated at ITC Green Centre, 10 Institutional Area, Sector 32, Gurgaon 122 001.

Conservation of Energy, Foreign Exchange Earnings and Outgo

Considering the fact that the hotel is under an operating licence with ITC Limited, no comment is made on conservation of energy. However, your Company's hotel viz., Fortune Resort Bay Island continues to focus on energy conservation, safety and environment.

The foreign exchange earnings of the hotel during the year were ₹ 40.27 lakhs as against ₹ 37.70 lakhs in the previous year. There was no foreign exchange outgo during the year (previous year - Nil).

Directors

Mr. Mohan Swarup Bhatnagar, consequent to his retirement from the services of ITC Limited, the Holding Company, ceased to be a Director of your Company with effect from 12th September, 2013. Your directors would like to place on record their appreciation for the contribution made by Mr. Bhatnagar, in his long tenure, as a Director of the Company.

In accordance with the provisions of Article 143 and 144 of the Articles of Association of the Company, Mr. Gulam Hussain Cassim Jadwet will retire by rotation at the forthcoming

Annual General Meeting and being eligible, offer himself for re-appointment. Your Board of Directors has recommended his re-appointment.

Human Resource

Your Directors wish to record their sincere appreciation of the efforts made and the support rendered by the employees of the Company.

Particulars of Employees

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

Compliance Certificate under Companies Act, 1956

A certificate issued by Messrs P B & Associates, Company Secretaries, in terms of the provisions of Section 383A of the Companies Act, 1956 to the effect that the Company has complied with the applicable provisions of the said Act is attached to this Report.

Auditors

The Company's Auditors Messrs S B Dandekar & Co., Chartered Accountants retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. The present auditors of your Company were appointed prior to the year 1990. Your Board, after considering the provisions of section 139 of Companies Act, 2013, has recommended the re-appointment of Messrs. S B Dandekar & Co. for a period of three years from the conclusion of ensuing Annual General Meeting of the Company.

Directors' Responsibility Statement

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having:

- followed in the preparation of the Annual Accounts the applicable accounting standards with proper explanations relating to material departures if any;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- prepared the Annual Accounts on a going concern basis.

Place: Gurgaon
Date : 15th April, 2014

On behalf of the Board
Arun Pathak Director
Chandrasekhar Subrahmoneyan Director

COMPLIANCE CERTIFICATE

Company No. : U74899HR1976PLC052282
Nominal Capital : ₹ 1,20,00,000.00

The Members of
Bay Islands Hotels Limited
ITC Green Centre,
10 Institutional Area,
Sector - 32, Gurgaon,
Haryana - 122001

We have examined the registers, records, books and papers of M/s Bay Islands Hotels Limited (hereinafter referred to as 'the Company') as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made thereunder, the provisions contained in the Memorandum and Articles of Association of the Company and also the audited Annual Accounts, Auditors' Report on the said annual accounts for the financial year ended 31st March, 2014 (financial year). In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the financial year:

- The Company has kept and maintained Registers as stated in "Annexure: A" to this certificate, as per the provisions of the Act and the Rules made thereunder and all entries therein have been duly recorded.
- The Company has duly filed the forms and returns as stated in "Annexure: B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the Rules made thereunder.
- The Company, being a Public Limited Company, comments are not required.
- The Board of Directors duly met 4 (Four) times respectively on 17th April 2013, 26th September 2013, 23rd December 2013 and 5th March 2014 in respect of which meetings proper notices were given and the proceeding were properly recorded and signed. There was no resolution passed by circulation.
- The Company has not closed its Register of Members during the financial year.
- The Annual General Meeting for the financial year ended on 31st March, 2013 was held on 21st May, 2013 after giving due notice to the members of the Company and other concerned and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- 1 (One) Extra Ordinary General Meeting was held during the financial year after giving due notice to the members of the Company and other concerned and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- The Company has not advanced any loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
- The Company has not entered into any contracts falling within the purview of Section 297 of the Act.

- The Company was not required to make any entries in the Register maintained under Section 301(1) of the Act. However, it has made necessary entries in Register maintained under Section 301(3) of the Act.
- As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government.
- The Company has not issued any duplicate share certificate during the financial year.
- The Company has:
 - delivered all the certificates on transfer of Equity Shares in accordance with the provisions of the Act. However, there was no allotment/transmission of securities during the financial year.
 - deposited the amount of final dividend declared in the separate Bank Account, within 5 days of declaration.
 - paid dividends to all the members within a period of 30 days from the date of declaration and that there is no Unclaimed/Unpaid Dividend, which is required to be transferred to a Special Account.
 - not transferred any amount in Investor Education and Protection Fund as there is no unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon, which have remained unclaimed or unpaid for a period of seven years.
 - duly complied with the requirements of Section 217 of the Act.
- The Board of Directors of the Company is duly constituted. There was no appointment of additional Directors/alternate Directors/Directors to fill the casual vacancy.
- The Company has not appointed any Managing Director/Whole-time Director/ Manager during the financial year.
- The Company has not appointed any sole selling agents during the financial year.
- The Company has filed petition u/s 17 of the Act during the year under scrutiny for shifting of registered office of the Company and has obtained the necessary approval of the Regional Director and complied with the provisions of the Act.
- The Directors have disclosed their interest in other firms/companies/body corporate(s) to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
- The Company has not issued any shares, debentures or other securities during the financial year.
- The Company has not bought back any shares during the financial year.
- The Company has neither preference capital nor debentures, thus the comments on the same are not required.

22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of the transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company, during the financial year, has made investments in mutual funds issued by the trusts, which are not covered under the provisions of section 372A, of the Act, thus no entries are made in the register kept for the purpose. However, there were no loans made or guarantees given or the securities provided to other bodies corporate during the financial year.
26. The Company has altered the provisions of the Memorandum with respect to situation of the Company's Registered Office from one State to another during the year under scrutiny and complied with the provisions of the Act.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.

28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act. Similarly, no fines, penalties or punishment under the Act was imposed on the Company during the financial year.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has not constituted a separate provident fund trust for its employees or class of its employees as contemplated under Section 418 of the Act.

For PB & Associates
Company Secretaries

Pooja Bhatia
LLB, ACS
CP: 6485

Date : 15th April, 2014
Place: New Delhi

ANNEXURE – 'A'

Registers maintained by the Company

Sl. No.	Particulars	Relevant Section of the Act
1.	Minutes Book of the meetings of the Board of Directors of the Company	193
2.	Minutes Book of General Body Meetings of the Members of the Company	193
3.	Copies of Annual Returns	159
4.	Register of Members	150
5.	Register of Particulars of Directors, Managing Director, Manager and Secretary	303
6.	Register of Directors' Share holding	307
7.	Register(s) of contracts, companies and firms in which Directors are interested	301(3)
8.	Books of Accounts	209
9.	Register of Share Transfer	

ANNEXURE – 'B'

A. Forms & Returns filed with the Registrar of Companies, New Delhi (During the Year ended on March 31, 2014)

Sl. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Form 66 for Compliance Certificate u/s 383A of the Act, for the financial year ended 31st March 2013	31/05/2013	Yes	No
2.	Form 20B for Annual Return u/s 159 of the Act, made upto 21st May 2013 i.e., the date of AGM for the financial year ended 31st March 2013	20/06/2013	Yes	No
3.	Form 23ACXBRL and Form 23ACAXBRL of the Act, for Annual Accounts u/s 220 for the year ended 31st March 2013	20/06/2013	Yes	No
4.	Form 32 u/s 303(2) of the Act, for cessation of Mr. Mohan Swarup Bhatnagar	01/10/2013	Yes	No
5.	Form 23 u/s 192 of the Act, for registration of Special Resolution, passed in EGM held on 7th October 2013	16/10/2013	Yes	No
6.	Form 21 u/s 17(1) of the Act, for registration of order of Regional Director for shifting of registered office of the Company from the NCT of Delhi to the State of Haryana	14/03/2014	Yes	No
7.	Form 18 u/s 146 of the Act, for change of registered office of the Company	21/03/2014	Yes	No

B. Forms & Returns filed with the Regional Director, Central Government or other authorities :

Sl. No.	Particulars of Forms & Returns Filed	Date of Filing	Whether filed within prescribed time	Additional Fees paid
1.	Form 24AAA of the Act, for filing petition to Central Government for shifting of Registered Office of the Company from NCT of Delhi to the State of Haryana	25/10/2013	Yes	No

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAY ISLANDS HOTELS LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of **Bay Islands Hotels Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of
S. B. DANDEKER & CO.
Chartered Accountants
Firm's Registration No : 301009E

KEDARASHISH BAPAT
Partner
Membership No : 057903

Place: Port Blair
Date: 14th April, 2014

ANNEXURE TO THE AUDITORS' REPORT

Statement on matters specified in paragraphs 4 & 5 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) Amendment Order 2004 issued by the Central Government in terms of section 227(4A) of the Companies Act 1956, for the year ended 31st March 2014

1. The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals during the year, and no material discrepancies were noticed on such verification. No substantial part of the fixed assets of the Company have been disposed off during the year.
2. As the company does not hold any inventory, clause (ii) of para 4 of the order is not applicable.
3. The Company has neither taken nor granted any loans, secured or unsecured from or to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. As such provisions of sub-clause (b), (c) and (d) of clause (iii) of the order are not applicable.
4. The Company has an internal control procedure commensurate with the size of the Company and nature of the business, for the purchase of fixed assets. We have not come across or have been informed of any major weaknesses in the internal control procedures.
5. There are no transactions which are required to be entered into a register in pursuance of section 301 of the Companies Act 1956, and hence provisions of clause (v)(b) of the order are not applicable.
6. In accordance with information and explanations given to us, the provisions of section 58A and 58AA of the Companies Act 1956, and rules framed there under, and directions issued by the Reserve Bank of India are inapplicable to the Company since it has not accepted any deposits from the public.
7. As per clause (vii) of the order provisions for internal audit are not applicable as the paid up capital of the Company is less than Rs. 50 lakhs.
8. As explained to us the Central Government has not prescribed any rules for maintenance of cost records for the Company under clause (d) of subsection (1) of section 209 of the Companies Act 1956.
9. The Company is regular in depositing of all undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Custom Duty, Excise Duty, cess and any other statutory dues, so far as applicable to the Company, with the appropriate authorities. The Company has no disputed statutory dues.
10. The Company has no accumulated losses as at 31st March 2014. It has not incurred any cash losses in the financial year as well as in the immediately preceding financial year.
11. In accordance with the information and explanations given to us the Company has no dues of any financial institution or Bank or debenture holder.
12. The Company has not granted any loan and/or advance on the basis of security by way of pledge of shares, debentures and other securities and hence the matter regarding deficiencies in documents in respect of such loans and advances is not applicable.
13. The Company is not a Nidhi, Mutual Benefit Fund or Society and hence we have no comments to make regarding matters concerning such organisations.
14. The Company is not dealing in shares, securities, debentures or other investments and hence we have no comment to make regarding matters relating to maintenance of records of transactions in such shares etc.
15. In accordance with the information and explanation given to us the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In accordance with the information given to us, the Company has not taken any term loans.
17. In accordance with the information and explanation given to us the Company has not applied any short term borrowings for purpose of long term investments or vice versa.
18. In accordance with the information and explanation given to us the Company has not made any preferential allotment of equity shares to parties covered in the register maintained under section 301 of the Companies Act 1956, during the year.
19. No debentures have been issued by the Company and there are no outstanding debentures as at the year end and hence clause (xix) of the order is not considered applicable.
20. No public issue has been made by the Company and hence we have no comments regarding the matter of end use of money raised through such public issue.
21. In accordance with our audit as per generally accepted auditing practices and the information and explanation given to us, no fraud by or on the Company has been noticed or reported during the year nor have we been informed of any such case by the management.

For and on behalf of
S. B. DANDEKER & CO.
Chartered Accountants
Firm's Registration No : 301009E
KEDARASHISH BAPAT
Partner
Membership No : 057903

Place: Port Blair
Date: 14th April, 2014

BALANCE SHEET AS AT 31ST MARCH, 2014

	Note No.	As at 31st March, 2014		As at 31st March, 2013	
		(₹)	(₹)	(₹)	(₹)
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	1	1,187,500		1,187,500	
Reserves & Surplus	2	<u>125,310,107</u>	<u>126,497,607</u>	<u>116,774,421</u>	117,961,921
Non Current Liabilities					
Long Term Provisions	3		<u>203,304</u>		—
Current liabilities					
Trade Payables			<u>20,664</u>		19,663
Other Current liabilities	4		<u>427</u>		539,595
Short Term Provisions	5		<u>1,919,418</u>		972,521
TOTAL			<u>128,641,420</u>		<u>119,493,700</u>
ASSETS					
Non-Current Assets					
Fixed Assets	6				
Tangible Assets			<u>69,510,591</u>		70,591,874
Deferred Tax Asset (Net)	7		<u>2,714,649</u>		2,791,468
Long Term Loans & Advances	8		<u>882,535</u>		797,214
Current Assets					
Current Investments	9	<u>10,000,000</u>			
Trade Receivables	10	<u>3,980,481</u>		4,291,913	
Cash and cash equivalents	11	<u>40,609,650</u>		40,412,057	
Other Current Assets	12	<u>943,514</u>		609,174	
		<u>55,533,645</u>		<u>45,313,144</u>	
TOTAL			<u>128,641,420</u>		<u>119,493,700</u>

Significant Accounting Policies 18
The accompanying notes 1 to 18 are an integral part of the Financial Statements.

In terms of our Report of even date
For S.B. DANDEKER & COMPANY
Chartered Accountants
Firm's Registration No : 301009E
KEDARASHISH BAPAT
Partner
Membership No : 057903
Place: Port Blair
Date : 14th April, 2014

On behalf of the Board
Arun Pathak Director
Chandrasekhar Subrahmoneyan Director
Place: Gurgaon
Date : 14th April, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

	Note No.	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
Revenue from operations	13	12,964,853	12,986,675
Other Income	14	3,215,623	2,261,222
Total Revenue		16,180,476	15,247,897
Expenses:			
Employee benefits expense	15	233,830	234,543
Depreciation and amortization expense		255,223	258,758
Other Expenses	16	166,368	180,624
Total Expenses		655,421	673,925
Profit Before Taxation		15,525,055	14,573,972
Tax expense for the year			
Current Tax		5,113,970	4,814,353
Deferred Tax		76,819	77,301
Profit/(Loss) for the period		10,334,266	9,682,318
Basic and Diluted Earnings Per Share (₹)	17	870	815
(Face value : ₹ 100 per share)			
Significant Accounting Policies	18		

The accompanying notes 1 to 18 are an integral part of the Financial Statements.

In terms of our Report of even date

For S.B. DANDEKER & COMPANY

Chartered Accountants

Firm's Registration No : 301009E

KEDARASHISH BAPAT

Partner

Membership No : 057903.

Place: Port Blair

Date : 14th April, 2014

On behalf of the Board

Arun Pathak Director

Chandrasekhar Subrahmoneyan Director

Place: Gurgaon

Date : 14th April, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

(Figures for the previous year have been rearranged to conform with the revised presentation)

		For the year ended 31st March, 2014 (₹)		For the year ended 31st March, 2013 (₹)
A. NET PROFIT BEFORE TAX		15,525,055		14,573,972
ADJUSTMENTS FOR :				
Depreciation	255,223		258,758	
Interest income	(3,215,623)		(2,261,222)	
		(2,960,400)		(2,002,464)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		12,564,655		12,571,508
ADJUSTMENTS FOR :				
Trade Receivables, Loans & Advances and Other Current Assets	(22,907)		(961,978)	
Trade Payables & Other Liabilities	612,034		539,955	
CASH GENERATED FROM OPERATIONS		13,153,782		12,149,485
Income Tax Paid		4,877,716		5,155,757
NET CASH FROM OPERATING ACTIVITIES		8,276,066		6,993,728
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Investments made	(10,000,000)			
Interest Received	2,894,048		2,384,796	
NET CASH FROM INVESTING ACTIVITIES		(7,105,952)		2,384,796
C. CASH FLOW FROM FINANCIAL ACTIVITIES :				
Dividend Paid	(831,250)		(771,875)	
Income Tax on Dividend Paid	(141,271)		(125,217)	
NET CASH FLOW USED IN FINANCING ACTIVITIES		(972,521)		(897,092)
NET INCREASE IN CASH AND CASH EQUIVALENTS		197,593		8,481,432
OPENING CASH AND CASH EQUIVALENTS		40,412,057		31,930,625
CLOSING CASH AND CASH EQUIVALENTS		40,609,650		40,412,057

Notes: 1. The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 Cash Flow Statements.

2. CASH AND CASH EQUIVALENTS COMPRISE :

Cash and Bank Balances

40,609,650

40,412,057

The accompanying notes 1 to 18 are an integral part of the Financial Statements.

In terms of our Report of even date

For S.B. DANDEKER & COMPANY

Chartered Accountants

Firm's Registration No : 301009E

KEDARASHISH BAPAT

Partner

Membership No : 057903

Place: Port Blair

Date : 14th April, 2014

On behalf of the Board

Arun Pathak Director

Chandrasekhar Subrahmoneyan Director

Place: Gurgaon

Date : 14th April, 2014

NOTES TO THE ACCOUNTS

(Figures for the previous year have been rearranged to conform with the revised presentation)

	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)		As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
1. SHARE CAPITAL			2. RESERVES & SURPLUS		
Authorised			Revaluation Reserve		
90,000 Equity Shares of ₹ 100/- each	9,000,000	9,000,000	At the commencement of the year	61,906,646	62,732,706
30,000 13.5% Redeemable Cumulative Preference Shares of ₹ 100/- each	3,000,000	3,000,000	Less: Depreciation	<u>826,060</u>	<u>826,060</u>
	<u>12,000,000</u>	<u>12,000,000</u>		61,080,586	61,906,646
Issued, Subscribed & Paid-up			Subsidy Reserve		
11,875 Equity Shares of ₹ 100/- each fully paid-up	1,187,500	1,187,500	At the beginning and at the end of the year	4,338,099	4,338,099
	<u>1,187,500</u>	<u>1,187,500</u>			
			General Reserve		
			At the commencement of the year	5,473,850	4,505,618
			Add: Transferred from current years surplus	<u>1,033,427</u>	<u>968,232</u>
				6,507,277	5,473,850

Reconciliation of number of equity shares				
	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares	Amount in ₹	No. of Shares	Amount in ₹
Balance as at the beginning of the year	11,875	1,187,500	11,875	1,187,500
Balance as at the end of the year	11,875	1,187,500	11,875	1,187,500

Shareholders holding more than 5 percent shares

Name of Shareholder	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
ITC Limited	11,875	100	11,875	100

Terms / Rights attached to Equity Shares.

The Ordinary Shares of the Company, having par value of ₹ 100/- per share, rank pari passu in all respects including entitlement to dividend.

6. FIXED ASSETS - Tangible Assets

Particulars	Gross Block				Depreciation				Net Block	
	@ Original Cost/ Professional Valuation as at 31.03.2013 (₹)	Additions during the year (₹)	Withdrawals during the year (₹)	Original Cost Professional Valuation as at 31.03.2014 (₹)	Accumulated Depreciation upto 31.03.2013 (₹)	Depreciation for the year (₹)	Depreciation on withdrawals (₹)	Depreciation upto 31.03.2014 (₹)	Net Block as at 31.03.2014 (₹)	Net Block as at 31.03.2013 (₹)
1. Land	57,000,000	—	—	57,000,000	0	—	—	—	57,000,000	57,000,000
2. Building	38,989,750	—	—	38,989,750	25,397,876	1,081,283	—	26,479,159	12,510,591	13,591,874
3. Plant & Machinery	5,558,845	—	—	5,558,845	5,558,845	—	—	5,558,845	—	—
4. Office Equipment	185,415	—	—	185,415	185,415	—	—	185,415	—	—
5. Furniture & Fittings	407,319	—	—	407,319	407,319	—	—	407,319	—	—
TOTAL	102,141,329	—	—	102,141,329	31,549,455	1,081,283	—	32,630,738	69,510,591	70,591,874
Previous Year	102,141,329	—	—	102,141,329	30,464,637	1,084,818	—	31,549,455	70,591,874	71,676,692

@Original Cost / Professional Valuation as on 31st March 1999. Depreciation for the year includes ₹ 826,060 (2013 ₹ 826,060) transferred from Revaluation Reserve in respect of revalued assets.

Note: All assets mentioned above have been given under an Operating Lease to the Holding Company.

	As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)		As at 31st March, 2014 (₹)	As at 31st March, 2013 (₹)
7. DEFERRED TAX ASSET (NET)			10. TRADE RECEIVABLES		
Deferred Tax Asset	2,791,468	2,868,769	Outstanding for a period exceeding six months from the date they are due for payment	—	—
	<u>2,791,468</u>	<u>2,868,769</u>	Others		
Depreciation - Timing Difference	76,819	77,301	Unsecured, Considered good	3,980,481	4,291,913
Net Deferred Tax Asset	<u>2,714,649</u>	<u>2,791,468</u>		<u>3,980,481</u>	<u>4,291,913</u>
Deferred Tax Assets are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.			11. CASH AND CASH EQUIVALENTS*		
8. LONG TERM LOANS AND ADVANCES			Balances with banks		
Others - Unsecured, Considered Good			Current Accounts	1,907,604	4,516,077
Advance with statutory authorities (net of provisions)	882,535	797,214	Deposit Accounts#	<u>38,702,046</u>	<u>35,895,980</u>
	<u>882,535</u>	<u>797,214</u>		<u>40,609,650</u>	<u>40,412,057</u>
9. CURRENT INVESTMENT			*Cash and cash equivalents include cash on hand, cheques, drafts on hand, cash at bank and deposits with banks with original maturity of 3 months or less.		
ICICI Prudential Fixed maturity Plan - Series 72			#Represents deposits with original maturity of more than 3 months and includes deposits with remaining maturity of more than 12 months from the balance sheet date - Nil (PY : Nil).		
10,00,000 Units of Rs 10 each (PY - Nil)	10,000,000	—	12. OTHER CURRENT ASSETS		
Aggregate market value of quoted investments : ₹ 1.02 cr (PY: Nil)	<u>882,535</u>	<u>—</u>	Interest accrued on deposit with banks	697,157	609,174
			Others* - Unsecured, considered good	<u>246,357</u>	<u>—</u>
				<u>943,514</u>	<u>609,174</u>

*Others comprise of amount recoverable from the Holding Company - ₹ 246,357 (PY - Nil)

NOTES TO THE ACCOUNTS (Contd.)

	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
13. REVENUE FROM OPERATIONS		
Operating Licence Fee	12,964,853	12,986,675
	<u>12,964,853</u>	<u>12,986,675</u>
14. OTHER INCOME		
Interest on Fixed Deposit	3,215,623	2,261,222
	<u>3,215,623</u>	<u>2,261,222</u>
15. EMPLOYEE BENEFITS EXPENSE		
Salaries, Wages and Bonus	10,464,843	10,393,031
Contribution to Provident Fund & Other Funds	1,169,674	8,81,190
Workmen and Staff Welfare Expenses	329,120	2,21,236
	<u>11,963,637</u>	<u>11,495,457</u>
Less: Recoveries	(11,729,807)	(11,260,914)
	<u>233,830</u>	<u>234,543</u>

	For the year ended 31st March, 2014 (₹)	For the year ended 31st March, 2013 (₹)
16. OTHER EXPENSES		
Consumption of Stores and Spare Parts	34,800	34,000
Travelling and Conveyance	36,000	36,000
Miscellaneous Expenses	95,568	1,10,624
	<u>1,66,368</u>	<u>1,80,624</u>
Miscellaneous Expenses includes		
Payment to Auditors		
Audit Fees	13,484	13,483
Tax Audit fees	6,180	6,180
17. EARNINGS PER SHARE		
Profit/ (loss) after Taxation	1,03,34,266	96,82,318
Weighted average number of equity shares outstanding	11,875	11,875
Basic and diluted earnings per share in rupees (face value - ₹100/- per share)	870	815

Note 18: (A)

Convention

To prepare financial statements in accordance with applicable Accounting Standards in India. A summary of important accounting policies is set out below. The financial statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 1956.

Basis of Accounting

To prepare Financial Statements in accordance with the historical cost convention, modified by revaluation of certain fixed assets as and when undertaken.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Companies Act, 1956 based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents.

Fixed Assets

To state Fixed Assets at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition.

Depreciation

To calculate depreciation on fixed assets in a manner that amortizes the cost of the assets after commissioning, over their estimated useful lives or lives based on the rates specified in Schedule XIV to Companies Act, 1956, whichever is lower, by equal annual installments.

Revaluation of Assets

As and when Fixed Assets are revalued, to adjust the provision for depreciation on such revalued Fixed Assets, where applicable, in order to make allowance for consequent additional diminution in value on considerations of age, condition and unexpired useful life of such fixed assets to transfer to Revaluation Reserve, the difference between the written up value of the Fixed Assets revalued and depreciation adjustment and to charge Revaluation Reserve Account with depreciation on that portion of the value which is written up.

Investments

To state Current Investments at lower of cost and fair value; and Long Term Investments, including in Joint Ventures and Associates, at cost. Where applicable, provision is made to recognise a decline, other than temporary, in valuation of Long Term Investments.

Revenue Recognition

Income from operating license fees is booked on accrual basis in accordance with the provisions of operating license agreement / arrangements with the licensee viz, ITC Limited.

Investment Income

To account for Income from Investments on an accrual basis, inclusive of related tax deducted at source. To account for Income from Dividends when the right to receive such dividends is established.

Proposed Dividend

To provide for Dividends (including income tax thereon) in the books of account, as proposed by the Directors, pending approval at the Annual General Meeting.

Employee Benefits

To make regular monthly contributions to Provident Fund which are in the nature of defined contribution scheme and such paid/payable amounts are charged against revenue. The contribution in respect of Gratuity Fund is made to Life Insurance Corporation.

Taxes on Income

To provide Current tax as the amount of tax payable in respect of taxable income for the period, measured using the applicable tax rates and tax laws.

To provide Deferred Tax on timing differences between taxable income and accounting income subject to consideration of prudence, measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred Tax Assets are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Claims

To disclose claims against the Company not acknowledged as debts after a careful evaluation of the facts and legal aspects of the matter involved.

(B) Notes to Accounts

- General Information:
Bay Islands Hotels Limited, a fully owned subsidiary of ITC Limited, owns a hotel in Port Blair known as 'Fortune Resort Bay Island'. The Hotel Operations are under an Operating Licence Agreement with ITC Limited.
- There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days during the year and also as at 31st March 2014. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of the information available with the Company.
- Contingent liabilities/claims against the company not acknowledged as debts - Nil (PY Nil).
- The Company operates in a single reportable segment and hence the disclosure requirements of AS-17 are not applicable.
- Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2014 and recognized in the financial statements in respect of Employee Benefit Schemes:

Particulars	2013-14
i Components of Employer Expense	
1 Current Service Cost	1,06,958
2 Interest Cost	24,249
3 Expected Return on Plan Assets	—
4 Net Actuarial (Gain) Loss recognized in the year	2,67,136
5 Past Service Cost	—
6 Expenses recognized in the Statement of P & L	3,97,983
ii Net Asset / (Liability) recognized in Balance Sheet	
1 Present Value of Obligation	4,85,868
2 Fair Value of Plan Assets	—
3 Liability (Assets)	4,85,868
4 Unrecognized Past Service Cost	—
5 Liability (Asset) recognized in the Balance Sheet	4,85,868
- Current	2,82,564
- Non Current	2,03,304
iii Change in Defined Benefit Obligation	
1 Present Value of Obligation beginning of the period	4,50,982
2 Interest Cost	24,249
3 Current Service Cost	1,06,598
4 Past Service Cost	—
5 Benefits Paid	(3,63,097)
6 Actuarial (Gain) Loss on Obligation	2,67,136
7 Present Value of Obligation end of the period	4,85,868
iv Change in Fair Value of Assets	
1 Fair Value of Plan Assets beginning of the period	—
2 Expected return on Plan Assets	—
3 Contributions	3,63,097
4 Benefits Paid	(3,63,097)
5 Actuarial Gain (Loss) Plan Assets	—
6 Fair Value of Plan Assets end of the period	—
v Actuarial Assumptions	
1 Discount rate (%)	9.00%
The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.	
VI Net Asset / (Liability) recognized in Balance Sheet (including experience adjustment impact)	
Particulars	Leave Encashment (Unfunded) For the Year ended 31st Mar, 2014
1 Defined Benefit Obligation at the end of the period	(4,85,868)
2 Plan Assets at the end of the period	—
3 Funded Status [Surplus / (Deficit)]	(4,85,868)
4 Experience Gain / (Loss) adjustments on Plan Liabilities	—
5 Experience Gain / (Loss) adjustments on Plan Assets	—

6. RELATED PARTY DISCLOSURES

Related party disclosures under Accounting Standard 18 are as follows

- Holding Company : ITC Limited
- Key Management Personnel:
Board of Directors
Nakul Anand
Chandrasekhar Subrahmanyam
Arun Pathak
G.H.C. Jadwet

iii) Summary of transactions during the year (Rupees) :

	2013-14	2012-13
(a) Transactions with Holding Company:-		
1. Rent Received*	14,567,308	14,263,665
2. Expenses Reimbursed	491,258	387,301
3. Expenses Recovered	12,880,008	11,260,914
4. Dividend Payment	831,250	771,815
5. Balance as on 31st March 2014		
- Trade Receivables	3,980,481	4,291,913
- Other recoverables	246,357	—

*includes Service Tax - ₹ 1,602,455 (PY - ₹ 1,276,990)

- Transaction with Key Management Personnel - Nil (Previous Year - Nil).

7. Previous Year's figures have been regrouped/rearranged wherever necessary.

For S.B. DANDEKAR & COMPANY
Chartered Accountants
Firm's Registration No : 301009E
KEDARASHISH BAPAT
Partner
Membership No : 057903
Place: Port Blair
Date : 14th April, 2014

On behalf of the Board
Arun Pathak Director
Chandrasekhar Subrahmanyam Director
Place: Gurgaon
Date : 14 April, 2014