REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

1. Your Directors submit their Report for the financial year ended 31st March, 2019.

2. **FINANCIAL PERFORMANCE**

During the year under review, your Company earned licence fees of ₹ 102.37 lakhs (previous year: ₹ 78.07 lakhs) representing a growth of 31%. This was mainly due to higher Hotel revenue on account of release of guest rooms post renovation. The Other Income for the year aggregated ₹ 58.45 lakhs (previous year: ₹ 55.06 lakhs) and the profit for the year was ₹ 109.88 lakhs (previous year: ₹ 96.53 lakhs).

The financial results of your Company, summarised, are as under:

	For the year ended 31st March, 2019 (₹ in lakhs)	For the year ended 31st March, 2018 (₹ in lakhs)
Profits		
a. Profit Before Tax	152.23	125.84
b. Less: Tax Expense		
- Current Tax	45.03	36.00
- Deferred Tax	(2.68)	(6.69)
c. Profit for the year	109.88	96.53
d. Other Comprehensive Income	–	–
e. Total Comprehensive Income	109.88	96.53
Statement of Retained Earnings		
a. At the beginning of the year	1,478.56	1,392.03
b. Add: Profit for the year	109.88	96.53
c. Add: Other Comprehensive Income	–	–
d. Less:		
- Dividend Paid	8.31	8.31
- Income Tax on Dividend Paid	1.71	1.69
e. At the end of the year	1,578.42	1,478.56

3. **DIVIDEND**

The Board of Directors of the Company have recommended a dividend of ₹ 70/- (previous year ₹ 70/-) per Equity Share of ₹ 100/- each for the year ended 31st March, 2019. Total cash outflow in this regard will be ₹ 10.02 lakhs including Dividend Distribution Tax of ₹ 1.71 lakhs.

4. **OPERATIONAL PERFORMANCE**

Your Company has an Operating Licence Agreement with its Holding Company, ITC Limited, which in turn has an Operating and Marketing Services Agreement with Fortune Park Hotels Limited, its wholly owned subsidiary and fellow subsidiary of your Company. Fortune Park Hotels Limited manages and operates four / three star categories of Hotels in India and has a wide marketing and reservation network for the operations of Hotels.

Fortune Resort Bay Island, your Company's Hotel in Port Blair, with its strategic location, excellent architectural design and superior quality, continues to offer a unique gateway to the Andamans.

A comprehensive renovation and expansion programme towards enhancing the market standing of the Hotel is currently underway with the first phase (24 rooms) being commissioned during the year. The second phase of renovation (24 rooms) is expected to be completed over the next year.

5. **DIRECTORS**

(a) Changes in Directors

During the year under review, there were no changes in the composition of the Board of Directors of your Company ('the Board').

(b) Retirement by Rotation

In accordance with the provisions of Section 152 of the Companies Act, 2013 ('the Act') read with Articles 143 and 144 of the Articles of Association of the Company, Mr. Jagdish Singh (DIN: 00042258), Director, will retire by rotation at the ensuing Annual General Meeting ('AGM') of the Company and being eligible, offers himself for re-appointment. Your Board has recommended his re-appointment.

6. **BOARD**

Four meetings of the Board were held during the year ended 31st March, 2019.

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 134 of the Act, your Directors confirm having:

i) followed in the preparation of the Annual Accounts, the applicable Accounting Standards with proper explanation relating to material departures, if any;

ii) selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) prepared the Annual Accounts on a going concern basis; and

v) devised proper systems to ensure compliance with the provisions of all applicable laws and that systems are adequate and operating effectively.

8. **SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Company does not have any subsidiary, associate or joint venture.

9. **PARTICULAR OF EMPLOYEES**

The details of employees of the Company as required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in **Annexure 1** to this report.

The Company seeks to enhance equal opportunities for men and women and is committed to a gender-friendly workplace. Your Company has an Internal Complaints Committee as per the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the year, no complaint for sexual harassment was received.

10. **RISK MANAGEMENT**

The risk management framework of the Company is commensurate with its size and nature of business. Management of risks vests with the executive management, which is responsible for the day-to-day conduct of the affairs of the Company, within the overall framework approved by the Board. The Internal Audit Department of ITC Limited periodically carries out, at the request of the Company, risk focused audits with the objective of identifying areas where risk management processes could be strengthened. The Board annually reviews the effectiveness of the Company's risk management systems and policies.

11. **INTERNAL FINANCIAL CONTROLS**

Your Company has in place adequate internal financial controls with respect to the financial statements, commensurate with its size and scale of operations.

During the year, the internal financial controls in the Company with respect to the financial statements were tested and no material weakness in the design or operation of such controls was observed.

Nonetheless, your Company recognises that any internal financial control framework, no matter how well designed, has inherent limitations and accordingly, regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

12. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

During the year ended 31st March, 2019, the Company has neither given any loan or guarantee nor has made any investment under Section 186 of the Act.

13. RELATED PARTY TRANSACTIONS

All contracts or arrangements entered into by the Company with its related parties during the financial year were in accordance with the provisions of the Act. All such contracts or arrangements were entered in the ordinary course of business and on arm's length basis.

The details of material related party transactions of the Company in the prescribed Form No. AOC-2 is enclosed as **Annexure 2** to this Report.

14. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS / COURTS / TRIBUNALS

During the year under review, no significant or material orders were passed by the Regulators / Courts / Tribunals impacting the going concern status of the Company and its future operations.

15. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return in the prescribed Form No. MGT-9 is enclosed as **Annexure 3** to this Report.

16. COST RECORDS

The Company is not required to maintain cost records in terms of Section 148 of the Act read with the Companies (Cost Records and Audit) Rules, 2014.

17. STATUTORY AUDITORS

The Company's Auditors, Messrs. S B Dandeker & Co., Chartered Accountants were appointed at the 41st AGM to hold such office for a period of five years till the conclusion of the 46th AGM. Your Board has recommended for the approval of the Members, the remuneration of Messrs. S B Dandeker & Co. for the financial year 2019-20. Appropriate resolution seeking your approval to the above is appearing in the Notice convening the ensuing AGM of your Company.

18. COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is in compliance with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government under Section 118 of the Act.

19. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Conservation of Energy & Technology Absorption

Considering the nature of business of your Company, no comment is required on conservation of energy and technology absorption.

Foreign Exchange Earnings and Outgo

The foreign exchange earnings of the Hotel during the year aggregated ₹ 39.92 lakhs (previous year: ₹ 41.30 lakhs), while there was no foreign exchange outgo during the year (Previous year: Nil).

On behalf of the Board

J. Singh **Director**

Dated : 24th April, 2019 **Samir MC** **Director**

Place : Gurugram

Annexure 1 to the Report of the Board of Directors for the financial year ended 31st March, 2019

[Information pursuant to Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Names of Employees	Age	Designation	Gross Remuneration (₹)	Net Remuneration (₹)	Qualifications	Experience (Years)	Date of Commencement of Employment	Previous Employment / Position held
1	2	3	4	5	6	7	8	9
Gaurav Sakkarwal	28	Jr. Sous Chef	5,36,028/-	5,11,938/-	Bachelor of Hotel Management	3	01.02.2016	Fortune Park Hotels Limited, Jr. Sous Chef
Gurusamy Subramanian	29	Asst. Manager	4,31,233/-	3,83,053/-	B.S.C Hotel Management	10	05.05.2017	Taj Fishermens Cove-Chennai, Assistant Manager – House Keeping
Georgina Baa	41	Asst. Manager	4,17,233/-	3,95,245/-	B.A. - Tourism	20	28.11.1998	Nil
Agnatus Kindo	53	Jr. Executive	3,94,182/-	3,71,841/-	Intermediate	33	01.07.1986	Nil
Johnson David	55	Jr. Executive	3,91,488/-	3,68,925/-	Intermediate	34	01.03.1986	Nil
Manu Mon	29	Executive	3,68,833/-	3,46,669/-	Diploma in Hotel Management	9	06.12.2017	Key Hotel, Restaurant Supervisor
Gour Hari Roy	41	Jr. Executive	3,50,687/-	3,28,734/-	B. A. History	17	28.01.2017	Nil
Abdul Rehman	53	Sr. Supervisor	3,45,570/-	3,23,370/-	Under Matric	34	16.09.1985	Nil
Nimbulal	54	Sr. Supervisor	3,45,388/-	3,22,937/-	Intermediate	29	01.01.1989	Nil
Ankita Panda	29	Executive-Learning & Development	3,36,859/-	3,15,010/-	MBA HR & Marketing	5	01.01.2013	Sai International School, French Faculty

Notes :

a. Gross Remuneration includes salary, variable pay, allowances & other benefits / applicable perquisites except provisions for gratuity and leave encashment which are actuarially determined on an overall Company basis. The term 'remuneration' has the meaning assigned to it under the Companies Act, 2013.

b. Net remuneration comprises cash income less income tax, education cess deducted at source and employee's own contribution to provident fund.

c. All appointments are contractual in accordance with terms and conditions as per Company's rules.

d. The aforesaid employees are neither relative of any Director of the Company nor hold any equity share in the Company.

On behalf of the Board

Dated : 24th April, 2019 **J. Singh** **Director**

Place : Gurugram **Samir MC** **Director**

Annexure 2 to the Report of the Board of Directors for the financial year ended 31st March, 2019

FORM NO. AOC-2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under fourth proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

a)	Name(s) of the related party and nature of relationship	NIL
b)	Nature of contracts / arrangements / transactions	
c)	Duration of the contracts / arrangements / transactions	
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
e)	Justification for entering into such contracts or arrangements or transactions	
f)	Date(s) of approval by the Board	
g)	Amount paid as advances, if any	
h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangements or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	ITC Limited, the Holding Company
b)	Nature of contracts / arrangements / transactions	Operating Licence Agreement
c)	Duration of the contracts / arrangements / transactions	50 years effective 15th March, 1993
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Licence to operate Hotel 'Fortune Resort Bay Island'. Value of the transaction during the year - ₹ 1,20,80,218/- (including applicable taxes)
e)	Date(s) of approval by the Board, if any	–
f)	Amount paid as advances, if any	Nil

On behalf of the Board

Dated : 24th April, 2019 — **J. Singh** Director

Place: Gurugram — **Samir MC** Director

Annexure 3 to the Report of the Board of Directors

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31st March, 2019

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	:	U74899HR1976PLC052282
Registration Date	:	24th March, 1976
Name of the Company	:	Bay Islands Hotels Limited
Category / Sub-Category of the Company	:	Unlisted Public Company limited by shares
Address of the Registered office and contact details	:	ITC Green Centre 10, Institutional Area, Sector 32, Gurugram 122001 Phone : 0124-4171717 Fax : 0124-4051734 e-mail ID : bihl@itchotels.in
Whether listed company (Yes / No)	:	No
Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1.	Hotel services	55101	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held in the Company	Applicable Section
1.	ITC Limited Virginia House 37 Jawaharlal Nehru Road Kolkata – 700 071	L16005WB1910PLC001985	Holding company	100.00%	2(46)

IV. **SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

(i) **Category-wise Shareholding:**

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1)Indian									
a) Individual/HUF	–	–	–	–	–	–	–	–	N.A.
b) Central Govt.	–	–	–	–	–	–	–	–	N.A.
c) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
d) Bodies Corp.	–	11,875	11,875	100.00	–	11,875	11,875	100.00	Nil
e) Banks / FI	–	–	–	–	–	–	–	–	N.A.
f) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(1)	**–**	**11,875**	**11,875**	**100.00**	**–**	**11,875**	**11,875**	**100.00**	**Nil**
(2) Foreign									
a) NRIs - Individuals	–	–	–	–	–	–	–	–	N.A.
b) Other – Individuals	–	–	–	–	–	–	–	–	N.A.
c) Bodies Corp.	–	–	–	–	–	–	–	–	N.A.
d) Banks / FI	–	–	–	–	–	–	–	–	N.A.
e) Any Other	–	–	–	–	–	–	–	–	N.A.
Sub-total (A)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**–**	**11,875**	**11,875**	**100.00**	**–**	**11,875**	**11,875**	**100.00**	**Nil**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	N.A.
b) Banks / FI	–	–	–	–	–	–	–	–	N.A.
c) Central Govt.	–	–	–	–	–	–	–	–	N.A.
d) State Govt.(s)	–	–	–	–	–	–	–	–	N.A.
e) Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
f) Insurance Companies	–	–	–	–	–	–	–	–	N.A.
g) FIIs	–	–	–	–	–	–	–	–	N.A.
h) Foreign Venture Capital Funds	–	–	–	–	–	–	–	–	N.A.
i) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(1):-	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	–	–	–	–	–	–	–	–	N.A.
ii) Overseas	–	–	–	–	–	–	–	–	N.A.
b) Individuals i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	–	–	–	–	–	–	–	–	N.A.
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh									
c) Others (specify)	–	–	–	–	–	–	–	–	N.A.
Sub-total (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
C. Shares held by Custodian for GDRs & ADRs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**N.A.**
Grand Total (A+B+C)	**–**	**11,875**	**11,875**	**100.00**	**–**	**11,875**	**11,875**	**100.00**	**Nil**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encum-bered to total Shares	
1.	ITC Limited	11,875	100.00	Nil	11,875	100.00	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	At the beginning of the year	No change during the year			
	Date wise Increase / Decrease in Promoters Shareholding during the year				
	At the end of the year				

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): NOT APPLICABLE

(v) Shareholding of Directors and Key Managerial Personnel: None of the Directors hold any share in the Company in their individual capacity.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: NOT APPLICABLE

B. Remuneration to other Directors:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of Directors				Total Amount
		N. Anand	Samir MC	G. H. C. Jadwet	J. Singh	
1.	**Other Non-Executive Directors**					
	• Fee for attending Board and Board Committee meetings	–	–	–	–	
	• Commission	–	–	–	–	
	• Others, please specify	–	–	–	–	
	Total (B)	–	–	–	–	
	Total Managerial Remuneration					**N.A.**
Overall ceiling as per the Act (11% of the net profits of the Company computed in accordance with Section 198 of the Companies Act, 2013)						**15,45,738**

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: NOT APPLICABLE

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES against the Company, Directors and other Officers in Default under the Companies Act, 2013: NONE

On behalf of the Board

Dated : 24th April, 2019 — **J. Singh** Director

Place : Gurugram — **Samir MC** Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BAY ISLANDS HOTELS LIMITED

Report on the Standalone Financial Statements

Opinion

We have audited the accompanying Standalone Financial Statements of **M/s. Bay Islands Hotels Limited (*"the Company"*)** which comprises the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at March 31, 2019, and profit, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. The report of the Board of Directors is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the report of the Board of Directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe actions applicable in the applicable laws and regulations.

Responsibility of Management for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, (changes in equity) and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the company's financial reporting process

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure-A a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
As required by Section 143(3) of the Act, we report that:

a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
e. On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B.
g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    i. The Company does not have any pending litigations which would impact its financial position.
    ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For and on behalf of
S.B.DANDEKER & CO.
Chartered Accountants
Firm Regn No.301009E

Kedarashish Bapat
Partner
M.No.- 057903

Place: Port Blair,
Date: 24/04/2019

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, the discrepancies noticed on physical verification of fixed assets as compared to book records were not material and have been properly dealt with in the books of account.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed and transfer deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.

(ii) The company did not hold any inventory during the year. There clause (ii) of para 3 of the order is not applicable.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.Therefore clause (iii) of para 3 of the order is not applicable.

(iv) The Company has not granted any loans, made investments or provided guarantees under Section 185 and 186 of the Companies Act, 2013 and hence reporting under clause (iv) of the CARO 2016 is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.

(vii) According to the information and explanations given to us in respect of statutory dues:

(a). The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Customs Duty, Value Added Tax, Cess and other material statutory dues applicable with the appropriate authorities. We are informed that the Company's operations did not give rise to any dues on account of Excise duty.

(b). There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Customs Duty, Value Added Tax, Cess and other material statutory dues in arrears as at 31st March, 2019 for a period of more than six months from the date they became payable. We are informed that the Company's operations did not give rise to any dues on account of Excise duty.

(c). There are no disputed dues in respect of Customs Duty, Excise Duty and Value Added Tax as at 31st March 2019 which have not been deposited on account of dispute.

(viii)The Company has neither taken any loans or borrowings from financial institutions, banks and government nor has it issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 Order is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) The Company has not paid any managerial remuneration so clause (xi) of para 3 of the order is not applicable.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.

(xiii)In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv)During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi)The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

For and on behalf of
S.B.DANDEKER & CO.
Chartered Accountants
Firm Regn No.301009E

KedarashishBapat
Partner
M.No.- 057903

Place: Port Blair
Date: 24/04/2019

ANNEXURE B TO INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Bay Islands Hotels Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For and on behalf of
S.B.DANDEKER & CO.
Chartered Accountants
Firm Regn No.301009E

Kedarashish Bapat
Partner
M.No.- 057903

Place: Port Blair
Date: 24/04/2019

BALANCE SHEET AS AT 31ST MARCH, 2019

	Note		As at 31st March, 2019 (₹)		As at 31st March, 2018 (₹)
ASSETS					
Non-current Assets					
(a) Property, Plant and Equipment	3	6,62,71,530		6,65,81,598	
(b) Other non-current assets	4	10,07,294	6,72,78,824	13,27,285	6,79,08,883
Current Assets					
Financial Assets					
(i) Investments	5	2,49,90,604		1,38,19,476	
(ii) Trade receivables	6	56,62,932		59,01,088	
(iii) Cash and cash equivalents	7	22,93,943		65,03,434	
(iv) Other Bank Balances	8	7,40,34,113		7,02,74,988	
(v) Others	9	13,24,030	10,83,05,622	10,30,161	9,75,29,147
TOTAL ASSETS			17,55,84,446		16,54,38,030
EQUITY AND LIABILITIES					
Equity					
(a) Share Capital	10	11,87,500		11,87,500	
(b) Other Equity		16,96,74,790	17,08,62,290	15,96,88,732	16,08,76,232
Liabilities					
Non-current Liabilities					
(a) Provisions	11	4,92,046		5,46,791	
(b) Deferred tax liabilities (Net)	12	25,60,089	30,52,135	28,28,573	33,75,364
Current Liabilities					
(a) Financial Liabilities					
(i) Trade payables		59,681		50,001	
(ii) Other financial liabilities	13	7,01,671	7,61,352	4,59,102	5,09,103
(b) Other current liabilities	14		5,19,446		2,75,550
(c) Provisions	11		3,89,223		4,01,781
TOTAL EQUITY AND LIABILITIES			17,55,84,446		16,54,38,030

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached
For S.B.Dandeker & Company
Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner

Place: Port Blair
Date: 24.04.2019

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 23.04.2019

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

		Note	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)
I	Revenue From Operations	15	1,02,37,473	78,07,103
II	Other Income	16	58,45,360	55,05,754
III	**Total Income (I+II)**		1,60,82,833	1,33,12,857
IV	**EXPENSES**			
	Employee benefits expense	17	3,24,767	2,73,558
	Depreciation and amortization expense	3	3,10,068	3,10,068
	Other expenses	18	2,24,708	1,45,476
	Total expenses (IV)		8,59,543	7,29,102
V	**Profit before tax (III - IV)**		1,52,23,290	1,25,83,755
VI	**Tax expense:**			
	Current Tax	19	45,03,600	36,00,000
	Deferred Tax	19	(2,68,484)	(6,69,380)
VII	**Profit for the year (V - VI)**		1,09,88,174	96,53,135
VIII	**Other Comprehensive Income**		–	–
IX	**Total Comprehensive Income for the year (VII+VIII)**		1,09,88,174	96,53,135
X	Earnings per equity share (Face value of ₹ 100 each):			
	(1) Basic (in ₹)	20	925	813
	(2) Diluted (in ₹)	20	925	813

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached

For S.B.Dandeker & Company
Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner

Place: Port Blair
Date: 24.04.2019

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 23.04.2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2019

A. Equity Share Capital (₹)

	Balance at the beginning of the reporting year	Changes in equity share capital during the year	Balance at the end of the reporting year
For the year ended 31st March, 2018	11,87,500	–	**11,87,500**
For the year ended 31st March, 2019	11,87,500	–	**11,87,500**

B. Other Equity (₹)

	Reserves and Surplus			Total
	Retained Earnings	Subsidy Reserve	General Reserve	
Balance as at 31st March, 2017	**139,203,777**	43,38,099	74,94,194	**15,10,36,070**
Profit for the year	9,653,135	–	–	**96,53,135**
Total Comprehensive Income	148,856,912	43,38,099	74,94,194	**16,06,89,205**
Dividend paid	831,250	–	–	**8,31,250**
Income tax on Dividend paid	169,223	–	–	**1,69,223**
Balance as at 31st March, 2018	**147,856,439**	**43,38,099**	**74,94,194**	**15,96,88,732**
Profit for the year	10,988,174	–	–	1,09,88,174
Total Comprehensive Income	**158,844,613**	**43,38,099**	**74,94,194**	**17,06,76,906**
Dividend paid	831,250	–	–	8,31,250
Income tax on Dividend paid	170,866	–	–	1,70,866
Balance as at 31st March, 2019	**157,842,497**	**4,338,099**	**74,94,194**	**16,96,74,790**

The Board of Directors recommended a dividend of ₹ 70 per share (for the year ended 31st March, 2018 - ₹ 70 per share) be paid on fully paid equity shares. This equity dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated equity dividend to be paid is ₹ 8,31,250 (for the year ended 31st March, 2018 - ₹ 8,31,250). Income tax on proposed dividend being ₹ 1,70,866 (for the year ended 31st March, 2018 - ₹ 1,69,223)

Retained earning - It represents the cumulative profits of the Company. This Reserve can be utilized in accordance with the provisions of the Companies Act, 2013

Subsidy Reserve - It represents Central Subsidy received from Andaman & Nicobar Administration.

General Reserve - This Reserve is created by an appropriation from one component of equity (generally retained earnings) to another, not being an item of Other Comprehensive Income. The same can be utilized by the Company in accordance with the provisions of the Companies Act, 2013.

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached
For S.B.Dandeker & Company
Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner

Place: Port Blair
Date: 24.04.2019

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 23.04.2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019

	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)	For the year ended 31st March, 2018 (₹)
A. Cash Flow from Operating Activities				
PROFIT BEFORE TAX		1,52,23,290		1,25,83,755
ADJUSTMENTS FOR :				
Depreciation and amortization expense	3,10,068		3,10,068	
Net (gain)/loss arising on investments mandatorily measured at Fair value through profit and loss	(11,71,129)		(8,94,476)	
Interest Income	(46,74,231)		(46,11,279)	
		(55,35,292)		(51,95,686)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		96,87,998		73,88,069
ADJUSTMENTS FOR :				
Trade receivables and other assets	7,11,962		(19,12,941)	
Trade payables, other liabilities and provisions	4,28,843	11,40,804	3,63,891	(15,49,050)
CASH GENERATED FROM OPERATIONS		1,08,28,802		58,39,019
Income Tax Paid		(45,03,600)		(37,25,428)
NET CASH FROM OPERATING ACTIVITIES		63,25,202		21,13,591
B. Cash Flow from Investing Activities				
Sale of current investments	1,49,61,732		1,31,24,700	
Purchase of current investments	(2,49,61,732)		(1,31,24,700)	
Interest received	42,26,548		58,10,559	
NET CASH FROM INVESTING ACTIVITIES		(57,73,452)		58,10,559
C. Cash Flow from Financing Activities				
Dividend paid	(8,31,250)		(8,31,250)	
Income Tax on Dividend paid	(1,70,866)		(1,69,223)	
NET CASH FLOW USED IN FINANCING ACTIVITIES		(10,02,116)		(10,00,473)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(4,50,366)		69,23,677
OPENING CASH AND CASH EQUIVALENTS		7,67,78,422		6,98,54,745
CLOSING CASH AND CASH EQUIVALENTS (Refer Note 7 & 8)		7,63,28,056		7,67,78,422

Note:

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the IndAS - 7 Cash Flow Statements.

The accompanying notes 1 to 22 are an integral part of the Financial Statements.

In terms of our report attached
For S.B.Dandeker & Company
Chartered Accountants
(FRN-301009E)

Kedarashish Bapat
Partner

Place: Port Blair
Date: 24.04.2019

On Behalf of the Board

Jagdish Singh
Director

Samir MC
Director

Place: Gurugram
Date: 23.04.2019

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013. The financial statements have also been prepared in accordance with the relevant presentation requirements of the Companies Act, 2013.

The Company adopted Ind AS from 1st April, 2016. The date of transition to Ind AS is 1st April, 2015.

(ii) Basis of Preparation

The financial statements are prepared in accordance with the historical cost convention, except for certain items that are measured at fair values, as explained in the accounting policies below. The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. The financial statements are presented in Rupees.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

(iii) Operating Cycle

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 Schedule III to the Companies Act, 2013 based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

(iv) Property, Plant & Equipment – Tangible Assets

Property, plant & equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any. For this purpose, cost includes deemed cost which represents the carrying value of property, plant and equipment recognised as at 1st April, 2015 measured as per the previous GAAP.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Cost is inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs for qualifying assets, if any. All upgradation / enhancements are charged off as revenue expenditure unless they bring similar significant additional benefits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Depreciation of these assets commences when the assets are ready for their intended use which is generally on commissioning. Items of Property, Plant and Equipment are depreciated in a manner that amortises the cost of the assets after commissioning (or other amount substituted for cost), less its residual value, over their useful lives as specified in Schedule II of the Companies Act, 2013 on a straight line basis.

The estimated useful lives of property, plant and equipment of the Company are as follows:

Buildings	60 years

Land is not depreciated. Property, plant and equipments residual values and useful lives are reviewed, and are treated as changes in accounting estimates, at each balance sheet date.

(v) Impairment of Assets

Impairment loss is provided, if any, to the extent, the carrying amount of assets exceed their recoverable amount.

Recoverable amount is higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses recognised in prior years are reversed when there is an indication that the impairment losses recognised no longer exist or have decreased. Such reversals are recognised as an increase in carrying amounts of assets to the extent that it does not exceed the carrying amounts that would have been determined (net of Depreciation) had no impairment loss been recognised in previous years.

(vi) Financial instruments, Financial assets, Financial liabilities and Equity instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial assets or financial liabilities. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date when the Company commits to purchase or sell the asset.

a) Financial assets

Recognition: Financial assets include Investments, Trade receivables, Advances, Security Deposits, Cash and cash equivalents. Such assets are initially recognised at transaction price when the Company becomes party to contractual obligations. The transaction price includes transaction costs unless the asset is being fair valued through the Statement of Profit and Loss.

Classification: Management determines the classification of an asset at initial recognition depending on the purpose for which the assets were acquired. The subsequent measurement of financial assets depends on such classification.

Financial assets are classified as those measured at:

(a) amortised cost, where the financial assets are held solely for collection of cash flows arising from payments of principal and/or interest.

(b) fair value through other comprehensive income (FVTOCI), where the financial assets are held not only for collection of cash flows arising from payments of principal and interest but also from the sale of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in other comprehensive income.

(c) fair value through profit or loss (FVTPL), where the assets are managed in accordance with an approved investment strategy that triggers purchase and sale decisions based on the fair value of such assets. Such assets are subsequently measured at fair value, with unrealised gains and losses arising from changes in the fair value being recognised in the Statement of Profit and Loss in the period in which they arise.

Trade receivables, Advances, Security Deposits, Cash and cash equivalents etc. are classified for measurement at amortised cost while investments may fall under any of the aforesaid classes. However, in respect of particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, an irrevocable election at initial recognition may be made to present subsequent changes in fair value through other comprehensive income

Impairment: The Company assesses at each reporting date whether a financial asset (or a group of financial assets) such as investments, trade receivables, advances and security deposits held at amortised cost and financial assets that are measured at fair value through other comprehensive income are tested for impairment based on evidence or information that is available without undue cost or effort. Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

Reclassification: When and only when the business model is changed, the Company shall reclassify all affected financial assets prospectively from the reclassification date as subsequently measured at amortised cost, fair value through other comprehensive income, fair value through profit or loss without restating the previously recognised gains, losses or interest and in terms of the reclassification principles laid down in the Ind AS relating to Financial Instruments.

De-recognition: Financial assets are derecognized when the rights to receive benefits have expired or been transferred, and the Company has transferred substantially all risks and rewards of ownership. Concomitantly, if the asset is one that is measured at:

(a) amortised cost, the gain or loss is recognised in the Statement of Profit and Loss;

(b) fair value through other comprehensive income, the cumulative fair value adjustments previously taken to reserves are reclassified to the Statement of Profit and Loss unless the asset represents an equity investment in which case the cumulative fair value adjustments previously taken to reserves is reclassified within equity.

Income recognition: Interest income from financial assets is recognised in profit or loss using effective interest rate method, where applicable. Dividend income is recognised in the Statement of Profit and Loss when the right to receive dividend is established.

b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities are classified, at initial recognition, as subsequently measured at amortized cost unless they fulfil the requirement of measurement at fair value through profit or loss. Where the financial liability has been measured at amortised cost, the difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the statement of profit and loss over the contractual terms using the effective interest rate method. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in the finance income or finance cost in the statement of profit or loss.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled and on expiry.

c) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is included in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

d) Equity Instruments

Equity instruments are recognised at the value of the proceeds, net of direct costs of the capital issue.

(vii) Revenue Recognition

Income from operating license fees is recognized at fair value of amount received or receivable for services rendered in the Statement of Profit and Loss in accordance with the provision of Operating License agreement with licensee viz. ITC Limited. Revenue does not include Goods and Services Tax (GST).

Revenue from the sale of services is recognized when the company perform its obligations to its customer and the amount of revenue can be measured reliably and recovery of the consideration is probable.

(viii) Employee Benefits

(i) **Provident Fund:** Contribution towards provident fund for employees is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from the contributions made on a monthly basis. The contributions are charged to the Statement of Profit and Loss of the year, when the contributions to the respective funds are due.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(ii) Gratuity: The Company has taken a Policy with Life Insurance Corporation of India (LIC) to cover the gratuity liability with respect to the employees and the premium paid to LIC is charged to Statement of Profit & Loss.

(iii) Compensated Absences: Short term compensated absences and long term compensated absences are provided for based on actuarial valuation at the year end. The actuarial valuation is done as per projected unit credit method and impact of such valuation is recognised in Profit and Loss account.

(ix) Claims

Claims against the Company not acknowledged as debts are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

(x) Provisions

Provisions are recognised when, as a result of a past event, the Company has a legal or constructive obligation; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The amount so recognised is a best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. In an event when the time value of money is material, the provision is carried at the present value of the cash flows estimated to settle the obligation.

(xi) Leases

The Company is a lessor under an operating lease, the asset is capitalized within property, plant and equipment and depreciated over its useful economic life. Payments received under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

(xii) Taxes on Income

Taxes on income comprises of current taxes and deferred taxes. Current tax in the Statement of Profit and Loss is provided as the amount of tax payable in respect of taxable income for the period using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes (tax base), at the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for the future tax consequences to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Income tax, in so far as it relates to items disclosed under other comprehensive income or equity, are disclosed separately under other comprehensive income or equity, as applicable.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on net basis, or to realize the asset and settle the liability simultaneously.

(xiii) Dividend Distribution

To recognized Dividends paid (including income tax thereon) in the financial statements in the period in which the related dividends are actually paid or, in respect of the Company's final dividend for the year, when the same are approved by shareholders.

2. Use of Estimates and Judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Property, Plant and Equipment

(₹)

	Gross Block							Depreciation and Amortization							Net Book Value	
Particulars	As at 1st April, 2017	Additions	Withdrawals and Adjustments	As at 31 March, 2018	Additions	Withdrawals and Adjustments	As at 31 March, 2019	Upto 1st April, 2017	For the period	On Withdrawals and Adjustments	As at 31st March, 2018	For the period	On Withdrawals and Adjustments	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018
Freehold Land	5,70,00,000	–	–	5,70,00,000	–	–	5,70,00,000	–	–	–	–	–	–	–	5,70,00,000	5,70,00,000
Buildings	1,05,26,325	–	–	1,05,26,325	–	–	1,05,26,325	6,34,659	3,10,068	–	9,44,727	3,10,068	–	12,54,795	92,71,530	95,81,598
TOTAL	6,75,26,325	–	–	6,75,26,325	–	–	6,75,26,325	6,34,659	3,10,068	–	9,44,727	3,10,068	–	12,54,795	6,62,71,530	6,65,81,598

Notes

1. All Assets mentioned above have been given under an Operating Lease to the Holding Company.

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
4. Other Non-Current Assets		
Advance Tax (net of provisions)	10,07,294	13,27,285
TOTAL	10,07,294	13,27,285

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
5. Current Investments	Unquoted	Unquoted
(at fair value through profit or loss)		
Investment in Mutual Funds		
Aditya Birla Sun Life Money Manager Fund - Direct Plan -Growth	—	1,38,19,476
Nil (P.Y. 59,570.402) units of Rs. 100 each		
Aditya Birla Sun Life Liquid Fund - Direct Plan -Growth	1,49,78,024	—
49,854.260 (P.Y. Nil) units of Rs. 100 each		
ICICI Prudential Liquid Fund - Direct Plan -Growth	1,00,12,580	
36,222.815 (P.Y. Nil) units of Rs. 100 each		
Aggregate amount of unquoted Investments	2,49,90,604	1,38,19,476

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
6. Trade Receivables		
Unsecured, considered good	56,62,932	59,01,088
Less: Allowance for doubtful receivables	–	–
TOTAL	56,62,932	59,01,088

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. The net carrying value of trade receivables is not significantly different from their carrying values due to the short - term duration of trade receivables. Further, there is no significant credit risk involved with trade receivable since all the receivables are from Holding Company.

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
7. Cash and Cash Equivalents @		
Balances with Banks		
Current accounts	22,93,943	65,03,434
TOTAL	22,93,943	65,03,434

@ Cash and cash equivalents include cash at bank, cheques and deposits with banks with original maturity of 3 months or less

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
8. Other Bank Balances		
In deposit accounts *	7,40,34,113	7,02,74,988
TOTAL	7,40,34,113	7,02,74,988

* Represents deposits with original maturity of more than 3 months having remaining maturity of less than 12 months from Balance Sheet Date.

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
9. Other Financial Assets		
Unsecured		
a) Interest accrued on Deposits with Bank	10,61,050	6,13,367
b) Others*	2,62,980	4,16,794
TOTAL	13,24,030	10,30,161

* Others comprise of amount recoverable from the Holding Company

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

		As at 31st March, 2019 No. of Shares	As at 31st March, 2019 (₹)	As at 31st March, 2018 No. of Shares	As at 31st March, 2018 (₹)
10.	**Share capital**				
	Authorised				
	Equity Share of ₹ 100 each	90,000	90,00,000	90,000	90,00,000
	13.5% Redeemable Cumulative Preference Shares of ₹ 100 each	30,000	30,00,000	30,000	30,00,000
	Issued and Subscribed				
	Equity Shares of ₹ 100 each, fully paid	11,875	11,87,500	11,875	11,87,500
		11,875	11,87,500	11,875	11,87,500
A)	**Reconciliation of number of Equity Shares**				
	Shares Outstanding				
	As at beginning of the year	11,875	11,87,500	11,875	11,87,500
	Add: Issued During the Period	–	–	–	–
	As at end of the year	11,875	11,87,500	11,875	11,87,500

B) Shareholders holding more than 5% of the Shares in the Company

	As at 31st March, 2019 (No. of Shares)	As at 31st March, 2019 %	As at 31st March, 2018 (No. of Shares)	As at 31st March, 2018 %
ITC Ltd.	11,875	100	11,875	100

Terms/Rights Attached to Equity Shares

The equity shares of company, having par value of ₹ 100 per share, rank pari passu in all respects including entitlement to dividend.

11. Provisions	As at 31st March, 2019 (₹) Current	As at 31st March, 2019 (₹) Non- Current	As at 31st March, 2018 (₹) Current	As at 31st March, 2018 (₹) Non- Current
Provision for employee benefits				
- Provision for unavailed leave	389,223	4,92,046	4,01,781	5,46,791
TOTAL	389,223	4,92,046	4,01,781	5,46,791

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
12. Deferred tax liabilities (Net)		
Deferred tax liabilities	(25,60,089)	(28,28,573)
Less: Deferred tax assets	–	–
TOTAL	(25,60,089)	(28,28,573)

Movement in deferred tax (liabilities) / assets balances (₹)

As at 31st March, 2019	Opening Balance	Recognized in profit or (loss)	Recognized in OCI	Recognized directly in Equity	Reclassified to Profit or (loss)	Closing Balance
Deferred Tax (liabilities) / assets in relation to:						
On fiscal allowances on PPE	(26,35,286)	83,229				(25,52,057)
Other timing differences	(1,93,287)	1,85,254				(8,032)
Total deferred tax liabilities	**(28,28,573)**	**2,68,484**	**–**	**–**	**–**	**(25,60,089)**
Total deferred tax assets	–	–	–	–	–	
Deferred tax liabilities (Net)	**(28,28,573)**	**2,68,484**	**–**	**–**	**–**	**(25,60,089)**
As at 31st March, 2018	**Opening Balance**	**Recognized in profit or (loss)**	**Recognized in OCI**	**Recognized directly in Equity**	**Reclassified to Profit or (loss)**	**Closing Balance**
Deferred Tax assets/ (liabilities) in relation to:						
On fiscal allowances on PPE	(26,92,042)	56,756				(26,35,286)
Other timing differences	(8,05,911)	6,12,624				(1,93,287)
Total deferred tax liabilities	**(34,97,953)**	**6,69,380**	**–**	**–**	**–**	**(28,28,573)**
Total deferred tax assets	–	–	–	–	–	–
Deferred tax liabilities (Net)	**(34,97,953)**	**6,69,380**	**–**	**–**	**–**	**(28,28,573)**

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
13. Other Financial liabilities		
Other Payables	7,01,671	4,59,102
TOTAL	7,01,671	4,59,102

	As at 31st March, 2019 (₹)	As at 31st March, 2018 (₹)
14. Other Current liabilities		
Statutory liabilities		
- Taxes payable (other than Income tax)	5,19,446	2,75,550
TOTAL	5,19,446	2,75,550

	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)
15. Revenue from operations		
Operating Licence Fee	1,02,37,473	78,07,103
TOTAL	1,02,37,473	78,07,103

	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)
16. Other income		
Interest income	46,74,231	46,11,279
Other gains and losses	11,71,129	8,94,476
TOTAL	58,45,360	55,05,754
Interest income comprises interest from:		
Deposits with Banks - carried at amortized cost	46,74,231	46,11,279
TOTAL	46,74,231	46,11,279
Other gains and losses		
Net Gain / (Loss) arising on financial assets designated at FVTPL*	11,71,129	8,94,476
TOTAL	11,71,129	8,94,476

* Includes ₹ 11,42,256/- (P.Y. ₹ 199,700/-) being net gain / (loss) on sale on investment

	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)
17. Employee Benefit Expenses		
Salaries and wages	1,43,27,515	1,30,60,195
Contribution to Provident and other funds	17,54,644	23,55,329
Staff welfare expenses	13,313	49,037
	1,60,95,472	1,54,64,561
Less: Recoveries made / reimbursements received	(1,57,70,705)	(1,51,91,003)
TOTAL	3,24,767	2,73,558

	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)
18. Other Expenses		
Travelling and conveyance	62,000	54,000
Miscellaneous expenses	1,62,708	91,476
TOTAL	2,24,708	1,45,476
Miscellaneous expenses include :		
Auditors' remuneration and expenses*		
Audit fees	15,000	15,000
Tax audit fees	7,000	7,000
Others	9,000	4,000
TOTAL	31,000	26,000

*Excluding taxes

	For the year ended 31st March, 2019 (₹)	For the year ended 31st March, 2018 (₹)
19. Income Tax Expenses		
A. Amount Recognized in profit and loss		
Current tax		
Income tax for the year		
Current tax	45,03,600	36,00,000
Total Current Tax	45,03,600	36,00,000
Deferred tax		
Deferred tax for the year	(2,68,484)	(6,69,380)
Total Deferred Tax	(2,68,484)	(6,69,380)
TOTAL	42,35,116	29,30,620
B. Reconciliation of effective tax rate		
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax	1,52,23,290	1,25,83,755
Income Tax expense calculated at 27.82% (2018- 27.5525%)	42,35,116	34,67,139
Effect on different tax rate on certain item	–	(6,93,179)
– Deferred Tax Recognised (not recognised in earlier years)	–	–
Effect on deferred tax balances due to the change in Income Tax Rate	–	27,198
Other differences	–	1,29,462
Income Tax recognised in profit or loss	42,35,116	29,30,620

The tax rate used for the year 2017-18 and 2018-19 reconciliations above is the corporate tax rate of 27.5525% (25% + surcharge @ 7% and education cess @ 3%) and 27.82% (25% + surcharge @ 7% and education cess @ 4%) respectively payable on taxable profits under the Income Tax Act, 1961.

20. Earnings per Share

		For Year ended March 31, 2019	For Year ended March 31, 2018
Earnings per share has been computed as under:			
(a)	Profit for the year	₹ 1,09,88,174	₹ 96,53,135
(b)	Weighted average number of shares outstanding for the purpose of basic earnings per share	11,875	11,875
(c)	Weighted average number of shares in computing diluted earnings per share	11,875	11,875
(d)	Earnings per share on profit for the year (Face Value ₹ 100 per share)		
	- Basic [(a)/(b)]	925	813
	- Diluted [(a)/(b)]	925	813

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

21. **Additional Notes to the Financial Statements**

(i) Bay Islands Hotels Limited, a wholly owned subsidiary of ITC Limited, owns a hotel in Port Blair known as "Fortune Resort Bay Island". The hotel operations are under an Operating License Agreement with ITC Limited.

(ii) Related Party Transactions

Holding Company- ITC Limited
Key Management Personnel - Board of Directors
Nakul Anand
GHC Jadwet
Jagdish Singh
Samir MC

Summary of Transactions during the period

(a) Transactions with Holding Company

S. No.	Particulars	2018-19 (₹)	2017-18 (₹)
1.	Operating Licence Fee (Rent Received)*	**1,20,80,219**	91,49,062
2.	Expenses Reimbursed	**16,26,583**	15,35,713
3.	Expenses Recovered **	**1,57,70,705**	1,51,91,003
4.	Dividend Payment	**8,31,250**	8,31,250
5.	Balance as at period end		
	a. Trade Receivables	**56,62,932**	59,01,088
	b. Other Recoverables	**2,62,980**	4,16,794

*Includes Goods and Services Tax

** represents recovery of staff salaries

(b) Transaction with Key Management Personnel- NIL (PY- NIL)

(iii) There are no Micro, Small and Medium Enterprises, to whom the company owes dues, which are outstanding for more than 45 days during the period and also as on 31.03.2019. This information which is 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 information available with the Company.

(iv) The operating segment of the Company has been identified in a manner consistent with the internal reporting provided to the Board, who is the Chief Operating Decision Maker, based on which there is only one operating segment in which the Company operates i.e. Leisure and Hospitality within one geographical segment i.e. India .

(v) Contingent Liabilities/claims against the company not acknowledged as debt – Income tax matters for the A.Y. 2014-15 ₹ 5,85,630/- (P.Y. Rs. 5,85,630/-), which is currently under Appeal with the Commissioner of Income-tax (Appeals).

(vi) Long Term Compensated Absences - As per Actuarial Valuations as on March 31, 2019 and recognised in the financial statements in respect of Employee Benefit Scheme.

(vii) Ministry of Corporate Affairs (MCA) has notified Ind AS 115 – 'Revenue from Contracts with Customers' with effect from 1st April, 2018. The company has evaluated and there is no material impact on the financial statements resulting from the implementation of this standard.

(viii) Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) (Amendment) Rules, 2019 on 30th March, 2019 notifying new Standard Ind AS 116 'Leases' and amending Ind AS 12 'Income Taxes'. The same are applicable for financial statements pertaining to annual periods beginning on or after 1st April, 2019. The company does not expect the impact to be material.

(ix) The financial statements were approved for issue by the Board of Directors on 23rd April, 2019.

22. **Financial Instruments and Related Disclosures**

1. **Capital Management**
The Company's financial strategy aims to foster its strategic priorities and provide adequate capital to its business for growth and creation of sustainable stakeholder value. The Company funds its operations mainly through internal accruals and has no borrowings. The Company aims at maintaining adequate capital so as to maintain adequate supply of funds towards future growth of its business as a going concern.

2. **Categories of Financial Instruments**

Particulars	Note	As at 31st March 2019		As at 31st March 2018	
		Carrying Value (₹)	Fair Value (₹)	Carrying Value (₹)	Fair Value (₹)
A. Financial Assets					
a) Measured at amortised cost					
i) Trade Receivables	6	**56,62,932**	**56,62,932**	59,01,088	59,01,088
ii) Cash and cash Equivalents	7	**22,93,943**	**22,93,943**	65,03,434	65,03,434
iii) Other Bank Balances	8	**7,40,34,113**	**7,40,34,113**	7,02,74,988	7,02,74,988
Sub Total		**8,19,90,988**	**8,19,90,988**	8,26,79,510	8,26,79,510
b) Measured at Fair Value through Profit & Loss					
i) Investment in Mutual Fund	5	**2,49,90,604**	**2,49,90,604**	1,38,19,476	1,38,19,476
Total Financial Assets		**10,69,81,592**	**10,69,81,592**	9,64,98,986	9,64,98,986
B. Financial Liabilities					
a) Measured at amortised cost					
i) Trade Payables		**59,681**	**59,681**	50,001	50,001
ii) Others	13	**7,01,671**	**7,01,671**	4,59,102	4,59,102
Total Financial Liability		**7,61,352**	**7,61,352**	5,09,103	5,09,103

3. Financial risk management objectives

The Company's activities expose it to financial risks such as market risk, credit risk and liquidity risk. Given the nature of its operation, the Company's exposure to financial risk is considered to be minimal as explained below.

a) Market risk

The Company's business operations are limited to receipt of operating license fees and investment activities. These activities does not expose significant risk to the Company except interest rate and price risk.

The Company invests its surplus funds in debt mutual funds and fixed deposits measured either fair value through profit/loss or at amortized cost. Aggregate value of such investments as at 31st March, 2019 is ₹ 9.90 Crore (2018 - ₹ 8.40 Crore).

Investments in the mutual fund schemes which are current in nature have short tenor. Accordingly, these do not pose any significant price risk.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As majority of the financial assets and liabilities of the Company are either non-interest bearing or fixed interest bearing instruments, the Company's net exposure to interest risk is negligible.

b) Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations as they become due. On account of insignificant payables, the exposure to liquidity risk in negligible.

c) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument which may lead to a financial loss to the Company. Apart from its operating activities, the Company is also exposed to credit risk from its investing and financing activities.

Trade receivables are initially recognized at fair value plus any directly attributable transaction costs. The net carrying value of trade receivables is not significantly different from their carrying values due to the short - term duration of trade receivables. Further, there is no significant credit risk involved with trade receivable since all the receivables are from Holding Company.

Investment in debt mutual funds are made only with approved mutual funds and credit risk in such funds are limited because the underlying investments are diversified and the Company's investment framework considers the credit quality of the underlying investments made by the fund house. There are limits for any exposure to financial institutions.

4. Fair value measurement

Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of trade receivables and payables is considered to be equal to the carrying amounts of these items due to their short – term nature. Further, debt mutual funds have been considered at Level 1 and there is no change in classification of instruments between periods covered in the financial statements.

On behalf of the board

Place: Gurugram	**Jagdish Singh**	**Samir MC**
Date: 23/04/2019	**Director**	**Director**