

26th

ANNUAL REPORT

2006 - 2007

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JAMES HOTELS LIMITED

JAMES HOTELS LIMITED

Board of Directors:

Sh Ajmair Singh Bhullar
 Sh Haravtar Singh Arora
 Sh Surjit Singh
 Sh Gurmeet Singh
 Sh Rajesh Saini
 Sh Nar Singh Bedi
 Sh Neeraj Mohindroo

Auditors

M/s P.K.Vasudeva & Co.
 Chartered Accountants,
 SCO 32-35, First Floor,
 Sector 8-C,
 Chandigarh

Bankers

State Bank of India
 Bank of Punjab Limited

Registered Office & Hotel Site

Block 10, Sector 17-A, Chandigarh-160 017

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JAMES HOTELS LIMITED

NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the shareholders of James Hotels Limited will be held on Saturday, the 29th day of September, 2007 at 11.00 A.M. at the Registered Office of the Company situated at Block 10, Sector 17-A, Chandigarh, to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended on 31st March, 2007 and Balance Sheet as on that date of the Company, together with the Director's Report and Auditor's Report thereon.
2. To appoint a Director in place of Mr. Surjit Singh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Rajesh Saini who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Haravtar Singh Arora, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, (the "Act") (including any statutory amendments thereto or modifications or re-enactments thereof for the time being in force) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations/ guidelines/clarifications, if any, prescribed by the Securities and Exchange Board of India ("SEBI"), the Reserve Bank of India, Foreign Exchange Management Act, 1999 and the Listing Agreement entered into by the Company with the Stock Exchanges and all other applicable Laws and Regulations and subject to the Company obtaining all approvals, consents, permissions and sanctions as may be required from any and all governmental or Regulatory Authorities and all other Institutions and Bodies including Banks and Financial Institutions, and subject to such conditions and modifications as may be prescribed or imposed whilst granting such approvals, permissions, consents, and sanctions, as are acceptable to the Board of Directors of the Company (the "Board", which term shall be deemed to include any committee of Directors which the Board may have constituted or hereinafter may constitute to exercise its powers including the power conferred by this resolution), the consent and approval of the Company be and is hereby accorded to the Board to issue upto 59,99,500 equity shares of Rs. 10.00 each ("Equity Shares") which will constitute 42.85% of the total Equity share capital of the Company subsequent to the issuance of the Equity Shares, where the Equity Shares being issued on a preferential allotment basis, to the promoters, their relatives or any of its affiliates and/or nominees.

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RESOLVED FURTHER THAT the Board be and is hereby authorized to decide and approve the other terms and conditions of the issue of Equity Shares on preferential basis including the price at which the shares are to be issued which in any case shall not be lower than the price calculated in terms of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and also shall be entitled to vary, modify or alter any of the terms and conditions of such issue, including size and differential pricing of the issue, as it may be deemed expedient.

RESOLVED FURTHER THAT in the Equity Shares to be issued and allotted in terms of this resolution shall rank pari passu in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the issue of Equity Shares the Board be and is hereby authorized to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient in relation to all matters concerning the proposed issue and allotment of Equity Shares, the rights attached thereto and the listing thereof with the Stock Exchange(s) and to resolve and settle all questions and difficulties and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deems fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that shareholders shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the "relevant date" for pricing of the equity shares that are issued in terms of SEBI (Disclosure and Investor Protection) Guidelines, 2000 would be 30 days prior to the date of passing of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred by resolutions passed by the shareholders in respect of the issuance of Equity Shares to any Director or any Person or to any committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolutions including to execute any documents on behalf of the Company and to represent the Company before any governmental authorities and to appoint any professional advisers/consultants/lawyers in that regard

RESOLVED FURTHER THAT the Board be and is hereby authorized to determine in its absolute and complete discretion how much of the capital raised pursuant to these resolutions should be utilized for the different purposes thereof viz., future expansion, repayments, working capital, general corporate purposes."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT in supersession of the earlier resolution(s) passed at the General Meeting(s) of the members of the Company and pursuant to the provisions of Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company to sell, lease, mortgage or otherwise dispose off the whole or substantially the whole of the Company's undertaking situated at Block 10, Sector 17-A, Chandigarh-160 017 for such consideration, as may be decided by the Board of Directors."

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3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT in supersession of the earlier resolution(s) passed at the Annual General Meeting(s) and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 , consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time from any one or more of the Bankers and /or from any one or more of the other persons, firms, bodies corporate or financial institution(s), whether by way of cash credit, advances, term loan or otherwise and whether unsecured or secured by charge of any kind whatsoever including mortgage, hypothecation or pledge of the Company's assets and properties whether immovable or movable or stock in trade and work in progress and all or any of the undertakings of the Company, present and future, notwithstanding that the money to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the banks in the ordinary course of the business) will or may exceed the aggregate of the Paid-up Capital and its free reserves, that is to say, reserves not set apart for any specific purposes, so that the amount upto which money may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs.250.00 Crores.

RESOLVED THAT the Board of the Directors of the Company be and are hereby authorised to do all such deeds, acts, things as may be considered necessary to give effect to the such resolution."

BY ORDER OF THE BOARD

Sd/-

(GURMEET SINGH)
(DIRECTOR)

Date : 4th September, 2007

Place : Chandigarh

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING. A BLANK PROXY FORM IS ENCLOSED.**
2. The relevant explanatory statement relating to special business as required Under Section 173(2) of the Companies Act, 1956 is annexed to this notice.
3. Members are requested to notify any change in their address, alongwith their pin code quoting their Folio No. and relevant particulars.
4. Members desiring any information on the business to be transacted at the meeting are requested to write to the Company at least 10 days in advance to enable the management to keep the information, as far as possible ready at the meeting.
5. The shareholders holding shares in identical order or names in more than one folio are requested to write to the Company's Share Department enclosing their share certificate.

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6. The members who hold shares in dematerialised form are requested to bring to their Client ID and DP ID numbers for easy identification of attendance at the meeting.
7. The members are advised that no gift/gift coupons will be distributed at the Annual General Meeting of the Company.
8. Members/Proxies should bring the Attendance slip sent herewith duly filled in and signed and hand over the same at the entrance of the Hall.
9. The shareholders are requested to bring their copy of Annual Report at the Meeting.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO. 6

The resolution set out in Item 6 of this Notice is an enabling resolution by the Company to issue equity shares on a preferential allotment basis. The hotel site of the Company had been resumed by the Estate Office, Chandigarh, U.T. on 15.02.2006 for non-payment of non construction charges. The appeal was filed before the Finance Secretary, Chandigarh, which was dismissed on 07.03.2007. The new promoters took initiative & filed appeal with the advisor to the Chief Administrator, Chandigarh, U T and got the order vacated on 02.05.2007. The Company has been given one year time for completion of the project i.e. upto 1st May, 2008, failing which the site shall again be resumed. The detailed project report was prepared and estimated that the project will require additional capital of over Rs. 55.00 Crores. Immediate steps were taken for engaging the consultants & the hotel management team for operating the hotel.

An application for a term loan of Rs. 45.00 Cr has been filed with State Bank of India. The funding from the bank is envisaged at Debt Equity ratio 2:1. The new promoters inducted Rs. 1453.50 lacs as on 31.03.07 as inter corporate deposit/unsecured loan through M/s Vesta Hotels & Resorts Pvt. Ltd. The bankers may not treat unsecured loan as equity for proposed financing and would insist on induction of equity capital by the promoters. Both Sh. Haravtar Singh Arora and Sh. Ajmair Singh Bhullar have consented vide their letter dated 1st June, 2007 that they will subscribe to the preferential allotment of equity shares under SEBI(DIP) Guidelines upto maximum of 59,99,500 equity shares, equally by both of them. But the unsecured loan in that case will be retired to the extent of induction of funds as equity capital.

The equity shares issued pursuant to this resolution would be listed on the Bombay Stock Exchange Limited, LSE and DSE, where the equity shares of the Company are presently listed.

The Equity Shares allotted shall be subject to lock-in of such period as stipulated under the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

The certificate from M/s. P.K. Vasudeva & Co., Chartered Accountants, the Statutory Auditors of the Company, to the effect that the proposed issuance on preferential basis is in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and is being

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made at the price as determined in accordance with the above guidelines shall be available for inspection of the members during the currency of this General Meeting.

DISCLOSURE PURSUANT TO CLAUSE 13.1A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 .

1. OBJECTS OF THE ISSUE: .

To repay the unsecured loan advanced by M/s Vesta Hotels and Resorts Pvt. Ltd.

2. INTENTION OF PROMOTERS/DIRECTORS/KEY MANAGEMENT PERSONS TO SUBSCRIBE TO THE OFFER:

The Preferential Issue of Equity Shares would be made to the main promoters of the Company i.e. Mr. Haravtar Singh Arora and Mr. Ajmair Singh Bhullar.

3. SHAREHOLDING PATTERN BEFORE AND AFTER THE ISSUE OF SHARES

Category	Pre Issue		Post Issue	
	Number	Percentage	Number	Percentage
Promoters & PAC (Individual, HUF, Body Corporates)	41,90,270	52.37%	101,89,770	72.78%
Financial Institutions/Banks	---	---	---	---
Insurance Companies	---	---	---	---
Private Corporate Bodies	4,12,100	05.15%	4,12,100	2.94%
Individuals	33,64,430	42.07%	33,64,430	24.03
Investors/NRI/OCBs	33,700	0.42%	33,700	0.25
Clearing Member	---	---	---	---
Trust	---	---	---	---
Total	80,00,500	100%	140,00,000	100%

4. PROPOSED TIME WITHIN WHICH THE ALLOTMENT SHALL BE COMPLETED

The Equity Shares shall be allotted within a time frame of 15 days in accordance with all applicable laws including the SEBI (Disclosure and Investor Protection) Guidelines 2000.

5. IDENTITY OF THE PROPOSED ALLOTTEES & PERCENTAGE OF POST PREFERENTIAL ISSUE

Mr. Haravtar Singh Arora resident of Capelstones, 2A, high Beechees, Gerrards Ross SL9, 7HU, Bucks, United Kingdom would be holding 15.90 % shares after allotment of equity shares and Mr. Ajmair Singh Bhullar resident of 7, Wieton Chase Leeds, PC-L, S178SG, United Kingdom would be holding 26.16 % shares after allotment of equity shares.

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6. PRICING

Since the shares of the Company are infrequently traded, the price is calculated as per Clause 20(5) of SEBI Substantial Acquisition and Takeover, the Auditors Certificate will be available for inspection at the Registered Office of the Company during 10 am to 4 pm on any working day upto the date of Annual General Meeting.

The approval of the shareholders of the Company is required under the provisions of Section 81 of the Companies Act, 1956 . The Directors recommend this resolution for your approval.

None of the Directors of the Company is, in any way concerned or interested in the resolution except to the extent of the shares that may be offered to him under the Scheme.

ITEM NO. 7

Your Company intends to raise term loan and working capital requirements from banks/ financial institutions to complete the hotel project. The said term loan and working capital requirements to be raised from banks/financial institutions has to be secured by creation of mortgage and/or charge on all or any of the Company's immovable and movable assets on Block No.10. Sector 17, Chandigarh-160 017.

Further since the hotel building in an incomplete form had been abandoned for over ten years exposed to all kinds of weathers, the consultants have advised that to set up a five star facility with a useable life of assets of 25-30 years full or part of the plant and machinery installed at the site may have to be dismantled & scraped in that case to that extent some part of plant & machinery will be disposed off.

In terms of Section 293(1)(a) of the Companies Act, 1956, sale, lease, mortgage, charge or otherwise disposal of the whole or substantially the whole of the undertaking of the Company requires the approval of the shareholders by way of an Ordinary Resolution. The Board of Directors recommend this resolution for your approval.

None of the Directors of the Comapny are interested in this resolution.

TEM NO. 8

Your Company intends to raise term loan and working capital requirements from banks/financial institutions to complete the hotel project. The amount borrowed by the Company from Bank(s)/ Financial Institution(s) may exceed the Paid-up Capital and free reserves of the Company. It is required to fix the overall borrowing powers of the Company. Therefore, in supersession of earlier resolutions passed in the Annual General Meetings, the sanction of the shareholders is being sought under the Section 293(1)(d) of the Companies Act, 1956 to enable the Board of Directors to borrow monies to the extent of Rs.250 Crores.

The requisite Ordinary Resolution, seeking approval of the shareholders under the Section 293(1)(d) of the Companies Act, 1956, is proposed in the Notice. Yours Directors recommend the passing of the resolution

In terms of Section 293(1)(a) of the Companies Act, 1956, sale, lease, mortgage, charge or otherwise disposal of the whole or substantially the whole of the undertaking of the Company requires the approval of the shareholders by way of an Ordinary Resolution. The Board of Directors recommend this resolution for your approval.

None of the Directors of the Comapny are interested in this resolution.

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INFORMATION PURSUANT TO CLAUSE 49 N (G) OF THE LISTING AGREEMENT

ITEM NO. 2

A brief resume of Directors who are re-appointed and names of the Companies in which they hold Directorship is given below :-

Mr Surjit Singh joined the Board of Directors of the Company since incorporation as Managing Director of the Company. He resigned from the post of Managing Directorship of the Company w.e.f. 05th October, 2006 but continued as a Director of the Company. Mr Surjit Singh has a rich experience of Hotel Industry.

Directorship in other Companies: Aakash Malls & Restaurants Private Limited
Shareholding : NIL

ITEM NO. 3

Mr Rajesh Saini joined the Board of Directors of the Company w.e.f. 20th December, 2005. He is an independent Director of the Company having rich experience in real estate business.

Directorship in other Companies: NIL
Shareholding: NIL

ITEM NO. 4

Mr Haravtar Singh Arora joined the Board of Directors of the Company w.e.f. 04th August, 2006 as an Additional Directors of the Company and he was appointed as a regular Director w.e.f. 29th September, 2006 by the Shareholders of the Company in their Annual General Meeting held on 29th September, 2006. Mr Haravtar Singh Arora is a new promotor of the Company having rich experience in real estate business.

Directorship in other Companies : NIL
Shareholding: 12,72,260 Equity Shares

BY ORDER OF THE BOARD

Sd/-
(GURMEET SINGH)
(DIRECTOR)

Date : 4th September, 2007
Place : Chandigarh

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DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their Twenty Sixth report together with the audited Accounts Statement for the year ended on 31st March, 2007.

Operations:

The Company could not start the hotel operations during the current financial year due to the resumption of hotel site by the Estate Officer U.T., Chandigarh. However, the site was restored back to the Company vide order passed by the Advisor, U.T. Administration, Chandigarh in May, 2007.

FINANCIAL RESULTS:

	(Rs. in Lakhs) 2006-07	(Rs. in Lakhs) 2005-06
Gross Operating Profit/(Loss) before Financial Charges & Depreciation	(0.52)	(4.98)
Depreciation	0.00	0.00
Financial Charges	0.16	2.98
Gross Operating Profit/(Loss) before Tax	(0.67)	(7.96)
Provision for Income Tax	0.00	0.00
Profision for Fringe Benefit Tax	0.00	0.01
Surplus/(Deficit)	(0.67)	(7.97)

FIXED DEPOSITS:

The company has not accepted nor has it renewed deposit during the year which attracts the provisions of Section 58-A of the Companies Act and Rules.

DIRECTORS:

In accordance with the provisions of Articles of Association of your company Mr. Surjit Singh and Mr. Rajesh Saini retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

During the year under review, in the Board Meeting held on 4th August, 2006, Mr. Haravtar Singh Arora was appointed as an Addition Director on the Board of Company and was appointed as a regular Director of the Company by the shareholders of the Company w.e.f. 29th September, 2006. Mr Haravtar Singh Arorar retire from office by rotation and being eligible, offers himself for re-appointment. Your Board recommend his re-appointment for your approval.