



LakeLand Hotels Ltd.

REGD. OFFICE : "RELIABLE HOUSE , A-6, KOH-E-FIZA, INDORE ROAD, BHOPAL- 462 001
TE.(0755) 4266601-03 FAX. 0755 - 2540442



THIRTEENTH ANNUAL REPORT 2005 - 2006



LakeLand Hotels Ltd.

BOARD OF DIRECTORS

Mr. Sikandar Hafiz Khan	Chairman & Managing Director
Mr. Mohammed Hafiz Khan	Director
Mr. S. Shankar Narayanan	Director
Mr. Chandan Mitra	Director
Mr. Vaibhav Jain	Director

COMPANY SECRETARY

MR. S.S. RAGHUVANSHI

BANKERS

Dena Bank, Hamidia Road Branch, Bhopal
Bank of Baroda, Habibganj Branch, Bhopal
HDFC Bank, Arera Colony, Bhopal

AUDITORS

M/s MAK & Associates
Chartered Accountants, Indore

REGD. OFFICE :

" Reliable House "
A - 6 , Koh - E - Fiza , Indore Road,
Bhopal - 462 001 (M.P.)



LAKELAND HOTELS LIMITED
Regd. Office: " RELIABLE HOUSE-6, KOH-E-FIZA,
INDORE ROAD, BHOPAL

REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSIONS AND ANALYSIS
For the financial year ended 31st March, 2006

Your directors have pleasure in presenting to you their Thirteenth annual report together with the audited statement of accounts of the company for the 12 months period ended 31st March 2006.

FINANCIAL PERFORMANCE:

During the 12 months period under report ended 31st March, 2006, your company earned an all-inclusive revenue of Rs. 693.38 lacs against Rs. 557.75 lacs earned in the corresponding period during the preceding financial year recording a growth of about Rs. 135.63 lacs in term of money and 24.32% in term of per cent age over corresponding period in the preceding year.

In term of occupancy, your company registered a growth of 8.70 % over the preceding year. This growth is attributed to the superior product and service offered by your hotel undertaking and to some extent to the improved market conditions.

It is a matter of pleasure to report that during the period under report the operations of the company have crossed breakeven level and reported a profit of Rs. 16.23 lacs, after providing for interest and depreciation and other non-cash expenses, against a loss of Rs.63.99 lacs during the corresponding period in the preceding financial year and that, in term of profit before interest, and non-cash expenses, your company registered a growth nearly of 50.93%. The said profit stood at Rs. 180.16 against Rs 110.91 lacs during the preceding year thereby witnessing an encouraging trend in the financial performance of the company.

SHARE CAPITAL:

During the period under report, the authorized share capital of the company stood at Rs. 1200.00 lacs divided into 120,00,000 Equity shares of Rs. 10/- each with the issued and subscribed capital at Rs. 1101.29 lacs divided into 110,12,900 equity shares of Rs. 10/- each. The Company has forfeited 969000 equity shares for non-payment of call during the preceding financial year and as of today the fully paid up shares of the company are 10043900 equity shares of Rs. 10/- the distribution of which is as at 30th June, 2006 is under:

Category of holders	Nos. held.	Per cent age of total
Promoters, friends, relatives & persons in concert.	4735200	47.15
Non-resident Indians	1007800	10.03
Indian general public	4300900	42.82
Total	10043900	100.00



CAPITAL EXPENDITURE:

Up to the close of the financial year under report, your company incurred a capital expenditure of Rs.2456.10 lacs (Rs. 2346.25 lacs in proceeding year) representing a capital expenditure of Rs. 109.85 lacs during the period under report.

PROJECT IMPLEMENTATION STATUS:

As the members are aware, out of the 70 rooms' facility planned by the company, till the close of preceding financial year it had completed and opened for commercial use only 47 rooms. Your directors are pleased to report that tailored to the available business potential, your company is making efforts on war footing to ensure that further 20 rooms are added to the salable room inventory by the end of October 2006.

ECONOMIC SCENARIO, INDUSTRY STRUCTURE & DEVELOPMENT:

With foreign traffic in the country crossing 4 million marks in 2005-06, the hotel industry has reached new heights. The revenue per available room increased by a phenomenal 33 per cent in 2005-06 as compared with the previous year. With disposable incomes having gone up, the leisure destinations have benefited and with the heightened industrial activity, business destinations have witnessed a health surge in business traffic. With the macro economic variables expected to remain positive and the performance of the Indian economy expected to be impressive over the next 5 years, CRISIL research foresees the room demand growing at a CAGR of 10 per cent over the next 5 years. The hotel industry in the country including the foreign players will be investing about 9000 crore over the next five years. During the financial year 2005-06, your company added new facilities in the shape of 8 new Royal clubrooms with plush interiors, a conference hall and a health club exclusively for its resident guests. Keeping the edge in the Food and Beverage department, the hotel organized various food festivals which not only were popular but also increased the footfalls quite considerably. Keeping in pace with the technology and also guests' comforts, the hotel was fully refurbished to give a new look with upgraded guest supplies and comforts. During the period under report, the hotel was the preferred choice of various prestigious conventions, banquets and also hosted leading personalities of the business, political and entertainment world.

PROSPECTS, OPPORTUNITIES AND THREATS:

Buoyancy in arrival of foreigners in India emanating out of the smart economic growth culminated into encouraging growth in the hotel & tourism industry and your hotel undertaking is not an exception to this phenomenon as is evident from the foreign exchange earning of the company which increased by 59 % in term of Indian currency to Rs. 81.50 lacs during compared to Rs. 51.23 lacs during the preceding financial year.

In view of the external factors signaling very positive trend, the ensuing year is likely to be a boon



for the Tourism Sector and your hotel, with the addition of further 20 (twenty) rooms in two phases to its room inventories, is all set to carve out a reasonable share by way of rise in its occupancy rate as the season picks up. Besides, with the growth of Bhopal in offing, the city is likely to see significant surge in demand of room and conference inventory. But due to the still limited room inventory with the hotel, it will be difficult for it to cater to the demand of business expected of it in the near future although all out efforts will be initiated to garner maximum business potential.

Keeping the trend, your company would continue pursuing actively the Key Source market such as Mumbai, Delhi, Ahmedabad and Indore to tap the business opportunities. Besides, your hotel participates in almost in every hospitality/ travel related conventions like IAAI/ TATO, FHRAI, SATTE etc which attracts a large representation of whose's who of the travel industry.

Increase in the room inventory of the competitors leading to the price reduction by the competitors still remains a cause of concern to your hotel undertaking. The remaining planned facilities of the hotel project need to be completed at the earliest to gain a further edge over the competitors, to be market leader and to retain the existing growth in the occupancy levels and turnover.

INTERNAL CONTROL SYSTEM AND ITS ADEQUANCY

As reported during the preceding year, your company has internal control system commensurate with its size and nature of business and the system permeates in its administrative as well as functional areas duly supported by requisite qualified and experienced professional hands. Efforts are afoot to strengthen the system tailored to its growth.

HUMAN RESOURCES DEVELOPMENT:

Led with the realization of the fact that continuous up-gradation of skills and service delivery systems/ inputs go a long way to make a decisive difference in the hotel industry, as a matter of policy, your company continues to invest in up-gradation of the quality of its human resources and lays emphasis on efforts to tone up the skills of and service delivery by its existing manpower and keep them sponsoring for external training and skill development programmes at select ITC Hotels.

In the matter of employees benefits and compensation, your company is not far behind the industry standards and with the growth of the company it will see that the benefits and compensation package Continue to remain tailored to the industry norms enabling it to hire and retain skilled and professional manpower.

Industrial relations Scenario in the company throughout the year remained cordial. The employees remained committed to higher qualitative productivity. The Management too on its part played its role in maintaining and promoting harmonious relations.



AUDITORS:

M/S.M A K & Associates, Chartered Accountants, Indore, the statutory auditors of the company shall hold office as such till the conclusion of the ensuing Annual General Meeting of the Company. A proposal to re-appoint them as such, subject to fulfillment of conditions prescribed under Section 224(IB) of the Companies Act, 1956, is being brought up at the ensuing Annual General Meeting.

STATUTORY STATEMENTS:

1. Public Deposit

During the period under report too, your company has not accepted any deposit from public in term of Section 58-A of the Companies Act, 1956 and rules framed and notifications issued there under.

2. **Information as per Sec 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31st March 2006 are given as under: -**

(a) Conservation of Energy :

The basic engineering design of the Hotel is based on optimum energy consumption and provision is made to conserve energy to the maximum possible extent, which would reduce the liability on energy bills.

(b) Technology Absorption:

During the year no amount has been incurred on technology absorption (Previous Year Rs. NIL)

(c) Foreign Exchange Earnings & Outgo:

During the period under report, your company has earned Foreign Exchange equivalent to Indian Rupees 81.50 lacs against 51.23 lacs during the preceding accounting period representing an increase to the extent of 59 per cent over the preceding year. During the period under report too, your company did not spent any amount in foreign exchange.

3. **Statement pursuant to Sec. 217 (2AA) of the Companies Act 1956:**

Your Directors are pleased to state that the Financial results for the period under report have been compiled observing the Going Concern Concept, Accrual & historical record basis conforming to the accounting standards specified under Section 211(3C) of the



Companies Act to ensure that the statements disclose true and fair view of the state of affairs of the operations of the company and that in the said compilation due care has been taken to see that adequate accounting record in accordance with the statutory requirements for safeguarding the assets of the company does exist and that possibilities of fraud and other Ir-regularities, if any, in the company are timely detected, provided for and their recurrence is prevented and that the statements reflect true and fair view of the state of affairs of the Company as at the 31st March, 2006 and the profit and loss for the accounting period ended on the said date.

4. Constitution of Audit Committee:

In term of requirements of Section 292 (A) of the Companies Act, 1956, during the period under report the Audit Committee continued to remain constituted of three non-executive directors namely Mr. S. Shankar Narayanan, Mr. Mohd. Hafiz Khan, Mr. Vaibhav Jain and representatives of the Statutory Auditors and that Mr. Shankar Narayanan remained on the Chair. Keeping in view the requirements of Clause 49 of the Listing agreement, the committee was entrusted with greater assignments as brought out under the Corporate Governance Section of this report and that the Board of Directors generally agreed with and adhered to the suggestions made by the committee in the areas assigned to it and that to reply your queries, if any, the Chairman of the Committee shall be with you at the ensuing Annual General Meeting.

CHANGES IN DIRECTORSHIPS:

Mr. Mohd Hafiz Khan, one of the Directors of the Company, shall retire on the conclusion of the ensuing Annual General Meeting. However, being eligible, he offers himself for reappointment and, therefore, a proposal to re-appoint him as such be being brought up before the members at the ensuing Annual General Meeting.

Besides during the period under report Mr. Vaibhav Jain and Mr. Chandan Mitra were inducted as Addl. Directors 2006, both the gentlemen, being addl. Directors would cease to hold the office as such from the conclusion of the ensuing Annual General Meeting.

DIVIDEND

In view of the fact that company could not generate any surplus during the year under report, no dividend on the Equity share capital has been recommended.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

During the period under report, the company did not employ any person particulars of whose are required to be reported under the aforesaid provisions of the Act, as amended up to date.



DEMATERIALISATION OF SHARES

During the period under review, your company has established connectivity with both of the depositories namely CDSL and NSDL and the equity shares of the company have been admitted on these depositories. The ISIN number allotted to the securities of the Company is INE 419H01019. As on and up to date of this report, out of total 10043900 equity shares of the company, 1133110 shares have already been dematerialized. The shareholders are requested to open demat account with the depository participants of their choice and surrender their holdings for dematerialization so that sufficient volume of demat shares is available for trading facility in demat form.

REGISTRAR AND SHARE TRANSFER AGENTS:

M/s. Sharex Dynamic (India) Pvt. Ltd located at 17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai, continue to hold the office of Share Transfer Agents & Registrar of the Company. This company undertakes securities registry job from its unit NO. 1 Located at Luthra Industrial Premises, Andheri Kurla Road, Safed Pool, Andheri (E), and Mumbai.

CORPORATE GOVERNANCE IN TERM OF CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES:

Company's philosophy on code of governance:

Your company holds the view that the code of the corporate governance serves as a structure based on which the Responsibilities amongst the different participants within the management of the company are distributed culminating into the requisite protection of the interest of all the interested groups, specially the shareholders of the company. It helps the company achieving its corporate objectives and the performance is adequately measured, monitored and controlled.

Board of Directors & meetings:

During the period under report, the Board of Directors of the Company did consist of 05 non-executive directors, including 03 independent ones within the meaning of the clause 49 of the Listing Agreement and that there has been no nominee or institutional director on the Board of the Company. The Board met 12 times during the financial year under report and majority of directors attended the meetings.

None of the directors had any other public company under his directorship and non of them incurred any disqualification contemplated under Section 274(1) (g) of the Companies Act as amended up to date, and that, therefore, the Directors are eligible to continue as such and /or for re-appointment as Directors of the Company.



Audit Committee:

In term of Clause 49(II) of the Listing Agreement, an Audit Committee of the Company consisting of three independent and financially literate non-executive Directors remained in function under the Chairmanship of one of the independent Directors Mr. S. Shankar Narayanan, who possess enough requisite experience in corporate finance and accounting aspects. Representatives of Statutory Auditors and CFO of the Company are permanent invitees to the Committee meetings. The Role of the Committee, inter-alia, included-

1. Overseeing company's financial reporting process and disclosure of its financial information to ensure correctness sufficiency and credibility thereof
2. Reviewing the statutory and financial reporting of the company-including the reporting under the listing requirements
3. Formulation, application and reviewing the Accounting financial polices and practices
4. Issues related to and incidental to changes in accounting policy of the company,
5. Handling issues relating to internal and external audit programmers and matters arising out of them
6. Examining the adequacy and effectiveness of accounting and financial control with due regard to laws and regulations governing them.
7. Appointment of, changes in and fixation and payment of remuneration to the statutory and tax auditors of the company.
8. Approval of payment for other services rendered by the statutory auditors, if any,
9. Reviewing compliance with statutory provisions governing the entire gamut of accounting activities of the Company
10. To see that the accounting standards specified by the ICAI are duly observed and the resources of the company are put to the optimum use.

Periodicity of meetings

The Audit Committee met for 5 times including one prior to finalization of the accounts of the Company under the Chairmanship of the said non-executive and independent director. The meetings were mostly attended by all the members as also the representative of the statutory auditors.



Remuneration Committee:

A Remuneration Committee consisting of the Chairman of the Board as also two other non-executives Directors was constituted under the Chairmanship of the CMD of the Company with the assignment of formulation of policy relating to appointment, terms and conditions of services, fixation of remuneration for Directors, Company Secretary and the General Manager of the hotel undertaking of the Company.

Since the operations of the company have just reached break-even level and the company did not feel necessity of augmenting its managerial manpower during the period under report, the Committee did not have the opportunity to meet even once during the period under report.

Shareholders/ Investors Grievance Committee:

Constitution:

A Committee comprising of three of the Directors under the Chairmanship of Mr.S.Shankar Narayanan, one of the independent Directors, does exist to take care of the all matters relating to the shareholders, general body meeting etc

Term of reference:

The Scope of work of the Committee included all matters relating to shareholders and shareholdings of the company, including the redressal of complaints /grievances, transfer and transmission of shares, issue of duplicate/ new certificate on consolidation/split of shares and, besides those matters relating to General Meetings of the Company.

Compliance Officer and status of complaints:

The Secretary of the Company, who is also compliance officer of the Company, coordinates all the meetings of the committee and the matters relating to shareholders The Committee ensures that all the matters relating to the shareholders are taken care of promptly and your directors are pleased to inform you that the Company did not receive any complaints from shareholders whatsoever pending for disposal with the company and, similarly, no case of share transfer is pending with the aforesaid Registrar & Share Transfer Agents of the Company.

General Body Meeting:

The relevant statistics with respect to the immediately preceding three Annual General Meeting of the Company is given hereunder which were attended by majority of the Directors of the Company: