



LakeLand Hotels Limited

Regd. Office : " Reliable House " , A - 6, Koho-E-Fiza, Indore Road, Bhopal - 462 001

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TWELFTH ANNUAL REPORT

2004 - 2005



LakeLand Hotels Ltd.

BOARD OF DIRECTORS

Mr. Sikandar Hafiz Khan	Chairman & Managing Director
Mr. Mohammed Hafiz Khan	Director
Mr. S. Shankar Narayanan	Director
Mr. D. Chaudhary	Director
Mr. S. Sohail Naqvi	Director

COMPANY SECRETARY

MR. S.S. RAGHUVANSHI

BANKERS

Dena Bank Hamidia Road Branch, Bhopal

Bank of Baroda Habibganj Branch, Bhopal

HDFC Bank Ltd, Arera Colony, Bhopal

AUDITORS

M/s MAK & ASSOCIATES

Chartered Accountants, Indore

REGD. OFFICE :

" Reliable House "

A - 6 , Kho - 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, 2005

Your directors have pleasure in presenting to you their twelfth annual report together with the audited statement of accounts of the company for the 12 months period ended 31st March, 2005.

FINANCIAL PERFORMANCE:

During the 12 months period under report ended 31st March, 2005, your company earned an all-inclusive revenue of Rs. 557.75 lacs against Rs. 436.59 lacs earned in the corresponding period during the preceding financial year recording a growth of about Rs. 121.16 lacs in term of money and 27.75 % in term of per centage over corresponding period in the preceding year. In term of occupancy, your company registered a growth of 07 per cent over the preceding year. This growth is attributed to the superior product and service offering on the part of your hotel and to some extent to the improved market conditions.

Your Directors are pleased to report that the in term of profit before interest, and non-cash expenses, your company registered a growth nearly of 142 percent. The said profit stood at Rs. 110.91 against Rs 45.83 lacs during the preceding year thereby setting in an encouraging trend in the financial performance of the company.

Similarly, the net loss after providing for interest depreciation and other non-cash expenses, but accounting for deferred tax credit worth Rs. 21.72 lacs (Rs. 51.58 lacs during preceding year) stood reduced by 144 % to Rs. 43.99 lacs from Rs. 107.21 lacs during the preceding financial year thereby witnessing a downward trend that, if maintained during the ensuing years, would steer the operations of the company to reach break even level.

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. However, during the period your company reluctantly exercised its rights to forfeiture of shares and as a result thereof 969,000 equity shares were forfeited for non-payment of calls to the tune of Rs. 72.24 lacs. Therefore after giving effect to the said forfeiture the paid up capital of the company stood at Rs. 1029.05 lacs including Rs. 24.66 lacs paid up on the forfeited shares.



CAPITAL EXPENDITURE:

As on date up to the close of the financial year under report, your company incurred a sum of Rs. 2346.25 lacs (Rs. 2291.82 lacs in proceeding year) representing a capital expenditure of Rs. 54.43 lacs, which includes cost of adding 8 more rooms to the salable inventory of the hotel which have already been made operative during the month of June, 2005.

PROJECT IMPLEMENTATION STATUS:

As the members are aware, out of the 70 rooms' facility planned by the company, it had completed and opened for commercial use only 39 rooms till the preceding financial year. Your directors are pleased to report that keeping in view the business potential, your company has added further 8 (eight rooms) to salable inventory of the room and as of today the total rooms available for commercial use have increased to 47. However, the impact of the addition of these rooms in term of revenue generation would be visible only during the ensuing financial year.

ECONOMIC SCENARIO, INDUSTRY STRUCTURE & DEVELOPMENT:

As reported during the preceding year, as per the World Travel & Tourism Council, India is set to come up as world's second fastest growing travel economy in the ensuing decade and that India continues to remain as one of the world's most favoured tourist destinations as per declaration contained under the renowned publications 'Conde Naste Traveller and the Lonely Planet'

The foreign exchange earning of the country accordingly is likely to cross Rs. 17000 crores representing a growth exceeding 23.3 per cent over the preceding year and the projection reported during the preceding years hold goods even for the ensuing financial years.

Even at the conservative GDP growth assumption of 2%, the current room supply of approximately ninety thousand rooms would still need an increase of around 1.30 Las room by the year 2008 to service growth even at minimum level. Therefore, prospects of high economic growth bring forth-attractive growth opportunities in the accommodation sector. Your Company has already added 8 more rooms during the current financial year to its salable inventory of rooms and as a matter of business prudence would strive its best to strengthen its room inventory further tailored to the business potential and in due course of time with due regards to its financial resources.

In order to keep the competitive advantage in Food & Beverage, your hotel has already made operational an authentic Chinese Restaurant under the title of 'Dynasty' during the preceding financial year and your hotel continues to be the first choice in 'Kababs' and other authentic Bhopali food. During the period under report, your hotel organized various food festival promotions, which were widely appreciated by the locales



It is matter of pride to report that due to the superior service and product offerings of the hotel undertaking of the company, it continues to remain one of the preferred destinations of several worlds famous performing personalities, a good number of top business persons, politicians, cine stars and state and central level bureaucrats. The position is likely to improve further with the aggressive marketing efforts of your company during the ensuing financial years.

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 stood at Rs. 51.23 lacs in term of Indian rupees as compared to Rs. 36.25 lacs during the preceding financial year, registering a growth of almost 41.32 per cent over the preceding year.

Besides, 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 8 (eight) rooms 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 tailored to its existing facilities. 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 facilities with the hotel, it will be difficult for it to cater to the demand of facilities expected of it in the near future; although within the constraints, it will be its effort to see that it is able to harness maximum of available 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, specially to attract further big corporate clients to make them choose your hotel as a venue for their prospective conferences and conventions. Besides, your hotel participates in almost in every hospitality/ travel related conventions like IATO, TAAI, FHRAI, CII, etc wherein there remains a large representation of whose's who of the travel fraternity.

Competition led reduction in pricing and increase in infrastructure facilities of the competitors still remain to be a cause of concern to your hotel undertaking. The remaining planned facilities of the hotel project need to be completed very early to gain a further edge over the competitors to come up as a market leader to gear itself to retain the existing growth in the turn over of the company culminating into attainment of much sought break even level.

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 experience hands. Efforts are afoot to strengthen the system tailored to its growth.



HUMAN RESOURCES DEVELOPMENT:

Led with the realization of the fact that continuous upgradation 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 upgradation of the quality of its human resources and lays emphasis on efforts to tune up the skills of and service delivery by its existing manpower and keep them sponsoring for external training and skill development programmes as and when organized by ITC at its select World Renowned 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

Continues to remain tailored to the industry norms so that it can hire and retain skills to the betterment of all the interested groups.

Industrial relations Scenario in the company throughout the year remained cordial and peaceful. The employees remained committed to higher productivity. The Management too on its part played its role in maintaining and promoting harmonious employee-management relations without giving any space for strife. Consequently, the company is moving steadily towards growth. The workforce of the company commensurate with its size and resources at its disposal and it will keep augmenting and upgrading the workforce in conformity to its position, place and prospects.

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, 195, 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 2005 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 51.23 lacs against 26.25 lacs during the preceding accounting period. 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 irregularities, 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, 2005 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 two three non-executive directors namely Mr. S. Shankar Narayanan, Mr. Mohd. Hafiz Khan and Mr. D. Chaudhary 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 Government 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 THE DIRECTORSHIPS:

Mr. S. Shankar Narayanan, 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 S/Shri Debasis Chaudhary, Suhail Naqvi and Riyaz Uddin Farooqui were inducted as Addl. Director on the Board of the Company, of which Mr. Farooqui resigned from the office effective from 16th Feb. 2005 and in his place Mr. Agha Abdul Quayyum was Appointed with the same effect. All these three 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 AND APPOINTMENT OF REGISTRAR AND SHARE TRANSFER AGENTS:

The company had submitted its application to CDSL and NSDL for admission of its equity shares for dematerialization but due to delay of receipt requisite certification from the Delhi Stock Exchange, the application could not reach its ultimate end. Now the required certification has already been received from the DSE and the application to NSDL and CDSL is being re-submitted after giving effect to the forfeiture of certain shares made by your company for non-payment of calls.

M/s. Sharex (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 in their changed name of M/s. Sharex Dynamic (India) Pvt. Ltd. to undertake transfer of shares in both physical as well as demat form.



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 06 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 7 times during the financial year and most of the time majority attendance was there.

None of the directors had any other public company under his directorship and 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 did consist of two independent and one non-executive Directors under the Chairmanship of one of the independent Directors Mr. S. Shankar Narayanan, remained in function. Mr. S. Shankar Narayanan who possesses financial background and requisite experience in corporate finance and accounting aspects. 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 auditors of the company.
8. Approval of payment for other services rendered by the statutory auditors, if any,
9. Ensuring 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 4 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 attended by all the members as also the representative of the statutory auditors and the terms of reference of the audit committee, inter-alia, include-

Remuneration Committee:

A Remuneration Committee consisting of the Chairman of the Board as also two other non-executives 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 are yet to reach break-even level, the company could not yet appoint any Executive Directors and, accordingly, the Committee did not have the opportunity to meet even once during the period under report.

Shareholders Committee:

Constitution:

A Committee comprising of three of the Directors under the Chairmanship of Mr. .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 grievances and, besides those