

19th Annual Report
2005-2006



TULIP STAR HOTELS LTD.

BOARD OF DIRECTORS

As on July 27, 2006

A. B. M. GOOD

Chairman

DR. AJIT B. KERKAR

Managing Director

MAHENDRA LODHA

PETER A. KERKAR

ARVIND S. HERWADKAR

PESI S. PATEL

SHAILESH S. MODY

COMPANY SECRETARY

Sanjeev D. Shenvi

BANKERS

Bank of Baroda

The Greater Bombay Co-operative Bank Ltd.

AUDITORS

Ray & Ray

Chartered Accountants

REGISTERED OFFICE

Indra Palace,

H - Block,

Connaught Circus,

New Delhi - 110 001.

CORPORATE OFFICE

Chander Mukhi,

Nariman Point, Mumbai - 400 021.

SECRETARIAL OFFICE

Tulip Star Hotel, Juhu-Tara Road,

Juhu Beach, Mumbai - 400 049.

SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.,

C-13, Pannalal Silk Mills Compound,

L.B.S. Road, Bhandup (W),

Mumbai - 400 078.

CHAIRMAN'S STATEMENT

Dear Shareholders,

India as a nation has at last taken its rightful place on the world's stage and has grabbed the world's attention and imagination by achieving for the third consecutive year a growth in GDP near 8 percent, among the fastest in the world. To sustain the current growth rate and to push it closer to double – digit levels year after year, the Government of India seems committed to an aggressive agenda for economic reforms. While economic reforms provide a strong structural foundation for future growth and an overall positive mindset, these developments at the macro level portend well for your company.

During the year 2005-06, the hotel industry further consolidated its position and witnessed significant growth in business for the third year in succession. Travel and tourism industry worldwide has grown significantly during 2005-06 and the forecast for this industry globally over the next ten years is even better. The overall buoyancy of the economy has a multiplier effect on the tourism industry, which in turn contributes to economic development and employment generation.

In my statement to the shareholders for the last financial year I mentioned the financial restructuring of Tulip Star Mumbai, the hotel property owned by Tulip Hospitality Services Ltd. in which your company holds 50% equity stake. It was anticipated that on the completion of the financial structuring exercise, the Company would be able to unlock its investments and have access to funds for acquisition of smaller hotel properties at different locations. Unfortunately, the restructuring process was stalled before it could gather momentum and the matter is currently still under litigation.

Your company has under the stewardship of its dynamic Managing Director, Dr. Ajit B. Kerkar, has imbibed an operating culture where the company is constantly on the lookout for better ideas, is willing to experiment and take risks. In pursuing our aggressive strategies, we will doubtless face number of challenges. However, I am confident that these challenges will only reinforce our commitment to achieving our goals.

A. B. M. Good
Chairman

Place : Mumbai

Date : July 27, 2006

NOTICE TO THE MEMBERS

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of **Tulip Star Hotels Limited** will be held at the Ghalib Hall at SCOPE Convention Centre, Core 8, SCOPE Complex, 7, Lodhi Road, **New Delhi - 110 003** on Wednesday, September 27, 2006 at 3.30 p.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31st March 2006 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mr. Pesi S. Patel who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. A.B.M. Good who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

For and on behalf of the Board

Place : Mumbai
Date : July 27, 2006

Arvind S. Herwadkar
Director

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Members attending the meeting are requested to bring with them the Attendance Slip and hand over the same at the entrance of the meeting hall, failing which, admission to the meeting may be refused.
3. The Register of Members and the Share Transfer Books of the Company under the physical mode will remain closed from Wednesday, September 20, 2006 to Wednesday, September 27, 2006 (both days inclusive).
4. Members are advised to address all correspondence quoting their Ledger Folio Number/DPID Number and to immediately notify their change of address, if any, to the Company's **Registrar & Share Transfer Agents, Intime Spectrum Registry Ltd. In case of any difficulty, members are requested to contact the Secretarial Office of the Company (Email : tshl@vsnl.in).**
5. As a measure of economy, the Company does not distribute the copies of the Annual Report at the venue of the meeting. Members therefore are requested to bring their copies with them.
6. Members desirous of obtaining any information concerning the accounts of the Company are requested to send their queries to the Company's Secretarial Office at Tulip Star Hotel, Juhu Tara Road, Mumbai at least 15 days before the date of the meeting, so that the information required by the members may be made available at the meeting.



7. Information required to be furnished under Clause 49 of the Listing Agreement entered into with Stock Exchange regarding Directors to be re-appointed :-

Mr. Pesi S. Patel:

Mr. Pesi S. Patel is an entrepreneur for over 25 years having business interests and experience in engineering, manufacturing, trading and exports of services and goods. Mr. Pesi S. Patel holds 15,200 shares in the Company.

Mr. Pesi S. Patel is Director of Apex Auto Ltd., Clearmine Ltd., UK, CIM Granites Pvt. Ltd., Cox & Kings (I) Pvt. Ltd., Ezeego One Tours & Travels Pvt. Ltd., Full Moon Creative Services Pvt. Ltd., Liz Investments Pvt. Ltd., Patel Brothers Services & Engg. Pvt. Ltd., Patel Microdata Pvt. Ltd., Patex Export Services Pvt. Ltd. and Sneh Sadan Graphic Services Pvt. Ltd.

Mr. A.B.M. Good

Mr. A. B. M. Good has been a frequent business visitor to India for the last three decades. Mr. Good has made a pioneering contribution to the field of travel and public relations consultancy and has vast business experience. Mr. Good does not hold any share in the Company.

Mr. Good is a Director of Cox & Kings Enterprises Ltd., Cox & Kings Holdings Ltd., Cox & Kings (I) Pvt. Ltd, C & K Investments Ltd., Cox & Kings Ltd., Cox & Kings Overseas Fund, Cox & Kings (Shipping) Ltd., Cox & Kings Special Interest Holidays Ltd., Cox & Kings Tours Ltd., Cox & Kings Travel Ltd., Environmental Journeys Ltd., Flagship Group Ltd., 45 Queens Gate Gardens Ltd., Good Consultancy Ltd., Good Relations (I) Ltd., Grand Tours Ltd., Neutrahealth PLC, Q-Link International Ltd., Relish Events Ltd., Sage Organic Ltd., The Bolshoi Express Ltd. and The Tranquil Moment Ltd.

8. Those members who have so far not encashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to section 205C of the Companies Act, 1956 on the respective dates mentioned there against. **Kindly note that after such date, the members will not be entitled to claim such dividend.**

Financial Year Ended	Due date of transfer
31st March, 2000	20th October, 2007
31st March, 2001	14th October, 2008

For and on behalf of the Board

Place : Mumbai
Date : July 27, 2006

Arvind S. Herwadkar
Director

DIRECTORS' REPORT

To the Shareholders,

Your Directors present herewith the **Nineteenth Annual Report** and the audited accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

The financial results of the Company for the year under review are summarized below :-

	(Rs. in lacs)	
	2005-2006	2004-2005
Total Income	137.01	137.78
Profit before Depreciation, Finance Cost, Extraordinary Items & Provision for Taxes	53.39	55.25
Less : Depreciation	1.88	3.02
Less : Finance Cost	31.25	59.72
Less : Extra Ordinary Items	—	(315.12)
Less : Provision for Income Tax	5.25	32.58
Profit for the year	15.01	275.03
Profit and Loss Account Balance	(166.65)	(441.68)
Deficit carried to balance sheet	(151.64)	(166.65)

DIVIDENDS

The Directors regret their inability to recommend dividend.

FINANCE

During the year the Company had fully repaid the term loan of Rs.5 Crores, availed from The Greater Bombay co-op. Bank Ltd. in March 2002.

Members attention is also invited to Note 2 of schedule 12 to the audited accounts for the year ended March 31, 2006 regarding the claim of Saraswat Bank which is refuted by the Company. The Company is currently considering the legal remedies available to it to have the third parties securities released, which are possessed by the Bank. Further, in the unlikely event of the Bank pursuing any legal action, your Company will defend the same and abide by the unappealable Court's verdict.

MANAGEMENT DISCUSSION & ANALYSIS REPORT :

We have attempted to include discussions on all specified matters to the extent relevant, or within such limits that in our opinion are imposed by the Company's own competitive position. Also the performance of your Company is inextricably linked to the fortunes of the hotel owning companies.

Industry Structure and Developments

The Government has laid special emphasis on the Services Sector. Foreign tourist arrivals are still a fraction of the potential that India has to offer. The Ministry of Tourism, Government of India has embarked upon an ambitious plan for promoting India as a preferred tourist destination for the international traveller. With the governmental policy of globalization and liberalization as the basis of economic growth of the country and with the buoyancy in the Indian economy there is increasing disposable income in the hands of individuals and spurt in domestic tourists. In view of long term favorable trends for the hospitality industry in India, more and more entrepreneurs are setting up hotels both in the luxury and budget category in important towns and tourist centers of India. This trend is expected to open doors for professional management of hotels. However your company is required to compete in very competitive environment to be able to gain hotel operating contracts and more importantly to be able to retain the hotel properties under the hotel operating contracts.

Opportunities, Threats, Risks and Concerns

With more and more Government impetus to tourism as an industry, the company can look forward to a reasonable rate of growth in next few years. The hotel industry is capital intensive and the gestation period is fairly long. The socio-economic and political situation within and outside the country has a direct impact on the fortunes of the hotel industry. Safety and security remain a prime concern for any traveller. Incidents such as the cross-border conflicts and hostilities, domestic turmoil and travel advisories impact the image of the country and directly affect the tourism industry.

Business Outlook

Your Company hopes to operate more hotels and in time to come also expects to have equity stakes in some of the important properties.

Internal Control Systems and their adequacy

Internal control systems have been found to be adequate commensurate with the size and nature of business. The Audit Committee periodically reviews the internal control systems in operations.

Financial Performance

The profit for the year before provision for taxes is Rs. 20.26 Lacs. This is primarily because of reduction in interest cost, as the bank borrowings have been repaid from the interest free funds received from an associate company.

Human Resources

It is our constant endeavour to motivate and harness the creative skills of our employees whereby organizational objectives are in harmony with employee's goals.

Cautionary Statement

Statements in the 'Management Discussion and Analysis' section describing the Company's objectives, expectations or predictions may be 'forward looking statements' within the meaning of applicable securities laws and regulations. These statements reflect the Company's current views with respect to the future events and are subject to risks and uncertainties. Actual results could differ materially from those expressed or implied.

DEMATERIALISATION OF SHARES

Of the 48.97% shares held by the public, 48.69% shares have been dematerialised. Members holding shares in physical form are advised to dematerialize their shares to avoid the risks associated with the physical holding of such share certificates.

VOLUNTARY DELISTING OF COMPANY'S SHARES FROM DELHI STOCK EXCHANGE

In sequel to the approval of the shareholders at the Eighteenth Annual General Meeting held on September 27, 2005, the Company sought delisting of shares from the Delhi Stock Exchange and the Delhi Stock Exchange has delisted the shares with effect from March 20, 2006.

INVESTMENTS

During the year the Company was allotted its rights entitlement of 3,60,000 equity shares of Rs.10/- each at a premium of Rs.40/- per share aggregating to Rs.180 lacs of Cox & Kings (I) Pvt. Ltd.,

DIRECTORS

Pursuant to Section 256 of the Companies Act, 1956, Mr. Pesi S. Patel and Mr. A.B.M. Good retire at the Annual General Meeting and, being eligible, offer themselves for re-appointment.

PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposits from the public within the meaning of RBI Directions 1998.

EMPLOYEES

The Company does not have any employee covered by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956

The Company has no activity relating to conservation of energy or technology absorption. The Company had no foreign exchange earnings or outgoings during the year.

CORPORATE GOVERNANCE

The detailed report on the various issues, including the Auditor's Report on Corporate Governance is attached to this Report.

AUDITORS & AUDITORS REPORT

Messrs. Ray & Ray, Chartered Accountants who had been appointed by the members at the Eighteenth Annual General Meeting as the Statutory Auditors for the year 2005-2006 would be retiring at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. The Auditors have confirmed their eligibility and willingness to accept the office, if re-appointed. The members are requested to consider their re-appointment.

With respect to the observations of the Auditors in the Annexure to their Report, the response of the management is as under :-

Clause 10 regarding absence of internal audit system:

The Company does not have a formal internal audit system. However, its control procedures ensure reasonable internal checking of its financial and other records.

Clause 12 regarding delay in payment of statutory dues:

Due to liquidity problems faced by the Company, there has been a delay in payment of the statutory dues. The amount outstanding as on March 31, 2006 has since been paid, except for fringe benefit tax.

Clause 20 regarding terms of guarantee being prejudicial to the interest of the Company:

The prime security based on which the Banks have disbursed / guaranteed loans to the other Company is the charge on the immovable property of the other company and the guarantee is only by way of additional cover. In the opinion of the management, the market value of the immovable property charged is far in excess of the loans disbursed / guaranteed by the Banks.

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT, 1956 :

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby confirms that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed.
- the Company has selected and applied such accounting policy consistently and judgements and estimates are made in a reasonable and prudent manner so as to give true and fair view of the state of affairs of the Company as at the end of the financial year and profit of the Company for that period.
- proper and sufficient care has been taken for maintenance of accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing/detecting fraud and other irregularities.
- the annual accounts are prepared on a going concern basis.

ACKNOWLEDGEMENTS :

Your Directors take this opportunity to express their sincere gratitude to the Shareholders for their continued support.

Place: Mumbai

Date : June 30, 2006

For and on behalf of the Board

A. B. M. Good

Chairman



REPORT ON CORPORATE GOVERNANCE

Introduction :

Your Company has complied during the financial year 2005-06 in all material respects with the features of the Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchange.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below :-

1. Company's Philosophy on Corporate Governance

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation. Good corporate governance practices lead to long term shareholder value and enhanced the interest of other stakeholders.

2. Board of Directors

Your Board presently comprises of 1 executive director and 6 non-executive directors out of which 4 are independent directors.

The Board of the Company met 7 times during the last financial year on April 30, 2005, May 26, 2005, August 26, 2005, September 27, 2005, November 28, 2005, January 13, 2006 and February 16, 2006.

Attendance of each Director at the Board Meetings in 2005-06 and last Annual General Meeting and number of Companies and Committees where he is Director / Member (as on March 31, 2006) :-

Name of the Director	Category of Directorship	Attendance at last AGM held on September 27, 2005	No. of Board Meetings attended	Number of	
				Other Directorships*	Other Committee Memberships
Mr. A. B. M. Good	Non-Executive Chairman	Present	7	22	–
Dr. A. B. Kerkar	Managing Director	Present	7	12	–
Mr. Mahendra Lodha	Independent & NED	Absent	1	14	9
Mr. Peter A. Kerkar	NED	Absent	1	3	–
Mr. Arvind Herwadkar	Independent & NED	Present	6	1	–
Mr. Pesi S. Patel	Independent & NED	Absent	2	11	–
Mr. Shailesh S. Mody	Independent & NED	Absent	4	2	–

* Includes Companies incorporated outside India.

NED – Non-Executive Director

3. Code of Conduct for Board of Directors and Senior Management :

The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. All Board members and Senior Management have confirmed compliance with the Code for the year ended March 31, 2006. The Annual Report contains a declaration to this effect signed by the Managing Director.

4. Audit Committee

The terms of reference of this Committee are wide enough covering matters specified for Audit Committees under the Listing Agreement.

During the financial year 2005-2006, the Audit Committee met 4 times. The attendance of the Audit Committee Members at the meetings is given below :-

Name of the Director	Status	No. of meetings attended
Mr. Mahendra Lodha	Chairman	4
Mr. A. B. M. Good	Member	4
Mr. Arvind S. Herwadkar	Member	4

5. Remuneration Committee

In the absence of any remuneration to the Managing Director, the Company has not constituted a Remuneration Committee.

All Directors, except the Managing Director, were Non-Executive Directors for the financial year 2005-06. The Directors are paid only sitting fees for attending Board Meetings. Details of such sitting fees paid to Directors for the year ended March 31, 2006 are as follows:-

Name of the Director	Rs.
Mr. A. B. M. Good	7,000
Dr. A. B. Kerkar	7,000
Mr. Mahendra Lodha	1,000
Mr. Peter A. Kerkar	1,000
Mr. Arvind S. Herwadkar	6,000
Mr. Pesi S. Patel	2,000
Mr. Shailesh S. Mody	4,000
Total	28,000

6. Investor Grievance Committee

The Company's Registrar, Intime Spectrum Registry Ltd. and the Company received 45 letters during the financial year 2005-06, dealing with various subjects such as revalidation, change of address, registration of nominations, non-receipt of share certificates, non-receipt of stickers, non-receipt of demat credit, Power of Attorney registration, registration of signatures, etc. All these were resolved to the satisfaction of the Shareholders / Investors.

7. General Body Meetings

The location and time of the Annual General Meetings held during the last 3 years are as follows :

Annual General Meeting	Date	Venue	No. of Special Resolutions passed
16th AGM	October 31, 2003	Casuarina Hall, Habitat World, Habitat Centre, Lodhi Road, New Delhi – 110 003	1
17th AGM	November 29, 2004	Casuarina Hall, Habitat World, Habitat Centre, Lodhi Road, New Delhi – 110 003	Nil
18th AGM	September 27, 2005	The Deputy Speaker Hall, Constitution Club, Rafi Marg, New Delhi – 110 003	1

8. Disclosures

- The disclosures on related party are as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India and are given in Note No. 6 of the Notes to Accounts (Schedule 12).
- No penalties or strictures have been imposed on the Company by SEBI or Stock Exchanges or any other statutory authority on any matter related to capital markets for non compliance by the Company.
- In line with the requirements of SEBI, Secretarial Audit is carried out on a quarterly basis by a firm of practising Company Secretaries to confirm that the aggregate number of equity shares of the Company held in NSDL, CDSL and in physical form tally with the total number of issued / paid-up, listed and admitted capital of the Company.
- Though there is no formal Whistle Blower Policy, the Company takes cognizance of complaints made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. No employee of the Company has been denied access to the Audit Committee of the Board of Directors of the Company.
- Pursuant to the provisions of sub-clause V of the revised Clause 49 of the Listing Agreement with the Stock Exchange, the Managing Director (CEO) and the Chief Finance Officer have issued a certificate to the Board, for the Financial Year ended March 31, 2006.

9. Means of Communication

- The annual, half-yearly and quarterly results are submitted to the Stock Exchanges in accordance with the Listing Agreement and published in newspapers like Alert Times, Around the Times and Parivartan Bharati in New Delhi and Free Press Journal in Mumbai
- Management Discussion & Analysis forms part of this Annual Report.
- The quarterly financial results, shareholding pattern, annual report, etc. are uploaded on the website www.sebiedifar.nic.in.

10. General Shareholder Information

AGM Date, Time and Venue	September 27, 2006 at 3.30 p.m. at Ghalib Hall at SCOPE Convention Centre, Core 8, SCOPE Complex, 7, Lodhi Road, New Delhi - 110 003.
Financial Year	April 01, 2006 to March 31, 2007
Tentative :-	
First Quarter Results / Limited Review Report	Last week of July 2006 / Last week of August 2006
Half Yearly Results / Limited Review Report	Last week of October 2006 / Last week of November 2006
Third Quarter Results / Limited Review Report	Last week of January 2007 / Last week of February 2007
Audited Results for the year ended March 31, 2007	June 2007
Dates of Book Closure	Wednesday, September 20, 2006 to Wednesday, September 27, 2006 (both days inclusive)
Listing on Stock Exchanges	The Stock Exchange, Mumbai. The listing fees have been paid for the financial year 2006-07. The Company has had the securities delisted from the Delhi Stock Exchange as intimated by them vide their letter No. DSE/LIST/195 dated March 20, 2006. SEBI had issued a circular No. MRD/DoP/SE/DEP/CIR dated January 28, 2005, stating that issuer Companies are required to pay custodial fees to the depositories with effect from April 01, 2005. Accordingly, the Company has paid custodial fees for the year 2006-07 to National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
Stock Code – Physical	531088 (BSE)
Demat ISIN	INE379C01016
Registrars & Transfer Agents	Intime Spectrum Registry Ltd. C-13, Pannalal Silk Mills Compound, L.B.S. Road, Bhandup (W), Mumbai - 400 078.
Person to contact	Mr. Mahadevan Iyer.
Share Transfer System	The Company's Registrar & Transfer Agent, Intime Spectrum Registry Ltd. process share transfers normally within a maximum period of 30 days from the date of receipt, including dispatch of share certificates, if all the required documentation is complete in all respects. The power of approving individual transfer's up to 10,000 shares has been delegated to the Registrar & Transfer Agent. Company's Registrar & Transfer Agent approve transfers every week. Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates, on half-yearly basis, have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.

Market Price Data

High/low during the year/month in the financial year 2005-06

Share price on the Stock Exchange, Mumbai (Face Value Rs.10)

Months	High (Rs.)	Low (Rs.)
April 2005	85.90	70.00
May 2005	85.00	60.40
June 2005	66.00	50.05
July 2005	58.00	45.00
August 2005	73.90	45.25
September 2005	64.50	42.50
October 2005	48.00	31.40
November 2005	42.80	32.00
December 2005	46.00	36.60
January 2006	77.35	37.05
February 2006	74.90	53.30
March 2006	63.60	46.55

Distribution of Shareholding as on March 31, 2006

Shareholding of nominal value of Rs.	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
1 – 5000	1719	86.30	2,52,936	5.49
5001 – 10000	109	5.47	89,789	1.95
10001 – 20000	78	3.92	1,21,939	2.64
20001 – 30000	20	1.00	51,582	1.12
30001 – 40000	18	0.90	65,510	1.42
40001 – 50000	7	0.35	33,866	0.73
50001 – 100000	11	0.55	82,493	1.79
100001 & above	30	1.51	39,11,885	84.86
Total	1992	100.00	46,10,000	100.00

Distribution Schedule as of March 31, 2006

Particulars	No. of equity shares			% of shareholding
	Demat	Physical	Total	
Promoters & Persons Acting in Concert	-	23,52,430	23,52,430	51.03
Institutional Investors	12,400	-	12,400	0.27
Bodies Corporate	12,29,653	5,300	12,34,953	26.79
NRI's / OCB's	22,356	-	22,356	0.48
Public	8,65,334	1,22,527	9,87,861	21.43
Total	21,29,743	24,80,257	46,10,000	100.00

11. Insider Trading :

The code of internal procedure of conduct and code of corporate disclosure practices as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended by the Notification of 20th February 2002 is applicable to all Directors as well as to all such employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company.



Independent

12. Address for Correspondence :

Shareholders Correspondence should be addressed to Company's Registrar & Share Transfer Agents, Intime Spectrum Registry Ltd at the address mentioned in this Annual Report. Shareholders holding shares in electronic mode should address all their correspondence to the respective Depository Participants.

Secretarial Office :

Mr. Sanjeev D. Shenvi,
Company Secretary
Tulip Star Hotels Ltd.
Tulip Star Hotel,
Room No. 3078
Juhu Tara Road,
Mumbai – 400 049.

Registered Office :

Mr. S. N. Gupta / Mr. Suresh Arora
Tulip Star Hotels Ltd.
Indra Palace, H-Block,
Connaught Circus,
New Delhi – 110 001

Corporate Office :

Mr. Ravindra G. Mohite
Accountant
Tulip Star Hotels Ltd.
Chandermukhi,
Nariman Point,
Mumbai – 400 021.

13. Non-Mandatory Requirements :

The Company would implement non-mandatory requirements in due course as an when required and/or deemed necessary by the Board

On behalf of the Board

Place : Mumbai
Date : June 30, 2006

A. B. Kerkar
Managing Director

DECLARATION BY THE CEO UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO CODE OF CONDUCT

In accordance with Clause 49 sub clause I (D) of the Listing Agreement with the Bombay Stock Exchange Ltd., I hereby confirm that all the Directors and the senior management personnel of the Company have affirmed compliance to their respective Codes of the Conduct as applicable to them for the financial year ended March 31, 2006.

Place : Mumbai
Date : June 30, 2006

A. B. Kerkar
Managing Director

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To,

**The Members of
Tulip Star Hotels Limited**

We have examined the compliance of conditions of Corporate Governance by Tulip Star Hotels Ltd., for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement. According to the information and explanations given to us and as per the records available with the Company, we state that there were no investor grievances remaining unattended / pending for more than 30 days. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency with which the management has conducted the affairs of the Company.

For Ray & Ray
Chartered Accountants

Place : Mumbai
Date : June 30, 2006

Anil V. Karnik
Partner

AUDITORS' REPORT



To,

**The Members of
Tulip Star Hotels Limited**

1. We have audited the attached Balance Sheet of Tulip Star Hotels Ltd. as at March 31, 2006 and the annexed Profit & Loss Account and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditors' Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - I. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - II. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - III. the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - IV. in our opinion the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - V. on the basis of written representations received from the directors as on March 31, 2006 and taken on record by the Board of Directors we report that none of the directors is disqualified as on March 31, 2006 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
5. In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2006;
 - b) in the case of the Profit & Loss Account of the profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement of the cash flows for the year ended on that date.

For Ray & Ray
Chartered Accountants

Anil V. Karnik
Partner
Membership No. 31005

Place : Mumbai
Date : June 30, 2006



**Tulip
Star
Hotels
Ltd.**

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in para 3 of the Auditors' Report to the members of Tulip Star Hotels Limited for the year ended 31st March, 2006 :

1. The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
2. We are informed that the fixed assets of the Company have been physically verified by the management during the year and that no material discrepancies were noticed on such verification.
3. During the year, the Company has disposed of some of its vehicles. However, this disposal does not adversely affect the going concern status of the Company.
4. As the Company has sold all its inventories, in the form of shares in a body corporate, during the year, comments pertaining to inventories are no longer applicable.
5. The following are the particulars of unsecured loans taken / granted by the Company from / to companies firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:

Details of loans taken:

No.	Party	Relationship	Amount(Rs.)	Year-End Balance (Rs.)
1	Liz Investments P. Ltd	Common Directors	8,00,000	8,00,000
2	Tulip Hospitality Services Ltd.	Common Directors	4,00,00,000	4,00,00,000
3	Tulip Hotels P. Ltd.	Common Directors	18,00,00,000	18,00,00,000

Details of loans granted:

No.	Party	Relationship	Amount(Rs.)	Year-End Balance (Rs.)
1	Cox & Kings (I) P. Ltd	Common Directors	8,95,00,000	8,95,00,000

In our opinion and according to the information and explanations given to us, the rates of interest on which the above loans have been taken (interest free) / granted are not prima facie prejudicial to the interests of the Company.

We are given to understand by the Company's management that these loans are repayable on demand. However, on the basis of materiality, we are of the opinion that the terms of repayment in respect of loan taken by the Company are prima facie not prejudicial to the interests of the Company.

According to the information and explanations given to us, as these loans are repayable on demand, the question of regularity in repayment thereof does not arise.

In respect of loans granted, the party to whom the loan has been granted has been regular in the payment of interest.

6. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and with regard to the sale of goods / services. Further, during the course of our audit, we have neither come across nor have we been informed of any instances indicative of major weaknesses in the aforesaid internal control procedures which would require corrective action.
7. On the basis of our examination of the books of account and according to the information and explanations provided by the management we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
8. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices of the relevant time.
9. The Company has not accepted any deposits from the public during the year under sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975. Further, during the course of our audit, we have neither come across nor have we been informed of any order passed under the aforesaid sections by the National Company Law Tribunal during the year.
10. In our opinion, the Company does not have an internal audit system.
11. In our opinion, clause VIII of paragraph 4 of the aforesaid Order pertaining to maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 is not applicable to the Company.
12. According to the books and records as produced before us and examined by us in accordance with generally accepted auditing practices in India and the management's representation, we are of the opinion that the Company is not regular in depositing, barring investor protection fund, with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax.

Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess are not applicable to the Company.

There are following unpaid statutory dues, which have remained outstanding as on 31.3.2006 for a period exceeding six months from the date they became payable.

Provident Fund	Rs. 3.80 Lacs
Employees' State Insurance	Rs. 0.20 Lacs
Tax Deducted At Source	Rs. 2.18 Lacs
Fringe Benefit Tax	Rs. 1.00 Lac

13. According to the records of the Company there are no dues of Income Tax which have not been deposited on account of any dispute except the following:

Nature of Disputed Dues	Amount (Rs. in Lacs)	Forum where dispute is pending
Income Tax Demands on completion of regular assessments for assessment years 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03 & 2003-04	436.17	Commissioner of Income Tax (Appeals), New Delhi (for Asst. Year(s) 2001-02, 2002-03 & 2003-04 and Income Tax Appellate Tribunal, New Delhi Bench (for Asst. Year(s) 1998-99, 1999-2000 & 2000-01
Interest Tax Demand on completion of regular assessment for assessment year 2000-01	0.51	Income Tax Appellate Tribunal, New Delhi Bench

14. The accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit report and in the immediately preceding financial year.
15. Based on our audit procedure and on the basis of the information and explanations given by the management, we are of the opinion that the Company has been regular in repayment of dues to bank.
16. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other similar securities.
17. We are given to understand that the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Society are not applicable to the Company.
18. In view of the nature of activities carried out by the Company during the year, in our opinion, the requirement of clause XIII of paragraph 4 of the aforesaid Order is not applicable to the Company.
19. According to the information and explanations given to us, the Company is not dealing or trading in Shares, Securities, Debentures and other Securities. We also report that the Company has held the Shares, Securities, Debentures and other Securities in its own name.
20. The Company has given the following guarantees to various banks for loans taken by Tulip Hospitality Services Ltd. The details of guarantees are as follows:

Name of the Bank	Amount of Guarantee given (Rs.)
Consortium of Banks	129,00,00,000 Plus interest
Canara Bank	4,40,00,000
ICICI Bank	12,40,000

According to the relevant records examined by us and on the basis of information and explanations given to us, as the terms and conditions of the guarantee given to consortium of banks amounting to Rs. 129 Cr. includes a clause that reserves to the consortium of banks the right to claim from the Company all sums due to them without having to first take recourse to the principal borrower, we are of the opinion that terms and conditions of the said guarantee are prejudicial to the interests of the Company.

21. According to the information and explanations given to us and on the basis of records examined by us no term loans were raised during the year. In respect of loan outstanding at the commencement of the year, we report that this has been fully repaid.
22. On the basis of review of utilization of funds on overall basis, the related information made available to us and as represented to us by the management, we are of the opinion that no funds raised on short term basis have been used for long term investments.
23. In our opinion and according to information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
24. Since the Company has not issued any debentures during the year, the question of creation of any security does not arise.
25. The Company has not raised any money by public issue during the year.
26. During the course of our examination of books of account carried out in accordance with generally accepted auditing practices we have neither come across any instance of fraud on or by the management nor have we been informed of such case by the management.

For **Ray & Ray**
Chartered Accountants

Anil V. Karnik
Partner

Membership No. 31005

Place : Mumbai
Date : June 30, 2006



BALANCE SHEET AS AT MARCH 31, 2006

**Tulip
Star
Hotels
Ltd.**

		SCHEDULE		As At 31.3.2005
SOURCES OF FUNDS		Rs.	Rs.	Rs.
Shareholders' Funds				
Share Capital	1	46,100,000		46,099,500
Reserves & Surplus	2	111,310,230		110,992,500
Loan Funds				
Secured Loans	3	–		27,117,171
Unsecured Loans	4	220,800,000		210,000,000
Deferred Tax Liability (Net)	5	1,615,783		1,490,664
		<u>379,826,013</u>		<u>395,699,835</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block - At Cost	6	2,394,284		5,221,497
Less : Depreciation		<u>1,924,864</u>		<u>4,189,293</u>
Net Block			469,420	1,032,204
Investments	7		250,708,000	232,708,000
Current Assets, Loans & Advances	8	148,475,422		177,576,294
Less : Current Liabilities & Provisions	9	<u>19,826,829</u>		<u>16,807,019</u>
			128,648,593	160,769,275
Profit & Loss Account Balance				1,190,356
(After adjusting Rs. 15,163,977 (P. Y. Rs. 15,474,207) against General Reserve)				
		<u>379,826,013</u>		<u>395,699,835</u>
Notes to Account				
	12			

For and on behalf of the Board

As per our Report of even date

Ray & Ray
Chartered Accountants

A. B. M. Good
Chairman
Place : Mumbai
Date : June 30, 2006

A. B. Kerkar
Managing Director

Sanjeev D. Shenvi
Company Secretary

Anil V. Karnik
Partner

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006



	SCHEDULE	Rs.	Rs.	Previous Year Rs.
INCOME				
Trading Profit on sale of Shares	10		584,500	-
Income From Hotel Operations			1,905,968	3,703,683
Interest (Gross) T.D.S Rs. 22,09,218/- (P.Y. Rs. 20,58,589/-)			9,845,000	9,845,000
Profit on sale of Assets			300,123	-
Dividend Income			56,500	35,000
Other Income			1,008,960	194,258
			<u>13,701,051</u>	<u>13,777,941</u>
EXPENDITURE				
Operating & Administrative Expenses	11		8,362,297	8,252,438
			<u>8,362,297</u>	<u>8,252,438</u>
Profit before Finance Cost, Depreciation, Extra Ordinary Items and Provision for Taxation			5,338,754	5,525,503
Finance Cost			3,125,142	5,972,422
Profit / (Loss) before Depreciation, Extra Ordinary Items and Provision for Taxation			2,213,612	(446,919)
Depreciation			187,907	302,036
Profit / (Loss) before Extra Ordinary Items and Provision for Taxation <i>Extra Ordinary Items</i>			2,025,705	(748,955)
Excess Provision for Finance Cost written back			-	32,880,517
Share Issue Expenses			-	1,369,440
Provision for Taxation				
<i>Current Tax</i>			200,000	2,425,000
<i>Fringe Benefit Tax</i>			200,000	
<i>Deferred Tax</i>			125,119	833,538
Profit after Extra Ordinary Items and Provision for Taxation			1,500,586	27,503,584
Less:- Profit & Loss Account Balance brought down from previous year			(16,664,563)	(44,168,147)
Profit and Loss Account Balance Carried Forward to Balance Sheet			<u>(15,163,977)</u>	<u>(16,664,563)</u>
Earning Per Share (Basic and Diluted)			0.33	5.97
Note 8 of Schedule 12				
Notes to Accounts	12			
The Schedules referred to form integral part of this Profit and Loss Account				

For and on behalf of the Board

As per our Report of even date

Ray & Ray
Chartered Accountants

A. B. M. Good
Chairman

A. B. Kerkar
Managing Director

Sanjeev D. Shenvi
Company Secretary

Anil V. Karnik
Partner

Place : Mumbai
Date : June 30, 2006



**Tulip
Star
Hotels
Ltd.**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2006**

SCHEDULE "1"

SHARE CAPITAL

Authorised

100,00,000 Equity Shares of Rs. 10/- each

Issued, Subscribed and Paid-up

46,10,000 (P. Y. 46,10,000) Equity Shares of Rs. 10/- each fully paid-up

Less : Allotment money in arrears

SCHEDULE "2"

RESERVES & SURPLUS

Share Premium

Balance as per Last Balance Sheet

Add : Amount due during the year on allotment

Less : Allotment money in arrears

General Reserve

Balance as per last Balance Sheet

Less :- Set off Against the Debit Balance in Profit & Loss Account

Total

SCHEDULE "3"

SECURED LOANS

From Banks - Corporate Term Loans

Interest Accrued and Due on Loans

Notes:-

Term Loan were secured by charge on the assets of the Company, third parties collateral and personal guarantee of a Director

	Rs.	Rs.	As At 31.3.2005 Rs.
		100,000,000	100,000,000
		46,100,000	46,100,000
		-	500
		46,100,000	46,099,500
	111,000,000		91,000,000
	-		20,000,000
	-		7,500
		111,000,000	110,992,500
	15,474,207		15,474,207
	15,163,977		15,474,207
		310,230	-
		111,310,230	110,992,500
		-	26,041,151
		-	1,076,020
		-	27,117,171

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2006**



As At
31.3.2005
Rs.

**SCHEDULE "4"
UNSECURED LOANS
From Corporate Bodies**

**SCHEDULE "5"
DEFERRED TAX LIABILITY (NET)**

Deferred Tax Liabilities and Assets are attributable to the following items

Liabilities

Depreciation

Less : Assets

Provision for Gratuity

	Rs.	Rs.
	220,800,000	210,000,000
	<u>220,800,000</u>	<u>210,000,000</u>
	1,992,851	1,822,571
	377,068	331,907
	<u>1,615,783</u>	<u>1,490,664</u>

SCHEDULE "6" - FIXED ASSETS

DESCRIPTION	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 1.4.2005 Rs.	Additions during the year Rs.	Adjustment during the year Rs.	Total Rs.	As at 1.4.2005 Rs.	For the year Rs.	Adjustment during the year Rs.	Total Rs.	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
Plant & Machinery	540,564	-	-	540,564	385,782	21,530	-	407,312	133,252	154,782
Office Equipments	456,372	-	-	456,372	264,952	26,627	-	291,579	164,793	191,420
Computer & Printer	467,689	-	-	467,689	447,370	8,128	-	455,498	12,191	20,319
Vehicles	3,756,872	-	2,827,213	929,659	3,091,189	131,622	2,452,336	770,475	159,184	665,683
Grand Total	5,221,497	-	2,827,213	2,394,284	4,189,293	187,907	2,452,336	1,924,864	469,420	1,032,204
Previous Year	5,221,497	-	-	5,221,497	3,887,257	302,036	-	4,189,293	1,032,204	-

As At
31.3.2005
Rs.

SCHEDULE "7"

INVESTMENTS - (AT COST)

Long Term, Trade Investments (Unquoted)

Tulip Hospitality Services Ltd.

A. 22,00,000 (P. Y. 22,00, 000) equity shares of Rs. 10/- each fully paid-up

Note: Shares are placed with the Escrow Agents - Refer to Note No. 3 of Schedule 12, Notes to accounts

B. 50,000 Redeemable Preference Shares

(P. Y. 50,000) of Rs. 100/- each fully paid up

Tulip Star Leisure & Health Resorts Ltd.

20,000 equity shares (P. Y. 20,000) of Rs. 10/- each fully paid up

Cox & Kings (India) Pvt. Ltd.

420,000 (P. Y. 60,000) equity shares of Rs. 10/- each fully paid up

The Saraswat Co-operative Bank Ltd.

2500 (P. Y. 2500) equity shares of Rs. 10/- each fully paid up

The Greater Bombay Co-operative Bank Ltd.

40 (P. Y. 40) shares of Rs. 25/- each fully paid up

	Rs.	
	219,982,000	219,982,000
	500,000	500,000
	200,000	200,000
	30,000,000	12,000,000
	25,000	25,000
	1,000	1,000
	<u>250,708,000</u>	<u>232,708,000</u>



**Tulip
Star
Hotels
Ltd.**

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2006**

As At
31.3.2005
Rs.

SCHEDULE "8"

CURRENT ASSETS, LOANS & ADVANCES

Current Assets:

Sundry Debtors
(Un-secured)
Debts outstanding for a period exceeding six months
-Considered Good
-Considered Doubtful
Less Provision for Doubtful Debts

Other Debts

Cash and Bank Balances
Cash and cheques on hand
With Scheduled Banks:-
(a) Current Account
(b) Dividend Account

Stock-in-trade

Loans and Advances :

(Un-secured and considered good)
Advances recoverable in cash or in kind or for
value to be received
Share Application Money
Due From Bodies Corporate
Including interest accrued Rs. Nil Lacs (P.Y. Rs. 213.25 Lacs)

Sundry Deposits
Taxes Paid (Net of provision for tax)

SCHEDULE "9"

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities:

Sundry Creditors
Unclaimed Dividend

	Rs.	Rs.	
	-		46,158
	2,516,592		2,516,592
	2,516,592		2,516,592
	-		46,158
	-		-
		-	46,158
	-		11,200
	47,351		424,628
	128,587		128,773
		175,938	564,601
		-	245,000
		175,938	855,759
	3,178,661		12,263,409
	27,292,000		27,391,000
	101,000,000		122,325,721
	104,316		169,816
	16,724,507		14,570,589
		148,299,484	176,720,535
		148,475,422	177,576,294
		19,699,552	16,679,742
		127,277	127,277
		19,826,829	16,807,019

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2006**



**Tulip
Star
Hotels
Ltd.**

SCHEDULE "10"

TRADING PROFIT ON SALE OF SHARES

	Rs.	Rs.
Sale Price		829,500
Add: Closing Stock		–
Less: Opening Stock		245,000
Less: Cost of Purchase		–
	584,500	–

Previous
Year
Rs.

SCHEDULE "11"

OPERATING AND ADMINISTRATIVE EXPENSES

Salaries, bonus, etc.	3,101,828	2,900,277
Contribution to Provident & Other Funds	368,871	352,927
Gratuity	115,000	143,325
Staff Welfare	111,592	49,454
Printing and Stationery	97,734	122,440
Travelling and Conveyance	372,638	168,951
Communication Expenses	304,519	335,866
Auditors' Remuneration		
Audit fees	56,120	55,100
Tax audit fees	22,040	22,400
Other Matters	44,080	43,500
	122,240	121,000
Professional Fees	721,626	725,975
Insurance	44,108	75,871
Directors Sitting Fees	28,000	36,000
Repairs & Maintenance - Others	–	36,397
Sundry Advances Written Off	164,500	–
Tender Fees	535,000	–
Sundry Expenses	2,274,641	3,183,955
	8,362,297	8,252,438



SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

SCHEDULE "12" NOTES TO ACCOUNTS

1. ACCOUNTING POLICIES :

Significant accounting policies adopted in the presentation of accounts are as under:

- (a) **Basis of Accounting :**
Accounts of the Company are prepared under the historical cost convention on an accrual concept in accordance with applicable accounting standards.
 - (b) **Income:**
In respect of income, including interest income on loans and advances, the Company accounts for such income on an accrual basis save and except the items of revenue in regard to which there exists significant uncertainty about the ultimate realisation thereof.
 - (c) **Expenses :**
Expenses are accounted on accrual basis.
 - (d) **Depreciation :**
The depreciation on owned assets is provided as per the provisions of Schedule XIV of the Companies Act, 1956, on written down value method.
 - (e) **Fixed Assets :**
Fixed Assets are stated at cost less depreciation.
 - (f) **Investments :**
Long term investments are stated at cost less any permanent diminution, in value, if any.
 - (g) **Inventories :**
Stock-in-trade is valued at cost or market value whichever is lower.
 - (h) **Foreign Currency Transactions :**
Transactions in foreign currencies are recognised at rates of exchange at the time at which transactions take place.
 - (i) **Retirement Benefits and Leave Encashment**
Contribution to Provident Fund is provided on accrual basis. Liability in respect of leave encashment, where applicable, and gratuity, is paid or provided at the end of each accounting year. Provision for gratuity is made on the method based on the assumption that such benefits are payable to all employees at the end of the accounting year, which is as per Accounting Standard 15.
 - (j) **Assets taken on lease**
In respect of lease transactions entered into by the Company, all of which are finance leases entered into prior to April 01, 2001, lease rents paid are charged to Profit & Loss Account in accordance with the terms of lease agreement, as permitted by Accounting Standard 19 - Leases, issued by The Institute of Chartered Accountants of India (ICAI).
 - (k) **Segment reporting**
The accounting policies of Segment reporting are in line with the accounting policies of the Company with the following additional policies :-
 - a) Inter-segment revenues have been accounted on the basis of prices charged to external customers.
 - b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the Segment. Expenditure, which relates to the enterprise as a whole and not allocable to Segments on a reasonable basis, has been included under "Unallocated Expenditure."
 - (l) **Taxes**
 - a) Current tax is determined in accordance with Income Tax Act, 1961.
 - b) Deferred tax is recognised for all the timing differences. Deferred tax assets are recognised when considered prudent.
 - (m) **Share Issue Expenses**
The expenses will be charged to Profit & Loss in a year in which the shares are issued.
 - (n) **Borrowing Costs**
Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.
 - (o) **Provision, Contingent Liabilities and Contingent Assets**
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.
2. The Saraswat Co-op. Bank Ltd., by its letter dated December 08, 2005 has demanded Rs. 978.44 lacs towards residual component of the loan. However, bank has not initiated any legal proceedings towards the claim as the bank is in possession of the Third Party Securities.
 3. The Company, as a confirming party to a Master Asset Purchase Agreement (MAPA) entered into between Tulip Hospitality Services Ltd. (THSL)-the owning Company of the Hotel Tulip Star Mumbai and Intending Purchaser, has placed its equity share holding in THSL with the Escrow Agents as security for the due performance by THSL of its obligations towards the Intending Purchaser under the MAPA.
 4. The Company holds a Long Term investment of Rs. 21,99,82,000 in the equity shares of Tulip Hospitality Services Limited, the owning company of the Hotel property, Tulip Star Hotel, Mumbai which has kept in abeyance business operations. However, in view of the fact that the hotel has potential to resume commercial operations and also in view of the fact that the Management of Tulip Hospitality Services Limited has conveyed its intention to put into implementation its business plan in respect of the said property, the Management of the Company is of the opinion that its investment in Tulip Hospitality Services Limited has not suffered permanent diminution and

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2006**



5. CONTINGENT LIABILITIES :

- a) No provision is considered in respect of income tax and interest tax demands aggregating to Rs. 585.43 lacs (Previous Year Rs. 193.56 lacs) for earlier assessment years under various stages of appeal. Out of the above, the Company has paid the demands to the extent of Rs. 149.26 lacs upto March 31, 2005 (Previous Year Rs 130.38 lacs).
- b) The Company has given guarantees to banks and a finance company for repayment of loans and all amounts payable thereon in consideration of loans aggregating to Rs. 13,352 lacs (Previous Year Rs. 13,352 lacs) disbursed/guaranteed by them to Tulip Hospitality Services Ltd., the erstwhile wholly owned subsidiary of the Company.
- c) The Company has given a counter guarantee of Rs. NIL lacs (Previous year Rs. 35 lacs) to a bank in consideration of the bank issuing guarantee to Metropolitan Magistrate to facilitate release of foreign currency and travellers cheques stolen from the Company's office premises.

6. RELATED PARTY DISCLOSURES :

- a) Related parties with whom transactions have taken place during the year.

Associates :

Cox & Kings (India) Pvt. Ltd.
Tulip Hotels Pvt. Ltd.
Tulip Hospitality Services Ltd.
Tulip Star Leisure & Health Resorts Ltd.

Key Management Personnel :

Mr. A. B. M. Good
Dr. A. B. Kerkar
Mr. Peter A. Kerkar
Mr. Mahendra Lodha
Mr. Arvind S. Herwadkar
Mr. Pesi S. Patel
Mr. Shailesh S. Mody

- b) Transactions with Related Parties

(Rupees)

	Associates	Key Management Personnel
Interest Income	98,45,000 (98,45,000)	
Dividend Income	42,000 (12,000)	
Hotel Consultancy Fees	19,05,968 (37,03,683)	
Director's Sitting Fees		28,000 (36,000)
Inter Corporate Deposits Outstanding as of March 31, 2006	8,95,00,000 (8,95,00,000)	
Advance received	44,61,801 (18,77,833)	
Advances paid	37,48,305 (93,01,647)	
Payments made by Company on behalf of Related Party	43,630 (2,23,06,425)	
Payments made by Related Party on behalf of Company	3,57,83,022 (20,98,28,575)	
Loans outstanding as on March 31, 2006	22,00,00,000 (21,00,00,000)	
Guarantees outstanding as of March 31, 2006	1,33,52,40,000 (1,33,52,40,000)	

- c) Disclosure required by clause 32 of the Listing Agreement

Amount of loans/advances in nature of loans outstanding from an Associate Company during financial year 2005-06

Name of the Company	O/s as of March 31, 2006 Rs.	Maximum amount o/s during the year Rs.	Investment in shares of the Company Rs.	Investment in Shares of subsidiaries of the Company Rs
Cox & Kings (India) Pvt. Ltd.	8,95,00,000	8,95,00,000	3,00,00,000	-

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2006**

hence no provision in diminution in the value of the investment is considered necessary.

7. SEGMENT DISCLOSURE

PARTICULARS	For the year ended 31-03-2006	(Rupees in Lacs) For the year ended 31-03-2005
1. Segmental Revenue		
A. Finance	109	101
B. Hotel Management	28	37
Total	137	138
Less : Inter Segment Revenue	-	-
Net Income from Operations	137	138
2. Segment Profits		
A. Finance	61	62
B. Hotel Management	8	8
Total	69	70
Less :		
1. Interest	31	60
2. Other unallocable expenditure (net of unallocable income)	18	31
Total Profit Before Tax	20	(21)
3. Capital Employed		
A. Finance	467	642
B. Hotel Management	3,477	3,469
Total	3,944	4,111

8. EARNING PER SHARE

- a) The amount used as the numerator in calculating basic and diluted earning per share is the Net Profit disclosed in the Profit and Loss Account.
- b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 46,10,000 (previous year 46,10,000)

9. There are no small scale industrial undertakings to whom the Company owed a sum exceeding Rs. 1 lac each for more than thirty days as on March 31, 2006.

10. QUANTITATIVE DETAILS

Additional information pursuant to the provisions of Part II of Schedule VI of the Companies Act, 1956 to the extent applicable is furnished below :

Trading Goods :

Description	Unit	OPENING STOCK		PURCHASES		SALES		CLOSING STOCK	
		Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
Shares	Nos.	14,000	2,45,000	Nil	Nil	14,000	8,29,500	Nil	Nil
Shares	Nos.	14,000	2,45,000	Nil	Nil	Nil	Nil	14,000	2,45,000

☐ – Current Year ☐ – Previous Year

11. Previous year's figures have been regrouped / reclassified wherever necessary.
12. Balance confirmations have not been obtained in respect of year end balances of Sundry Creditors, Sundry Debtors and Loans and Advances due to / by the Company (excluding group and associate companies).

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED MARCH 31, 2006**



13. Balance Sheet Abstract and Company's General Business Profile

I. Registration Details :		
Registration No.		29184
State Code		055
Balance Sheet Date		31.03.2006
II. Capital Raised During the Period : (Amount in Rs. Thousands)		
Public Issue		Nil
Rights Issue		Nil
Bonus Issue		Nil
Private Placement		Nil
III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)		
Total Liabilities		379,826
Total Assets		379,826
Sources of Funds :		
Paid - up Capital		46,100
Reserves & Surplus		111,310
Unsecured Loans		220,800
Deferred Tax Liability		1,616
Application of Funds :		
Net Fixed Assets		469
Investments		2,50,708
Net Current Assets		1,28,649
Accumulated Losses (after adjusting against General Reserve)		Nil
IV. Performance of Company : (Amount in Rs. Thousands)		
Turnover (Including Other Income)		13,701
Total Expenditure		11,676
Profit Before Tax		2,025
Profit After Tax		1,500
Earning Per Share in Rs.		0.33
Dividend Rate %		-
V. Generic Names of Three Principal Products of Company : (as per monetary terms)		
Item Code No. (ITC Code)		N. A.
Product Description		N. A.

For and on behalf of the Board

As per our Report of even date

Ray & Ray
Chartered Accountants

A. B. M. Good
Chairman

A. B. Kerkar
Managing Director

Sanjeev D. Shenvi
Company Secretary

Anil V. Karnik
Partner

Place : Mumbai
Date : June 30, 2006



**Tulip
Star
Hotels
Ltd.**

CASH FLOW STATEMENT

	31.03.2006 (Rs. in lacs)	31.03.2005 (Rs. in lacs)
A. CASH FLOW FROM OPERATIONAL ACTIVITIES		
Net Profit / (Loss) before Tax	20.25	307.62
Adjustments for		
Depreciation	1.87	3.02
Interest paid	31.25	59.72
Excess provision for Finance Cost written back	-	(328.80)
Share Issue Expenses		13.69
Profit on Sale of Assets	(3.00)	-
Operating (Loss)/Profit before working capital changes	50.37	55.25
Adjustments for		
Trade and other receivables	305.21	438.33
Inventories	2.45	-
Trade Payables	38.20	(393.00)
Cash used in Operations	396.23	100.58
B. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Fixed Assets		
Investments	(180.00)	-
Share Application Money	1.00	-
Sale Proceeds of Fixed Assets	6.75	-
Share Issue Expenses	-	13.69
Income Tax paid	(25.53)	(42.58)
Net Cash Inflow / (Outflow) from Investing Activities	(197.78)	(56.27)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from issue of Fresh Capital	-	300.00
Allotment money received	0.08	-
Secured Loans	(260.41)	(2,233.17)
Unsecured Loans	100.00	2100.00
Interest Paid	(42.01)	(207.57)
Dividend paid inclusive of tax on dividend	-	-
Net Cash Flow (used in) / from Financing Activities	(202.34)	(40.74)
Net (decrease)/increase in Cash and Cash Equivalents	(3.89)	3.57
Cash and Cash Equivalents at the beginning of the year	5.64	2.07
Cash and Cash Equivalents at the end of the year	1.75	5.64

For and on behalf of the Board

As per our Report of even date

A. B. M. Good
Chairman

A. B. Kerkar
Managing Director

Sanjeev D. Shenvi
Company Secretary

Ray & Ray
Chartered Accountants
Anil V. Karnik
Partner

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NINETEENTH ANNUAL REPORT 2005-2006

If undelivered, please return to :

Tulip Star Hotels Limited

Secretarial & Finance Dept : The Tulip Star, Juhu-Tara Road, Juhu Beach, Mumbai - 400 049.