

FOMENTO RESORTS AND HOTELS LTD.

31ST ANNUAL REPORT

2001
2002



Fomento Resorts and Hotels Limited

FOMENTO RESORTS AND HOTELS LIMITED

BOARD OF DIRECTORS

MRS. ANJU TIMBLO, *Managing Director*
MR. AUDUTH TIMBLO
MR. K. K. PAI
MR. RAVINDER NARAIN
MR. V. P. RAIKAR
MRS. SHEELA GAUNEKAR
MR. PRASHANT TIMBLO
MR. SHARDUL THACKER
MR. P.G. KAKODKAR

SECRETARY

MR. I. B. MUCHANDI

AUDITORS

H. K. APARANJI
Chartered Accountants

BANKERS

THE UNITED WESTERN BANK LTD.

REGISTERED OFFICE

CIDADE DE GOA
VAINGUINIM BEACH,
GOA - 403 004.

Thirty First Annual Report 2001-2002**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF FOMENTO RESORTS & HOTELS LTD. WILL BE HELD ON MONDAY 30TH SEPTEMBER, 2002, AT 04.00 P.M. AT THE CONFERENCE HALL, CIDADE DE GOA, VAINGUINIM BEACH, GOA 403004, TO TRANSACT THE FOLLOWING BUSINESS.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 and the Profit & Loss Account for the financial year ended 31st March, 2002 together with the Directors Report and the Auditors Report thereon.
2. To appoint a Director in place of Mr. Auduth Timblo, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Shardul Thacker, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. P.G. Kakodkar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

NOTES:

- A. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER.
- B. Proxies in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- C. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company Secretary at least seven days before the date of the meeting, so that the information required by the members may be made available at the time of meeting.
- D. Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report and handover the same at the entrance of the hall, duly signed.
- E. In pursuance to Section 154 of the Companies Act, 1956 the Register of Members and share transfer books of the company shall remain closed from 16th Sept'02 to 30th Sept'02 (both days inclusive) for the purpose of Annual General Meeting.

By order of the Board of Directors

Sd/-

I.B. MUCHANDI
Company Secretary

Place : Vainguinim Beach, Goa.
Date : 24th August, 2002

Fomento Resorts and Hotels Limited**Details of the Directors seeking appointment / reappointment in Annual General Meeting fixed for 30th September, 2002**

Name of Director	Mr. Auduth Timblo	Mr. Shardul Thacker	Mr. P.G. Kakodkar
Date of Birth	01.03.1949	17.11.1947	10.03.1937
Date of Appointment	20.07.1976	30.09.1999	19.03.2001
Expertise in specific functional areas	Industrialist	Corporate Law	Banking & Finance
Qualification	B.E., LL.B.	B.Com, L.L.B.	M.A.
List of outside Directorship held	1. Sociedade de Fomento Ind. Pvt. Ltd. 2. Fomento Barges Pvt. Ltd. 3. Fomento Eng. & Const. Pvt. Ltd. 4. Fomar Pvt. Ltd. 5. Shelvona Riverside Rail Terminal Ltd. *	1. Fuji Bank Ltd. 2. KWH Helioplastics (India) Ltd. 3. Nav Bharat Refg. & Industries Ltd. 4. Ruby Mills Ltd. 5. RPG Enterprises Ltd. 6. Victoria Capital Ventures Ltd. 7. South East Asia Marine Eng. & Const. Ltd.	1. Goa Carbon Ltd. 2. Uttam Steel Ltd. 3. Financial Technologies (India) Ltd. 4. Mastek Ltd. 5. Aptech Ltd. 6. Sovika Infotech Ltd. 7. Kale Consultants Ltd. 8. Finolex Technologies Ltd. 9. Sesa Goa Ltd. 10. Centrum Finance Ltd.
Chairman/Member of the committees of the Board of Directors of the Company.	Member – ● Audit Committee	Member – ● Remuneration Committee	—
Chairman/Member of the Committees of Director of Other Companies in which he is a Director			
a) Audit Committee	—	Member - South East Asia Marine Eng. & Const. Ltd.	Chairman- Sesa Goa Ltd.
b) Shareholders Committee	—	Member - South East Asia Marine Eng. & Const. Ltd.	—
c) Remuneration Committee	—	—	—
d) Compensation Committee	—	—	—

Thirty First Annual Report 2001-2002**DIRECTORS REPORT**

To The Members,

Your Directors have pleasure in presenting the Thirty First Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS :

	For the year ended 31/03/02 Rs.in Lacs	For the year ended 31/03/01 Rs.in Lacs
Income	1607.10	2172.05
Operating Expenses	1634.46	1712.37
Gross Operating Profit	(27.36)	459.68
Less Interest	(114.57)	128.18
Depreciation	(172.61)	164.89
Prior Period charges	(4.75)	15.50
Profit / (Loss) before tax	(319.29)	151.11
Less provision for tax	—	15.60
Deferred tax (net)	(47.15)	-
Profit / (Loss) after tax	(366.44)	135.51
Add Surplus (+) / Deficit (-) brought forward from the previous year.	—	18.49
Surplus deficit carried to Balance Sheet	(366.44)	154.00

2. OPERATIONS

Company's turnover during the year has come down to Rs.16 crores from that of Rs.22 crores of earlier year.

The 11th September – World Trade Centre destruction, the subsequent December 13th attack on the Indian Parliament and the continued tension on the Indo – Pak line of Control, had a devastating effect on tourism in general. Charter flights from U.K. have come down from 14 per week to 7 per week. From Europe, weekly charter flights in the normal course were 20 and that has been reduced to 10.

This has resulted into increased competition and reduction in the prices even for the domestic market.

3. MARKET SENARIO

At the beginning of the current financial year, tourism received a jolt due to Indo-Pak border tensions and threats of war, which resulted in several Countries issuing Travel Advisories warning their Nationals from travelling to India. Presently, with the easing of tension the adverse Travel Advisories have been withdrawn.

Immediately on lifting of the Travel Advisories, we initiated attractive early booking offers with the various British tour operators and bookings should pick-up in the near future.

Three more Five Star Deluxe Hotels with room capacity of 660 will become operational in Goa when

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the market is already saturated. Company is taking more pro-active and aggressive steps to maintain its market share.

Government of Goa, recognising the importance of Tourism, has been supportive. The reduction in Luxury Tax, electricity tariffs & improvement in the infrastructure announced by the Chief Minister augers well for the Industry. The Department of Tourism in conjunction with the trade have been holding road shows in various metros and participating in Travel Marts in major Domestic and Foreign markets, promoting Goa as a destination, which will help in increasing our tourist flow.

4. APPRECIATION FOR BANKS

The Company would like to express its appreciation for the support and assistance rendered during the year by the Banks namely:-

1. The United Western Bank Ltd.
2. State Bank of India.
3. The Saraswat Co-operative Bank Ltd.
4. HDFC Bank Ltd.

5. FOREIGN EXCHANGE EARNINGS AND OUT GO

As required under Section 217 (1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosures of particulars in the report of Board of Directors) Rules 1988, the information relating to foreign exchange earnings and out go is given in the Notes to the Profit & Loss Account and Balance Sheet.

6. DIRECTORS

Mr. Auduth Timblo, Mr. Shardul Thacker and Mr. P.G. Kakodkar, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for appointment.

7. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to directors responsibility statement, it is hereby confirmed:

- a. That in the preparation of the annual accounts for the financial year ended March 31, 2002, the applicable Accounting Standards have been followed alongwith proper explanation relating to materials departures;
- b. That the directors had selected such accounting policies and applied them consistently and made judgements and estimates were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the Profit and Loss account of the company for the year under review;
- c. That the directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. That the directors had prepared the accounts for the financial year ended March 31, 2002 on a "Going Concern" basis.

8. CORPORATE GOVERNANCE

A report on Corporate Governance alongwith Auditors Report on its compliance is annexed forming part of the Annual Report.

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9. AUDITORS

Auditors of the company, M/s. H.K. Aparanji retire and being eligible offer themselves for re-appointment.

10. PARTICULARS OF EMPLOYEES

None of the employees are covered by the provisions contained under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

11. EMPLOYEES

Your Directors are pleased to record their appreciation of the devotion and sense of commitment shown by most of the employees in the organisation.

12. ACKNOWLEDGEMENT

Board of Directors gratefully acknowledge the support and goodwill extended by Government of Goa, Central Government, Commercial Banks, Tour Operators, Travel Agents, Valued Guests and esteemed Shareholders.

For and on behalf of the Board of Directors

Sd/-

ANJUTIMBLO
MANAGING DIRECTOR

Place : Vainguinim Beach, Goa.

Date : 24th August, 2002



Fomento Resorts and Hotels Limited**REPORT ON CORPORATE GOVERNANCE****CORPORATE GOVERNANCE**

Corporate Governance is concerned with creation of long-term value for shareholders whilst also balancing interests of other stakeholders, viz., Employees, Creditors, Government and the Society at large. Corporate Governance is crucial to the very existence of a company as it builds confidence and trust, which eventually leads to a more stable and sustained resource flows and long-term partnership with its investors and other stakeholders.

The corporate governance framework will thus encourage efficient use of resources and ensures accountability for the stewardship of these resources. Its importance lies in the contribution it makes to the overall growth and direction of the business, management accountability and transparency and above all, equitable treatment to its stakeholders.

In sum, corporate governance reinforces the concept of "Your Company" and emphasises that the Chairman and Board of Directors are your fiduciaries and trustees, engaged in pushing the business forward and maximising value for you, the shareholders.

CORPORATE GOVERNANCE AT FOMENTO

Fomento Resorts & Hotels Limited, believes in adopting the best corporate governance practices and protecting rights and interests of stakeholders. We further believe that the shareholders have the right to know complete information from the Board of Directors and the management, their interests in the organisation as well as governance practices followed by them.

Towards this end, Company is making extensive disclosures on the Company and its Board of Directors as per recommendations of the SEBI Committee on Corporate Governance since 2001-02.

Compliance with the SEBI Code on Corporate Governance.

The recommendations on Corporate Governance have been accepted by the Securities and Exchange Board of India (SEBI) in December 1999 and have since formed part of Clause 49 of the Listing Agreement with Stock Exchanges. They are mandatory for the company from 2001-02 onwards and your company is fully compliant with these recommendations, as detailed in this report.

1. The Board should have an optimum combinations of Executive and Non-executive Directors and at least 50% of the Board should comprise of Non-executive Directors, at least one-third of the Board should comprise of independent Directors where Chairman is Non-Executive and at least half of the Board should be independent in case of an Executive Chairman.

Company's Board consists of 9 directors comprising of 8 Non-Executive and Independent Directors and 1 Managing Director.

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Directors	Executive/Non-Executive/ Independent	No. of Outside Directorship(s) held		No. of Outside Committee Positions Held	
		Public	Private	Member	Chairman
Mrs. Anju Timblo	Managing Director	1	-		
Mr. Auduth Timblo	Director	1	4		
Mr. Prashant Timblo	Director	-	7		
Mr. Ravinder Narain	Director	9	2		
Mr. Shardul Thacker	Director	7	-	2	
Mrs. Sheela Gaunekar	Director	-	1		
Mr. V.P. Raikar	Director	-	6		
Mr. P.G. Kakodkar	Director	10	-		1
Mr. K.K. Pai	Director	7	5		

2. The Board should set up a committee under the chairmanship of a Non-Executive / Independent Director to specifically look into shareholder issues including share transfer and redressing of shareholder complaints.

The Company has a "Shareholders Grievance Committee" at the Board level to look into various issues relating to Investors Grievances including non-receipt of annual report, shares after transfer as well as delays in transfer of shares etc.

The composition of Committee is as follows:

- Mr. K.K. Pai, Chairman
- Mrs. Sheela Gaunekar, Member
- Mr. I.B. Muchandi, Secretary to the Committee

3. To expedite the process of share transfers, the Board should delegate the power of share transfer to an Officer or a committee or to the registrar and share transfer agents. The delegated authority should attend to share transfer formalities at least once in a fortnight.

The board has designated Mr. I.B. Muchandi, Company Secretary, as Compliance Officer.

4. The Corporate Governance Section of the Annual Report should make disclosures on remuneration paid to directors in all forms including salary, benefits, bonuses, stock options, pension and other fixed as well as performance linked incentives paid to the Directors.

Details of remuneration paid to the Non-Executive and Independent Directors are given in Para 5 of this section. Company has a policy of not advancing any loans to its Non-Executive and Independent Directors.

5. The Board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings and all information recommended by the SEBI Committee should be placed at the Board.

The Board met 5 times during the past year and agenda papers were circulated well in advance of each meeting of the Board of Directors. The Company placed before the Board, statements containing

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status of various matters pursuant to Corporate Governance practices, as required by Clause 49 of the Stock Exchange Listing Agreement.

Date of Board Meeting	City	No. of Directors Present
30 th April, 2001	Dona Paula	5
28 th July, 2001	Dona Paula	4
27 th October, 2001	Dona Paula	6
31 st January, 2002	Dona Paula	5
26 th March, 2002	Dona Paula	5

Directors interests in the Company and Attendance Record

Fomento believes that the shareholders must know the details of Directors' interest in the Company, their attendance record and contributions made by them. Your company has therefore decided to make full disclosure on the attendance record as well as of all Directors on the Board.

A. Non-Executive Directors.

	Relationship with other Directors	Sitting Fees Paid	No. of Board Meetings		Attended Last AGM
		(Rs.)	Held	Attended	
Mr. Auduth Timblo	Husband of Mrs. Anju Timblo. Brother of Mr. Prashant Timblo Brother-in-law of Mr. Ravinder Narain	8000	5	5	Yes
Mr. V.P. Raikar		8000	5	5	Yes
Mr. K.K. Pai		2000	5	1	No
Mrs. Sheela Gaunekar		7000	5	4	No
Mr. Shardul Thacker		5000	5	3	Yes
Mr. P.G. Kakodkar		5000	5	3	Yes
Mr. Prashant Timblo	Brother of Mr. Auduth Timblo Brother-in-law of Mrs. Anju Timblo	—	5	—	No
Mr. Ravinder Narain	Brother of Mrs. Anju Timblo Brother-in-law of Mr. Auduth Timblo	—	5	—	No

Note : The Company has a policy of not offering any loans and advances to its Non-Executive / Independent Directors and hence is not highlighted separately.