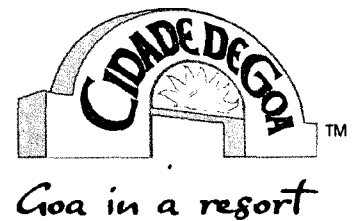


36th Annual Report 2006 - 2007

FOMENTO RESORTS AND HOTELS LTD



Fomento Resorts and Hotels Limited

FOMENTO RESORTS AND HOTELS LTD.

BOARD OF DIRECTORS

MRS. ANJU TIMBLO, *Managing Director*

MR. AUDUTH TIMBLO

MR. K.K. PAI

MR. RAVINDER NARAIN

MR. V.P. RAIKAR

MR. SHARDUL THACKER

MR. P.G. KAKODKAR

MR. JAMSHED DELVADAVALA

MR. NASSER MUNJEE (resigned w.e.f 27th March, 2007)

COMPANY SECRETARY

MR. I.B. MUCHANDI

FINANCIAL CONTROLLER

MR. RAMESH MOORTHY

AUDITORS

H.K. APARANJI

Chartered Accountants

BANKERS

IDBI Bank

State Bank of India

REGISTERED OFFICE

CIDADE DE GOA

VAINGUINIM BEACH,

GOA - 403 004

*Thirty Sixth Annual Report 2006-2007***NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirty Sixth Annual General Meeting of the Members of FOMENTO RESORTS AND HOTELS LIMITED will be held on Friday the 28th day of September 2007 at 4.00 p.m., at Cidade de Goa, Vainguinim Beach, Goa-403004, to transact the following business:

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2007 and the Profit and Loss Account for the financial year ended 31st March, 2007 together with the Directors Report and the Auditors Report thereon.
2. To Declare dividend for the year ended 31.03.2007
3. To appoint a Director in place of Mr. Auduth Timblo who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ravinder Narain who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Shardul Thacker who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not later than 48 hours before commencement of the Meeting.
2. 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.
3. Members are requested to bring their Attendance Slip attached to the Annual Report and handover the same at the entrance of the hall, duly signed.
4. 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 September, 2007 to 30th September, 2007(both days inclusive) for the purpose of Annual General Meeting.

By order of the Board of Directors

I.B.Muchandi
Company Secretary

Place : Vainguinim Beach, Goa.

Date : 24th August 2007

Fomento Resorts and Hotels Limited**Details of the Directors seeking appointment / reappointment in Annual General Meeting (Pursuant to Clause 49(IV) (G) of the Listing Agreement)**

1. **Name of the Director** : **Mr. Auduth Timblo**
Date of Birth : 01.03.1949
Date of Appointment : 20.07.1976
Qualification : B.E., L.L.B
Expertise : Industrialist
Directorship as on 31st March, 2007 : Mormugao Maritima Limited,
Shelvona Riverside Railway
Terminals Ltd., FOMAR Pvt. Ltd.,
Sociedade de Fomento Industrial Pvt. Ltd.,
Fomento Barges Pvt. Ltd.,
Fomento Engineering & Construction Pvt. Ltd.,

Chairman / Member of the Audit Committee as on 31st March, 2007 : Nil

Chairman / Member of the Shareholders /Investors Grievance Committee as on 31st March, 2007 : Nil

Chairman / Member of the Remuneration Committee as on 31st March 2007 : Nil

Share Holding in the Company : 21,12,139
2. **Name of the Director** : **Mr. Ravinder Narain**
Date of Birth : 15.05.1937
Date of Appointment : 07.09.1981
Qualification : B.Sc., L.L.B
Expertise : Law
Directorship as on 31st March, 2007 : Nestle India Ltd., DLF Ltd.,
Shree Rajasthan Syntex Limited,
Amber Tours Pvt. Ltd.,

Chairman / Member of the Audit Committee as on 31st March, 2007 : Nil

Chairman / Member of the Shareholder's/ Investor's Grievance Committee as on 31st March, 2007 : Nil

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**Chairman / Member of the
Remuneration Committee as on
31st March 2007** : Nil

Share Holding in the Company : Nil

3. **Name of the Director** : **Mr. Shardul Thacker**
Date of Birth : 17.11.1947
Date of Appointment : 30.09.1999
Qualification : B.Com., L.L.B
Expertise : Law
Directorship as on 31st March, 2007 : Ruby Mills Ltd., RPG Enterprises Ltd.,
South East Asia Marine Engineering &
Construction Ltd.,
Northern Marine Management (I) Pvt. Ltd.,

**Chairman / Member of the Audit
Committee as on 31st March,2007** : South East Asia Marine Engineering &
Construction Limited- Member

**Chairman / Member of the
Shareholder's/ Investor's
Grievance and Transfer Committee
as on 31st March, 2007** : South East Asia Marine Engineering &
Construction Limited- Chairman

**Chairman / Member of the
Remuneration Committee as on
31st March 2007** : Nil

**Chairman/Member of the Asset Sale : Ruby Mills Limited- Member
Committee as on 31st March 2007**

Share Holding in the Company : Nil

*Fomento Resorts and Hotels Limited***DIRECTORS' REPORT**

Dear Shareholders,

Your Directors are pleased to present the Thirty Sixth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2007.

1. FINANCIAL RESULTS

	For the year ended 31/03/07	For the year ended 31/03/06
	Rs. In Lacs	Rs. In Lacs
Income	4128	3137
Operating Expenses	2458	2405
Gross Operating Profit	1670	732
Less :		
Interest	14	26
Depreciation	245	219
Profit before tax	1411	487
Less : Provision for tax		
Current	446	199
Deferred (net)	43	163
Profit / (Loss) after tax	922	125
Add Surplus / (Deficit) brought forward From the previous year.	452	613
Profit available for appropriation	1374	738
Appropriations		
a) General Reserve	92	12
b) Dividend	240	240
c) Tax on Dividend	41	34
d) Balance Carried to Balance Sheet	1001	452
	1374	738

During the Financial year under review, the Company's total revenue was Rs.4128 lakhs which represents increase of 32% compared to the previous year Rs. 3137 lakhs. The operating profit for the year is Rs.1670 lakhs as against Rs. 732 lakhs previous year.

*Thirty Sixth Annual Report 2006-2007***OUTLOOK**

The outlook for 2007-08 is positive. The demand for hotel rooms continues to be encouraging. Barring unforeseen circumstances, Company looks at the current year with confidence.

2. DIVIDEND

Your Directors are pleased to recommend a dividend of 15% which is Rs. 1.5 per equity share of the face value of Rs. 10/- each.

3. 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 outgo is given in the Notes to the Profit and Loss Account and Balance Sheet.

4. TECHNOLOGY ABSORPTION

The Company being in the hospitality industry, its activities do not involve any technology absorption or expenditure on research and development.

5. CONSERVATION OF ENERGY

Directors would like to assure you that every measure is taken to save and conserve energy at all stages of operation which includes regular review of energy generation, consumption and effective control of utilization.

6. 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.

7. DIRECTORS

Mr. Auduth Timblo, Mr. Shardul Thacker and Mr. Ravinder Narain, Directors retire by rotation and being eligible, offer themselves for reappointment at the ensuring Annual General Meeting.

Mr. Nasser Munjee resigned from the office of the Director of the company with effect from March 27, 2007. The Board records its appreciation for the valuable contribution made by him during his tenure as a Director of the Company.

8. DIRECTOR'S RESPONSIBILITY STATEMENT

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

- a. In the preparation of the annual accounts the applicable accounting standards had been followed along with proper explanations relating to material departure;

Fomento Resorts and Hotels Limited

- b. The Directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profit of the Company for the year ended 31st March, 2007;
- c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. The Directors had prepared the annual accounts on a going concern basis.

9. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with Stock Exchanges a report on Corporate Governance along with Auditors Certificate on its compliance is annexed forming part of the Annual Report.

10. AUDITORS

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

11. 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. State Bank of India | 2. HDFC Bank Ltd., |
| 2. ICICI Bank Ltd., | 3. IDBI bank Ltd., |

12. EMPLOYEES

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

13. 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/-

Place : Vanguinim Beach, Goa.

Date : 24th August 2007

ANJU TIMBLO
MANAGING DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS

With the boost in Indian Economy, there has been an increase in travel. Many more people have disposable income to travel for holidays. Holidays are a great impetus to performance of individuals. Today's traveler is discerning and is looking for better facilities, services with more exposure to the hospitality industry. All investments need to be of better quality and sustainable with more qualitative demand in the highend hospitality sector. Hospitality is becoming an international product.

The threat to the industry can be as a result of delay in planning and execution of what is required for the industry to take the opportunity and face the threats. Tourism business being fragile, any turbulence requires security and safety for visitors and investors. The only strategy that will work is political will to promote tourism and hospitality with training, education and citizen's support.

All businesses have risks which need to be known and prepared against.

Here the Government can be supportive by ensuring safety and security in the state for investors to plan well taking into account all factors. The growing concern is indiscriminate construction in tourism industry. This requires regulation and certain qualifications to ensure that all participants meet their requirements of a category of hotel to safeguard the visitor, employees, local residents and the investments made – in respect of environment, pollution, safety norms, etc.

Manpower and human resource development

Another concern is the important requirement of skilled work force to help keep the standards of service. We require more investment and effort in special schools and programs to train persons for all levels of responsibilities.

Goa must not take growth of tourism for granted but rather plan and work towards bettering and sustaining the hospitality industry.

Today tourism with hotels, transport (buses, cars, taxis, motor cycles etc.) travel agencies, tour operators, restaurants, shops, crafts, has become a major earner for Goa and employs major work force. It also attracts people from all over the country, as the opportunities for growth are many for the work force.

The industrial relations in this sector are generally peaceful but there is a very high turnover as there are constant attacks from local hotels on each other to take skilled labour. There is also a continuous exodus of skilled people to Cruise liners, Middle East and other parts of the world.

There is an urgent need to emphasize on continuous training and more schools for graduating a work force to meet the needs of the industry.

We have setup an Academy of Culinary Education to graduate Chefs every year. 20 Chefs are placed every year by Academy of Culinary Education in top hotels and institutions in India and Internationally.

Fomento Resorts and Hotels Limited

Until the whole setup of tourism is not up-marketed and not just the hotels, there will be the exodus of people as the industry will not be able to compete to retain the English speaking work force of India in demand elsewhere.

Outlook

The outlook for 2007-08 is positive. The demand for hotel rooms continues to be encouraging. Barring unforeseen circumstances, the Company looks at the current year with confidence. We intent to participate further in this growth by expanding our facilities and room base in the near future, with the focus being the guest and his needs.

Internal Control System and their adequacy

Internal control systems are adequate. Their effectiveness is periodically monitored by the Internal Audit function. Wherever required, control systems are reviewed to adapt the changing environment. The Audit Committee reviews this process.

Development in Human Resources and Industrial Relations

Industrial relations remained cordial during the Financial Year. The Company is particularly fortunate in having created a team of dedicated employees who share a commitment and vision to continue to provide service of the high quality. This has helped the Company to develop competitive edge.

Foreign Exchange fluctuation risks

Your Company has a significant exposure to currency fluctuations with a large portion of its revenue denominated in foreign currency, particularly the US Dollar. Appreciation of the Indian Rupee against foreign currencies has to some extent affect realization. On the other hand the domestic tourism is growing with the economy and raising our revenues in rupees.

Your company also has a portfolio of a small foreign currency debt, in respect of which it faces exposure to fluctuations in currency as well as interest rate risks.

Competition

To successfully counter the risk from growing competition and new properties, your Company is continuously renovating and repositioning its property to remain contemporary.

Product Maintenance

Keeping in time with its ongoing program in refurbishment of its property, Company has completed refurbishment of 100 rooms and guest related areas including restaurants, meeting rooms and public area.

Guest Experience

Company continues to take significant steps to enhance guest experience by improving the product and service levels to be in line with the best in class hotels.