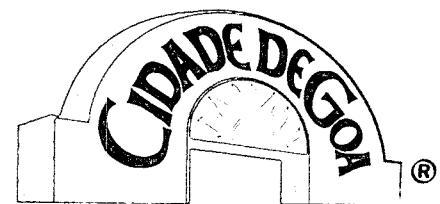


FOMENTO RESORTS AND HOTELS LTD.

38th Annual Report 2008 - 2009



Goa in a resort

Fomento Resorts and Hotels Limited

FOMENTO RESORTS AND HOTELS LTD.

BOARD OF DIRECTORS

MRS. ANJU TIMBLO, Managing Director
MR. AUDUTH TIMBLO
MR. V.P. RAIKAR
MR. SHARDUL THACKER
MR. P.G. KAKODKAR
MR. JAMSHED DELVADAVALA
MR. RAGHUNANDAN MALUSTE
MR. REYAZ RATAN MAMA
MR. RAVINDER NARAIN (Resigned-w.e.f. 28.02.09)
MR. K. K. PAI (Deceased on 14.01.09)

COMPANY SECRETARY

I.B. MUCHANDI

AUDITORS

H.K. APARANJI
Chartered Accountants

BANKERS

I D B I Bank
HDFC Bank
State Bank of India
I C I C I Bank

REGISTERED OFFICE

CIDADE DE GOA
VAINGUINIM BEACH,
GOA - 403 004

*Thirty Eight Annual Report 2008-2009***NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Members of FOMENTO RESORTS AND HOTELS LIMITED will be held on Tuesday 29th day of September 2009 at 4.00 p.m., at Grande Sala, 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, 2009 and the Profit and Loss Account for the financial year ended 31st March, 2009 together with the Directors Report and the Auditors Report thereon.
2. To Declare dividend for the year ended 31.03.2009
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. Shardul Thacker who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Jamshed Delvadavala 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, 09 to 30th September, 09 (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 : 17th August, 2009

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)

Name of Director	Mr. Shardul Thacker	Mr. Jamshed Delvadavala	Mr. Auduth Timblo
Date of Birth Date of Appointment Expertise in specific functional areas	17.11.1947 30.09.1999 Corporate Law	08.02.1948 11.03.2006 Wide experience in the field of Accountancy, Audit, Management	01.03.1948 20.07.1976 Industrialist.
Qualification	B.Com, L.L.B.	B.Com., F.C.A.	B.E. L.L.B.
List of outside Directorship held	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. Premium Financial Services Ltd. 2. Varnilam Investments & Trading Company Ltd. 3. Subham Viniyog Pvt. Ltd. 4. Atlas Copco India Ltd.	1. Sociedade de Fomento Ind. Pvt. Ltd. 2. Fomento Barges Pvt. Ltd. 3. Fomento Eng. & Const. Pvt. Ltd. 4. Formar Pvt. Ltd. 5. Shelvona Riverside Rail Terminal Ltd. 6. Mormugao Maritima Ltd.
Chairman/Member of the Committees of the Board of Directors of the Company	Chairman of Shareholders Grievance Committee	Chairman of Remuneration Committee and Audit Committee	Member of Share Transfer Committee
Chairman/Member of the Committees of the Board of Director of Other Companies in which he is a Director	—	—	—
a) Audit Committee	Member - South East Asia Marine Eng. & Const. Ltd.	—	—
b) Shareholder Committee	Member - South East Asia Marine Eng. & Const. Ltd.	—	—
c) Remuneration	—	—	—
Shareholding in the Company (No. of shares)			21,12,139

*Thirty Eight Annual Report 2008-2009***DIRECTORS REPORT**

Dear Shareholders,

Your Directors are pleased to present the Thirty Eighth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2009.

1. FINANCIAL RESULTS

	For the year ended 31/03/09	For the year ended 31/03/08
	(Rs. in 000)	(Rs. in 000)
Income	445299	475076
Operating Expenses	308277	282417
Gross Operating Profit	137022	192659
Less :		
Interest and Financial Charges	2922	2941
Depreciation	26748	23674
Profit before tax	107352	166044
Less : Provision for tax		
Current	38925	58750
Deferred (net).	(1128)	(1012)
Profit / (Loss) after tax	69555	108306
Add Surplus / (Deficit) brought forward From the previous year.	169528	100132
Profit available for appropriation	<u>239083</u>	<u>208438</u>
Appropriations		
a) General Reserve	6956	10831
b) Dividend	24000	24000
c) Tax on Dividend	4079	4079
d) Balance Carried to Balance Sheet	<u>204048</u>	<u>169528</u>
	<u>239083</u>	<u>208438</u>

Fomento Resorts and Hotels Limited

During the Financial year under review, the Company's total revenue was Rs.4453 lakhs which represents decrease of 6% compared to the previous year Rs. 4751 lakhs. The operating profit for the year is Rs.1370 lakhs as against Rs. 1926 lakhs previous year.

OUTLOOK

The hospitality industry has been impacted by the downturn in the world economy as can be seen in other industries too. It is a cycle and as the economy slowly revives we will see the positive trends in the hospitality industry too. The Tourism and Hospitality industry has attained an importance in the world economy and is expected to grow in the future.

We have planned to increase our room base in the future in a phased manner to ensure best results of economies of size. We are looking at doubling the capacity of our room base in the next 3 years.

The annexed Management discussion and Analysis forms a part of Director's Report and covers among other matters, the Supreme Court decision and the subsequent amendment of the Land Acquisition (Goa Amendment) Act, 2009 (Goa Act of 2009) and the performance of the Company during the Financial year under review as well as future prospects.

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. Jamshed Delvadavala, Directors retire by rotation and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

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 have been followed along with proper explanations relating to material departure.
- 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, 2009 and of the profit of the Company for the year ended 31st March, 2009.
- 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, will 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. IDBI Bank Ltd. | 2. HDFC Bank Ltd. |
| 3. State Bank of India. | 4. ICICI 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.

Fomento Resorts and Hotels Limited

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

ANJU TIMBLO
MANAGING DIRECTOR

V. P. RAIKAR
DIRECTOR

Place : Vainguinim Beach, Goa.

Date : 17th August, 2009



MANAGEMENT DISCUSSION AND ANALYSIS

Hospitality industry in India is gradually emerging as one of the fast growing sectors. A number of well known international hotel brands have already entered the country and more are likely to follow. Goa has become one of the top tourist destinations internationally. Many international hotel chains have set up resorts in Goa. As a result the resorts with the current competition will continuously improve their facilities and services.

The growing market and interest in Goa as one of the top tourist destination is an opportunity for the industry players to create facilities for up market tourism with the required support system in roads, public conveyance, medical facilities, airport services, safety and cleanliness as internationally expected by the discerning tourists of today, within a time frame. This will lead to further opportunities of skilled employment, more educational institutions, better transport, travel and other ancillary businesses, resulting in more revenues and better standards of living for residents of Goa.

The Structure and Development

The structure and development of the industry is still quite dependent on the Government plans and actions for infrastructure, policies and regulations. The business being competitive internationally, pro tourism policies on priority will help the industry to attain international standards to compete with the best in the world.

Threats and Concerns

The hospitality industry has been impacted by the downturn in the world economy as can be seen in other industries too. It is a cycle and as the economy slowly revives we will see the positive trends in the hospitality industry too. The tourism and Hospitality industry has attained an importance in the world economy and is expected to grow in the future.

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.

Terrorists' threat has compelled to strengthen security arrangement. Company has established check post at main gate where all vehicles and people are stopped for security checks' under-carriage is checked with equipments, trunk of the vehicles is checked using metal detectors and baggage is checked.

Metal detector door frames are installed and security personnel consisting of a male and female security guards check bags and any suspicious items.

CCTV has been installed at strategic location and monitored by security and can be viewed by concerned senior executives. Floor patrolling is being carried out at regular intervals on all the floors of the building and in grounds of the property.

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.

Fomento Resorts and Hotels Limited

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 more than 35% of the 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 at all levels.

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.

The whole setup of tourism has to be up-market to be able to train and retain skilled work force.

Outlook

The hospitality industry has been impacted by the downturn in the world economy as can be seen in other industries too. It is a cycle and as the economy slowly revives we will see the positive trends in the hospitality industry too. The tourism and Hospitality industry has attained an importance in the world economy and is expected to grow in the future.

We have planned to increase our room base in the future in a phased manner to ensure best results of economies of size. We are looking at doubling the capacity of our room base in the next 3 years.

The hotel had been granted permissions required by the concerned authorities in 1988 and the expanded room base of 110 rooms with facilities were built.

A portion of 1000 sq. metres is in an acquired property of the hotel company. This property admeasuring approximately 1900sq meters was acquired for FRHL by the Government of Goa for the development and construction of a tourism project. An agreement was signed and company was required to seek specific permissions from authorities for any building in the acquired land.

A part of the extended hotel falls in the acquired land. The required permissions were taken in 1988.

On 20th January 2009, Supreme Court passed an Order disposing Civil Appeals bearing Nos.4154/2009, 4155/2000 and 4156/2000, wherein it ordered maintenance of pathway to the beach and demolition of the extended portion of the hotel building admeasuring 1000 sq. mts. in the acquired property within three months.