



FOODS AND INNS LIMITED

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For FOODS AND INNS LIMITED

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Director.

36th ANNUAL REPORT 2006-2007

B.S. MEHTA
A.R. DESAI

M.D. INAMDAR D.R. DESAI (Ms.)
D.J. SHAH Y.A. THAR
A.A. DESAI P.H. CLERK
K.R. GANDHI (Ms.) G.B. WAGHELA
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AUDITORS' REPORT TO THE MEMBERS OF FOODS AND INNS LIMITED

1. We have audited the attached Balance Sheet of **FOODS AND INNS LIMITED**, as at September 30, 2007 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. 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 conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amount 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 (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraph 4 of the said Order.
4. **Further to our comments in the Annexure referred to in paragraph 3 above:**
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. 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 such books.
 - c. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account.
 - d. In our opinion, the attached Profit and Loss Account and Balance Sheet and Cash Flow Statement comply with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on September 30, 2007 from being appointed as a Director in terms of Clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956.



f. Subject to:

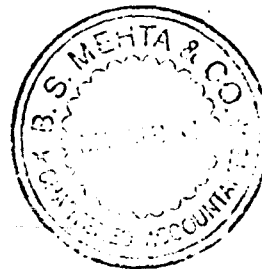
- i) Note no. 4(a) of Schedule M relating to appropriation of loans, advances and diminution in value of Investment from Revaluation Reserve in the earlier period and its consequential effect on the carried forward General Reserve as on October 1, 2005 (affecting the Balance Sheet as on September 30, 2007)
- ii) Non receipt of confirmation from new Debtors, Creditors and few parties from whom advances are recoverable in cash or in kind and its consequential impact on Profit and Loss account for the year on account of subsequent reconciliation / adjustment, if any .

We further report that the impact of aforesaid provision as per f(ii) above, on the Profit for the year and the General Reserve in the Balance Sheet can not be quantified for the reason given in the said paragraph .


and further to our comments in Annexure referred to in paragraph 3, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with note thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

- a) In the case of the Balance Sheet of the state of affairs of the Company as at September 30, 2007;
- b) In the case of the Profit and Loss Account of the Profit for the year ended on that date, and;
- c) In the case of Cash Flow Statement of the cash flows for the year ended on that date.

PLACE : MUMBAI
DATED : 24 DEC 2007



For B. S. MEHTA & CO.
Chartered Accountants


ARVIND R. DESAI
Partner
Membership No. F 8204

Annexure referred to in paragraph 3 of the Auditor's Report of even date on the accounts of the Foods And Inns Limited for the year ended September 30, 2007.

- (i) (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of fixed assets upto September 30, 2006. However, the records for the current year are being updated.
- (b) No physical verification of fixed assets has been conducted by the management during the year. Hence, we are unable to comment on any material discrepancies, if any.
- (c) There has been no disposal of substantial part of the fixed assets during the year.
- (ii) (a) The inventory has been physically verified by the management during or at the year end. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its business. In case of stocks lying with third parties, certificate confirming stocks have not been received for majority of the parties, in respect of stocks held at the end of the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification between the physical stocks and the book records.
- (iii) (a) As per the information furnished, the Company has not granted unsecured loans to any Company covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has taken unsecured loans from three parties covered in the register maintained under section 301 of the Companies Act, 1956 as stated below:

Name of the Party	Relationship with the Company	Balance as on 1.10.06 (Rs.)	Amount Received/ (paid)/ Adjusted During the Year (Rs.)	Balance as on 30.09.07 (Rs.)	Maximum amount Involved During the Year (Rs.)
Mr. Utsav Dhupelia	Director	91,56,400	27,00,000	1,18,56,400	84,00,000
Mrs. Pallavi Dhupelia	Relative of Key Management Personnel	34,75,000	33,25,000	66,00,000	84,00,000
Mr Ray Simkins	Director	2,29,80,000	*(31,10,000)	1,98,70,000	1,98,70,000

* Adjustment due to Foreign Exchange Fluctuation.



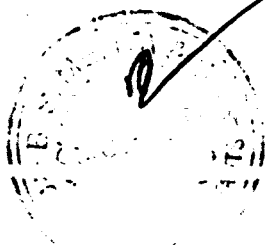
- (c) The rate of interest and other terms and conditions, wherever applicable, on unsecured loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.
- (d) As the terms of repayment of above loans (except in case of one director, where the terms of repayment are stipulated) are not stipulated, we are unable to comment on regularity of repayments.
- (e) There is no overdue amount of loans taken from companies or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
- (iv) 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 through personal supervision of management of the Company with regard to purchase of fixed assets and with regard to the Sale of goods. **In respect of purchase of inventory viz., raw fruits and packing materials, the purchase of which is directly controlled by head of operations at respective locations and further the same is ratified by the Director who is looking after its day to day affairs of the Company, the internal control procedure should be further strengthened so as to be commensurate with the size of the Com; any and nature of its business.**
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the Register required to be maintained under that Section.
- (b) 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 registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of each party during the year have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time, wherever applicable.
- (vi) The Company has accepted deposits from the public, to which provisions of Section 58A, 58AA or any other relevant provisions of the Act apply. In our opinion and to the best of our knowledge, and on the basis of the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975.
- (vii) **The Internal Audit of the Company has been carried out by an independent firm of Chartered Accountant. In our opinion the scope of Internal Audit is not commensurate with the size of the Company and the nature of its business operations and needs to be further strengthened.**
- (viii) We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured by the Company.



- (ix) (a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Sales tax, Custom duty, Excise duty, cess and other statutory dues with the appropriate authorities. The amount of statutory dues outstanding as on 30th September, 2007 for a period of six months from the date they became payable is as follows:

Statutory dues/ Cess	Amount Outstanding as on September 30, 2007 Rupees	Amount Paid Rupees	Payment date
Provident Fund	Nil	Nil	Nil
Employees State Insurance	Nil	Nil	Nil
Agricultural Marketing Cess Dues	7,43,580	7,43,580	19/12/07
Entry Tax	20,04,861	Nil	Nil
Tax deducted at sources (Rent)	1,39,943	1,39,943	20/10/07
Service Tax	2,63,956	Nil	Nil
Maharashtra Labour Welfare Fund	Nil	Nil	Nil
Total	29,33,126	Nil	Nil

- (b) According to the information and explanation given to us, there were no disputed dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty or cess which have not been deposited on account of a dispute.
- (x) There are no accumulated losses of the Company as on 30th September, 2007 and the Company has not incurred any cash losses during the financial year ended on that date and in the immediately preceding financial year.
- (xi) As per the information and explanations given to us, the Company has not defaulted in the payment of dues to financial institution or bank or debenture holders.
- (xii) Based on our examination of records and information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore provisions of clause (xii) of paragraph 4 of the order are not applicable to the Company.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi /mutual benefit fund /society. Therefore provisions of clause (xiii) of paragraph 4 of the order are not applicable to the Company.
- (xiv) (a) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (b) According to the information and explanations given to us, Investments by way of shares are held by the Company in its own name except the shares seized by the income tax department, which we are unable to verify.



B. S. MEHTA & CO.
CHARTERED ACCOUNTANTS

Continuation Sheet

- (xv) As explained to us, the Company has given guarantee for loan taken by one Company from banks or financial institutions and the terms and conditions of such guarantee are not, prima facie, prejudicial to the interest of the Company.
- (xvi) As explained to us, the Company has applied the term loan obtained during the year for the purpose for which it was obtained.
- (xvii) According to the information and explanation given to us, and on the examination of the financial statements of the Company, we report that, on an overall basis, funds raised on short-term basis have not been utilized for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares during the year. Therefore provisions of clause (xviii) of paragraph 4 of the order are not applicable to the Company.
- (xix) The Company has not issued any debentures. Therefore provisions of clause (xix) of paragraph 4 of the order are not applicable to the Company.
- xx) The Company has not raised money from the public during the year. Therefore provisions of clause (xx) of paragraph 4 of the order are not applicable to the Company.
- (xxi) Based upon the audit procedures performed and information and explanation given to us we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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For **B. S. MEHTA & CO.**
Chartered Accountants

PLACE : MUMBAI
DATED : 24 DEC 2007



ARVIND R. DESAI
Partner
Membership No. F 8204

B. S. MEHTA & CO.

CHARTERED ACCOUNTANTS

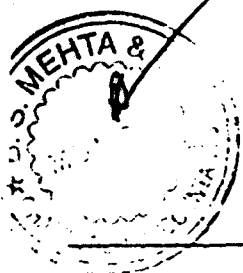
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CONSOLIDATED AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF FOODS AND INNS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF FOODS AND INNS LIMITED, ITS SUBSIDIARIES AND ITS ASSOCIATE.

1. We have examined the attached Consolidated Balance Sheet of **FOODS AND INNS LIMITED** ("the Company"), its subsidiaries as at September 30, 2007 and the Consolidated Profit and Loss Account and the consolidated Cash flow statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These Consolidated Financial Statements include investments in associate accounted for using the Equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements. 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 conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amount 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.
 - a. We report that we did not audit the Financial Statement of the Subsidiaries Dravya Finance Limited and Asim Exports International Limited whose financial statements reflect total Assets of Rs.1,20,46,097/- and Rs.9,07,703/- as at 30th September, 2007 and total revenue of Rs.20,112 and Rs.Nil for the year then ended. The financial statements are unaudited but have been approved by the Board of Directors of the respective Subsidiaries and taken on record by the Board of Directors of the Company.
 - b. We report that we did not audit the Financial Statement of the Associate Company Finns Frozen Foods (I) Ltd. whose financial statements reflect total Assets of Rs.9,37,55,492/- as at September 30, 2007 and total revenue of Rs.5,53,49,260/- for the year then ended. The financial statements are unaudited but have been approved by the Board of Directors of the respective Subsidiaries and taken on record by the Board of Directors of the Company.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21- Consolidated Financial Statements and Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited Financial Statements of Foods And Inns Limited and unaudited Financial Statements of its subsidiaries for the above period included in the Consolidated Financial Statements.



S. MEHTA & CO.
CHARTERED ACCOUNTANTS

Subject to:

- i) **Note no. 4(a) of Schedule M relating to appropriation of loans, advances and diminution in value of Investment from Revaluation Reserve in the earlier year and its consequential effect on the carried forward General Reserve as on October 1, 2006 (affecting the Balance Sheet as on September 30, 2007)**
- ii) **Non receipt of confirmation from few Debtors, Creditors and few parties from whom advances are recoverable in cash or in kind and its consequential impact on Profit and Loss account for the year, on account of subsequent reconciliation / adjustment, if any .**
- iii) **Note No.10 of Schedule M regarding the advances of subsidiary company not written off by it amounting to Rs. 54,14,935/- (Including interest amounting to Rs. 9,87,383/-)**

We further report that without considering items mentioned at (i) above, had the observations made by us in (iii) above been considered, Profit before tax would have been lower by Rs. 54,14,935/- and the net current assets would have been lower by Rs. 54,14,935/- and General Reserve would have been lower by Rs.54,14,935/-

However the impact of aforesaid provision as per f(ii) on the Profit for the year and the General Reserve in the Balance Sheet can not be quantified for the reason given in the said paragraph.

6. In our opinion and to the best of our information and according to the explanations given to us, and on consideration of separate audit reports on audited Financial Statements of the Company and unaudited Financial Statements of its subsidiaries the said Consolidated Financial Statements, read together with other notes thereon, give a true and fair view in conformity with the accounting principle generally accepted in India :

- i) In the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the Company and its subsidiaries as at September 30, 2007; and
- ii) In the case of the Consolidated Profit & Loss Account, of the Consolidated results of operations of the Company and its Subsidiaries for the year ended on that date; and
- iii) In the case of the Consolidated Cash flow Statement, of the Consolidated cash flow of the company and its subsidiary for the year ended on that date.

For B. S. MEHTA & CO.
Chartered Accountants



PLACE : MUMBAI
DATED : 24 DEC 2007

ARVIND R. DESAI
Partner
Membership No. F-8204



FOODS AND INNS LIMITED



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