

AVT NATURAL PRODUCTS LIMITED

22nd Annual Report
2007-2008

AVT NATURAL PRODUCTS LIMITED

BOARD OF DIRECTORS

Mr. Ajit Thomas, *Chairman*
Mr. M.A. Alagappan
Mr. Shyam B. Ghia
Mr. P. Shankar I.A.S. (Retd.)
Mr. Habib Hussain
Mr. M.S.A Kumar, *Managing Director*

AUDIT COMMITTEE

Mr. M.A. Alagappan, *Chairman*
Mr. Shyam B. Ghia
Mr. P. Shankar I.A.S. (Retd.)
Mr. Habib Hussain

COMPANY SECRETARY

Mr. Dileepraj. P

AUDITORS

M/s. Suri & Co.,
Chartered Accountants

BANKERS

Bank of Baroda
State Bank of India
South Indian Bank Ltd.
Citibank

PLANT LOCATIONS

SF No. 234/1, Mysore Trunk Road,
Puduvavalli,
Sathyamangalam - 638 401.

SF No.123/2, Nayanapalli Cross,
Bisibamanepalli(Vil) Lapakshi (Mdl.),
Hindupur - 515 331.

HL No. 1182, Harikura Village,
Honavally Hobli, Tiptur Taluk,
Tumkur Dist., Karnataka - 572 202.

C/o Mahesh Industries,
Plot No.17-18-19-20,
Haveri Dist., Bydagi - 581 106
Karnataka.

Vazhakulam, Marampilly P.O.,
Ernakulam District,
Aluva, Kerala - 683 107.

REGISTERED OFFICE

64, Rukmini Lakshmi pathy Salai,
Egmore, Chennai - 600 008
Tel: 044-28584147, Tele fax: 044-28584147
E-Mail: avtsec@gmail.com

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Company will be held at 11.00 A.M. on Tuesday the 29th July 2008 at DYNASTY HALL, Hotel Ambassador Pallava, No.30, Montieth Road, Egmore, Chennai 600 008, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at and the Profit & Loss Account for the year ended 31.03.2008 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr M.A. Alagappan, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr Shyam B Ghia, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

6. **Revision in remuneration payable to Mr. M.S.A Kumar, Managing Director**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Subject to the provisions of sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 the approval of the Members be and is hereby given for revision and re-fixing, within the overall limit specified under Section I of Part II of the said Schedule XIII of the Companies Act, 1956, the remuneration payable to Mr. M.S.A. Kumar, Managing Director with effect from 1st April 2008 for the remaining period on his current term of office, as set out hereunder:

Salary	: Rs 2,00,000 per month in the scale of Rs 2,00,000 - 3,00,000.
Special Allowance	: Rs.50,000 per month.
Performance Incentive	: As may be decided by the Board of Directors subject to a maximum of 6 months salary and special allowance.

Perquisites and Allowances:

- a. Contribution to Provident Fund and Super Annuation Fund on salary at the rate in accordance with the rules of the Company.
- b. Gratuity on salary in accordance with the rules of the Company.
- c. Encashment of leave as per the rules of the Company.
- d. Provision of Company's Car with driver for official use.

- e. Provision of Telephone and other communication facilities at residence for official purpose.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to vary, alter or modify the different components of the aforesaid remuneration within the overall limit specified under section 198 read with Section I of Part II of Schedule XIII of the Companies Act, 1956 as may be agreed to by the Board of Directors and Mr. M.S.A. Kumar".

7. **Re-appointment of Mr. M.S.A Kumar as Managing Director**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that Subject to the provisions of sections 198, 269, 309,310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent/ approval of the Members be and is hereby accorded for the reappointment of Mr. M.S.A. Kumar as the Managing Director of the Company with effect from 1st August 2008 to hold office for a period of two years upon the remuneration by way of salary, allowances, benefits and perquisites, as are applicable and as may be decided by the Board of Directors of the Company from time to time, without further reference, consent or approval of members, within overall limits specified under section 198 of the Act read with section I of Part II of the Schedule XIII of the Companies Act, 1956, as in force from time to time, without entitlement to sitting fees for meeting of the Board of Directors and /or Committees thereof, attended by him during his tenure of office.

RESOLVED FURTHER that Mr. M.S.A. Kumar, Managing Director, be paid the following managerial remuneration, within the overall limit specified under Section 198 read with Section I of Part II of Schedule XIII of the Companies Act, 1956, from the date of his re-appointment w.e.f. 1st August 2008, until otherwise decided by the Board of Directors".

Remuneration:

Salary	: Rs 2,00,000 per month in the scale of Rs 2,00,000 - 3,00,000 with annual increment as may be decided by the Board of Directors from time to time
Special Allowance	: Rs.50,000 per month.
Performance Incentive	: As may be decided by the Board of Directors subject to a maximum of 6 months salary and special allowance.

Perquisites and Allowances:

- a. Contribution to Provident Fund and Super Annuation Fund on salary at the rate in accordance with the rules of the Company.
- b. Gratuity on salary in accordance with the rules of the Company.

- c. Encashment of leave as per the rules of the Company.
 - d. Provision of Company's Car with driver for official use.
 - e. Provision of Telephone and other communication facilities at residence for official purpose.
8. **Payment of Commission to Non-Executive Chairman.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the consent of the Company be and is hereby accorded to the payment of remuneration to the Non-executive Chairman, by way of commission of 3% on the net profits of the Company, for a period of five years commencing from April 1, 2008 to March 31, 2013 and such payment be made out of profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956 for each corresponding year".

By order of the Board
For AVT Natural Products Ltd.,

Place : Chennai
Date : 27th June 2008

Dileepraj. P
Company Secretary

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXY FORMS, COMPLETE IN ALL RESPECTS, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. FORM OF PROXY IS ENCLOSED.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 18.07.2008 to 29.07.2008 (both days inclusive).
3. The dividend as recommended by the Board, if approved at the meeting, will be payable to those members whose names appear in the Register of Members as on 29.07.2008.
4. Members are requested to intimate changes, if any, in their registered address to the Company immediately.
5. It may please be noted that Dividends which remain unclaimed/unencashed over a period of seven years have to be transferred by the Company to "Investor Education and Protection Fund" maintained with Central Government and the shareholders cannot make any claim for the dividends once the unclaimed dividends are transferred to such Fund.
6. The shareholders are, therefore, advised to claim the unclaimed dividend, if any, immediately.
7. In terms of clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed at this meeting is given below.

a. Mr. M.A. Alagappan

Mr. M.A. Alagappan, aged about 64 years, holds a Degree in Commerce and a Management graduate from the University of Aston U. K. He is an Industrialist and is the Executive Chairman of the well-known Murugappa Group of Companies with a turnover of Rs.8,500 crore. He is a Committee Member of the Federation of Indian Chamber of Commerce & Industry (FICCI) and Southern India Chamber of Commerce and Industry (SICCI). He is the Honorary Consul of Hungary in India for the Southern Region.

His other Directorships

Name of the Company	Nature of Office held
1. Cholamandalam DBS Finance Limited	Chairman
2. International Flavours & Fragrances India Limited	Director
3. Cholamandalam Factoring Limited	Director
4. DBS Cholamandalam Securities Ltd.	Director
5. Parry Agro Industries Limited	Director
6. New Ambadi Estates Private Limited	Director
7. A.M.M. Arunachalam & Sons Private Limited	Director

He is the Chairman of the Audit Committee and the Chairman of the Remuneration Committee of the Company.

His other Committee Memberships/Chairmanship

Name of the Company	Name of the Committee
1. Cholamandalam DBS Finance Limited	Audit Committee (Member)
2. International Flavours & Fragrances India Limited	Audit Committee (Chairman)

b. Mr Shyam B Ghia

Mr. Shyam B Ghia, aged 60 years, is an Industrialist with interest in a variety of fields including Chemicals, Fibres, Polymers and Software. Mr. Ghia has Bachelor of Science Degree in Chemistry and an MBA from Bowling Green University, USA. He is currently the Chairman and Managing Director of Futura Polyesters Limited and Chairman of Sonata Software Limited and Innovasynth Technologies (India) Limited.

His other Directorships

Name of the Company	Nature of Office held
1. Futura Polyesters Limited	Chairman & Managing Director
2. Sonata Software Limited	Chairman
3. Alkyl Amines Limited	Director
4. Brahmasonic Sound Production Pvt. Limited	Chairman
5. Chika Private Limited	Chairman

Name of the Company	Nature of Office held
6. Chika Overseas Private Limited	Chairman
7. Innovassynth Technologies (India) Limited	Chairman
8. Kika Investments & Finance Pvt. Ltd.,	Chairman
9. Viraj Investments Pvt. Limited	Chairman
10. Innovassynth Investments Limited	Chairman

He is the member of the Audit Committee and the Remuneration Committee of the Company.

His other Committee Memberships/Chairmanship

Name of the Company	Name of the Committee
1. Futura Polyesters Limited	Investor Grievance Committee (Member)

Name of the Company	Name of the Committee
2. Sonata Software Limited	Remuneration Committee (Chairman) Investor Grievances Committee (Chairman) Audit Committee (Member)
3. Alkyl Armines Limited	Audit Sub Committee (Member) Investor Grievance Committee (Member) Remuneration Committee (Chairman)

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item No.6 & 7

Mr. M.S.A. Kumar was appointed as the Managing Director of the Company for a period of three years from 1st August 2005 to 31st July 2008. In view of the significant contribution made by him for the growth of the Company, the Directors decided to revise his remuneration with effect from 1st April 2008 on the terms stated in the resolution. As his term of office expires on 31st July 2008, it was also decided to re-appoint him for a further period of 2 years from 01.08.2008 to 31.07.2010 on the terms of remuneration as mentioned in the resolution, subject to the approval of the members, hence these resolutions.

Mr. M.S.A. Kumar, aged about 55 years is a graduate in Agriculture with an MBA from IIM, Ahmedabad. He has served as top management executive in several premier organizations like Sandoz (India) Ltd., Bayer (India) Ltd., and Shaw Wallace Co.Ltd. His field of expertise includes Sales & Marketing, Product Management etc., and he is with the Company since 1995.

He is also the Managing Director of AVT McCormick Ingredients Private Limited and also the Director of AVT Gavia Foods Private Limited, AVT Natural Pte. Ltd., Singapore and Heilongjiang AVT Bio-Products Limited, China.

A copy of the draft Agreement to be entered into with the Managing Director is available at the Registered Office of the Company, and is open for inspection by the members during the office hours on any working day prior to the meeting.

This may be construed as an 'Abstract of the terms of appointment and Memorandum of Interest' pursuant to Section 302 of the Companies Act, 1956.

The Board recommends the passing of these ordinary resolutions.

None of the directors, except Mr. M.S.A Kumar is concerned or interested in passing of the above resolutions.

Item No.8

Mr. Ajit Thomas is the Non-executive Chairman of the Company since 30.08.1989. Apart from the sitting fees for the Board and Committee meetings attended by him, he does not draw any remuneration from the Company.

It is, therefore, necessary to compensate him adequately, for the time and efforts expended for the growth of the Company.

As the payment of Commission is subject to the approval of the Central Government, an application will be made to the Central Government for its approval.

The Directors commend the passing of the Special Resolution by the members.

The payment of commission would be in addition to the sitting fees payable to him for attending Board / Committee Meetings.

None of the Directors, except Mr. Ajit Thomas, Chairman is concerned or interested in passing of the above resolution.

By order of the Board
For AVT Natural Products Ltd.,

Place : Chennai
Date : 27th June 2008

Dileepraj. P
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty Second Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2008.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	07-08	06-07
Turn Over	8685.72	7298.57
Other Income	52.37	12.28
Total Income	8738.09	7310.85
Profit before tax for the year	1446.82	1365.99
Less : Provision for taxation		
- Current Tax	535.00	485.00
- Deferred Tax	(30.28)	(4.20)
- Fringe Benefit Tax	15.00	12.00
Profit after tax	927.10	873.19
Add: Surplus brought forward	279.89	173.95
Total Amount available for appropriation	1206.99	1047.14
LESS:		
Transfer to General Reserve	500.00	500.00
Proposed Dividend on Equity Shares @ 35%	266.50	228.43
Provision for tax on Dividends	45.29	38.82
Surplus carried Forward	395.20	279.89

OPERATIONS

Sales increased by 19% from Rs 72.99 Crores in 2006-07 to Rs 86.86 Crores in 2007-08. However, Profit After Tax increased by 6.19% only from Rs 8.73 Crores in 2006-07 to Rs 9.27 Crores in 2007-08. The lower profit growth in relation to sales growth is due to change in product mix. The production in the Cochin extraction plant dropped from 7783 Mt in 2006-07 to 5329 Mt in 2007-08. Though the production output has dropped, the capacity utilization of the plant is close to 100% because of shift in product mix to low thru put products.

FUTURE PROSPECTS

Your company has entered into a 3 year toll processing agreement for Decaffeination of Black Tea with Finlay Tea Solutions UK Limited. With this development, AVT Natural will further strengthen its position in the Global Value Added Beverages market.

Though our experience of growing Marigold in North East China during 2007-08 has been encouraging, the increasing commodity prices of Corn and Soybean are exerting pressure on Marigold flower prices as well. The prices of Marigold Oleoresin will increase in China and this is expected to partially take care of the cost escalation. The Chinese Subsidiary now operates in the name and registration of Heilongjiang AVT Bioproducts Ltd (Earlier operated as Tonghe AVT Natural Ltd).

With the purchasing of the Marigold Germplasm from Ball Helix, USA, your company has embarked on developing Marigold hybrid seeds for cultivation in India and China without dependence on any third party. This strategy of self reliance for the critical input of superior seeds is a major risk mitigation initiative of your company.

All the three product lines - Marigold, Spices and Value Added Beverages - are expected to do well in the coming years.

DIVIDEND

Your Directors are pleased to recommend a dividend of 35% on Equity Share Capital for the year ended 31.03.2008.

PERFORMANCE OF SUBSIDIARY COMPANY

AVT Natural Pte. Ltd., Singapore together with its subsidiary, Heilongjiang AVT Bio-Products Limited, China has recorded sales of Rs 7.69 Crore and a loss of Rs 11.10 lakh during the period ended December 2007. We expect improved performance in sale and profits of the subsidiary company in 2008 from our Chinese operation.

Pursuant to section 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Director's Report and the Auditors Report for the period ended 31st December 2007 for AVT Natural Pte. Ltd., Singapore, an overseas subsidiary of your company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Limited, have been attached.

FIXED DEPOSITS

As on 31.03.2008, a total sum of Rs.10.44 lakh due to 19 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs. 9.59 lakh were renewed / repaid subsequently.

POSTAL BALLOT

Your Directors are pleased to inform that the company has conducted a postal ballot voting for the purpose of amending the Main and the Other objects clauses of the Memorandum of Association of the Company during the year.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. M.A. Alagappan and Mr. Shyam B. Ghia, Directors, retire by rotation at the 22nd Annual General Meeting and being eligible, offer themselves for re-appointment.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange are furnished in the Annexure-I to this Report.

PARTICULARS OF EMPLOYEES

Particulars of employees in terms of the requirement of section 217 (2A) Companies Act, 1956 have been given in Annexure II forming part of this Report.

AUDITORS

M/s. Suri & Co., Chartered Accountants, Chennai 600 017, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. They have confirmed that their re-appointment, if made, will be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion & Analysis Report, Report on Corporate Governance with Auditors' Certificate on compliance with conditions of Corporate Governance have been annexed to this Report.

DIRECTORS' 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:

1. That in the preparation of the accounts for the financial year ended 31st March 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 of the Company for the year under review;
3. That the Directors have 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;
4. That the Directors have prepared the accounts for the financial year ended 31st March 2008 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors wish to express their sincere thanks to the Bankers, Farmers and Valuable Customers for their continued and positive support to the Company.

The Directors also wish to thank all the employees for their contribution, support and continued co-operation throughout the year.

For and On behalf of the Board

Place: Chennai
Date : 27th June, 2008

Ajit Thomas
Chairman

ANNEXURE - I

To the Directors' Report

FORM-A

Disclosure of particulars with respect to conservation of energy

A	Power and fuel consumption	Not Applicable
B	Consumption per unit of Production	Not Applicable

FORM-B

Disclosure of particulars with respect to absorption

Research and Development (R & D)

Specific areas of Research and Development

The company is focusing on two areas of R&D- a) Seeds and b) New products

Benefits of R&D

Seed research will benefit farmers by way of increased yield, thereby improving the net farm returns. The company will be benefited by higher active ingredients concentration resulting in lower costs and global competitiveness

Future Plan of action

The focus will be on developing processes for natural extracts for application in food colouring and health food segments. Seed research will concentrate on developing new varieties of Marigold suitable for Indian weather conditions.

Expenditure on R&D

- a) Capital
- b) Recurring
- c) Total

Rs.37,82,635
Rs.53,07,519
Rs.90,90,154

Foreign Exchange Earnings / Outgo

The company's operations during the year under review has resulted in a foreign exchange inflow of Rs.66.54 Crores and outflow of Rs.19.64 Crores

ANNEXURE - II

To the Directors' Report

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975. Employed throughout the year under review and were in receipt of remuneration in the aggregate of not less than Rs.24,00,000/- per annum.

Name	Age	Designation	Remuneration (Rs)	Qualification	Total Experience (years)	Date of commencement of Employment	Previous Employment
Mr. M.S.A Kumar *	55	Managing Director	40,86,000	B.Sc(Agri.) PGDBA (IIM-A)	32	27.09.1995	Vice President, Shaw Wallace and Co Ltd.,
Mr. V. Ravikumar	56	Executive Director	32,06,576	M.Tech	35	01.10.1996	Vice President Projects, A.V. Thomas & Co.Ltd.,
Mr. M.N. Satheesh Kumar	53	Sr. Vice President & COO	26,71,513	M.Sc(Hons.) Che., PGDBA	30	10.06.1996	Plant Manager (Sr. Mgr. Cadre) GOETZE (INDIA)LTD, Escorts Group Co.
Mr. M.C. Anand Kumar #	45	President -Foods	22,26,813	MA, PGDM (IIM-A)	20	10.09.2007	Sr. Vice President Dorcas Market Makers Pvt. Ltd

* The nature of Employment is contractual

Employed for part of the year

Notes:

1. Remuneration includes salary, allowances and contribution to Provident Fund and other Funds
2. None of the above employees is related to any Director of the Company

ANNEXURE - III

Management Discussions and Analysis Report

BUSINESS PROFILE

AVT Natural Products Ltd (AVT NPL) continues to grow in the business segment of "Solvent Extraction". There are 3 product categories we operate in the market:

- Marigold Extracts for Poultry pigmentation, Eye care and Food coloring.
- Spice Oils and Oleoresins for Food coloring and flavoring.
- Value Added Beverages through removal Caffeine from Black Tea using different solvent systems.

Because of low value addition and competitive pressures, major quantity of Marigold extracts for Poultry pigmentation is supplied from our China operations.

INDUSTRY SCENARIO

Higher commodity prices in the Food sector along with increase in Oil prices is exerting pressure on the Marigold product category. People costs are on the increase. Though the finished product - Marigold Oleoresin - prices have moved up, competition from multiple growing locations is restraining the price increases. We are now in the process of controlling costs to maintain profitability. Demand for all the 3 product categories is robust.

PERFORMANCE

During the year under review, Sales increased by 19% to Rs 86.86 Crores from Rs 72.99 Crores in 2006-07. However, Profit after Tax increased by 6.19% only from Rs 8.73 Crores in 2006-07 to Rs 9.27 Crores in 2007-08. The lower profit growth in relation to sales growth is due to change in product mix.

China operational performance was in the expected lines. We recorded a Sales of Rs 7.69 Crores and a marginal loss of Rs 0.11 Crores. We expect to record profits in fiscal 2008 (January to December) - 2nd year of our operations with investment in the dehydration plant.

OUTLOOK

Summer rainfall and overall South - West monsoon progress have been above expectations resulting in the targeted Marigold acreages for Summer and Monsoon in Tamil Nadu and Karnataka growing areas. Prices of other competing crops like Maize and Soybean are having a major impact on Marigold flower prices. Increasing input costs especially labour and fertilizers is another concern area. Oil price surge is pushing up our transportation and drying costs. Superior seeds with higher yield and active substance are the answer to the increasing costs. Efforts are on to reduce both variable and semi fixed costs. With all these measures, we are confident of further improving our performance.

With the capacity constraint in the Vazhakulam Extraction plant, we are now focusing on high value Spice Oleoresins. We are also evaluating options for capacity expansion to profitably grow the business.

RISK MITIGATION

We entered into a 3 year toll processing agreement for Decaffeination of Black Tea with Finlay Tea Solutions UK Limited. With this development, AVT Natural will further strengthen its position in the Global Value Added Beverages market. We are diversifying further in the Decaffeination space with addition of one more customer.

With the purchasing of the Marigold Germplasm from Ball Helix, USA, we have embarked on developing Marigold hybrid seeds for cultivation in India and China without dependence on any 3rd party. This strategy of self reliance for the critical input of superior seeds is a major risk mitigation initiative of your company.

We are the only company in the world with growing and processing of Marigold flowers in two countries of India and China. This Business Continuity Plan is giving high confidence level to our Marigold customers. The customers are happy that they have a reliable fall back even if there are business contingencies in one country.

With 100% growing area under first generation Marigold hybrids, growing has shifted to irrigated areas from rain fed areas thereby reducing growing risk significantly. We now have a stable production based compared to 5 years ago.

INTERNAL AUDIT

Your company conceptualizes and implements effective systems of internal controls and also ensures that the operating departments are in compliance both with internal policies and procedures as well as regulatory, statutory and legal requirements. The Audit Committee of the Board regularly reviews the audit findings as well as the adequacy and effectiveness of internal control measures.

HUMAN RESOURCES

We continue to invest in "Human Resources" through various training programs - both external and internal. During the year under review, the company conducted 59 training programmes, of which 34 training programs were external. The training programs focused on the areas of Food Safety, Quality Management Systems, Cost Containment, Goal setting and Performance Management Systems. The new ERP system will be operational during last quarter of 2008-09. The company is confident that the new ERP system will further improve "Team NPL's" efficiency.

ANNEXURE - IV

Corporate Governance

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and the practices followed by the Company.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance envisages maintaining a high level of disclosure and transparency in all its operations. It aims at enhancing the shareholder value through adoption of sound business practices, prudent financial management and a high standard of ethics throughout the organisation.

2. BOARD OF DIRECTORS

The Board comprises of 6 directors with knowledge and experience in different fields like engineering, manufacturing, finance and business management.

The Board has an appropriate mix of executive and independent directors to ensure proper governance and management.

Composition and category of Directors is as follows:

Category	Name of the Directors
Promoter/Chairman	Mr.Ajit Thomas
Managing Director	Mr.M.S.A.Kumar
Non-Executive Director	Mr.Habib Hussain
Non-Executive and Independent Directors	Mr.M.A.Alagappan Mr.Shyam B.Ghia Mr.P. Shankar

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Name Of the Non-Executive Director	No of Shares held
Mr. Ajit Thomas (Promoter/Chairman)	437894
Mr. M.A.Alagappan	1430
Mr. Shyam B.Ghia	-
Mr. P. Shankar	-
Mr. Habib Hussain	42136

a) Board Meetings

Number of Board Meetings held and the dates on which they were held

During the year 2007-08, the Board met six times and the dates on which the meetings were held are as follows 21.04.2007, 23.06.2007, 27.07.2007, 29.10.2007, 18.01.2008 and 07.03.2008.

The attendance of each Director at the Board Meetings, last Annual General Meeting and the Number of other Directorship and Chairmanship/Membership of Committee of each Director in various companies as under:

Name of the Directors	Attendance particulars		No. of other directorships and (Excl. AVTNPL, Pvt.Ltd Companies & Foreign Companies) Committee member/chairmanship		
	Board Meetings	Last AGM	Other Directorship	Committee Chairmanship	Committee Membership
Mr. Ajit Thomas	6	Yes	8	1	-
Mr. M.A. Alagappan	5	Yes	5	1	1
Mr. Shyam B.Ghia	5	Yes	5	3	4
Mr. P Shankar	5	Yes	2	-	-
Mr. Habib Hussain	5	Yes	3	-	-
Mr. M.S.A. Kumar	5	Yes	-	-	-

b) Board Procedure

The Board meets at least once in a quarter and the interval between two meetings is normally not more than four months. Apart from the statutory requirements the role of the board includes setting annual business plan, periodic review of operations and considering proposals for diversification, investments, and business re-organisation. The information periodically placed before the board includes status of statutory compliance, proceedings/minutes of all committees including the audit committee.

3 AUDIT COMMITTEE

The Company has a qualified independent Audit Committee consisting of four members all being non-executive directors. All the members of the Committee have excellent financial and accounting knowledge. The terms of reference stipulated by Board to the audit committee cover the matters specified for Audit Committee under clause 49 of the Listing Agreements with the Stock Exchanges.

The Board of Directors of the Company has constituted an Audit Committee, in compliance with the provisions of Clause 49 of the Listing Agreement. During the year the audit committee was re-constituted by inducting Mr. P. Shankar, Director, as a member. Presently, the Committee consisted of four Non-executive Directors viz., Mr. M. A. Alagappan, Mr. Shyam B. Ghia, Mr. P. Shankar and Mr. Habib Hussain.

Mr. M. A. Alagappan is the Chairman of the Audit Committee.

Number of Audit Committee Meetings held and the dates on which they were held during the year 2007-08 :

During the year 2007-08, the Audit Committee met six times and the dates on which the meetings were held are as follows 21.04.2007, 23.06.2007, 27.07.2007, 29.10.2007, 18.01.2008 and 07.03.2008. The attendance of the each member of the Audit Committee at its meetings is under:

Name of the Committee Member	No. of Meetings Attended
Mr. M.A. Alagappan	5
Mr. Shyam B. Ghia	5
Mr. P. Shankar	5
Mr. Habib Hussain	5

4 REMUNERATION COMMITTEE

The Board of Directors of the Company has re-constituted the Remuneration Committee during the year by inducting Mr. P. Shankar, Director, as a Member. Presently it comprising three non-executive independent Directors, viz., Mr. M.A. Alagappan, Mr. Shyam B. Ghia and Mr. P. Shankar.

The Remuneration Committee has been constituted to recommend and approve the remuneration package of the Managing Director, based on the performance of the Company.

During the year, the Committee met on 29.10.2007. The attendance of the each member of the Remuneration Committee at its meetings is as under:

Name of the Committee Member	No. of Meetings Attended
Mr. M.A. Alagappan	1
Mr. Shyam B. Ghia	1
Mr. P. Shankar	1

The details of remuneration paid to all the Directors for the year:

i) Executive Director

Name of the Managing Director	Salary Rs.	PF & Other Funds Rs.	Total Rs.
Mr. M.S.A. Kumar	36,00,000	4,86,000	40,86,000

ii) Non-Executive Directors

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs.7,000/- for each meeting of the Board and Rs.3000/- for any Statutory Committee meeting attended by them. The sitting fee paid for the year ended 31st March 2008 to the Directors is as follows:

Name of the Director	Amount (Rs.)
Mr.Ajit Thomas	40,000
Mr.M.A.Alagappan	50,000
Mr.Shyam B.Ghia	50,000
Mr. P. Shankar	53,000
Mr.Habib Hussain	47,000

5 SHAREHOLDERS/GRIEVANCE COMMITTEE

The Board has constituted a Shareholders/Grievance Committee comprising of Mr.Ajit Thomas and Mr.Habib Hussain. The Committee looks into redressing of shareholders' complaints, if any, like transfer of shares, non-receipt of balance sheets, non-receipt of dividend warrants etc.

Mr. Ajit Thomas is the Chairman of the Shareholders/Grievance Committee.

There was no request for dematerialisation pending for approval as on 31.03.2008.

6 GENERAL BODY MEETINGS

a) Location and time for last 3 Annual General Meetings were:

Year	Location	Date	Time
2004-05	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai 600 008.	25.07.2005	11.30 AM
2005-06	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai 600 008	06.09.2006	11.00 AM
2006-07	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai 600 008	27.07.2007	11.00 AM

- b) In the last three years, two Special Resolutions were passed: Alteration of Capital Clause of Memorandum of Association and Articles of Association for increase of authorised share capital in 2005-06.
- c) The special resolutions passed in the Annual General Meetings do not require postal ballot.

7 DISCLOSURES

Related party transactions during the year have been disclosed as a part of accounts as required under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

There has been no instance of non-compliance by the Company, penalty or strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.

8 MEANS OF COMMUNICATION

The quarterly/half-yearly unaudited financial results and the annual audited financial results are published in 'Business Line/Trinity Mirror' in English and 'Makkal Kural' in Tamil.

The Management Discussion and Analysis (MD & A) report forms part of the annual report.

9 GENERAL SHAREHOLDER INFORMATION

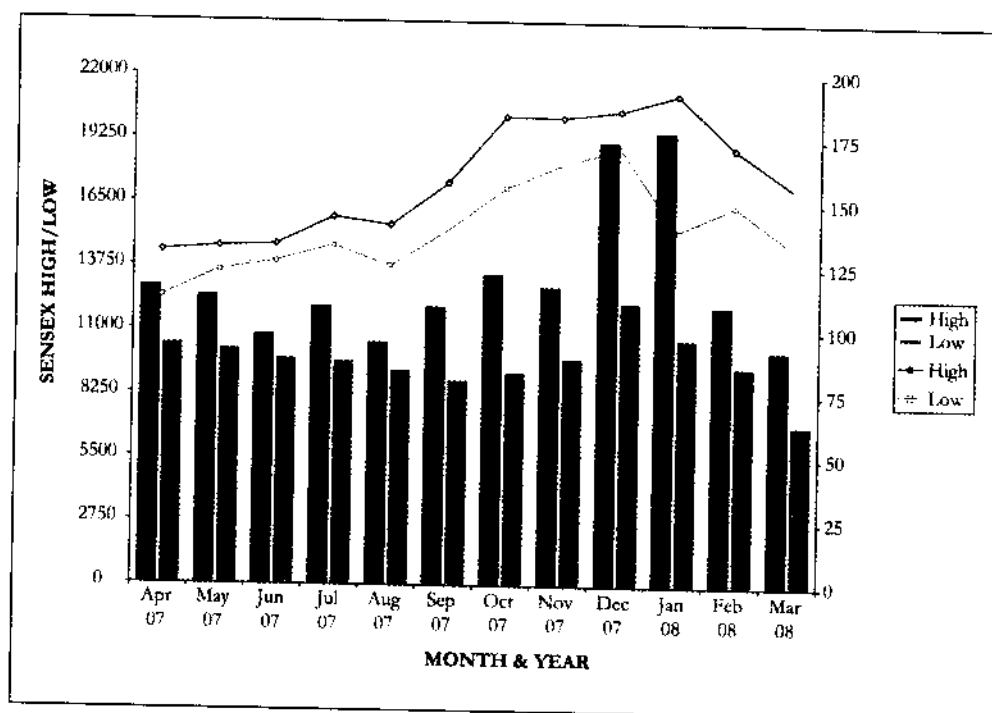
9.1 Annual General Meeting	
- Date and Time	29th July 2008: 11.00 A.M.
- Venue	Dynasty Hall, Hotel Ambassador Pallava, 30, Montieth Road, Egmore, Chennai 600 008
9.2 Financial calendar	
Results for the quarter ending	30.06.08 - 29th July 2008
Results for the quarter ending	30.09.08 - Between 15th & 30th of Oct.'08
Results for the quarter ending	31.12.08 - Between 15th & 30th of Jan.'09.
Results for the quarter ending	31.03.09 - Between 15th & 30th of Apr.'09.
9.3 Book Closure date	18.07.2008 To 29.07.2008 (both days is inclusive)

9.4 Dividend payment date	2nd Week of August.
9.5 Listing of Equity shares	Chennai & Mumbai Stock Exchanges and The National Stock Exchange of India Ltd., Mumbai. The Annual Listing Fees as prescribed has been paid to the above stock exchanges.
9.6 (a) Stock Code	Chennai - AVT Mumbai - 519105
(b) Demat ISIN Number in NSDL & CDSL for equity shares	NSE - AVTNPL-Eq INE488D01013

9.7 Stock market data (The Stock Exchange, Mumbai)

	Share Price		Sensex			Share Price		Sensex	
	High Rs.	Low Rs.	High	Low		High Rs.	Low Rs.	High	Low
April 2007	117.65	95.00	14383.72	12425.52	October 2007	122.85	84.50	20238.16	17144.58
May 2007	113.90	93.15	14576.37	13554.34	November 2007	118.00	90.00	20204.21	18182.83
June 2007	98.90	89.50	14683.36	13946.99	December 2007	174.90	112.00	20498.11	18886.40
July 2007	110.00	88.50	15868.85	14638.88	January 2008	178.90	97.85	21206.77	15332.42
August 2007	96.00	85.00	15542.40	13779.88	February 2008	110.80	87.25	18895.34	16457.74
September 2007	110.00	81.25	17361.47	15323.05	March 2008	93.40	64.40	17227.56	14677.24

9.8 Share price performance in comparison to broad based index - BSE Sensex.



9.9 Transfer Agents : Cameo Corporate Services Ltd., 'Subramaniam Building', No.1, Club House Road, Chennai 600 002.

9.10 Share Transfer System: The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Pursuant to the directive issued by the Securities and Exchange Board of India, the share transfers both physical and demat, are now handled by our Transfer Agent, Cameo Corporate Services Ltd. Chennai. Shares in physical mode, which are lodged for transfer either with the Company or with the Share Transfer Agent, are processed and the share certificates are returned to the transferees within 30 days of lodgment, as per the Listing Agreement.

9.11 Distribution of shareholding as on 31.03.2008:

No. of shares	Shareholders		No. of shares	
	Number	%	Number	%
Upto 500	3941	80.30	633233	8.31
501 - 1,000	606	12.35	446153	5.86
1,001 - 2,001	206	4.20	298036	3.91
2,001 - 3,000	61	1.24	148352	1.95
3,001 - 4,000	36	0.73	132106	1.74
4,001 - 5,000	20	0.41	91065	1.20
5,001-10,000	22	0.45	159958	2.10
10,001 and above	16	0.32	5705297	74.93
Total	4908	100	7614200	100

9.12 Pattern of Shareholding as on 31.03.08

Category	No. of shares	Percentage
Promoters	5282426	69.38
Banks/Financial Institutions	2400	0.03
NRI	75465	0.99
Bodies Corporate	169654	2.23
Public	2084255	27.37
Total	7614200	100

9.13 Dematerialisation of Shares: About 88.58% of the equity shares have been dematerialised upto 31.03.08. The Company's shares are listed in three stock Exchanges at Chennai & Mumbai and at the National Stock Exchange of India Ltd., They are actively traded on BSE & NSE

9.14 The Company has not issued any GDR/Warrants and Convertible Bonds.

- 9.15 Plant Locations :
1. SF No. 234/1, Mysore Trunk Road, Pudukavalli, Sathyamangalam - 638 401.
 2. SF No. 123/2, Nayanapalli Cross, Bisibamanepalli(Vil) Lapakshi(Mdl), Hindupur - 515 331.
 3. HL No. 1182, Harikura Village, Honavally Hobli, Tiptur Taluk, Tumkur Dist., Karnataka 572 202.
 4. C/o Mahesh Industries, Plot No. 17-18-19- 20, Haveri Dist. Bydagi-581 106, Karnataka.
 5. Vazhakulam, Marampilly, PO. Ernakulam District, Aluva, Kerala 683 107.

9.16 Address for Correspondence : No.64, Rukmini Lakshmi pathy Salai, Egmore, Chennai - 600 008.
Tel: 2858 4147; Telefax: 2858 4147; E-Mail : avtsec@gmail.com

Non-mandatory disclosure

The non-mandatory requirements have been adopted as stated below:

The Board

No specific tenure has been fixed for the independent directors.

Remuneration Committee

The Board has set up a Remuneration Committee.

Shareholder Rights

The quarterly/half-yearly results of the Company are published in newspapers and uploaded in www.sebidifar.nic, the official website of SEBI. They are not sent to the shareholders individually.

Audit Qualifications

The statutory statements of the Company are unqualified.

Training of Board Members/mechanism for evaluating non-executive directors.

All the non-executive directors are having rich experience and expertise in functional areas and in the opinion of the Board they do not require any special training.

ANNEXURE - V**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT
REGARDING ADHERINCE TO THE CODE OF CONDUCT**

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct, as applicable to them for the Financial Year ended 31st March 2008.

For AVT Natural Products Limited

Place : Chennai
Date : 27th June 2008

M.S.A. Kumar
Managing Director

ANNEXURE - VI

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

To the Members of
AVT Natural Products Ltd.

We have examined the compliance of corporate governance by AVT Natural Products Ltd., for the year ended 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us

We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Company.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Suri & Co.,

S. Ganesan
Partner

Place : Chennai
Date: 27th June 2008

Membership No. 18525
Chartered Accountants

AUDITORS' REPORT

To the members of AVT Natural Products Limited, Chennai

We have audited the attached Balance Sheet of AVT NATURAL PRODUCTS LIMITED, CHENNAI, as at 31st March 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto, together with the Notes thereon 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.

We have conducted our audit in accordance with the 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 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.

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, 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 paragraphs 4 and 5 of the said Order.

Further to the comments 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 purposes 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 Company's Balance Sheet and Profit and Loss Account read with the Notes forming part thereof, dealt with by this Report, are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account, dealt with by this Report, comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- (v) Based on the written representations made by the Directors and taken on record by the Board of Directors, we state that none of the Directors is disqualified from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.
- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the Notes forming part thereof, 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 31st March 2008;
 - 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 the Cash Flow Statement, of the cash flows for the year ended on that date.

For Suri & Co.,
S. Ganesan
Partner

Place: Chennai
Date : 27th June 2008

Membership No.18525
Chartered Accountants

ANNEXURE TO THE REPORT OF THE AUDITORS TO THE MEMBERS OF AVT NATURAL PRODUCTS LIMITED, CHENNAI

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
- b) Physical verification of major items of these assets has been conducted by the Management during the financial year and no material discrepancies were noticed on such verification.
- c) No substantial part of fixed assets of the company has been disposed off during the year.
- ii) a) Physical verification of Inventory has been conducted by the Management at reasonable intervals.
- b) The procedures of physical verification of inventory 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 has maintained proper records of inventory and no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- iii) a) The Company has granted inter corporate loan of Rs.1.38 crores to its subsidiary company during the year, which is repayable after one year. The maximum amount and the year end balance is

Rs.1.38 crores. The terms and conditions are not prima facie prejudicial to the interest of the company. Other than the above, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties, covered in the register maintained under Section 301 of the Act and hence the clauses (iii) (a), (b), (c) & (d) of the Order are not applicable.

- b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties, covered in the register maintained under Section 301 of the Act and hence the clauses (iii) (e), (f) & (g) of the Order are not applicable.
- iv) The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods or services.
- v) a) 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 register maintained under section 301 of the Act 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 at the relevant time.
- vi) The Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- vii) The Company has an Internal Audit system commensurate with its size and nature of its business.
- viii) The maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.
- ix) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise-duty, cess and other statutory dues applicable to it. No undisputed statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.

b) The details of disputed statutory dues are as under:

Name of the Statute	Nature of the dues	Amount disputed (Rs.)	Amount Paid (Rs.)	Forum where dispute is pending
Andhrapradesh General Sales Tax Act	APGST 1999/00 to 2004/05 Assessments	1,15,34,804	35,40,491	Sales Tax Appellate Tribunal
	APGST 1996/97 to To 1998/99	27,02,181	27,02,181	High court of Andhra Pradesh
Kerala General Sales Tax Act	KGST 2000/01 to 2002/03 Assessment	7,60,733	7,59,794	Deputy Commissioner (Appeals)
Karnataka Sales Tax Act	KST 2006/07 Assessment	27,516	-	Joint Commissioner (Appeals)

- x) The Company has no accumulated losses. The Company has not incurred cash loss in the current financial year or in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of dues to banks .
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society.
- xiv) The Company is not dealing or trading in shares, securities, debentures or other investments.
- xv) The terms and conditions on which the company has given Guarantee for loans taken by subsidiary from bank are not prejudicial to the interest of the company.
- xvi) The Company has applied the term loans for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us, no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) The Company has not issued any debentures.
- xx) The Company has not raised any money by public issues during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For Suri & Co.,
S. Ganesan
Partner

Place: Chennai
Date : 27th June 2008

Membership No.18525
Chartered Accountants

BALANCE SHEET

	Schedule	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SOURCE OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	1	7,61,42,000	7,61,42,000
(b) Reserves & Surplus	2	33,58,85,341	27,59,13,685
		<u>41,20,27,341</u>	<u>35,20,55,685</u>
2. LOAN FUNDS			
(a) Secured Loans	3	31,43,73,477	31,17,11,713
(b) Unsecured Loans	4	1,30,47,000	2,75,02,000
		<u>32,74,20,477</u>	<u>33,92,13,713</u>
3. DEFERRED TAX LIABILITY			
TOTAL		<u>2,90,79,000</u>	<u>3,29,10,000</u>
		<u>76,85,26,818</u>	<u>72,41,79,398</u>
APPLICATION OF FUNDS			
1. FIXED ASSETS			
(a) Gross Block	5	43,24,85,178	40,75,92,255
(b) Less: Depreciation		<u>21,65,00,719</u>	<u>19,66,00,705</u>
(c) Net Block		21,59,84,459	21,09,91,550
(d) Capital work in progress		<u>88,59,676</u>	Nil
		<u>22,48,44,135</u>	<u>21,09,91,550</u>
2. INVESTMENTS			
	6	<u>2,82,27,150</u>	<u>1,65,29,750</u>
3. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	7	21,73,87,673	26,16,35,023
(b) Sundry Debtors	8	29,63,64,390	23,36,80,904
(c) Cash and Bank Balances	9	3,00,41,357	1,96,33,765
(d) Others: Income Accrued		9,24,308	1,47,894
(e) Loans and advances	10	<u>13,06,92,899</u>	<u>10,02,23,220</u>
		<u>67,54,10,627</u>	<u>61,53,20,806</u>
Less			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	11	5,87,52,653	3,30,77,478
(b) Provisions	12	<u>10,12,02,441</u>	<u>8,55,85,230</u>
		<u>15,99,55,094</u>	<u>11,86,62,708</u>
Net Current Assets		<u>51,54,55,533</u>	<u>49,66,58,098</u>
TOTAL		<u>76,85,26,818</u>	<u>72,41,79,398</u>
Notes on Accounts	19		

Schedules 1 to 12, 19 (Notes) and Cash Flow Statement form part of this Balance Sheet

Vide our Report of date attached

For and on behalf of the board

For SURI & CO.,

S GANESAN

Partner

Membership No:18525

Chartered Accountants

Place: Chennai

Date : 27th June 2008

Ajit Thomas

Chairman

Dileepraj. P

Company Secretary

P. Shankar

Director

M.S.A. Kumar

Managing Director

PROFIT AND LOSS ACCOUNT

	Schedule	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
INCOME			
Operations	13	86,85,72,384	72,98,57,473
Other Income	14	52,37,308	12,27,895
TOTAL		<u>87,38,09,692</u>	<u>73,10,85,368</u>
EXPENDITURE			
Increase (-) / Decrease (+) in stock	15	(+ 4,47,32,000	(-) 8,48,90,000
Materials Consumed		35,27,87,350	29,88,45,133
Purchases		1,52,31,224	5,35,97,551
Employee Cost	16	7,81,33,884	7,59,99,933
Other Expenditure	17	19,23,62,848	20,06,80,232
Interest	18	2,43,39,404	2,95,28,402
Depreciation		2,15,41,067	2,07,24,894
TOTAL		<u>72,91,27,777</u>	<u>59,44,86,145</u>
PROFIT BEFORE TAX		14,46,81,915	13,65,99,223
Less : Provision for Taxation			
- Current Tax		5,35,00,000	4,85,00,000
- Deferred Tax		(30,28,000)	(4,20,000)
- Fringe Benefit Tax		15,00,000	12,00,000
PROFIT AFTER TAX		<u>9,27,09,915</u>	<u>8,73,19,223</u>
Add : Surplus Brought Forward		2,79,89,114	1,73,94,591
		<u>12,06,99,029</u>	<u>10,47,13,814</u>
Appropriations:			
Transfer to General Reserve		5,00,00,000	5,00,00,000
Proposed Dividend on Equity Shares @ 35 %		2,66,49,700	2,28,42,600
Provision for Tax on Dividend		45,29,117	38,82,100
Surplus Carried Forward		3,95,20,212	2,79,89,114
		<u>12,06,99,029</u>	<u>10,47,13,814</u>
Earnings Per Share (Basic and Diluted)		12.18	11.47
Notes on Accounts	19		

Schedules 13 to 18, 19 (Notes) and Cash Flow Statement form part of this Profit & Loss Account

Vide our Report of date attached

For and on behalf of the board

For SURI & CO.,

S GANESAN

Partner

Membership No:18525

Chartered Accountants

Place: Chennai

Date : 27th June 2008

Ajit Thomas

Chairman

Dileepraj. P

Company Secretary

P. Shankar

Director

M.S.A. Kumar

Managing Director

SCHEDULES

To the Balance Sheet

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 1:		
SHARE CAPITAL		
AUTHORISED:		
79,90,000 - Equity Shares of Rs 10 each	7,99,00,000	7,99,00,000
1,000 - 12% Redeemable Cumulative Preference Shares of Rs.100/- each	1,00,000	1,00,000
30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs.10 each	<u>3,00,00,000</u>	<u>3,00,00,000</u>
	<u>11,00,00,000</u>	<u>11,00,00,000</u>
ISSUED , SUBSCRIBED AND PAID UP		
76,14,200 - Equity Shares of Rs.10/- each	<u>7,61,42,000</u>	<u>7,61,42,000</u>
Note : Of the above shares, 38,07,100 Equity shares were allotted as fully paid-up bonus shares by capitalisation from General Reserve and Share Premium Account.		
SCHEDULE - 2:		
RESERVES & SURPLUS:		
Capital Redemption Reserve	3,00,06,000	3,00,06,000
Capital Reserve - (Represents capital Profit on re-issue of forfeited shares)	35,000	35,000
Investment Subsidy	99,01,670	99,01,670
General Reserve		
As per Last Balance Sheet	19,79,81,901	
Less : Transitional Liability in respect of Gratuity and Leave Encashment as on 1.04.2007 (net of deferred tax) adjusted	<u>15,59,442</u>	
	<u>19,64,22,459</u>	
Add: Transfer from Profit & Loss A/c	<u>5,00,00,000</u>	19,79,81,901
Contingency Reserve	1,00,00,000	1,00,00,000
Surplus:		
Balance in Profit and Loss Account	<u>3,95,20,212</u>	<u>2,79,89,114</u>
	<u>33,58,85,341</u>	<u>27,59,13,685</u>

SCHEDULES

To the Balance Sheet

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 3:		
SECURED LOANS:		
FROM BANKS:		
(a) Term Loan (Secured by equitable mortgage of immovable properties and hypothecation of all movable assets, present and future, save and except inventories and book debts, and subject to prior charges created in favour of Banks on specific assets for securing working capital facilities)	46,88,766	1,53,19,456
(b) Working Capital Facilities (Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)	30,96,84,711	29,63,92,257
	<u>31,43,73,477</u>	<u>31,17,11,713</u>
SCHEDULE - 4:		
UNSECURED LOANS:		
Public Deposits (Deposits repayable within one year Rs.84,58,000/-)	<u>1,30,47,000</u>	<u>2,75,02,000</u>

SCHEDULES

To the Balance Sheet

**SCHEDULE - 5
FIXED ASSETS**

Description	GROSS BLOCK						DEPRECIATION						NET BLOCK							
	As at 01.04.2007		Additions		Deductions		As at 31.03.2008		Upto 31.03.2007		For the Year		Withdrawn		Upto 31.03.2008		As at 31.03.2008		As at 31.03.2007	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Freehold Land	1,23,60,434	-	-	-	-	-	1,23,60,434	-	-	-	-	-	-	-	-	-	-	-	1,23,60,434	1,23,60,434
Lease Hold Land	18,94,995	-	-	-	-	-	18,94,995	-	-	-	-	-	-	-	-	-	-	-	18,94,995	18,94,995
Buildings	9,85,42,886	88,52,741	-	-	-	-	10,73,95,627	4,15,26,411	37,01,204	-	-	-	-	-	-	-	-	-	6,21,68,012	5,70,16,475
Plant and Machinery	27,87,32,159	1,72,07,886	-	-	-	-	29,59,40,045	14,55,36,946	1,68,32,500	-	-	-	-	-	-	-	-	-	13,35,70,599	13,31,95,213
Furniture and Fixtures	53,56,026	8,12,526	-	-	-	-	61,68,552	36,15,947	2,61,052	-	-	-	-	-	-	-	-	-	22,91,553	17,40,079
Vehicles	1,07,05,755	15,22,555	35,02,785	-	-	-	87,25,525	59,21,401	7,46,311	16,41,053	-	-	-	-	-	-	-	-	36,98,866	47,84,354
TOTAL	40,75,92,255	2,83,95,708	35,02,785	43,24,85,178	35,02,785	43,24,85,178	19,66,00,705	2,15,41,067	16,41,053	21,65,00,719	21,65,00,719	21,65,00,719	21,65,00,719	21,65,00,719	21,65,00,719	21,65,00,719	21,65,00,719	21,59,84,459	21,09,91,550	21,09,91,550
Previous Year	38,15,92,316	3,09,67,491	49,67,552	40,75,92,255	49,67,552	40,75,92,255	17,88,01,985	2,07,24,894	29,26,174	19,66,00,705	19,66,00,705	19,66,00,705	19,66,00,705	19,66,00,705	19,66,00,705	19,66,00,705	19,66,00,705	21,09,91,550	21,09,91,550	21,09,91,550

SCHEDULES

To the Balance Sheet

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 6:		
INVESTMENTS (LONG TERM):		
In wholly owned Subsidiary Company (Unquoted)		
AVT Natural Pte. Limited, Singapore		
6,41,000 ordinary shares of US\$ 1 each fully paid-up (Previous year 3,55,000 ordinary shares of US\$ 1 each)	<u>2,82,27,150</u>	<u>1,65,29,750</u>
SCHEDULE - 7:		
INVENTORIES:		
(a) Stores, Spares and Packing Materials	2,56,01,144	2,76,64,613
(b) Raw Materials	3,69,08,529	3,43,60,410
(c) Finished Goods	14,07,28,000	18,14,40,000
(d) Stock in process	1,41,50,000	1,81,70,000
	<u>21,73,87,673</u>	<u>26,16,35,023</u>
SCHEDULE - 8:		
SUNDRY DEBTORS:		
Unsecured considered Good:		
(a) Debts outstanding for a period exceeding six months	50,94,741	40,86,163
(b) Other debts	<u>29,12,69,649</u>	<u>22,95,94,741</u>
	<u>29,63,64,390</u>	<u>23,36,80,904</u>
SCHEDULE - 9:		
CASH AND BANK BALANCES		
(a) Cash	5,11,152	3,05,183
(b) Balances with Scheduled Banks:		
- In Current Account	1,89,01,421	64,12,484
- In Deposit Account	87,69,003*	1,10,94,546
- In Dividend Account	17,82,553	15,80,059
(c) Balances with Foreign Bank:		
- In Current Account		
- Bank of China, Beijing	77,228	2,41,493
(Maximum balance - Rs.3,20,948/-)		
	<u>3,00,41,357</u>	<u>1,96,33,765</u>

* Includes Rs.57,69,003/- as Margin Money Deposit for issue of Letter of Credit/Guarantee

SCHEDULES

To the Balance Sheet

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 10:		
LOANS AND ADVANCES:		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received	5,12,06,827	3,80,92,790
Intercompany Loan to Subsidiary	1,38,61,400	Nil
Deposits	46,33,163	46,37,881
Tax Payments pending adjustments	6,09,91,509	5,74,92,549
	<u>13,06,92,899</u>	<u>10,02,23,220</u>
SCHEDULE - 11:		
CURRENT LIABILITIES:		
Sundry Creditors	5,49,85,606	2,96,24,556
Due to Micro & Small Enterprises	Nil	Nil
Due on Hire Purchase	96,880	7,00,310
Investor Education and Protection Fund *	17,82,553	15,80,059
- Unclaimed Dividend	10,44,000	1,18,000
- Unclaimed Matured Deposits	49,221	11,181
- Interest accrued on Matured Deposits	7,94,393	10,43,372
Interest accrued but not due	<u>5,87,52,653</u>	<u>3,30,77,478</u>
* Includes no amount due to be credited to Investor Education and Protection Fund		
SCHEDULE - 12:		
PROVISIONS:		
For Taxation	6,17,77,119	5,55,25,530
For Fringe Benefit Tax	11,56,928	12,00,000
For Gratuity	24,57,577	Nil
For Leave Encashment	46,32,000	21,35,000
Proposed Dividend on Equity Shares	2,66,49,700	2,28,42,600
For Tax on Dividend	45,29,117	38,82,100
	<u>10,12,02,441</u>	<u>8,55,85,230</u>

SCHEDULES

To the Profit and Loss Account

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
SCHEDULE - 13:		
INCOME FROM OPERATIONS:		
Sales :	75,17,75,308	62,80,22,199
Less: Excise Duty	<u>5,56,920</u>	<u>2,60,848</u>
	75,12,18,388	62,77,61,351
Exchange Gain (Including gain on Hedging)	4,35,89,110	63,83,579
Processing Income (TDS Rs.12,62,264)	5,58,47,550	8,04,49,085
Sale of Import Entitlement	<u>1,79,17,336</u>	<u>1,52,63,458</u>
	<u>86,85,72,384</u>	<u>72,98,57,473</u>
SCHEDULE - 14:		
OTHER INCOME		
Rent (Tax deducted at source Rs.40,788/-)	1,80,000	1,80,000
Interest (Tax deducted at source Rs.1,60,807/-)	18,67,062	6,39,515
Miscellaneous (Tax deducted at source Rs.3,169/-)	12,22,801	1,58,400
Insurance Claim Received	19,67,445	Nil
Provision for bad & doubtful debts no longer required written back	Nil	2,49,980
	<u>52,37,308</u>	<u>12,27,895</u>
SCHEDULE - 15:		
INCREASE (-) / DECREASE (+) IN STOCK:		
OPENING STOCK:		
Finished Goods	18,14,40,000	10,05,20,000
Stock in Process	<u>1,81,70,000</u>	<u>1,42,00,000</u>
	<u>19,96,10,000</u>	<u>11,47,20,000</u>
CLOSING STOCK		
Finished Goods		
- Processed	13,92,30,000	18,14,40,000
- Trade	14,98,000	Nil
Stock in Process	<u>1,41,50,000</u>	<u>1,81,70,000</u>
	<u>15,48,78,000</u>	<u>19,96,10,000</u>
Increase(-)/Decrease(+) in Stock	(+ <u>4,47,32,000</u>)	(-) <u>8,48,90,000</u>
SCHEDULE - 16:		
EMPLOYEE COST:		
Salaries, Wages and Bonus	6,31,35,607	6,31,37,640
Contribution to Provident and other Funds	56,66,359	62,72,106
Provision for Gratuity	12,01,135	Nil
Provision for Leave Encashment	13,91,000	Nil
Welfare Expenses	<u>67,39,783</u>	<u>65,90,187</u>
	<u>7,81,33,884</u>	<u>7,59,99,933</u>

SCHEDULES

To the Profit and Loss Account

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
SCHEDULE - 17:		
OTHER EXPENDITURE:		
Consumption of Stores, Spares & Packing Materials	4,16,70,819	4,61,31,135
Power and Fuel	5,50,99,195	5,70,07,990
Processing Charges	5,06,844	6,67,867
Repairs :		
Building	4,54,523	6,01,253
Plant & Machinery	1,47,93,803	1,77,13,885
Vehicles	32,61,660	44,68,575
Others	75,06,026	66,96,621
Postage and Telephones	31,68,865	35,85,379
Printing & Stationery	14,02,669	14,52,493
Travelling Expenses	1,35,95,827	1,42,14,867
Auditors Remuneration		
- For Audit	5,00,000	3,00,000
- For Tax Audit/Certification	1,68,000	1,42,500
- For Tax Representation	1,50,000	1,35,000
- For Service Tax	1,14,021	89,222
- For Expenses	1,34,500	1,63,500
Directors' Sitting Fees	2,40,000	1,40,000
Bank Charges	43,40,376	52,93,073
Rent	11,35,250	8,69,250
Rates and Taxes	17,25,489	16,01,755
Insurance	31,32,068	41,54,085
Freight and Transport	1,43,50,388	1,13,93,518
Commission	20,51,909	13,04,354
Loss on Sale of Assets / Assets Discarded	7,42,654	9,59,829
Bad debts written off	Nil	94,393
Miscellaneous Expenses	2,21,17,962	2,14,99,688
	<u>19,23,62,848</u>	<u>20,06,80,232</u>
SCHEDULE - 18:		
INTEREST:		
Fixed Loans	24,89,957	44,08,748
Others	2,18,49,447	2,51,19,654
	<u>2,43,39,404</u>	<u>2,95,28,402</u>

SCHEDULES

Note on Accounts for the year ended 31st March 2008

19. (1). SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION:

The financial statements have been prepared on the historical cost convention in accordance with the normally accepted accounting principles and comply in all material aspects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956.

2. FIXED ASSETS:

- a) Fixed Assets are stated at historical cost less depreciation. Assets acquired on hire purchase are capitalised at principal value.
- b) Amount of provisional consideration paid on land acquired under registered lease-cum-sale agreement for twenty one years; with option to the Company to convert the lease into absolute sale at the expiry of the lease; subject to fulfilment of the terms and conditions specified and payment of additional consideration, if any, to be fixed at that time, is capitalised and included, without being amortised over the period of lease.
- c) (i) Buildings and structures constructed on land acquired under lease-cum- sale agreement with option to convert the lease into absolute sale at the expiry of the lease are depreciated in the normal way and such assets on other lease-hold land are amortised over the period of lease.
(ii) Assets at Tiptur, Pandhurna, Bydagi and Decaffeination Plant at Vzhakulam are depreciated on written-down-value method and assets at other locations are depreciated on Straight-line method, at the rates specified in Schedule XIV to the Companies Act, 1956.
(iii) Depreciation on additions to and deductions from Fixed Assets is provided on pro-rata basis.

3) INVESTMENTS:

Long Term Investments are stated at cost. Decline in value of Long term investments, other than temporary, is provided for.

4) INVENTORIES :

Inventories are valued at lower of cost and net realisable value, after providing for obsolescence wherever necessary.

5) EMPLOYEE BENEFITS :

Gratuity Liability, which is a defined benefit scheme and provision for leave encashment is accrued and provided for on the basis of independent actuarial valuation made at the end of each financial year. Actuarial gains and losses are recognized in the Profit and Loss account and are not deferred.

Retirement benefits in the form of Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to the Profit and Loss Account of the year when the contribution to the respective funds accrue.

6) REVENUE RECOGNITION :

Revenue is recognised and expenditure is accounted for on their accrual.

7) FOREIGN CURRENCY TRANSACTION:

Transactions in foreign currency are recorded at the rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are converted at the year end exchange rates and the resultant loss or gain is dealt with in the Profit and Loss Account. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates and the resultant gain or loss is dealt with in the Profit and Loss Account on completion of the transaction.

8) TAXES ON INCOME:

Provision for Income-tax is made for both current and deferred tax. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred tax is accounted for by computing the tax effect of the timing difference which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only if there is a virtual certainty that they will be realized.

SCHEDULES

Note on Accounts for the year ended 31st March 2008

(2) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

A Registration Details:

Registration No:	12780 of 1986	State Code: 18	
Balance Sheet Date	Date: 31	Months: 03	Year: 2008

B CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

C POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	7,68,527	Total Assets	7,68,527
Sources of Funds:			
Paid-up Capital	76,142	Reserves & Surplus	3,35,885
Secured Loans	3,14,374	Unsecured Loans	13,047
Deferred Tax Liability	29,079		
Application of Funds:			
Net Fixed Assets	2,24,844	Investments	28,227
Net Current Assets	5,15,456	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

D PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover	8,73,810	Total Expenditure	7,29,128
Profit(+)/Loss(-) Before Tax	1,44,682	Profit(+)/Loss(-) After Tax	92,710
Earnings per Share (in Rs)	12.18	Dividend Rate %	35

E GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (As per monetary Terms)

Item Code No	Product Description
130190.45	Oleoresin

SCHEDULES

Notes on Accounts

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.		
3 CONTINGENT LIABILITIES IN RESPECT OF				
a) Salestax demand disputed in appeals, against which Rs.70,02,466 paid and included under Advances	1,50,25,234	1,47,70,208		
b) Outstanding Bank Guarantees/Letters of Credit	2,25,31,953	6,96,06,393		
c) Corporate Guarantee given to Bank for loan availed by Subsidiary Company	6,02,85,000	Nil		
4 PARTICULARS OF ANNUAL LICENCED/REGISTERED INSTALLED CAPACITIES/PRODUCTION	(Qty in MT)	(Qty in MT)		
Oil, Oleo and Natural Food Colours:				
Licensed/Registered Capacity	1380	1380		
Installed Capacity	1380	1380		
Production	744	779		
5 INCOME FROM OPERATIONS:	(Qty in MT)	Value Rs. (Qty in MT) Value Rs.		
Sales:				
Oil,Oleo and Natural Colours	853	72,42,52,072	635	56,44,78,447
Others		1,24,72,511		67,43,469
Trade-Oleo and Natural Colours & Spice Seasonings	39	1,50,50,726	109	5,68,00,283
		<u>75,17,75,308</u>		<u>62,80,22,199</u>
Less: Excise Duty		5,56,920		2,60,848
		<u>75,12,18,388</u>		<u>62,77,61,351</u>
Exchange Gain (Including Gain on Hedging)		4,35,89,110		63,83,579
Processing Income		5,58,47,550		8,04,49,085
Sale of Import Entitlement		1,79,17,336		1,52,63,458
		<u>86,85,72,384</u>		<u>72,98,57,473</u>
6 OPENING AND CLOSING STOCK				
Opening Stock:				
Oil, Oleo and Natural Food Colours	320	18,14,40,000	176	10,05,20,000
Stock-in-process		1,81,70,000		1,42,00,000
		<u>19,96,10,000</u>		<u>11,47,20,000</u>
Closing Stock:				
Oil, Oleo and Natural Food Colours	211	13,92,30,000	320	18,14,40,000
Trade-Spice Seasonings	5	14,98,000		Nil
Stock-in-process		1,41,50,000		1,81,70,000
		<u>15,48,78,000</u>		<u>19,96,10,000</u>
7 MATERIALS CONSUMED:				
Marigold	38305	11,73,89,361	54017	17,51,23,455
Spices and Others	1097	23,53,97,989	1007	12,37,21,678
		<u>35,27,87,350</u>		<u>29,88,45,133</u>

SCHEDULES

Notes on Accounts

	Year Ended 31.03.2008 Rs.		Year Ended 31.03.2007 Rs.	
	(Qty in MT)	Value Rs.	(Qty in MT)	Value Rs.
8 PURCHASES				
Marigold Oleo and Natural Colours	17	82,83,337	109	5,35,97,551
Spice Seasonings	27	69,47,887		Nil
		1,52,31,224		5,35,97,551
9 a) REMUNERATION TO MANAGING DIRECTOR				
Sri M.S.A. Kumar				
Salaries and Allowances		36,00,000		33,00,000
Contribution to Provident and other Funds*		4,86,000		4,86,000
Other Benefits/Perquisites		Nil		Nil
		40,86,000		37,86,000
* Contribution to Gratuity Fund is based on actuarial valuation on overall company basis and therefore, has not been included above				
Remuneration is paid to the Managing Director in accordance with Section I of Part II of Schedule XIII to the Companies Act, 1956.				
b) COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 198 READ WITH SECTION 349 OF THE COMPANIES ACT, 1956				
Profit before Taxation		14,46,81,915		13,65,99,223
Add:				
Remuneration to Managing Director		40,86,000		37,86,000
Directors Sitting Fees		2,40,000		1,40,000
Depreciation as per accounts		2,15,41,067		2,07,24,894
		17,05,48,982		16,12,50,117
Less:				
Depreciation as per Sec 350 of Companies Act		2,15,41,067		2,07,24,894
Net Profit as per Sec 198 of the Companies Act, 1956		14,90,07,915		14,05,25,223
5 % there off		74,50,396		70,26,261
Remuneration paid to Managing Director		40,86,000		37,86,000

SCHEDULES

Notes on Accounts

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.		
10 OTHER ADDITIONAL INFORMATION				
a) Expenditure in Foreign Currency:				
Travelling Expenses	30,08,950	30,24,960		
Commission	18,03,292	11,01,777		
Professional Fees	14,11,581	6,98,141		
Interest	1,07,69,685	1,14,24,217		
Representative Office Expenses	7,27,983	76,29,686		
Sample Analysis Charges	4,52,345	2,51,198		
Others	63,055	4,679		
b) Particulars of Consumption:				
Raw Materials	%	Rs.	%	Rs.
- Indigenous	63.90	22,54,38,533	80.42	24,03,41,114
- Imported	36.10	12,73,48,817	19.58	5,85,04,019
	<u>100.00</u>	<u>35,27,87,350</u>	<u>100.00</u>	<u>29,88,45,133</u>
Stores, Spares and Packing Materials	%	Rs.	%	Rs.
- Indigenous	91.06	3,79,44,022	80.69	3,72,22,832
- Imported	8.94	37,26,797	19.31	89,08,303
	<u>100.00</u>	<u>4,16,70,819</u>	<u>100.00</u>	<u>4,61,31,135</u>
c) Value of Imports on CIF basis				
Raw Materials	15,40,16,659	8,08,24,989		
Purchases of Traded Goods	1,52,31,224	5,35,97,551		
Stores, Spares and Packing Materials	33,44,728	72,25,130		
Capital Items	55,87,700	31,16,701		
d) Earnings in Foreign Exchange (On FOB Basis):				
On Export of goods	66,53,80,164	54,88,68,791		
Processing Income	65,996	34,75,075		
	<u>66,54,46,160</u>	<u>55,23,43,866</u>		

11 Due to Micro & Small Enterprises:

The company has initiated the process of obtaining confirmation from suppliers, who have registered under Micro, Small & Medium Enterprises Development Act, 2006. Based on the information available with the company, the principal amount due to Micro, Small & Medium as on 31.03.2008 is Nil. There are no overdue principal amounts and therefore no interest is paid or payable.

12 Sundry Debtors Include :

Debts due by Private Limited Company in which there are common Directors

AVT McCormick Ingredients Private Limited (Since realised)	93,80,667	1,44,96,398
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SCHEDULES

Notes on Accounts

13 Employee Benefits:

The Company has adopted the Accounting Standard (AS) 15(Revised) with effect from 1.04.2007.

i) Defined Benefit Plans:

a) Description of the Company's defined benefit plan:

i) Gratuity Scheme:

This is a funded defined benefit plan for qualifying employees for which, the Company makes contribution to the Gratuity Fund managed by the Life Insurance Corporation of India. The scheme provides for a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.

ii) Leave Encashment:

The company also operates a non funded leave encashment scheme for its employees.

b) Reconciliation of changes in the Present Value of Obligation:

	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
Present Value of the Obligation as on 1.04.2007	95,84,000	32,41,000
Current Service Cost	11,27,000	5,51,000
Interest Cost	7,43,175	2,15,891
Benefits Paid	(5,88,629)	(10,84,735)
Actuarial loss / (gain)	26,454	17,08,844
Present Value of the Obligation as on 31.03.2008	1,08,92,000	46,32,000

c) Reconciliation of changes in the fair value of Plan Assets:

Fair Value of Plan Assets as on 1.04.2007	71,35,811	Nil
Expected return on plan assets	5,94,990	Nil
Contribution by the Company	11,91,747	Nil
Benefits Paid	(5,88,629)	Nil
Actuarial gain / (loss)	1,00,504	Nil
Fair Value of Plan Assets as on 31.03.2008	84,34,423	Nil

d) The total expense recognised in the profit and loss account is as follows:

Current Service Cost	11,27,000	5,51,000
Interest Cost	7,43,175	2,15,891
Expected return on plan assets	(5,94,990)	NA
Net Actuarial (gain) / loss recognised in the year	(74,050)	17,08,844
	12,01,135	24,75,735

e) Reconciliation of Net Liability recognised in the balance sheet

Net Liability as at the beginning of the year	24,48,189	32,41,000
Add: Expense as (d) above	12,01,135	24,75,735
Less: Employers Contribution / Payment	11,91,747	10,84,735
Net Liability as at the end of the year	24,57,577	46,32,000

SCHEDULES

Notes on Accounts

	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
f) Constitution of Plan Assets:		
Investments in LIC Group Gratuity Scheme	84,34,423	Not Applicable
g) Principal actuarial assumptions used as at the Balance Sheet date:		
Discount Rate	8.00%	8.00%
Salary Escalation Rate	10.00%	10.00%
Attrition Rate	5.00%	5.00%
Expected rate of return on plan assets	8.00%	NA
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market		
The transitional liability as on 01.04.2007, pursuant to the adoption of the revised standard, amounts to Rs. 15,59,442/- (net of deferred tax liability) has been adjusted from the opening balance in General Reserve.		
ii) Defined Contribution Plans:		
The Company makes contribution towards employees' provident fund, family pension fund, super annuation fund and employees' state insurance scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs.55,95,527/- as expense towards contributions to these plans.		
14 Earnings per Share	2007-08	2006-07
Profit after Taxation	9,27,09,915	8,73,19,223
Weighted average number of Equity Shares outstanding at the end of the year	76,14,200	76,14,200
Earnings per share of Rs.10 Each (Basic and Diluted)	12.18	11.47
15 Segment Reporting :		
The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.		
16 Computation of Deferred Tax Asset / Liability:		
a) Deferred Tax Liability:		
Tax Impact of difference between carrying amount of Fixed Assets in the Financial Statements and the income tax returns	3,08,85,000	3,36,36,000
b) Deferred Tax Asset:		
Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax	18,06,000	7,26,000
Net Deferred Tax Liability [(a) - (b)]	2,90,79,000	3,29,10,000

17 Related Party Transactions :

Following associate companies are related to the company on account of Common Control through Constitution of Board/Shareholdings:

- | | |
|---|--|
| <ul style="list-style-type: none"> - A V Thomas & Company Ltd. - A V Thomas International Ltd. - LJ International Ltd. | <ul style="list-style-type: none"> - AVT Infotech Private Ltd. - A V Thomas Leather & Allied Products Pvt. Ltd. - A V Thomas Exports Ltd. |
|---|--|

SCHEDULES

Notes on Accounts

- | | |
|---|--|
| <ul style="list-style-type: none"> - AVThomas Investments Company Ltd. - The Nelliampathy Tea & Produce Co. Ltd. - Neelamalai Agro Industries Ltd. - The Midland Rubber and Produce Company Ltd. - AVT McCormick Ingredients Private Ltd. - Blue Mountain Developments Corp., - AVT Natural Pte. Ltd. - Teleflex Medical Private Ltd. | <ul style="list-style-type: none"> - Midland Latex Products Ltd. - Sermatech Private Ltd. - Ajit Thomas Holdings Private Limited - ST Holdings Private Limited - IQ Tech Private Limited - Heilongjiang AVT Bio-Products Ltd. (Formerly Tonghe AVT Natural Limited) - AVT Gavia Foods Pvt. Ltd. |
|---|--|

Key Management Personnel:

Mr Ajit Thomas, Chairman
Mr M.S.A. Kumar, Managing Director

Details of Transaction	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.		
	Associates	Key Management Personnel (including relatives)	Associates	Key Management Personnel (including relatives)
INCOME				
Sales	4,21,76,594		4,75,14,459	
Rent Received	1,80,000		1,80,000	
Interest Received	7,23,496		Nil	
EXPENDITURE				
Purchases	86,72,134		10,35,705	
C & F Charges	52,29,965		44,19,455	
Remuneration to Managing Director (Refer Note: 8)		40,86,000		37,86,000
Sitting Fees		40,000		30,000
Dividend Paid	1,28,69,250	29,90,628	107,24,375	24,92,190
OTHERS				
Intercorporate Loan	1,38,61,400		Nil	
Investments Made	1,16,97,400		1,63,04,750	
Issue of Bonus Shares	Nil	Nil	2,14,48,750	49,84,380
BALANCE AS ON 31.03.2008				
Debit Balances	93,80,667		1,44,96,398	
Credit Balances	28,28,589		15,076	

18 Previous year's figures have been regrouped wherever necessary to conform to Current year's classification

Vide our Report of date attached For SURI & CO., S GANESAN Partner Membership No:18525 Chartered Accountants Place: Chennai Date : 27th June 2008	For and on behalf of the board <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; text-align: center;"> Ajit Thomas Chairman </td> <td style="width: 33%; text-align: center;"> P. Shankar Director </td> <td style="width: 33%;"></td> </tr> <tr> <td style="width: 33%; text-align: center;"> Dileepraj. P Company Secretary </td> <td style="width: 33%; text-align: center;"> M.S.A. Kumar Managing Director </td> <td style="width: 33%;"></td> </tr> </table>	Ajit Thomas Chairman	P. Shankar Director		Dileepraj. P Company Secretary	M.S.A. Kumar Managing Director	
Ajit Thomas Chairman	P. Shankar Director						
Dileepraj. P Company Secretary	M.S.A. Kumar Managing Director						

CASH FLOW STATEMENT

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
A CASH FLOW FOR OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	14,46,81,915	13,65,99,223
Adjustment for:		
Depreciation	2,15,41,067	2,07,24,894
Provision for Leave Encashment	13,91,000	Nil
Provision for Gratuity	12,01,135	Nil
Loss On Sale of Assets/ Assets Discarded	7,42,654	9,59,829
Interest received	(18,67,062)	(6,39,515)
Interest	2,43,39,404	2,95,28,402
Operating Profit before working capital changes:	<u>19,20,30,113</u>	<u>18,71,72,833</u>
Adjustment for:		
Trade and other receivables	(6,26,83,486)	1,18,56,365
Inventories	4,42,47,350	(7,15,85,573)
Trade Payables	2,49,60,114	55,65,085
Other Current assets	(1,31,09,319)	(56,35,139)
Cash generated from operations	<u>18,54,44,772</u>	<u>12,73,73,571</u>
Taxes paid	(5,22,90,443)	(5,02,82,433)
Cash flow before extra ordinary items	<u>13,31,54,329</u>	<u>7,70,91,138</u>
Extra-ordinary Items	Nil	Nil
Net cash from operating activities	(A) <u>13,31,54,329</u>	<u>7,70,91,138</u>
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(3,72,55,384)	(2,97,42,602)
Sale of Fixed Assets	11,19,078	10,81,549
Investment in Subsidiary Company	(1,16,97,400)	(1,63,04,750)
Intercompany Loan to Subsidiary Company	(1,38,61,400)	Nil
Interest Received	10,90,648	5,78,736
Net Cash used in Investing Activities	(B) <u>(6,06,04,458)</u>	<u>(4,43,87,067)</u>

CASH FLOW STATEMENT

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
C CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term Borrowings	(1,06,30,690)	(1,08,48,862)
Working capital facilities	1,32,92,454	3,47,64,580
Public Deposits	(1,35,29,000)	(44,33,900)
Interest paid	(2,45,50,343)	(2,99,85,439)
Dividend Paid including Dividend Tax	(2,67,24,700)	(2,17,05,229)
Net Cash used in Financing Activities	(C) <u>(6,21,42,279)</u>	<u>(3,22,08,850)</u>
Net Increase in cash and cash equivalents (A + B + C)	<u>1,04,07,592</u>	<u>4,95,221</u>
Cash and cash equivalent at the beginning of the year	1,96,33,765	1,91,38,544
Cash and cash equivalent at the end of the year	<u>3,00,41,357</u>	<u>1,96,33,765</u>
	<u>1,04,07,592</u>	<u>4,95,221</u>

Vide our Report of date attached

For **SURI & CO.,**
S GANESAN
Partner
Membership No:18525
Chartered Accountants

Place: Chennai
Date : 27th June 2008

For and on behalf of the board

Ajit Thomas
Chairman

P. Shankar
Director

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES**

1	Name of the Subsidiary Company	AVT Natural Pte Ltd, Singapore	Heilongjiang AVT Bio-Products Ltd, China
2	Financial Year of the Subsidiary Company	31.12.2007	31.12.2007
3	Holding Company's Interest in the Subsidiary	641000 Shares of US\$ 1 each 100%	810000 Shares of US\$ 1 each 100% (Wholly owned by AVT Natural Pte. Ltd, Singapore)
4	Net aggregate amount of the profits/(loss) of the subsidiary not dealt with in the Holding Company's accounts a) For the financial year of the Subsidiary Company b) For the previous financial years of the Subsidiary Company	27.40 Lakhs 46.84 Lakhs	(38.50 Lakhs) (50.58 Lakhs)
5	Net aggregate amount of the profits/(loss) of the subsidiary dealt with in the Holding Company's accounts a) For the financial year of the Subsidiary Company b) For the previous financial years of the Subsidiary Company	Nil Nil	Nil Nil

Financial statement of the Subsidiaries are from 01.01.2007 to 31.12.2007

Vide our Report of date attached

For SURI & CO.,
S GANESAN
Partner
Membership No:18525
Chartered Accountants

Place: Chennai
Date:27th June 2008

For and on behalf of the board

Ajit Thomas
Chairman

P. Shankar
Director

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

Particulars	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Sales and Services (Rs.Lakhs)	5203.42	5728.88	7164.43	7298.57	8685.72
Net Profit (Rs.Lakhs)	215.77	482.71	753.09	873.19	927.10
Net Worth (Rs.Lakhs)	2074.82	2386.08	2914.61	3520.55	4120.27
Fixed Assets (Rs.Lakhs)	2044.45	2073.86	2040.15	2109.91	2248.44
Dividend %	10	40	50	30	35*
Dividend Amount (Rs.Lakhs)	38.07	152.28	190.35	228.43	266.50
Earnings per share (Rs.)	5.31	12.08	19.58	11.47**	12.18**
Dividend per share (Rs.)	1.00	4.00	5.00	3.00	3.50
Book value per share (Rs.)	54.50	62.70	76.60	46.20	54.10
Return on Networth (%)	10.40	20.23	25.84	24.80	22.50
PAT/Sales (%)	4.15	8.43	10.51	11.96	10.67
Fixed Assets Turnover (times)	2.55	2.76	3.51	3.46	3.86

* Subject to approval of the shareholders at the ensuing Annual General Meeting

** On Enhanced Capital.

CONSOLIDATED STATEMENTS

AUDITORS' REPORT OF CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of AVT Natural Products Limited, Chennai

We have examined the attached Consolidated Balance Sheet of AVT Natural Products Limited, Chennai ("the Company") and its subsidiaries as at 31st March 2008, the Consolidated Profit and Loss Account for the year ended on that date and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of subsidiaries reflecting total assets of Rs. 4.96 Crores as at 31.12.2007 and total revenue of Rs. 7.69 Crores for the period ended on that date have been audited by other auditors, whose reports have been furnished to us. We have relied upon these reports for the purpose of the amounts included in respect of the above Companies in the Consolidated Financial Statements.

We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements

of Accounting Standard (AS) 21- " Consolidated Financial Statements " issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its Subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports of individual audited financial statements of the Company and its Subsidiaries, we are of the opinion that, the consolidated financial statements read with the Notes forming part thereof, give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its Subsidiaries as at 31st March 2008;
- b) in the case of the Consolidated Profit and Loss Account of the Consolidated results of operations of the Company and its Subsidiaries for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement of the Consolidated cash flows of the Company and its Subsidiaries for the year ended on that date.

For Suri & Co.,
S. Ganesan
Partner

Place : Chennai
Date : 27th June 2008

Membership No.18525
Chartered Accountants

CONSOLIDATED BALANCE SHEET

	Schedule	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a) Share Capital	1	7,61,42,000	7,61,42,000
b) Reserves & Surplus	2	<u>33,23,30,842</u>	<u>27,50,14,488</u>
		<u>40,84,72,842</u>	<u>35,11,56,488</u>
2. LOAN FUNDS			
a) Secured Loans	3	33,92,95,781	31,17,11,713
b) Unsecured Loans	4	<u>1,30,47,000</u>	<u>2,75,02,000</u>
		<u>35,23,42,781</u>	<u>33,92,13,713</u>
3. DEFERRED TAX LIABILITY			
		<u>2,90,79,000</u>	<u>3,29,10,000</u>
TOTAL		<u>78,98,94,623</u>	<u>72,32,80,201</u>
APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	5	44,83,66,255	40,84,82,034
b) Less: Depreciation		<u>21,71,35,720</u>	<u>19,66,54,070</u>
c) Net Block		<u>23,12,30,535</u>	<u>21,18,27,964</u>
d) Capital work in progress		<u>88,59,676</u>	<u>Nil</u>
		<u>24,00,90,211</u>	<u>21,18,27,964</u>
2. CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	6	24,33,38,581	26,32,51,802
b) Sundry Debtors	7	31,57,72,537	27,26,73,468
c) Cash & Bank Balances	8	3,32,01,005	2,21,38,431
d) Others: Income Accrued		<u>5,29,514</u>	<u>1,47,894</u>
e) Loans and advances	9	<u>12,14,06,203</u>	<u>10,62,79,213</u>
		<u>71,42,47,840</u>	<u>66,44,90,808</u>
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	10	6,29,98,603	6,66,70,386
(b) Provisions	11	<u>10,14,44,825</u>	<u>8,63,68,185</u>
		<u>16,44,43,428</u>	<u>15,30,38,571</u>
Net Current Assets		<u>54,98,04,412</u>	<u>51,14,52,237</u>
TOTAL		<u>78,98,94,623</u>	<u>72,32,80,201</u>
Notes on Accounts	18		

Schedules 1 to 11, 18 (Notes) and Cash Flow Statement form part of this Balance Sheet

Vide our Report of date attached

For and on behalf of the board

For SURI & CO.,

S GANESAN

Partner

Membership No:18525

Chartered Accountants

Place: Chennai

Date : 27th June 2008

Ajit Thomas

Chairman

Dileepraj. P

Company Secretary

P. Shankar

Director

M.S.A. Kumar

Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Schedule	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
INCOME			
Operations	12	93,62,24,011	78,40,19,266
Other Income	13	58,34,481	12,48,581
TOTAL		94,20,58,492	78,52,67,847
EXPENDITURE			
Increase (-) / Decrease (+) in stock	14	(+ 4,47,32,000	(-) 8,48,90,000
Materials Consumed		36,52,96,099	29,88,45,133
Purchases		5,75,34,531	10,20,41,379
Employee Cost	15	8,20,46,629	7,69,05,571
Other Expenditure	16	20,18,27,835	20,50,51,679
Interest	17	2,46,36,657	2,95,28,402
Depreciation		2,21,22,703	2,07,78,259
TOTAL		79,81,96,454	64,82,60,423
Profit before Tax		14,38,62,038	13,70,07,424
Less : Provision for Taxation			
- Current Tax		5,37,89,740	4,92,82,955
- Deferred Tax		(30,28,000)	(4,20,000)
- Fringe Benefit Tax		15,00,000	12,00,000
Profit after Tax		9,16,00,298	8,69,44,469
Add : Surplus Brought Forward		2,76,14,360	1,73,94,591
		11,92,14,658	10,43,39,060
Appropriations:			
Transfer to General Reserve		5,00,00,000	5,00,00,000
Proposed Dividend on Equity Shares @ 35 %		2,66,49,700	2,28,42,600
Provision for Tax on Dividend		45,29,117	38,82,100
Surplus Carried Forward		3,80,35,841	2,76,14,360
		11,92,14,658	10,43,39,060
Earnings Per Share (Basic and Diluted)		12.03	11.42
Notes on Accounts	18		

Schedules 12 to 17, 18 (Notes) and Cash Flow Statement form part of this Profit & Loss Account

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**

S GANESAN

Partner

Membership No: 18525

Chartered Accountants

Place: Chennai

Date : 27th June 2008

Ajit Thomas
Chairman

P. Shankar
Director

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

SCHEDULES
Schedules to the Consolidated Balance Sheet

Schedule	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
SCHEDULE - 1:		
SHARE CAPITAL		
AUTHORISED:		
79,90,000 - Equity Shares of Rs 10 each	7,99,00,000	7,99,00,000
1,000 - 12% Redeemable Cumulative Preference Shares of Rs.100/- each	1,00,000	1,00,000
30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs.10 each	3,00,00,000	3,00,00,000
	<u>11,00,00,000</u>	<u>11,00,00,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
76,14,200 - Equity Shares of Rs.10/- each	<u>7,61,42,000</u>	<u>7,61,42,000</u>
<p>Note : Of the above shares, 38,07,100 Equity shares were allotted as fully paid-up bonus shares by capitalisation from General Reserve and Share Premium Account.</p>		
SCHEDULE - 2:		
RESERVES & SURPLUS:		
Capital Redemption Reserve	3,00,06,000	3,00,06,000
Capital Reserve - (Represents capital Profit on re-issue of forfeited shares)	35,000	35,000
Investment Subsidy	99,01,670	99,01,670
Foreign Currency Translation Reserve	(20,70,128)	(5,24,443)
General Reserve		
As per Last Balance Sheet	19,79,81,901	
Less: Transitional Liability in respect of Gratuity and Leave Encashment as on 1.04.2007 (net of deferred tax) adjusted	<u>15,59,442</u>	
	19,64,22,459	
Add: Transfer from Profit & Loss A/c	<u>5,00,00,000</u>	24,64,22,459
Contingency Reserve	1,00,00,000	1,00,00,000
Surplus:		
Balance in Profit and Loss Account	3,80,35,841	2,76,14,360
	<u>33,23,30,842</u>	<u>27,50,14,488</u>

SCHEDULES
Schedules to the Consolidated Balance Sheet

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 3:		
SECURED LOANS:		
(a) Term Loan (Secured by equitable mortgage of immovable properties and hypothecation of all movable assets, present and future, save and except inventories and book debts, and subject to prior charges created in favour of Banks on specific assets for securing working capital facilities)	46,88,766	1,53,19,456
(b) Working Capital Facilities (Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)	33,46,07,015	29,63,92,257
	<u>33,92,95,781</u>	<u>31,17,11,713</u>
SCHEDULE - 4:		
UNSECURED LOANS:		
Public Deposits (Deposits repayable within one year Rs.84,58,000/-)	<u>1,30,47,000</u>	<u>2,75,02,000</u>

SCHEDULES

Schedules to the Consolidated Balance Sheet

**SCHEDULE 5:
FIXED ASSETS**

Description	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at	Additions	Deductions	As at	Upto	For the	Withdrawn	Upto	As at	
	Rs	Rs	Rs	Rs	31.03.2007	year		31.03.2008	Rs	
	01.04.2007	31.03.2008							31.03.2007	31.03.2008
Freehold Land	1,23,60,434	-	-	1,23,60,434	-	-	-	-	1,23,60,434	1,23,60,434
Lease Hold Land	18,94,995	-	-	18,94,995	-	-	-	-	18,94,995	18,94,995
Buildings	9,85,42,886	142,79,196	-	11,28,22,082	4,15,26,411	38,59,490	-	4,53,85,901	6,74,36,181	5,70,16,475
Plant and Machinery	27,95,72,783	2,58,51,921	-	30,54,24,704	14,55,87,034	1,71,71,439	-	16,27,58,473	14,26,66,231	13,39,85,749
Furniture and Fixtures	54,05,181	8,77,940	-	62,83,121	36,19,224	2,74,174	-	38,93,398	23,89,723	17,85,957
Vehicles	1,07,05,755	23,77,949	35,02,785	95,80,919	59,21,401	8,17,600	16,41,053	50,97,948	44,82,971	47,84,354
TOTAL	40,84,82,034	4,33,87,006	35,02,785	44,83,66,255	19,66,54,070	2,21,22,703	16,41,053	21,71,35,720	23,12,30,535	21,18,27,964
Previous Year	38,15,92,316	3,18,57,270	49,67,552	40,84,82,034	17,88,01,985	2,07,78,259	29,26,174	19,66,54,070	21,18,27,964	-

SCHEDULES

Schedules to the Consolidated Balance Sheet

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 6:		
INVENTORIES:		
(a) Stores, Spares and Packing Materials	2,56,01,144	2,76,64,613
(b) Raw Materials	6,28,59,437	3,59,77,189
(c) Finished Goods	14,07,28,000	18,14,40,000
(d) Stock in process	1,41,50,000	1,81,70,000
	24,33,38,581	26,32,51,802
SCHEDULE - 7:		
SUNDRY DEBTORS:		
Unsecured considered Good :		
(a) Debts outstanding for a period exceeding six months	50,94,741	40,86,163
(b) Other debts	31,06,77,796	26,85,87,305
	31,57,72,537	27,26,73,468
SCHEDULE - 8:		
CASH AND BANK BALANCES		
(a) Cash	5,11,152	3,05,183
(b) Balances with Scheduled Banks:		
- In Current Account	2,20,61,069	89,17,150
- In Deposit Account	87,69,003*	1,10,94,546
- In Dividend Account	17,82,553	15,80,059
(c) Balances with Foreign Bank:		
- In Current Account		
- Bank of China, Beijing	77,228	2,41,493
(Maximum balance - Rs.3,20,948/-)	3,32,01,005	2,21,38,431
* Includes Rs.57,69,003/- as Margin Money Deposit for issue of Letter of Credit/Guarantee		
SCHEDULE - 9:		
LOANS AND ADVANCES:		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received		
Deposits	5,13,83,719	4,41,48,783
Tax Payments pending adjustments	46,33,163	46,37,881
	6,53,89,321	5,74,92,549
	12,14,06,203	10,62,79,213
SCHEDULE - 10:		
CURRENT LIABILITIES:		
Sundry Creditors		
Due to Micro and Small Enterprises	5,92,31,556	6,32,17,464
Due on Hire Purchase	Nil	Nil
Investor Education and Protection Fund *	96,880	7,00,310
- Unclaimed Dividend	17,82,553	15,80,059
- Unclaimed Matured Deposits	10,44,000	1,18,000
- Interest accrued on Matured Deposits	49,221	11,181
Interest accrued but not due	7,94,393	10,43,372
	6,29,98,603	6,66,70,386
* Includes no amount due to be credited to Investor Education and Protection Fund		

SCHEDULES

Schedules to the Consolidated Profit and Loss Account

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 11:		
PROVISIONS:		
For Taxation	6,20,19,503	5,63,08,485
For Fringe Benefit Tax	11,56,928	12,00,000
For Gratuity	24,57,577	Nil
For Leave Encashment	46,32,000	21,35,000
Proposed Dividend on Equity Shares	2,66,49,700	2,28,42,600
For Tax on Dividend	45,29,117	38,82,100
	10,14,44,825	8,63,68,185
 SCHEDULE - 12:		
INCOME FROM OPERATIONS:		
Sales:	81,94,26,935	68,21,83,992
Less: Excise Duty	5,56,920	2,60,848
	81,88,70,015	68,19,23,144
Exchange Gain (Including gain on hedging)	4,35,89,110	63,83,579
Processing Income (TDS Rs.12,62,264)	5,58,47,550	8,04,49,085
Sale of Import Entitlement	1,79,17,336	1,52,63,458
	93,62,24,011	78,40,19,266
 SCHEDULE - 13:		
OTHER INCOME		
Rent (Tax deducted at source Rs.40,788/-)	1,80,000	1,80,000
Interest (Tax deducted at source Rs.1,60,807/-)	17,22,035	6,60,201
Miscellaneous (Tax deducted at source Rs.3,169/-)	19,65,001	1,58,400
Insurance Received	19,67,445	Nil
Provision for bad & doubtful debts no longer required written back	Nil	2,49,980
	58,34,481	12,48,581
 SCHEDULE - 14:		
INCREASE (-) / DECREASE (+) IN STOCK:		
OPENING STOCK:		
Finished Goods	18,14,40,000	10,05,20,000
Stock in Process	1,81,70,000	1,42,00,000
	19,96,10,000	11,47,20,000
 CLOSING STOCK		
Finished Goods		
- Processed	13,92,30,000	18,14,40,000
- Trade	14,98,000	Nil
Stock in Process	1,41,50,000	1,81,70,000
	15,48,78,000	19,96,10,000
Increase(-)/Decrease(+) in Stock	(+) 4,47,32,000	(-) 8,48,90,000

SCHEDULES

Schedules to the Consolidated Profit and Loss Account (Contd.)

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
SCHEDULE - 15:		
EMPLOYEE COST:		
Salaries, Wages and Bonus	6,66,55,056	6,36,93,686
Contribution to Provident and other Funds	56,66,359	63,52,932
Provision for Gratuity	12,01,135	Nil
Provision for Leave Encashment	13,91,000	Nil
Welfare Expenses	71,33,079	68,58,953
	8,20,46,629	7,69,05,571
SCHEDULE - 16:		
OTHER EXPENDITURE:		
Consumption of Stores, Spares & Packing Materials	4,16,70,819	4,61,31,135
Power and Fuel	5,50,99,195	5,70,07,990
Processing Charges	5,06,844	6,67,867
Repairs :		
Building	7,89,271	6,01,253
Plant & Machinery	1,54,74,282	1,77,13,885
Vehicles	33,13,776	44,68,575
Others	78,31,169	66,96,621
Postage and Telephones	34,94,175	37,36,478
Printing & Stationery	14,53,366	14,52,493
Travelling Expenses	1,56,82,825	1,50,78,172
Auditors Remuneration		
- For Audit	6,30,792	3,95,064
- For Tax Audit/Certification	2,18,112	1,42,500
- For Tax Representation	1,50,000	1,35,000
- For Service Tax	1,14,021	89,222
- For Expenses	1,34,500	1,63,500
Directors' Sitting Fees	2,40,000	1,40,000
Bank Charges	44,95,514	53,56,874
Rent	27,43,511	8,69,250
Rates and Taxes	24,12,692	28,95,786
Insurance	32,58,183	41,54,085
Freight and Transport	1,44,35,036	1,18,51,661
Commission	41,81,669	13,04,354
Loss on Sale of Assets / Assets Discarded	7,42,654	9,59,829
Bad debts written off	Nil	94,393
Miscellaneous Expenses	2,27,55,429	2,29,45,692
	20,18,27,835	20,50,51,679
SCHEDULE - 17:		
INTEREST:		
Fixed Loans	24,89,957	44,08,748
Others	2,21,46,700	2,51,19,654
	2,46,36,657	2,95,28,402

SCHEDULES

Notes on Consolidated Financial Statements

18. (1). SIGNIFICANT ACCOUNTING POLICIES

1) ACCOUNTING CONVENTION:

The financial statements have been prepared on the historical cost convention in accordance with the normally accepted accounting principles and comply in all material aspects with the notified accounting standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956.

2) FIXED ASSETS :

- a) Fixed Assets are stated at historical cost less depreciation. Assets acquired on hire purchase are capitalised at principal value.
- b) Amount of provisional consideration paid on land acquired under registered lease-cum-sale agreement for twenty one years; with option to the Company to convert the lease into absolute sale at the expiry of the lease; subject to fulfilment of the terms and conditions specified and payment of additional consideration, if any, to be fixed at that time, is capitalised and included, without being amortised over the period of lease.
- c) (i) Buildings and structures constructed on land acquired under lease-cum-sale agreement with option to convert the lease into absolute sale at the expiry of the lease are depreciated in the normal way and such assets on other lease-hold land are amortised over the period of lease.
(ii) Assets at Tiptur, Pandhurna, Bydagi and Decaffeination Plant at Vazhakulam are depreciated on written-down-value method and assets at other locations are depreciated on Straight-line method, at the rates specified in Schedule XIV of the Companies Act, 1956.
(iii) Depreciation on additions to and deductions from Fixed Assets is provided on pro-rata basis.

3) INVESTMENTS:

Long Term Investments are stated at cost. Decline in value of Long term investments, other than temporary, is provided for.

4) INVENTORIES :

Inventories are valued at lower of cost and net realisable value, after providing for obsolescence wherever necessary.

5) EMPLOYEE BENEFITS :

Gratuity Liability, which is a defined benefit scheme and provision for leave encashment is accrued and provided for on the basis of independent actuarial valuation made at the end of each financial year. Actuarial gains and losses are recognized in the Profit and Loss account and are not deferred.

Retirement benefits in the form of Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to the Profit and Loss Account of the year when the contribution to the respective funds accrue.

6) REVENUE RECOGNITION :

Revenue is recognised and expenditure is accounted for on their accrual.

7) FOREIGN CURRENCY TRANSACTION:

Transactions in foreign currency are recorded at the rates of exchange in force at the time the transactions are effected. Monetary items denominated in foreign currency and outstanding at the Balance Sheet date are converted at the year end exchange rates and the resultant loss or gain is dealt with in the Profit and Loss Account. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates and the resultant gain or loss is dealt with in the Profit and Loss Account on completion of the transaction.

8) TAXES ON INCOME:

Provision for Income-tax is made for both current and deferred tax. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred tax is accounted for by computing the tax effect of the timing difference which arise during the year and reverse out in the subsequent periods. Deferred tax is calculated at the tax rates substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only if there is a virtual certainty that they will be realized.

SCHEDULES

Notes on Consolidated Financial Statements

2 BASIS OF CONSOLIDATION :

- a) The Consolidated Financial Statements include the Financial Statements of AVT Natural Products Ltd and its Subsidiaries namely AVT Natural Pte. Ltd, Singapore and Heilongjiang AVT Bio-Products Ltd, China

Name of the Subsidiary	Country of Incorporation	Proportion of ownership Interest %
AVT Natural Pte Ltd	Singapore	100%
Heilongjiang AVT Bio-Products Ltd * (* wholly owned subsidiary of AVT Natural Pte. Ltd, Singapore)	China	100%

- b) The Consolidated Financial Statements have been prepared on the following basis :
- i) The Financial Statements of the Parent Company and its Subsidiary Companies have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions resulting in unrealised profits and losses in accordance with Accounting Standard (AS) 21 - " Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
 - ii) The Consolidated Financial Statements have been prepared by adopting uniform Accounting policies except the Subsidiary Heilongjiang AVT Bio-Products Ltd, which depreciates its Fixed Assets on Straight Line Method over the estimated useful life of asset.
 - iii) The Subsidiaries reporting date was 31.12.2007 and the Financial statements as on that date have been considered for the purpose of preparation of Consolidated Financial Statements.
 - iv) There is no change in the holding company's interest in the subsidiaries between the end of the financial year viz 31.12.2007 and the end of the holding company's financial year viz 31.03.2008
 - v) No material change has occurred between the end of the financial year of the subsidiaries and the end of the holding company's financial year in-respect of
 - a) the subsidiaries fixed assets
 - b) the investments
 - c) the money lent/borrowed by it.

SCHEDULES

Notes on Consolidated Financial Statements

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
3 CONTINGENT LIABILITIES IN RESPECT OF		
a) Salestax demand disputed in appeals, against which Rs.70,02,466 paid and included under Advances	1,50,25,234	1,47,70,208
b) Outstanding Bank Guarantees/Letters of Credit	2,25,31,953	6,96,06,393
c) Corporate Guarantee given to Bank for loan availed by Subsidiary Company	6,02,85,000	Nil
4 REMUNERATION TO MANAGING DIRECTOR - SRI M.S.A. KUMAR		
Salaries and Allowances	36,00,000	33,00,000
Contribution to Provident and other Funds	4,86,000	4,86,000
Other Benefits/Perquisites	Nil	Nil
	40,86,000	37,86,000
5 Earnings per Share		
Profit after Taxation	9,16,00,298	8,69,44,469
Weighted average number of Equity Shares outstanding at the end of the year	76,14,200	76,14,200
Earnings per share of Rs.10 Each (Basic and Diluted)	12.03	11.42
6 Segment Reporting :		
The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.		
7 Computation of Deferred Tax Asset / Liability:		
a) Deferred Tax Liability:		
Tax Impact of difference between carrying amount of Fixed Assets in the Financial Statements and the income tax returns	3,08,85,000	3,36,36,000
b) Deferred Tax Asset:		
Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax.	18,06,000	7,26,000
Net Deferred Tax Liability [(a) - (b)]	2,90,79,000	3,29,10,000
8 Employee Benefits:		
The Company has adopted the Accounting Standard (AS) 15(Revised) with effect from 1.04.2007.		
i) Defined Benefit Plans:		
a) Description of the Company's defined benefit plan:		
i) Gratuity Scheme:		
This is a funded defined benefit plan for qualifying employees for which, the Company makes contribution to the Gratuity Fund managed by the Life Insurance Corporation of India. The scheme provides for a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.		
ii) Leave Encashment:		
The company also operates a non funded leave encashment scheme for its employees.		
b) Reconciliation of changes in the Present Value of Obligation:		
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
Present Value of the Obligation as on 1.04.2007	95,84,000	32,41,000
Current Service Cost	11,27,000	5,51,000
Interest Cost	7,43,175	2,15,891
Benefits Paid	(5,88,629)	(10,84,735)
Actuarial loss / (gain)	26,454	17,08,844
Present Value of the Obligation as on 31.03.2008	1,08,92,000	46,32,000

SCHEDULES

Notes on Consolidated Financial Statements

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
c) Reconciliation of changes in the fair value of Plan Assets:		
Fair Value of Plan Assets as on 1.04.2007	71,35,811	Nil
Expected return on plan assets	5,94,990	Nil
Contribution by the Company	11,91,747	Nil
Benefits Paid	(5,88,629)	Nil
Actuarial gain / (loss)	1,00,504	Nil
Fair Value of Plan Assets as on 31.03.2008	84,34,423	Nil
d) The total expense recognised in the profit and loss account is as follows:		
Current Service Cost	11,27,000	5,51,000
Interest Cost	7,43,175	2,15,891
Expected return on plan assets	(5,94,990)	NA
Net Actuarial (gain) / loss recognised in the year	(74,050)	17,08,844
	12,01,135	24,75,735
e) Reconciliation of Net Liability recognised in the balance sheet		
Net Liability as at the beginning of the year	24,48,189	32,41,000
Add: Expense as (d) above	12,01,135	24,75,735
Less: Employers Contribution / Payment	11,91,747	10,84,735
Net Liability as at the end of the year	24,57,577	46,32,000
f) Constitution of Plan Assets:		
Investments in LIC Group Gratuity Scheme	84,34,423	Not Applicable
g) Principal actuarial assumptions used as at the Balance Sheet date:		
Discount Rate	8.00%	8.00%
Salary Escalation Rate	10.00%	10.00%
Attrition Rate	5.00%	5.00%
Expected rate of return on plan assets	8.00%	NA
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.		
The transitional liability as on 01.04.2007, pursuant to the adoption of the revised standard, amounts to Rs. 15,59,442/- (net of deferred tax liability) has been adjusted from the opening balance in General Reserve.		
ii) Defined Contribution Plans:		
The Company makes contribution towards employees' provident fund, family pension fund, super annuation fund and employees' state insurance scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs. 55,95,527/- as expense towards contributions to these plans.		

9 Related Party Transactions :

Following associate companies are related to the company on account of Common Control through Constitution of Board/Shareholdings:

- A V Thomas & Company Ltd.	- AVT Infotech Private Ltd.
- A V Thomas International Ltd.	- A V Thomas Leather & Allied Products Pvt. Ltd.
- LJ International Ltd.	- A V Thomas Exports Ltd.
- A V Thomas Investments Company Ltd.	- Midland Latex Products Ltd.
- The Nelliampathy Tea & Produce Co. Ltd.	- Sermatech Private Ltd.
- Neelamalai Agro Industries Ltd.	- Ajit Thomas Holdings Private Limited
- The Midland Rubber and Produce Company Ltd.	- ST Holdings Private Limited
- AVT McCormick Ingredients Private Ltd.	- IQ Tech Private Limited
- Blue Mountain Developments Corp.,	- AVT Gavia Foods Pvt. Ltd.
- Teleflex Medical Private Ltd.	

Key Management Personnel:

Mr Ajit Thomas, Chairman
Mr M.S.A. Kumar, Managing Director

SCHEDULES
Schedules to the Consolidated Balance Sheet

Details for Transaction	Year Ended 31.03.2008 Rs.		Year Ended 31.03.2007 Rs.	
	Associates	Key Management Personnel (including relatives)	Associates	Key Management Personnel (including relatives)
INCOME				
Sales	4,21,76,594		4,75,14,459	
Rent Received	1,80,000		1,80,000	
EXPENDITURE				
Purchases	3,88,797		10,35,705	
C & F Charges	52,29,965		44,19,455	
Remuneration to Managing Director (Refer Note: 8)		40,86,000		37,86,000
Sitting Fees		40,000		30,000
Dividend Paid	1,28,69,250	29,90,628	1,07,24,375	24,92,190
OTHERS				
Issue of Bonus Shares	Nil	Nil	2,14,48,750	49,84,380
BALANCE AS ON 31.03.2008				
Debit Balances	93,80,667		1,44,96,398	
Credit Balances	28,28,589		15,076	

10 Previous year's figures have been regroup wherever necessary to conform to current year's classification

Vide our Report of date attached	For and on behalf of the board	
For SURI & CO.,		
S GANESAN	Ajit Thomas	P. Shankar
Partner	Chairman	Director
Membership No:18525		
Chartered Accountants		
Place: Chennai	Dileepraj. P	M.S.A. Kumar
Date : 27th June 2008	Company Secretary	Managing Director

CONSOLIDATED CASH FLOW STATEMENT

	Year Ended 31.03.2008 Rs.	Year Ended 31.03.2007 Rs.
A CASH FLOW FOR OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	14,38,62,038	13,70,07,424
Adjustment for:		
Depreciation	2,21,22,703	2,07,78,259
Provision for Leave Encashment	13,91,000	Nil
Provision for Gratuity	12,01,135	Nil
Loss On Sale of Assets/ Assets Discarded	7,42,654	9,59,829
Foreign Currency Translation Reserve	(15,45,685)	(5,24,443)
Interest received	(17,22,035)	(6,60,201)
Interest	2,46,36,657	2,95,28,402
Operating Profit before working capital changes:	<u>19,06,88,467</u>	<u>18,70,89,270</u>
Adjustment for:		
Trade and other receivables	(4,30,99,069)	(2,71,36,199)
Inventories	1,99,13,221	(7,32,02,352)
Trade Payables	(43,86,844)	3,91,57,993
Other Current assets	(72,30,218)	(1,16,91,132)
Cash generated from operations	<u>15,58,85,557</u>	<u>11,42,17,580</u>
Taxes paid	(5,75,18,566)	(5,02,82,433)
Cash flow before extra ordinary items	9,83,66,991	6,39,35,147
Extra-ordinary Items	Nil	Nil
Net cash from operating activities	(A) 9,83,66,991	6,39,35,147
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5,22,46,682)	(3,06,32,381)
Sale of Fixed Assets	11,19,078	10,81,549
Interest Received	13,40,415	5,99,422
Net Cash used in Investing Activities	(B) (4,97,87,189)	(2,89,51,410)
C Cash flow from Financing Activities		
Repayment of Long Term Borrowings	(1,06,30,690)	(1,08,48,862)
Working Capital Facilities	3,82,14,758	3,47,64,580
Dividend Paid including Dividend Tax	(2,67,24,700)	(2,17,05,229)
Public Deposits	(1,35,29,000)	(44,33,900)
Interest paid	(2,48,47,596)	(2,99,85,439)
Net Cash used in Financing Activities	(C) (3,75,17,228)	(3,22,08,850)
Net Increase in cash and cash equivalents (A + B + C)	<u>1,10,62,574</u>	<u>27,74,887</u>
Cash and cash equivalent at the beginning of the year	<u>2,21,38,431</u>	<u>1,93,63,544</u>
Cash and cash equivalent at the end of the year	<u>3,32,01,005</u>	<u>2,21,38,431</u>
	<u>1,10,62,574</u>	<u>27,74,887</u>

Note : This being the first year of Consolidated Financial Statements the previous year figures are not furnished.

Vide our Report of date attached

For and on behalf of the board

For SURI & CO.,

SGANESAN

Partner

Membership No:18525

Chartered Accountants

Place: Chennai

Date : 27th June 2008

Ajit Thomas
Chairman

P. Shankar
Director

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

**AVT NATURAL PTE. LTD. SINGAPORE
AND
ITS SUBSIDIARY**

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of the group and balance sheet and statement of changes in equity of the company for the financial year ended 31 December 2007.

1. DIRECTORS

The directors of the company in office at the date of this report are:

Ajit Thomas

Gopalasamy s/o Vasudhevan

Methil Sreenivasan Achutha Kumar

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial period nor at any time during the financial period did there subsist any arrangement whose object was to enable the directors to acquire benefits by means of acquisition of shares or debentures in the company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act, except as follows:-

Name of directors and companies in which interest are held	At beginning of year	At end of year
AVT Natural Products Limited	Ordinary shares of Rs.10 each	
Ajit Thomas	716,664	437,894
Methil Sreenivasan Achutha Kumar	4,200	4,200

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has substantial financial interest except as disclosed in the attached financial statements.

5. OPTIONS TO TAKE UP UNISSUED SHARES

During the financial period, no option to take up unissued shares of the company or any corporation in the group was granted.

6. OPTIONS EXERCISED

During the financial period, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTIONS

At the end of the financial period, there were no unissued shares of the company or any corporation in the group under option.

8. AUDITORS

The auditors, M/s. Prudential Public Accounting Corporation, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board

Ajit Thomas
Director

Methil Sreenivasan Achutha Kumar
Director

Singapore, 17 April 2008

STATEMENT BY DIRECTORS

We, being the directors of the company, do hereby state that in our opinion:-

- (a) the consolidated financial statements of the group and balance sheet and statement of changes in equity of the company set out on pages 6 to 24 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2007, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended; and

- (b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Ajit Thomas
Director

Methil Sreenivasan Achutha Kumar
Director

Singapore, 17 April 2008

AUDITORS' REPORT

To the members of AVT Natural Pte. Ltd. and its Subsidiaries

We have audited the accompanying financial statements of the group and the balance sheet and statement of changes in equity of **AVT NATURAL PTE. LTD. AND SUBSIDIARY**, which comprises the balance sheet as at 31 December 2007, and profit and loss account, statement of changes in equity and cash flow statement and a summary of significant accounting policies and other explanatory notes set out on pages 6 to 24 for the financial year ended 31 December 2007.

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards and the Singapore Companies Act Cap. 50 (the "Act"). This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditors' responsibility

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Act, and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at 31 December 2007 and the results, changes in equity and cash flows of the company for the year then ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

**PRUDENTIAL
PUBLIC ACCOUNTING CORPORATION
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS
SINGAPORE**

Singapore, 17 April 2008

BALANCE SHEET AS AT 31 DECEMBER 2007

		Group		Company	
	Note	2007 US\$	2006 US\$	2007 US\$	2006 US\$
ASSETS					
Current assets:					
Cash and cash equivalents	(6)	80,665	56,475	15,962	4,385
Inventories at cost		662,520	36,455	-	-
Trade and other receivables	(7)	612,276	1,015,751	350,079	879,201
Other current assets		<u>1,355,461</u>	<u>1,108,681</u>	<u>366,041</u>	<u>883,586</u>
Non-current assets:					
Plant and equipment	(8)	386,734	18,859	-	-
Investment in subsidiary	(9)	-	-	810,000	350,000
Total non-current assets		<u>386,734</u>	<u>18,859</u>	<u>810,000</u>	<u>350,000</u>
Total assets		<u>1,742,195</u>	<u>1,127,540</u>	<u>1,176,041</u>	<u>1,233,586</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Trade and other payables	(10)	1,094,737	757,450	358,079	755,317
Provision for taxation		6,188	17,654	6,188	17,654
Total current liabilities		<u>1,100,925</u>	<u>775,104</u>	<u>364,267</u>	<u>772,971</u>
Capital and reserve:					
Issued capital	(12)	641,000	355,000	641,000	355,000
Accumulated (losses)/profits		(35,713)	(8,434)	170,774	105,615
Foreign translation reserves		35,983	5,870	-	-
Total equity		<u>641,270</u>	<u>352,436</u>	<u>811,774</u>	<u>460,615</u>
Total liabilities and equity		<u>1,742,195</u>	<u>1,127,540</u>	<u>1,176,041</u>	<u>1,233,586</u>

The annexed notes form an integral part of these financial statements.

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the Financial Year Ended 31 December 2007

	Note	01 Jan 2007 To 31 Dec 2007 US\$	24 Mar 2006 To 31 Dec 2006 US\$
Revenue	(12)	1,818,366	1,220,135
Cost of goods sold		<u>(1,510,905)</u>	<u>(1,091,323)</u>
Gross profit		307,461	128,812
Other operating income	(13)	23,754	466
Administrative expenses		(334,524)	(91,217)
Other operating expenses		-	(28,485)
Finance costs	(14)	<u>(16,573)</u>	<u>(356)</u>
(Loss)/Profit before income tax		(19,882)	9,220
Income tax expense	(15)	<u>(7,397)</u>	<u>(17,654)</u>
Loss for the year/period	(16)	<u>(27,279)</u>	<u>(8,434)</u>

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2007

Group	Issued Capital US\$	Accumulated Loss US\$	Foreign Translation Reserves US\$	Total S\$
Balance at date of incorporation, 24 March 2006	5,000	-	-	5,000
Issue of shares	350,000	-	-	350,000
Net loss for the period	-	(8,434)	-	(8,434)
Foreign translation reserves	-	-	5,870	5,870
Balance as at 31 December 2006	355,000	(8,434)	5,870	352,436
Net loss for the year	-	(27,279)	-	(27,279)
Foreign translation reserves	-	-	30,113	30,113
Issue of shares (Note 11)	286,000	-	-	286,000
Balance as at 31 December 2007	641,000	(35,713)	35,983	641,270

Company	Issued Capital US\$	Accumulated Profits US\$	Total S\$
Balance at date of incorporation, 24 March 2006	5,000	-	5,000
Issue of shares	350,000	-	350,000
Net profit for the period	-	105,615	105,615
Balance as at 31 December 2006	355,000	105,615	460,615
Issue of shares (Note 11)	286,000	-	286,000
Net profit for the year	-	65,159	65,159
Balance as at 31 December 2007	641,000	170,774	811,774

The annexed notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the Financial Year Ended 31 December 2007

	01 Jan 2007 To 31 Dec 2007 US\$	24 Mar 2006 To 31 Dec 2006 US\$
CASH FLOW FROM OPERATING ACTIVITIES:		
(Loss)/Profit before income tax	(19,882)	9,220
Adjustment for:		
Depreciation of plant and equipment	14,178	1,178
Foreign currency alignment	29,342	5,895
Interest expense	16,572	356
Interest income	(5,981)	-
Operating profit before working capital changes	34,229	16,649
Inventories	(626,065)	(36,455)
Trade and other receivables	403,475	(1,015,751)
Trade and other payables	337,287	757,450
Cash from/(used in) operation	148,926	(278,107)
Taxes paid	(18,863)	-
Net cash from/(used in) operating activities	130,063	(278,107)
Investing activities:		
Purchase of plant and equipment	(381,282)	(20,062)
Net cash used in investing activities	(381,282)	(20,062)
Financing activities:		
Issue of share capital	286,000	355,000
Interest expense	(16,572)	(356)
Interest income	5,981	-
Net cash from financing activities	275,409	354,644
Net increase in cash	24,190	56,475
Cash at beginning of year	56,475	-
Cash at end of year	80,665	56,475

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2007

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The company (Registration number: 200604170H) is a private limited company, which incorporated in the Republic of Singapore with its registered office at:

17 Phillip Street #05-01
Grand Building
Singapore 048695

The principal activities of the company are general trading, import and export.

The principal activities of the subsidiary are stated in Note 8 to the financial statements.

The financial statements of the company and consolidated financial statements of the group for the year ended 31 December 2007 were authorised for issue in accordance with the directors' resolution dated 17 April 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

In the current financial year, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2007. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's accounting policies and has no material effect on the amounts reported for the current or prior years.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the group's accounting policies. It also requires the use of accounting estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2.2. FRS not yet effective

The group has not applied the following relevant FRS that have been issued but not yet effective:

	Effective date (Annual periods) beginning on or after
FRS 1: Amendment to FRS 1 (revised) Presentation of financial statements (Capital Disclosures)	1 January 2008
FRS 107: Financial Instruments: Disclosures	1 January 2008

The group expects the adoption of the above pronouncements will have no material financial impact on their financial statements in the period of initial application, except for the amendment to FRS 1 and FRS 107 as indicated below.

The amendment to FRS 1 requires the company to make new disclosure to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

The following are the FRS and INT FRS that are relevant to the group:

Amendment to FRS 1: Presentation of Financial Statements
- Capital Disclosures

FRS 107: Financial Instruments : Disclosures

The adoption of the above FRS did not result in any substantial changes to the group's accounting policies.

2.3. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprise controlled by the company (its subsidiary) made up to 31 December. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other member of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.4. Property, Plant and Equipment and Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is calculated on the straight line method to write off the cost of the assets over their estimated useful lives as follows:-

	Years
Property	35
Equipment, plant & machinery	5
Workshop	5
Office equipment	5
Furniture & fittings	5
Motor car	10

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

2.5. Impairment of Non-financial Assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

2.6. Investment in subsidiary

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to 31 December. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A subsidiary is an entity over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the company's separate financial statements, investments in subsidiary is accounted for at cost less any impairment losses.

2.7. Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted for financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables where the carrying amount is reduced through the use of an allowance account. When an other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2.8. Income Tax

Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except that a debit to the deferred tax balance is not carried forward unless there is a probable realisation in the foreseeable future.

2.9. Foreign Currencies

a) Functional and presentation currency

Items included in the financial statements of the company and each group entity are measured using the currency of the primary economic environment in which the group and company operates ("the functional currency"). The financial statements of the group and company entity are presented in United States dollars, which is the functional currency of the company and presentation currency of the group and company.

b) Foreign Currency Transactions

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the profit and loss statement.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

c) Translation of group entities' financial statements

The results and financial position of all the group entity (none of which has the currency of a hyperinflationary economy) that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(iii) All resulting currency translation differences are recognised in the currency translation reserve.

2.10. Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.11. Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the group. Revenue is recognized when it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is recognized as follows:

a) Sales of goods

Revenue from sale of goods are recognized upon passage of title to the customers which generally coincides with their delivery and acceptance.

b) Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

2.12. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all costs incurred in bringing the stocks to their present location and condition. Cost is determined on a first-in-first-out basis.

Net realizable value represents the estimated selling price in the ordinary course of business, less estimated costs necessary to make to sale.

2.13. Retirement Benefit Costs

Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense as they fall due.

2.14. Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

3. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the group balance sheet when the group becomes a party to the contractual provisions of the instrument.

3.1. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

3.2. Cash and bank balances

Cash and bank balances comprise cash on hand and current account with bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.3. Financial liabilities and equity

Financial liabilities and equity instruments issued by the company are classified accordingly to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

4.1. Critical accounting judgements

In the process of applying the group's accounting policies, management is of the opinion that there are no critical judgements involved that have significant effect on the amounts recognised in the financial statements.

4.2. Key sources of estimation uncertainties

The management is of the opinion that there are no key sources of estimation uncertainty at the balance sheet date that have a significant effect on the amounts of assets and liabilities within the next financial year.

5. FINANCIAL RISKS AND MANAGEMENT

The group's overall risk management policy seeks to minimise potential adverse effects on the financial performance of the group. The group, however, does not have any written risk management policies and guidelines. The directors monitor the following risks management of the group and believe that the financial risks associated with these financial instruments are minimal.

a) Credit Risk

Credit risk refers to risk that counterparty will default on their obligations to repay amounts owing to the group resulting in a loss to the group. The carrying amount of cash and bank balances, trade and other receivables represents the group's maximum exposure to credit risk in relation to financial assets.

The group's trade receivables related to sales of goods to third parties. No formal credit limits are imposed and credit risks is managed through regular monitoring of conduct of accounts. The credit risk is on liquid funds is limited because the counter party is a bank with high credit ratings assigned by international credit agencies.

No other financial assets carry a significant exposure to credit risk.

b) Liquidity Risk

Liquidity risk refer to risk that the group will not have sufficient funds to pay its debts as and when they fall due.

The group maintains sufficient cash at bank balances, and internally generated cash flows to finance their business activities. This minimise the liquidity risk.

c) Fair value of financial assets and financial liabilities

The carrying amounts of trade and other payables and trade and other receivables, approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

6. CASH AT BANK

	Group		Company	
	2007	2006	2007	2006
	US\$	US\$	US\$	US\$
Cash at bank	80,665	5,6475	15,962	4,385

The carrying amount of cash at bank, which approximate their fair value are denominated in the following currencies:

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

6. CASH AT BANK (Contd.)

	Group		Company	
	2007 US\$	2006 US\$	2007 US\$	2006 US\$
RMB	64,703	52,090	-	-
United States dollars	15,962	4,385	15,962	4,385
	<u>80,665</u>	<u>56,475</u>	<u>15,962</u>	<u>4,385</u>

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 US\$	2006 US\$	2007 US\$	2006 US\$
Trade receivables	495,485	879,201	-	879,201
Other receivables:				
- others	1,599	3,171	-	-
- prepayment	1,409	130,464	-	-
- advance	1,508	299	-	-
- tax recoverable	112,275	2,616	-	-
- subsidiary (Note 18)	-	-	350,079	-
	<u>612,276</u>	<u>1,015,751</u>	<u>350,079</u>	<u>879,201</u>

Amount due from subsidiary bear interest at 9.5% per annum and payable within one year.

The carrying amount of trade and other receivables, which approximate their fair value are denominated in the following currencies:

	Group		Company	
	2007 US\$	2006 US\$	2007 US\$	2006 US\$
RMB	116,791	6,086	-	-
United States dollars	495,485	1,009,665	350,079	879,201
	<u>612,276</u>	<u>1,015,751</u>	<u>350,079</u>	<u>879,201</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

8. PLANT AND EQUIPMENT

Group	Computers	Equipment Plant & Machine	Furniture & Fittings	Office Equipment	Building	Motor car	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cost							
At 1.1.2007	985	17,621	1,108	348	-	-	20,062
Exchange difference	71	1,266	80	25	-	-	1,442
Additions	-	219,318	1,590	-	138,536	21,838	381,282
At 31.12.2007	1,056	238,205	2,778	373	138,536	21,838	402,786
Accumulated depreciation							
At 1.1.2007	66	1,040	74	23	-	-	1,203
Exchange difference	13	403	18	5	160	72	671
Additions	203	7,957	317	72	3,881	1,748	14,178
At 31.12.2007	282	9,400	409	100	4,041	1,820	16,052
Carrying amount							
At 31.12.2007	774	228,805	2,369	273	134,495	20,018	386,734
At 31.12.2006	919	16,581	1,034	325	-	-	18,859

9. INVESTMENT IN SUBSIDIARY

	2007 US\$	2006 US\$
Unquoted equity shares at cost	810,000	350,000

Name of subsidiary	Principal activities and country of incorporation	Percentage of equity held	
		2007 %	2006 %
Heilongjiang AVT Bio-Products Ltd previously known as Tonghe AVT Natural Ltd	Trading business(China)	100	100

During the year, the subsidiary issued additional shares which were fully subscribed and paid up by the company.

Heilongjiang AVT Bio-Products Ltd was audited by Jia Xin Certified Public Accountants.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2007 US\$	2006 US\$	2007 US\$	2006 US\$
Trade payable:				
- third parties	40,924	750,424	-	750,389
Other payables:				
- others	56,684	2,098	-	-
- accrued expenses	20,869	4,928	18,079	4,928
- bill discounted	636,260	-	-	-
- immediate and ultimate holding company	340,000	-	340,000	-
	<u>1,094,737</u>	<u>757,450</u>	<u>358,079</u>	<u>755,317</u>

The amount due to immediate and ultimate holding company is unsecured, bears interest at 9.5% per annum and repayable on demand. Interest on bill discounted ranges from 7.35% to 7.5% per annum and secured by corporate guarantee given by immediate and ultimate company.

The carrying amount of trade and other payables, which approximate their fair value are denominated in the following currencies:

	Group		Company	
	2007 US\$	2006 US\$	2007 US\$	2006 US\$
RMB	69,553	2,098	-	-
United States dollars	1,017,184	750,424	350,079	750,389
Singapore dollars	8,000	4,928	8,000	4,928
	<u>1,094,737</u>	<u>757,450</u>	<u>358,079</u>	<u>755,317</u>

11. ISSUED CAPITAL

	Issued share capital Group and Company	
	2007 US\$	2006 US\$
641,000 (2006: 355,000) ordinary shares	<u>641,000</u>	<u>355,000</u>

During the year, 286,000 ordinary shares were issued for cash at US\$1 each for US\$286,000 to provide for working capital and investment in subsidiary.

Pursuant to the Singapore Companies (Amendment) Act 2005, effective from 30 January 2006, the concept of "par value" and "authorised capital" were abolished.

The company has one class of ordinary shares which carry no right to fixed income.

12. REVENUE

	Group	
	2007 US\$	2006 US\$
Sales of goods	<u>1,818,366</u>	<u>1,220,135</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

13. OTHER OPERATING INCOME

	Group	
	2007 US\$	2006 US\$
Interest received	5,981	466
Foreign exchange gain	17,773	-
	23,754	466

14. FINANCE COSTS

	Group	
	2007 US\$	2006 US\$
Interest on bills	6,494	-
Interest on amount due to immediate and ultimate holding company	10,079	-
Interest expense	-	356
	16,573	356

15. INCOME TAX EXPENSE

	Group	
	2007 US\$	2006 US\$
Current income tax	6,188	17,654
Underprovision previous year	1,209	-
	7,397	17,654

The income tax expense varied from the amount of income tax expense determined by applying the Singapore Income Tax of 18% (2006: 20%) to profit before income tax as a result of the following differences:

	Group	
	2007 US\$	2006 US\$
Income tax expenses at statutory rate	13,128	1,844
Non-allowable item	-	22,810
Tax exemption	(6,940)	(7,000)
Underprovision in previous year	1,209	-
	7,397	17,654

16. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived after charging:

	Group	
	2007 US\$	2006 US\$
Incorporation fee	-	2,000
Other secretary service fee	-	261

17. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The company is a wholly-owned subsidiary of AVT Natural Products Limited, a company incorporated in India, which is also the ultimate holding company.

Some of the company's transactions and arrangements are between the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest free and repayable on demand unless otherwise stated.

Significant intercompany transactions:

	Group		Company	
	2007 US\$	2006 US\$	2007 US\$	2006 US\$
Interest received from subsidiary	-	-	10,079	-
Interest paid to immediate and ultimate holding company	10,079	-	10,079	-

18. COMPARATIVE FIGURES

Comparative figures for the company and group covers the financial year since incorporation on 24 March 2006 to 31 December 2006 whilst the current year's figures covers the financial year from 1 January 2007 to 31 December 2007.

PROFIT AND LOSS ACCOUNT

For the Financial Year Ended 31 December 2007

AVT NATURAL PTE. LTD. SINGAPORE	01 Jan 2007 To 31 Dec 2007 US\$	24 Mar 2006 To 31 Dec 2006 US\$
SALES	1,342,505	1,220,135
Cost of sales	(1,211,366)	(1,091,323)
Gross profit	131,139	128,812
Other income		
Interest income	16,060	466
Less: Operating expenses	147,199	129,278
ADMINISTRATIVE EXPENSES		
Auditors' remuneration		
- current year	3,000	2,000
- last year under provision	72	-
Bank charges	3,642	1,081
Commission	51,000	-
Professional fees	3,800	2,261
Tax fee	1,200	667
Travelling	1,850	-
Finance expenses		
Interest on amount due to immediate and ultimate holding company	10,079	-
	(74,643)	(6,009)
PROFIT BEFORE INCOME TAX	72,556	123,269
Income tax	(7,397)	(17,654)
PROFIT AFTER INCOME TAX	65,159	105,615

This schedule does not form part of the statutory audited financial statements.

**HEILONGJIANG AVT BIO-PRODUCTS LTD.
CHINA
MONETARY UNIT: RMB ¥**

AUDITORS' REPORT

To the members of Heilongjiang AVT Bio-Products Ltd.

We have audited the accompanying financial statement of Heilongjiang AVT Bio-Products Ltd., including balance sheet till December 31st, 2007 and income sheet of the year.

1. Management's responsibilities for the financial statement

The management of Heilongjiang AVT Bio-Products Ltd. is required to prepare financial statements which follow applicable Chinese Enterprise Accounting Standards and Chinese Enterprise Accounting Rules and Regulations. The responsibilities include: (1) plan, perform and maintain the internal control system relevant to financial statements in order to keep the financial statement free of material misstatement for fraud and errors; (2) choose and apply suitable accounting policies; (3) make reasonable and prudent accounting judgment and estimates.

2. The responsibilities of Chinese Certified public Accountant

Our responsibility is to express an audit opinion of financial statement based on our audit procedures. We conducted our audit in accordance with Chinese Certified Public Accountants' Standards Auditing. Those standards require that we comply with our profession's ethical guidance, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An Audit involves performing audit procedures, in order to obtain audit evidence supporting the amounts and disclosures in the financial statements. The applied audit procedures rely on the auditor's judgment, including the assessment of material misstatement risk on financial statements for frauds and errors. In assessing the risk, we consider the internal control relevant to preparing the financial statements in order to design suitable audit procedures, but we do not aim to express an opinion on the effectiveness of internal control. An audit also includes assessing the appropriateness of accounting policies used and reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit evidence is sufficient and appropriate the evidence provides a reasonable basis of our opinion.

3. Auditor's opinion

In our opinion, the financial statements are prepared in accordance with Chinese Accounting Standards and Chinese Foreign Enterprise Accounting Rules and Regulations, present fairly, in all material respects, the financial position of the Heilongjiang AVT Bio-Products Ltd. as of December 31st, 2007, and of the results of its operations for the year then ended.

Shuangyashan Xingshuang Auditor's Firm

Chinese Certified Public Accountant
Gao Xianglan

January 13th, 2008

Chinese Certified Public Accountant
Nie Li

Shuangyashan China

Registered Capital and Received capital Auditing Result

A. Background information

Heilongjiang AVT Bio-Products Ltd. transferred from Tonghe AVT Natural Ltd. and was a foreign enterprise invested by Singapore AVT Natural Pte. Ltd. and got the Business License on June 9th, 2006 issued by the Heilongjiang Province Industrial and Commercial Bureau, reference no. 001198; registered capital is 810,000 USD and received capital is 412,000 USD.

B. Registered capital and received capital auditing result

Until December 31st, 2007, the registered capital is 810,000 USD and received capital is 412,000 USD. Invested by Singapore AVT Natural Pte. Ltd. (details please refer to registered capital receiving statement), total 412,000 USD was paid by the investor, received and accounted.

BALANCE SHEET
As at 31 December 2007

Monetary Unit: RMB ¥

ASSETS	LINE	AT END OF YEAR	LIABILITIES AND OWNER'S EQUITY	LINE	AT END OF YEAR
Current assets:			Current liabilities:		
Monetary funds	1	471,942	Short-term loans	68	7,419,286
Short-term investment	2		Notes payable	69	
Notes receivable	3		Accounts payable	70	336,245
Dividend receivable	4		Advance collection	71	
Interest receivable	5		Accrued payrolls	72	75,512
Accounts receivable	6	3,614,040	Employee benefits payable	73	18,352
Others receivable	7	11,000	Dividend payable	74	
Advance payments	8	10,278	Accrued tax	75	-818,926
Subsidies receivable	9		Others unpaid	80	
Inventories	10	4,832,380	Others payable	81	3,633
Deferred expenses	11	11,664	Accrued expenses	82	73,574
Yearling long-term debt investment	21		Accrued liabilities	83	
Other current assets	24		Yearling long-term liabilities	86	
Total current assets	31	8,951,304	Other current liabilities	90	
Long-term investment:			Total current liabilities	100	7,107,676
Long-term equity investment	32		Long-term liabilities:		
Long-term debt investment	34		Long-term loans	101	
Total long-term investment	38		Bonds payable	102	
Fixed assets:			Long-term accounts payable	103	
Fixed assets cost	39	2,937,898	Special accounts payable	106	
Less: Accumulated depreciation	40	117,081	Other long term liabilities	108	
Net value of fixed assets	41	2,820,817	Total long term liabilities	110	
Less: Provision for fixed assets impairment	42		Deferred tax:		
Net amount of fixed assets	43	2,820,817	Deferred tax credit	111	
Supplies for construction	44		Total liabilities	114	7,107,676
Construction work in process	45		Owner's equity:		
Disposal of fixed assets	46		Paid-in capital	115	6,260,208
Total fixed assets	50	2,820,817	Less: Retired capital	116	
Intangible and other assets:			Net amount of paid-in capital	117	6,260,208
Intangible assets	51		Capital reserves	118	16,639
Long-term deferred expenses	52		Surplus from profit	119	
Other long-term assets	53		Include: statutory public welfare funds	120	
Total intangible and other assets	60		Undistributed profit	121	-1,612,402
Deferred tax:			Total owner's equity	122	4,664,446
Deferred tax debit	61		Total liabilities and owner's equity	135	11,772,121
Total assets	67	11,772,121			

INCOME STATEMENT
For the year ended 31 December 2007

ITEM	LINE	CURRENT YEAR IN RMB ¥
1. Income from main operations	1	3,614,040
Less: Main operating cost	4	2,274,920
Main operating tax and surcharge	5	
2. Profit from main operations	10	1,339,120
Add: Profit from other operations	11	
Less: Operating expenses	14	
General and administrative expenses	15	2,040,611
Financial expenses	16	551
3. Operating profit	18	-2,041,162
Add: Investment income	19	
subsidies receipt	22	
Non-operating income	23	
Less: Non-operating expenses	25	
4. Profit before tax	27	-702,042
Less: Income tax expense	28	
5. Profit after tax	30	-702,042
Supplementary information:		

Vision

- To be a global leader in enriching lives through nature's own ingredients as food, nutrition and medicine for mankind.

Mission

- We will be a Global Leader in Marigold Extracts through a fully integrated supply chain with excellence in Plant Science & Agriculture and Logistics Management.
- We will achieve growth and stability in performance by diversifying to value added natural ingredients for synergistic business segments through development of product research and technology base.
- We will bring in highest level of efficiency, traceability, food safety and quality in the supply chain through Contract Farming.
- We will establish brand equity for natural ingredients through development of consumer marketing skills.
- We will comply flawlessly with ever changing international statutory regulations for our business segments.
- We will consistently add value in our business to deliver superior returns to all stakeholders - customers, employees, shareholders, suppliers and society.

Values

- Constantly strive for value in whatever we do.
- Belief in ethical business and transparency.
- Encourage individual excellence and foster environment for team work.
- No short cuts - never sacrifice long term for short term.
- Know the business environment, products and customers well - update knowledge.
- Respect the neighborhood and individuality of each customer, supplier and employee.