

# **AVT NATURAL PRODUCTS LIMITED**

21st Annual Report  
2006-2007

## AVT NATURAL PRODUCTS LIMITED

### **BOARD OF DIRECTORS**

Mr. Ajit Thomas, **Chairman**  
Field Marshal Sam Manekshaw, MC - upto 29.07.2006  
Mr. M.A. Alagappan  
Mr. Shyam B. Ghia  
Mr. Habib Hussain  
Mr. P. Shankar I.A.S. (Retd.) (w.e.f. 23.06.2007)  
Mr. M.S.A. Kumar, **Managing Director**

### **AUDIT COMMITTEE**

Mr. M.A. Alagappan, **Chairman**  
Mr. Shyam B. Ghia  
Mr. Habib Hussain  
Mr. P. Shankar I.A.S. (Retd.) (w.e.f. 23.06.2007)

### **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,  
Puduvadavalli,  
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, Rukmani 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 THE SHAREHOLDERS

NOTICE is hereby given that the Twenty First Annual General Meeting of the Company will be held **at 11.00 AM on Friday the 27<sup>th</sup> July 2007 at REGENCY HALL, 4<sup>th</sup> Floor, 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 31.03.2007 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr.Ajit Thomas, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### **SPECIAL BUSINESS**

#### **5. To appoint Mr.P.Shankar as a Director**

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

RESOLVED THAT Mr.P.Shankar who was co-opted as an Additional Director of the Company by the Board of Directors and who holds office under Section 260 of the Companies Act, 1956 until the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.

#### **6. Increase in Borrowing Powers**

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

RESOLVED THAT in supersession of the resolution passed at the Twelveth Annual General Meeting of the Company held on 9th September 1998 and pursuant to Section 293 (1)(d) and other applicable provisions if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to the Board of Directors to borrow, obtain and/or avail by way of loans and/or advances, any sums of money or moneys (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) from Banks/Financial Institutions/other Bodies Corporate,

notwithstanding that the total borrowing may exceed the aggregate of the paid-up Capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) provided, however, the aggregate amount so borrowed and/or availed from Banks/Financial Institutions/Other Bodies Corporate shall not exceed at any point of time Rs.75,00,00,000/- (Rupees Seventy Five Crores Only).

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

Place : Chennai  
Date : 23rd June 2007

**Ajit Thomas**  
Chairman

### **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 20.07.2007 to 27.07.2007 (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 27.07.2007.
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 7 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. Ajit Thomas**

Mr. Ajit Thomas, aged 53 years, holds a Bachelor's Degree in Statistics. He is an Industrialist and the Promoter Chairman of the Company. He has expertise in business and management with AVT Group of companies for about three decades.

His other Directorships

Name of the Company	
The Nelliampathy Tea & Produce Co Ltd.	Chairman
Neelamalai Agro Industries Ltd.	Chairman
The Midland Rubber & Produce Co.Ltd.	Chairman
AVT McCormick Ingredients P Ltd	Chairman
Teleflex Medical Pvt Ltd.,	Chairman
Sermatech (P) Ltd	Chairman
Midland Latex Products Ltd.,	Chairman
A V Thomas Leather & Allied Products Pvt Ltd.	Chairman
A V Thomas Exports Ltd	Director
A V Thomas & Company Ltd.	Director
A V Thomas International Ltd.,	Director
A V Thomas Investments Co.Ltd	Director
AVT Infotech Pvt Ltd	Chairman
IQ Tech Pvt Ltd	Director
Cholamandalam Cazenove AMC Ltd	Director
AVT Natural Pte Ltd, Singapore	Director
Tonghe AVT Natural Ltd, China	Director
Blue Mountain Development Corp. Canada	Director
Ajit Thomas Holdings Pvt. Ltd.	Director
S.T. Holdings Pvt. Ltd.	Director

He is the Chairman of the Shareholders/Investors' Grievance Committee of the Company.

b). **Mr. P. Shankar**

Mr. Pejavar Shankar retired as Central Vigilance Commissioner of India in September 2006. He joined the Indian Administrative Service in 1966 after acquiring a post-graduate degree in Economics from Vivekananda College of the erstwhile Madras University.

In the course of a distinguished career he served as the Chief Secretary of Tamil Nadu(2001-02) and as Secretary to Government in Government of India in the Departments/Ministries of Heavy Industry ; Sugar; Food and Public Distribution, and Petroleum.

He has had rich experience in the field of industrial management and administration. His tenure as Chairman and Managing Director of Tamil Nadu Industrial Infrastructure Development Corporation (1992-94) saw the setting up of the Perundurai and Gangaikondan Industrial Areas and the Tirupur Infrastructure Development initiative. He was also Secretary to Government in the Industries Department in Government of Tamil Nadu (1987-89). He was Chief Executive of the Salem Cooperative Sugar Mills (1969-71) and Joint Director of Industries and Commerce (1972-73) in charge of small-scale industries and industrial cooperatives.

A significant part of his service years was spent in the Textiles sector. Among the various assignments held by him were Managing Director ,Tamil Nadu Textile Corporation(1971-72), Director of Handlooms and Textiles TN (1974-78), Additional Development Commissioner of Handlooms. GOI, (1979-82), General Manager ,Handicrafts and Handlooms Export Corporation of India (1982-86) and Joint Secretary, Ministry of Textiles, GOI (1989-91).In this last assignment he was also the Textiles Negotiator in the Uruguay Round of GATT.

## **EXPLANATORY STATEMENT**

*(Pursuant to Sec.173 (2) of the Companies Act, 1956)*

### **Item No.5**

Mr.P.Shankar, was co-opted as an Additional Director of the Company on 23.06.2007 pursuant to Section 260 of the Companies Act, 1956. He holds office of the Director up to the date of the Annual General Meeting. The Company has received a notice in writing from a member of the Company along with the prescribed fee proposing the candidature of Mr.P.Shankar for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company excepting Mr.P.Shankar, are interested in the Resolution.

Your directors, therefore recommend the resolution for your approval.

### **Item No.6**

Under section 293(1)(d) of the Act, the Board of directors cannot, except with the approval of the members in general meeting, borrow monies, in excess of the company's paid

up capital and its free reserves. Given the size and scale of the company's operation and in order to meet funding requirements from time to time, it may be necessary for the company to borrow in excess of its paid up capital and its free reserves. Hence it is considered desirable to raise the present limit of borrowing to Rs.75 Crores. The resolution is purely enabling in character.

Your directors, therefore recommend the resolution for your approval.

None of the directors are in any way concerned or interested in this resolution.

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

Place : Chennai  
Date : 23<sup>rd</sup> June 2007

**Ajit Thomas**  
Chairman

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty First Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2007.

### FINANCIAL RESULTS

	(Rs. In lakhs)	
	<b>06-07</b>	05-06
Turnover	<b>7234.74</b>	7164.43
Other Income	<b>72.56</b>	121.04
Total Income	<b>7307.30</b>	7285.47
Profit before tax for the year	<b>1365.99</b>	1284.89
<b>Less-</b> Provision for taxation		
- Current Tax	<b>485.00</b>	470.00
- Deferred Tax	<b>(4.20)</b>	39.30
- Fringe Benefit Tax	<b>12.00</b>	22.50
Profit after tax	<b>873.19</b>	753.10
<b>Add:</b> Surplus brought forward	<b>173.95</b>	45.42
Total amount available for Appropriation	<b>1047.14</b>	798.52
<b>LESS</b>		
Transfer to General Reserve	<b>500.00</b>	400.00
Preference Dividend and Tax thereon	-	7.52
Proposed Dividend on Equity Shares @ 30%	<b>228.43</b>	190.35
Provision for tax on Dividends	<b>38.82</b>	26.69
Surplus carried Forward	<b>279.89</b>	173.95

### OPERATIONS

Your company's Profit After Tax (PAT) improved by 16% from Rs 7.53 Crores in 2005-06 to Rs 8.73 Crores in 2006-07. The Sales at Rs 72.34 crores was slightly more than the previous year. All the product lines – Marigold, Spice Oleo and Value Added Teas – recorded considerable improvement in supply chain efficiencies.

### FUTURE PROSPECTS

The capacity utilization of the extraction plant dropped from 9015 Mt in 2005-06 to 7783 Mt in 2006-07. R&D efforts for new Products are being accelerated to fill the extraction plant with new products. Our objective is to improve the capacity utilization of the Extraction Plant in the next 2 to 3 years.

During 2006, your company successfully grew Marigold in Shungyashan City in Heilongjiang province in China. As this location is found suitable for Marigold growing in

North East China, your investment holding company in Singapore has decided to expand Marigold growing area in this location. Consequently, the name and registration of Tonghe AVT Natural Limited, located in Tonghe county is changed to Heilongjiang AVT Bioproducts Ltd located in Shungyashan city. We are putting up a new dehydration plant in Shungyashan Government owned State Farm.

### DIVIDEND

Your Directors are pleased to recommend a dividend of 30% on Equity Share capital for the year ended 31.03.2007.

### PERFORMANCE OF SUBSIDIARY COMPANY

AVT Natural Pte.Ltd, Singapore together with its subsidiary, Tonghe AVT Natural Ltd China has recorded sales of Rs 5.41 Crores and a loss of Rs 3.75 Lakhs during the period ended December 2006. We expect improved performance in sales and profits of the subsidiary company in 2007 from our Chinese operations.

Pursuant to Sec 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Directors' Report and the Auditors Report for the period ended 31st December 2006 of AVT Natural Pte Ltd., Singapore, an overseas subsidiary of your company and its Chinese Subsidiary, Tonghe AVT Natural Products Ltd, have been attached.

### FIXED DEPOSITS

As on 31.03.2007, a total sum of Rs. 1,18,000 due to 6 fixed deposit holders remained unclaimed. Out of this, deposit for a sum of Rs. 73,000 was renewed/repaid subsequently.

### BONUS SHARES

During the year, the paid-up capital of the Company doubled from Rs.380.71 Lakhs to Rs.761.42 Lakhs consequent on the issue of Bonus shares in the ratio of 1 equity share for every share held by the shareholders, as approved at the last Annual General Meeting.

### LISTING ON NATIONAL STOCK EXCHANGE OF INDIA LTD.,

Your Directors are happy to inform you that Company's share got listed on the National Stock Exchange of India with effect from 10<sup>th</sup> January 2007.

### DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company

Mr. Ajit Thomas, Director, retires by rotation at the 21st AGM and being eligible, offers himself for re-appointment.

Mr.P.Shankar, was co-opted as an Additional Director on 23.06.2007. His appointment requires the approval of the members at the ensuing Annual General Meeting. A notice has been received from one of the shareholders pursuant to Sec 257 of the Companies Act,1956 proposing his candidature, along with the prescribed fees. The necessary resolution for his appointment is being placed before the shareholders for approval.

#### **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 requirements of Sec 217 (2A) Companies Act, 1956 have been given in Annexure II forming part of this Report.

#### **AUDITORS**

M/s. Suri & Co., Chartered Accountants, Chennai 600 034, Auditors of the Company retire at the conclusion of the ensuing AGM and being eligible, offer themselves for reappointment. They have confirmed that their re-appointment, if made, will be within the limits specified under Sec.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 31<sup>st</sup> March 2007, 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 were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit 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 2007 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 : 23rd June, 2007

**Ajit Thomas**  
Chairman

## A N N E X U R E - 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	Rs.37,51,527
b) Recurring	Rs.43,67,230
Total	Rs.81,18,757

#### **Foreign Exchange Earnings / Outgo**

The company's operations during the year under review has resulted in a foreign exchange inflow of Rs.55.23 Crores and outflow of Rs.15.90 Crores

## A N N E X U R E - II

*To the Directors' Report*

Information pursuant of Section 217(2A) of 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.)	Qualifications	Total Experience (years)	Date of commencement of Employment	Previous Employment
* Mr M S A Kumar	53	Managing Director	37,86,000	B.S.c (Agri) PGDBA (IIM-A)	31	27/9/1995	Vice President Shaw Wallace and Co. Ltd
Mr Suresh Menon	42	C.E.O China Operations	41,37,917	B.S.c PGDM (IIM-A)	16	27/09/2004	General Manager Asia Bioenergy (India) Limited
Mr V Ravikumar	55	Executive Director	35,59,194	M.Tech	34	1/10/1996	Vice President Projects A.V Thomas & Co. Ltd

\* The nature of Employment is contractual.

Notes :

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



## **A N N E X U R E - III**

### *Management Discussion and Analysis Report*

#### **BUSINESS PROFILE**

AVT Natural Products Ltd (AVT NPL) is in the business of “**Solvent Extraction**”. Marigold Oleoresins, Spice Oils & Oleoresins, Green Tea Extracts and Decaffeinated Black Tea are some of the examples of products from solvent extraction using agricultural raw materials. These products are used for “**Natural Coloring and Flavoring**” systems in Feed and Food segments. The value added products serve as raw materials for Nutraceuticals products. For example, Marigold Oleoresin after further processing, finds application in Nutraceuticals market (Lutein for Eye Care), Poultry Pigmentation (Egg Yolk and Chicken Skin coloring) and Food Coloring.

#### **NATURAL SECTOR – INDUSTRY SCENARIO**

We observe a major change in the market needs. Consumers world over start preferring “Natural” products over “Synthetic” products. Health consciousness is also on the increase. Though the market for natural and health/wellness products is primarily in the developed world, we will soon witness changes in the developing countries’ markets as well. Another interesting development is the stringent regulatory environment of Food Safety and Food Security by the importing countries in the developed world for Food Ingredients and Nutraceuticals. All these developments point to a significant emerging opportunity for the company in the global market of “Natural Products”. AVT NPL’s R&D efforts are geared towards tapping this new emerging opportunity.

AVT NPL is the pioneer and market leader in the value added Marigold Oleoresin segment for the Nutraceuticals Industry. The key factors in the success of our large scale contract farming lie in our understanding of the customer requirements of food safety and the strong foothold in the field of agri business.

#### **OPERATING AND FINANCIAL PERFORMANCE**

In the year under review, the turnover of the company was at Rs 73 Crores. Profit After Tax (PAT) was Rs 8.73 Crores, an increase of 16% over last year.

Though the turnover was at the same level as previous year, AVT NPL could achieve significant improvements in its supply chain efficiencies, resulting in PAT improvements. Improved Marigold Hybrid seeds, Better Product Mix, Higher Processing Yields & Efficiencies and

Tight monitoring & control of Fixed Costs helped the company to lower the costs significantly.

AVT NPL through its Chinese operations now participate in the low value Marigold Oleoresin. The company had a successful growing of Marigold Flowers in China and is planning to expand the area under cultivation in 2007. AVT NPL is also setting up a new dehydration plant for processing Marigold flowers in China. The “Two Country” strategy of AVT NPL with presence in India and China will enable the company to serve the customers in a cost efficient way, apart from mitigating the growing risk. AVT NPL is the only company in the world with a diversified two country growing of Marigold flowers.

#### **OUTLOOK**

AVT NPL has decided to grow only the first generation Marigold hybrids during 2007/08 growing season. This decision will give a significant direct cost reduction. The closure of Nagpur unit last year and down sizing of Andhra Pradesh operations this year will result in fixed cost reductions. The order book for 2007-08 for Marigold, Spices and Value added Teas is healthy with stable prices. China operations will see growth in turnover and profits. Monsoon has set in on time and the rainfall in the growing areas has been encouraging so far with indications of a good flower output. Thus the outlook for the consolidated operations of the company is encouraging. We expect to improve the overall performance of the company in 2007-08.

#### **RISK MITIGATION**

Risk is inevitable in any business – more so in the agri based processing industry. Five years ago, the company business operated with a single product of Marigold with a single customer. Marigold flower growing then was only in India. AVT NPL today has a well diversified product portfolio with 65 customers across the globe. As mentioned earlier, we now grow Marigold in India and China. These developments are a clear vindication of the success of the “Risk Mitigation” strategy adapted by the company through broad basing of products and markets.

#### **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

## **A N N E X U R E - III**

### *Management Discussion and Analysis Report*

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**

AVT NPL is a “Customer Focused” organization. Our ability to understand the customer needs and satisfy them in the best possible manner is the unique differentiating feature of the 170 strong “Team NPL”. It is due to the unstinting and dedicated efforts of this team that the company is able to successfully manage long term strategic

alliances with the overseas partners. In its ongoing endeavor to maintain excellence in quality and service, the company is putting in place a new ERP system during 2007-08. The company is confident that the new ERP system will further improve “Team NPL’s” efficiency.

During the year under review, the company conducted 46 training programmes, of which 19 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. Overall, 548 man days were spent on training programs.

## A N N E X U R E - I V

### 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 (w.e.f. 23.06.2007)

#### SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Name of the Non Executive Director	No of Shares held
Mr.Ajit Thomas (Promoter/Chairman)	7,16,664
Mr. M.A.Alagappan	1,430
Mr. Shyam B.Ghia	-
Mr. Habib Hussain	42,136
Mr. P. Shankar (w.e.f. 23.06.2007)	-

#### a) Board Meetings

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

The Board met 6 times during the year. The dates on which the meetings were held are as follows 24.04.2006, 29.07.2006, 06.09.2006, 16.10.2006, 22.01.2007, and 30.03.2007.

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:

#### b) Board Procedure

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	5	-	1
Field Marshal Sam Manekshaw, MC	1	-	13	5	4
Mr.M.A.Alagappan	6	Yes	5	3	-
Mr.Shyam B.Ghia	3	Yes	5	3	6
Mr.Habib Hussain	6	Yes	4	-	-
Mr.M.S.A.Kumar	5	Yes	-	-	-
Mr. P. Shankar (w.e.f. 23.06.2007)	NA	NA	NA	NA	NA

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 three 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. The Committee consists of 4 Non-executive Directors. Viz., Mr. M. A. Alagappan, Mr. Shyam B. Ghia, Mr. P. Shankar (w.e.f. 23.06.2007) and Mr. Habib Hussain. Field Marshal Sam Manekshaw, MC, resigned with effect from 29.07.2006.

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

The Audit Committee met 5 times during the year. The dates on which the meetings were held are as follows 24.04.2006, 29.07.2006, 16.10.2006, 22.01.2007 and 30.03.2007.

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	2
Mr. Habib Hussain	5
Field Marshal Sam Manekshaw, MC	1
Mr. P. Shankar (w.e.f. 23.06.2007)	—

### 4. REMUNERATION COMMITTEE

The Board of Directors of the Company has constituted a Remuneration Committee comprising three non-executive Directors, viz., Field Marshal Sam Manekshaw, MC, Mr. M.A. Alagappan and Mr. Shyam B. Ghia. Field Marshal Sam Manekshaw, MC, resigned w.e.f. 29.07.2006. Mr. P. Shankar has been nominated as a member of the Committee w.e.f. 23.06.2007

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 twice on 24.04.2006 and 30.03.2007. The attendance of the each member of the Remuneration Committee at its meetings is under

Name of the Committee Member	No. of meetings attended
Mr. M.A. Alagappan	2
Mr. Shyam B. Ghia	1
Field Marshal Sam Manekshaw, MC	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 Managing Director	33,00,000	4,86,000	37,86,000

ii) Non-Executive Directors

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs.5,000/- for each meeting of the Board and Rs.2000/- for any Statutory Committee meeting attended by them. The sitting fee paid for the year ended 31<sup>st</sup> March 2007 to the directors is as follows:

Name of the Director	Amount (Rs.)
Mr.Ajit Thomas	30,000
Field Marshal Sam Manekshaw, MC	7,000
Mr.M.A.Alagappan	42,000
Mr.Shyam B.Ghia	21,000
Mr.Habib Hussain	40,000

## 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 31.03.2007.

## 6 GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2003-04	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai 600 008.	26.07.2004	11.30 AM
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

b) In the last three years, three Special Resolutions were passed: De-listing of shares from Ahmedabad Stock Exchange Ltd., in 2003-04; 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 AGMs did 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.

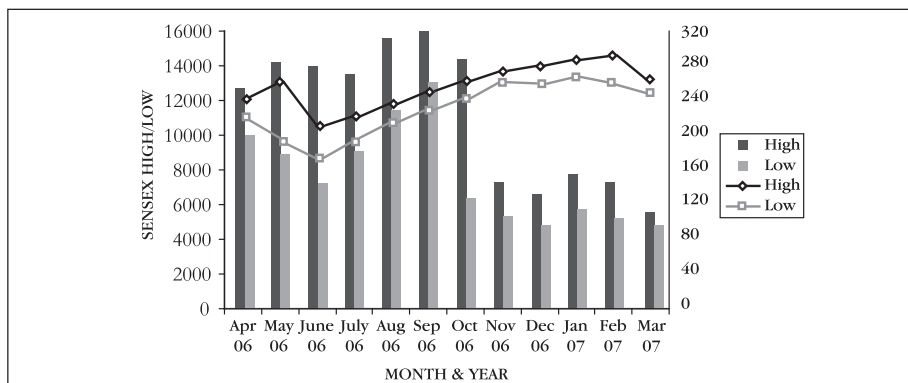
## 9 GENERAL SHAREHOLDER INFORMATION

9.1	Annual General Meeting - Date and Time - Venue	27 <sup>th</sup> July 2007: 11.00 AM Regency Hall, Hotel Ambassador Pallava, 30, Montieth Road, Egmore, Chennai 600 008
9.2	Financial calendar	Results for the quarter ending 30.06.07 – 27 <sup>th</sup> July '07. Results for the quarter ending 30.09.07 – Between 15th & 30th of Oct.'07 Results for the quarter ending 31.12.07 – Between 15th & 30 <sup>th</sup> of Jan.'08. Results for the quarter ending 31.03.08 – Between 15th & 30 <sup>th</sup> of Apr.'08.
9.3	Book Closure date	20.07.2007 to 27.07.2007 (both days is due)
9.4	Dividend payment date	2 <sup>nd</sup> 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 NSE - AVTNPL - Eq
	(b) Demat ISIN Number in NSDL & CDSL for equity shares	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'06	253.00	195.05	12102.00	11008.43	October'06	295.00	122.05	13075.85	12178.83
May'06	285.00	170.65	12671.11	9826.91	November'06	134.70	107.00	13799.08	12937.30
June'06	279.00	138.55	10626.84	8799.01	December'06	123.75	95.00	14035.30	12801.65
July'06	269.85	182.60	10940.45	9875.35	January'07	156.95	112.00	14325.92	13303.22
August'06	315.00	233.00	11794.43	10645.99	February'07	150.00	104.00	14723.88	12800.91
September'06	320.00	260.00	12485.17	11444.18	March'07	111.55	90.00	13386.95	12316.10

### 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 M/s. 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 lodgement, as per the Listing Agreement.

9.11 Distribution of shareholding as on 31.03.2007:

No.of shares	Shareholders		No. of shares	
	Number	%	Number	%
Upto 500	3913	80.48	63,82,670	8.38
501 - 1,000	606	12.46	44,03,150	5.78
1,001 - 2,001	199	4.09	29,57,720	3.88
2,001 - 3,000	54	1.11	13,40,610	1.76
3,001 - 4,000	33	0.67	12,23,570	1.60
4,001 - 5,000	13	0.26	5,89,410	0.77
5,001-10,000	26	0.53	18,01,160	2.37
10,001 and above	18	0.37	5,74,34,710	75.43
Total	4,862	100.00	7,61,42,000	100.00

9.12 Pattern of Shareholding as on 31.03.2007:

Category	No. of shares	Percentage
Promoters	52,82,426	69.38
Banks/Financial Institutions	6,500	0.08
NRI	97,431	1.28
Bodies Corporate	1,76,122	2.31
Public	20,51,721	26.95
Total	76,14,200	100.00

9.13 Dematerialisation of Shares : About 87% of the equity shares & Liquidity have been dematerialised upto 31.03.07. 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, Puduavadavalli, Sathyamangalam - 638401.
  2. SF No.123/2, Nayanapalli Cross, Bisibamanepalli (Vil) Lepakshi 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. Byadgi-581 106. Karnataka.
  5. Vazhakulam, Marampilly, P.O. Ernakulam District, Aluva, Kerala 683 107.

9.16 Address for correspondence : No.64, Rukmani Lakshmiipathy Salai, Egmore, Chennai - 600 008.  
Tel: 28584147; Telefax: 28584147; 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 half-yearly results of the Company are published in newspapers and uploaded in [www.sebiedifair.nic](http://www.sebiedifair.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.

## A N N E X U R E - V

### DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE 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 31<sup>st</sup> March 2007.

For **AVT Natural Products Limited**

Place: Chennai  
Date: 23rd June, 2007

**M.S.A. Kumar**  
Managing Director

## A N N E X U R E - 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 31<sup>st</sup> March 2007, 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 : 23rd June, 2007

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 31<sup>st</sup> March 2007 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 31<sup>st</sup> March 2007;
  - b) in the case of the Profit and Loss Account, of the **PROFIT** for the year ended on that date; and
  - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Suri & Co.,**  
**S. Ganesan**  
Partner

Place : Chennai  
Date : 23rd June, 2007

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 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
Andhra Pradesh General Sales Tax Act	APGST 1996/97 to 2003/04 Assessments	1,41,82,197	34,55,703	Sales Tax Appellate Tribunal
Kerala General Sales Tax Act	KGST 2001/02 Assessment	5,88,011	5,88,011	Deputy 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 : 23rd June, 2007

Membership No 18525  
Chartered Accountants

## BALANCE SHEET

	Schedule	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>1. SOURCES OF FUNDS</b>			
a) Share Capital	1	7,61,42,000	3,80,71,000
b) Reserves & Surplus	2	27,59,13,685	25,33,90,162
		<u>35,20,55,685</u>	<u>29,14,61,162</u>
<b>2. LOAN FUNDS</b>			
a) Secured Loans	3	31,17,11,713	28,77,95,995
b) Unsecured Loans	4	2,75,02,000	3,15,55,000
		<u>33,92,13,713</u>	<u>31,93,50,995</u>
<b>3. DEFERRED TAX LIABILITY</b>			
TOTAL		<u>3,29,10,000</u>	<u>3,33,30,000</u>
		<u>72,41,79,398</u>	<u>64,41,42,157</u>
<b>APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>			
a) Gross Block	5	40,75,92,255	38,15,92,316
b) Less: Depreciation		19,66,00,705	17,88,01,985
c) Net Block		21,09,91,550	20,27,90,331
d) Capital work in progress		Nil	12,24,889
		<u>21,09,91,550</u>	<u>20,40,15,220</u>
<b>2. INVESTMENTS</b>			
	6	1,65,29,750	2,25,000
<b>3. CURRENT ASSETS, LOANS AND ADVANCES</b>			
a) Inventories	7	26,16,35,023	19,00,49,450
b) Sundry Debtors	8	23,36,80,904	24,55,37,269
c) Cash & Bank Balances	9	1,96,33,765	1,91,38,544
d) Others: Accrued Income		1,47,894	87,115
e) Loans and advances		10,02,23,220	8,68,87,618
		<u>61,53,20,806</u>	<u>54,16,99,996</u>
Less:			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
(a) Current Liabilities	11	3,30,77,478	2,83,50,330
(b) Provisions	12	8,55,85,230	7,34,47,729
		<u>11,86,62,708</u>	<u>10,17,98,059</u>
Net Current Assets		<u>49,66,58,098</u>	<u>43,99,01,937</u>
<b>TOTAL</b>		<u>72,41,79,398</u>	<u>64,41,42,157</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 : 23rd June, 2007

**Ajit Thomas**

Chairman

**M.A. Alagappan**

Director

**M.S.A. Kumar**

Managing Director

## PROFIT AND LOSS ACCOUNT

	Schedule	Year Ended 31.03.2007 Rs.	Year Ended 31.03.2006 Rs.
<b>INCOME</b>			
Operations	13	72,34,73,894	71,64,43,146
Other Income	14	72,56,278	1,21,03,840
<b>TOTAL</b>		<b>73,07,30,172</b>	<b>72,85,46,986</b>
<b>EXPENDITURE</b>			
Increase (-)/Decrease (+) in stock	15	(-) 8,48,90,000	(-) 1,44,90,000
Materials Consumed		29,88,45,133	28,34,22,011
Purchases		5,35,97,551	1,93,59,617
Employee Cost	16	7,59,99,933	6,11,66,406
Other Expenditure	17	20,03,25,036	20,91,26,792
Interest	18	2,95,28,402	2,13,45,919
Depreciation		2,07,24,894	2,01,26,378
<b>TOTAL</b>		<b>59,41,30,949</b>	<b>60,00,57,123</b>
<b>PROFIT BEFORE TAX</b>		<b>13,65,99,223</b>	<b>12,84,89,863</b>
Less: Provision for Taxation			
- Current Tax		4,85,00,000	4,70,00,000
- Deferred tax		(-) 4,20,000	39,30,000
- Fringe Benefit tax		12,00,000	22,50,000
<b>PROFIT AFTER TAX</b>		<b>8,73,19,223</b>	<b>7,53,09,863</b>
Add : Surplus brought forward		1,73,94,591	45,42,211
		<b>10,47,13,814</b>	<b>7,98,52,074</b>
<b>Appropriations:</b>			
Transfer to General Reserve		5,00,00,000	4,00,00,000
Preference Dividend and Tax thereon on Redemption		Nil	7,52,254
Proposed Dividend of Equity Shares @ 30%		2,28,42,600	1,90,35,500
Provision for Tax on Dividends		38,82,100	26,69,729
Surplus Carried Forward		2,79,89,114	1,73,94,591
		<b>10,47,13,814</b>	<b>7,98,52,074</b>
Earnings Per Share (Basic and Diluted)		<b>11.47</b>	<b>9.79</b>
Notes on Accounts	19		

Schedules 13 to 18, 19 (Notes) and Cash Flow Statement form part of this Profit and 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 : 23rd June, 2007

**Ajit Thomas**  
Chairman

**M.A. Alagappan**  
Director

**M.S.A. Kumar**  
Managing Director

## SCHEDULES

### *To the Balance Sheet*

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED:</b>		
79,90,000 Equity Shares of Rs 10 each (Previous year 3990000 Equity Shares of Rs.10 Each)	7,99,00,000	3,99,00,000
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>7,00,00,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
76,14,200 Equity Shares of Rs.10/- each (Previous year 38,07,100 Equity Shares of Rs.10 Each)	<u>7,61,42,000</u>	<u>3,80,71,000</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.		
<b>SCHEDULE - 2:</b>		
<b>RESERVES &amp; SURPLUS:</b>		
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
Share Premium account		
As per last Balance Sheet	2,66,82,300	
Less: Capitalised for issue of Bonus Shares	<u>2,66,82,300</u>	Nil
Investment Subsidy		
As per last Balance Sheet	99,01,670	99,01,670
General Reserve		
As per Last Balance Sheet	15,93,70,601	
Less : Capitalised for issue of Bonus Shares	<u>1,13,88,700</u>	
	14,79,81,901	
Add : Transfer from Profit & Loss A/c	<u>5,00,00,000</u>	
	19,79,81,901	15,93,70,601
Contingency Reserve	1,00,00,000	1,00,00,000
Surplus :		
Balance in Profit and Loss Account	2,79,89,114	1,73,94,591
	<u>27,59,13,685</u>	<u>25,33,90,162</u>

## **SCHEDULES**

*To the Balance Sheet*

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS:</b>		
FROM BANKS:		
Term Loan	1,53,19,456	2,61,68,318
(Secured by equitable mortgage of immovable properties and hypothecation of all movable assets, present and future, save and except inventories and bookdebts, and subject to prior charges created in favour of Banks on specific assets for securing working capital facilities)		
Working Capital Facilities	29,63,92,257	26,16,27,677
(Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)		
	<u>31,17,11,713</u>	<u>28,77,95,995</u>
<b>SCHEDULE - 4:</b>		
<b>UNSECURED LOANS:</b>		
Public Deposits	<u>2,75,02,000</u>	<u>3,15,55,000</u>
(Deposits repayable within one year Rs.1,44,40,000/-)		

## SCHEDULES

*To the Balance Sheet*

**SCHEDULE - 5  
FIXED ASSETS:**

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions	Deductions	As at 31.03.2007	Upto 31.03.2006	For the year	Withdrawn	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	90,86,514	32,73,920	–	<b>1,23,60,434</b>	–	–	–	–	<b>1,23,60,434</b>	90,86,514
Lease Hold Land	18,94,995	–	–	<b>18,94,995</b>	–	–	–	–	<b>18,94,995</b>	18,94,995
Buildings	9,52,81,985	32,60,901	–	<b>9,85,42,886</b>	3,74,75,428	40,50,983	–	<b>4,15,26,411</b>	<b>5,70,16,475</b>	5,78,06,557
Plant and Machinery	25,68,23,115	2,37,78,129	18,69,085	<b>27,87,32,159</b>	13,13,21,895	1,53,70,613	11,55,562	<b>14,55,36,946</b>	<b>13,31,95,213</b>	12,55,01,220
Furniture and Fixtures	50,04,679	3,51,347	–	<b>53,56,026</b>	33,81,647	2,34,300	–	<b>36,15,947</b>	<b>17,40,079</b>	16,23,032
Vehicles	1,35,01,028	3,03,194	30,98,467	<b>1,07,05,755</b>	66,23,015	10,68,998	17,70,612	<b>59,21,401</b>	<b>47,84,354</b>	68,78,013
<b>TOTAL</b>	<b>38,15,92,316</b>	<b>3,09,67,491</b>	<b>49,67,552</b>	<b>40,75,92,255</b>	<b>17,88,01,985</b>	<b>2,07,24,894</b>	<b>29,26,174</b>	<b>19,66,00,705</b>	<b>21,09,91,550</b>	<b>20,27,90,331</b>
Previous Year	36,67,07,607	1,61,65,880	12,81,171	<b>38,15,92,316</b>	15,93,21,731	2,01,26,378	6,46,124	<b>17,88,01,985</b>	<b>20,27,90,331</b>	

## SCHEDULES

### *To the Balance Sheet*

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>SCHEDULE - 6:</b>		
<b>INVESTMENTS ( LONG TERM ):</b>		
In wholly owned Subsidiary Company ( Unquoted )		
AVT Natural Pte. Limited, Singapore		
3,55,000 ordinary shares of US\$ 1 each fully paid-up (Previous year 5,000 ordinary shares of US\$ 1 each )	<u>1,65,29,750</u>	<u>2,25,000</u>
<b>SCHEDULE - 7:</b>		
<b>INVENTORIES:</b>		
(a) Stores, Spares and Packing Materials	2,76,64,613	2,58,31,862
(b) Raw Materials	3,43,60,410	4,94,97,588
(c) Finished Goods	18,14,40,000	10,05,20,000
(d) Stock in process	1,81,70,000	1,42,00,000
	<u>26,16,35,023</u>	<u>19,00,49,450</u>
<b>SCHEDULE - 8:</b>		
<b>SUNDRY DEBTORS:</b>		
Unsecured considered Good :		
(a) Debts outstanding for a period exceeding six months	40,86,163	27,92,828
(b) Other debts	22,95,94,741	24,27,44,441
	<u>23,36,80,904</u>	<u>24,55,37,269</u>
<b>SCHEDULE - 9:</b>		
<b>CASH AND BANK BALANCES</b>		
(a) Cash	3,05,183	2,35,492
(b) Balances with Scheduled Banks:		
- In Current Account	64,12,484	1,00,88,092
- In Deposit Account	1,10,94,546*	71,35,447
- In Dividend Account	15,80,059	12,66,809
(c) Balances with Foreign Bank:		
- In Current Account		
- Bank of China, Beijing (Maximum balance - Rs.13,86,009/-)	2,41,493	4,12,704
	<u>1,96,33,765</u>	<u>1,91,38,544</u>

\* Includes Rs.80,94,546/- as Margin Money Deposit for issue of Letter of Credit/Guarantee



## **S C H E D U L E S**

*To the Balance Sheet*

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
<b>SCHEDULE - 10:</b>		
<b>LOANS AND ADVANCES:</b>		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received	3,80,92,790	3,19,70,165
Deposits	46,37,881	51,25,367
Tax Payments pending adjustments	5,74,92,549	4,97,92,086
	<u>10,02,23,220</u>	<u>8,68,87,618</u>
<b>SCHEDULE - 11:</b>		
<b>CURRENT LIABILITIES:</b>		
Sundry Creditors		
- Small Scale Industrial Units	2,48,857	2,61,753
- Others	2,93,75,699	2,30,90,893
Due on Hire Purchase	7,00,310	17,20,385
Investor Education and Protection Fund *		
- Unclaimed Dividend	15,80,059	12,66,809
- Unclaimed Matured Deposits	1,18,000	4,98,900
- Interest accrued on Matured Deposits	11,181	50,860
Interest accrued but not due	10,43,372	14,60,730
	<u>3,30,77,478</u>	<u>2,83,50,330</u>
* Includes no amount due to be credited to Investor Education and Protection Fund		
<b>SCHEDULE - 12:</b>		
<b>PROVISIONS:</b>		
For Taxation	5,55,25,530	4,73,57,500
For Fringe Benefit Tax	12,00,000	22,50,000
For Leave Encashment	21,35,000	21,35,000
Proposed Dividend on Equity Shares	2,28,42,600	1,90,35,500
For Tax on Dividend	38,82,100	26,69,729
	<u>8,55,85,230</u>	<u>7,34,47,729</u>

## S C H E D U L E S

*To the Profit and Loss Account*

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>SCHEDULE - 13:</b>		
<b>INCOME FROM OPERATIONS:</b>		
Sales :	62,80,22,199	63,93,11,647
Less: Excise Duty	2,60,848	24,61,672
	62,77,61,351	63,68,49,975
Processing Income (TDS Rs.17,26,932)	8,04,49,085	7,95,93,171
Sale of Import Entitlement	1,52,63,458	Nil
	72,34,73,894	71,64,43,146
<b>SCHEDULE - 14:</b>		
<b>OTHER INCOME</b>		
Rent (Tax deducted at source Rs.40,392/-)	1,80,000	1,80,000
Interest (Tax deducted at source Rs.1,13,078/-)	6,39,515	9,98,015
Exchange Fluctuation	60,28,383	1,06,55,237
Miscellaneous (Tax deducted at source Rs.5,389/-)	1,58,400	2,70,588
Provision for bad & doubtful debts no longer required written back	2,49,980	Nil
	72,56,278	1,21,03,840
<b>SCHEDULE - 15:</b>		
<b>INCREASE (-) / DECREASE (+) IN STOCK:</b>		
<b>OPENING STOCK:</b>		
Finished Goods	10,05,20,000	7,95,90,000
Stock in Process	1,42,00,000	2,06,40,000
	11,47,20,000	10,02,30,000
<b>CLOSING STOCK</b>		
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
<b>Increase(-)/Decrease(+) in Stock</b>	(-) 8,48,90,000	(-) 1,44,90,000
<b>SCHEDULE - 16:</b>		
<b>EMPLOYEE COST:</b>		
Salaries,Wages and Bonus	6,31,37,640	4,95,04,146
Contribution to Provident and other Funds	62,72,106	55,39,657
Provision for Leave Encashment	Nil	3,08,000
Welfare Expenses	65,90,187	58,14,603
	7,59,99,933	6,11,66,406

## S C H E D U L E S

*To the Profit and Loss Account*

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>SCHEDULE - 17:</b>		
<b>OTHER EXPENDITURE:</b>		
Consumption of Stores, Spares & Packing Materials	4,61,31,135	4,92,34,800
Power and Fuel	5,70,07,990	5,46,43,430
Processing Charges	6,67,867	52,52,182
Repairs :		
Building	6,01,253	4,15,980
Plant & Machinery	1,77,13,885	1,95,81,377
Vehicles	44,68,575	44,14,657
Others	66,96,621	81,32,028
Postage and Telephones	35,85,379	32,75,618
Printing & Stationery	14,52,493	14,86,199
Travelling Expenses	1,42,14,867	1,61,45,235
Auditors Remuneration		
- For Audit	3,00,000	3,00,000
- For Tax Audit/Certification	1,42,500	97,500
- For Tax Representation	1,35,000	98,250
- For Service Tax	89,222	46,665
- For Expenses	1,63,500	93,000
Directors' Sitting Fees	1,40,000	1,43,000
Bank Charges	52,93,073	32,65,275
Rent	8,69,250	9,57,660
Rates and Taxes	16,01,755	21,17,418
Insurance	41,54,085	32,28,962
Freight and Transport	1,13,93,518	1,48,17,940
Commission	13,04,354	10,44,996
Loss on Sale of Assets / Assets Discarded	9,59,829	5,05,046
Bad debts written off	1,18,997	
Less : Provision	24,604	
Miscellaneous Expenses	2,11,44,492	1,98,29,574
	<u>20,03,25,036</u>	<u>20,91,26,792</u>
<b>SCHEDULE - 18:</b>		
<b>INTEREST:</b>		
Fixed Loans	44,08,748	55,60,806
Others	2,51,19,654	1,57,85,113
	<u>2,95,28,402</u>	<u>2,13,45,919</u>

# **S C H E D U L E S**

*Notes on Accounts for the year ended 31st March 2007*

## **19. (1). SIGNIFICANT ACCOUNTING POLICIES**

### **1. GENERAL:**

The accompanying financial statements have been prepared on the historical cost convention and in accordance with the normally accepted accounting principles.

### **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 fulfillment 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 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) RETIREMENT BENEFITS :**

Liability towards Gratuity and Leave Encashment is determined on the basis of annual actuarial valuation as at the balance sheet date and Contributions to Provident, Super-Annuation and Gratuity Funds and Provision for incremental liability towards Leave Encashment are charged to revenue.

### **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.

# S C H E D U L E S

*Notes on Accounts for the year ended 31st March 2006*

## **(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 : 2007

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

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	38,071	Private Placement	Nil

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

Total Liabilities	7,24,179	Total Assets	7,24,179
Sources of Funds:			
Paid-up Capital	76,142	Reserves & Surplus	2,75,914
Secured Loans	3,11,713	Unsecured Loans	27,502
Deferred Tax Liability	32,910		
Application of Funds :			
Net Fixed Assets	2,10,992	Investments	16530
Net Current Assets	4,96,658	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

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

Turnover	7,30,730	Total Expenditure	5,94,131
Profit(+)/Loss(-) Before Tax	1,36,599	Profit(+)/Loss(-) After Tax	87,319
Earnings per Share (in Rs.)	11.47	Dividend Rate (%)	30

### **E. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY**

(As per monetary Terms)

Item Code No.	Product Description
130190.45	Oleoresin

## S C H E D U L E S

### *Notes on Accounts*

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>3 CONTINGENT LIABILITIES IN RESPECT OF</b>		
a) Salestax demand disputed in appeals, against which Rs.40,43,714 paid and included under Advances	1,47,70,208	2,10,01,836
b) Outstanding Bank Guarantees/Letters of Credit (including Rs.6,44,64,000 for Subsidiary Company)	6,96,06,393	58,45,628
<b>4 PARTICULARS OF ANNUAL LICENCED/REGISTERED INSTALLED CAPACITIES/PRODUCTION</b>	<b>(Qty in MT)</b>	<b>(Qty in MT)</b>
<b>Oil, Oleo and Natural Food Colours:</b>		
Licensed/Registered Capacity	1380	1380
Installed Capacity	1380	1380
Production	779	794
<b>5 INCOME FROM OPERATIONS:</b>	<b>(Qty in MT)</b>	<b>Value Rs.</b>
<b>Sales:</b>		<b>(Qty in MT)</b>
Oil,Oleo and Natural Colours	635	56,44,78,447
Others		67,43,469
Trade-Marigold Oleo and Natural Colours	109	5,68,00,283
		<u>62,80,22,199</u>
Less: Excise Duty		<u>2,60,848</u>
		62,77,61,351
Processing Income		8,04,49,085
Sale of Import Entitlement		1,52,63,458
		<u>72,34,73,894</u>
		<u>63,93,11,647</u>
		<u>24,61,672</u>
		63,68,49,975
		7,95,93,171
		Nil
		<u>71,64,43,146</u>
<b>6 OPENING AND CLOSING STOCK OF GOODS PRODUCED</b>		
<b>Opening Stock:</b>		
Oil, Oleo and Natural Food Colours	176	10,05,20,000
Stock-in-process		1,42,00,000
		<u>11,47,20,000</u>
<b>Closing Stock:</b>		
Oil, Oleo and Natural Food Colours	320	18,14,40,000
Stock-in-process		1,81,70,000
		<u>19,96,10,000</u>
<b>7 MATERIALS CONSUMED:</b>		
Marigold	54017	17,51,23,455
Spices and Others	1007	12,37,21,678
		<u>29,88,45,133</u>
<b>8 PURCHASES</b>		
Marigold Oleo and Natural Colours	109	5,35,97,551
		<u>1,93,59,617</u>

## **SCHEDULES**

### *Notes on Accounts*

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>9 a) REMUNERATION TO MANAGING DIRECTOR</b>		
<b>Shri M S A Kumar</b>		
Salaries and Allowances	33,00,000	18,00,000
Contribution to Provident and other Funds*	4,86,000	3,24,000
Other Benefits/Perquisites	Nil	Nil
	<b>37,86,000</b>	<b>21,24,000</b>
<p>* Contribution to Gratuity Fund is based on actuarial valuation on overall company basis and therefore, has not been included above</p> <p>Remuneration is paid to the Managing Director in accordance with Section I of Part II of Schedule XIII to the Companies Act,1956.</p>		
<b>b) COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 198 READ WITH SECTION 349 OF THE COMPANIES ACT, 1956</b>		
Profit before Taxation	13,65,99,223	12,84,89,863
Add :		
Remuneration to Managing Director	37,86,000	21,24,000
Directors Sitting Fees	1,40,000	1,43,000
Depreciation as per accounts	2,07,24,894	2,01,26,378
	<b>16,12,50,117</b>	<b>15,08,83,241</b>
Less :		
Depreciation as per Sec 350 of Companies Act	2,07,24,894	2,01,26,378
Net Profit as per Sec 198 of the Companies Act,1956	<b>14,05,25,223</b>	<b>13,07,56,863</b>
5% thereof	<b>70,26,261</b>	<b>65,37,843</b>
<b>Remuneration paid to Managing Director</b>	<b>37,86,000</b>	<b>21,24,000</b>
<b>10 OTHER ADDITIONAL INFORMATION</b>		
<b>a) Expenditure in Foreign Currency:</b>		
Travelling Expenses	30,24,960	19,82,894
Commission	11,01,777	10,44,996
Professional Fees	6,98,141	8,16,480
Interest	14,92,708	19,31,966
Representative Office Expenses	76,29,686	89,92,501
Sample Analysis Charges	2,51,198	90,866
Others	4,679	9,342

## S C H E D U L E S

### *Notes on Accounts*

	Year ended 31.03.2007 Rs.		Year ended 31.03.2006 Rs.	
<b>b) Particulars of Consumption:</b>				
Raw Materials	%	Rs.	%	Rs.
- Indigenous	80.42	24,03,41,114	95.25	26,99,65,607
- Imported	19.58	5,85,04,019	4.75	1,34,56,404
	<b>100.00</b>	<b>29,88,45,133</b>	<b>100.00</b>	<b>28,34,22,011</b>
Stores, Spares and Packing Materials	%	Rs.	%	Rs.
- Indigenous	80.69	3,72,22,832	81.14	3,99,47,269
- Imported	19.31	89,08,303	18.86	92,87,531
	<b>100.00</b>	<b>4,61,31,135</b>	<b>100.00</b>	<b>4,92,34,800</b>
<b>c) Value of Imports on CIF basis</b>				
Raw Materials		8,08,24,989		2,15,09,215
Purchases of Traded Goods		5,35,97,551		1,93,59,617
Stores, Spares and Packing Materials		72,25,130		55,98,233
Capital Items		31,16,701		23,95,505
<b>d) Earnings in Foreign Exchange (On FOB Basis):</b>				
On Export of goods		54,88,68,791		58,13,46,115
Processing Income		34,75,075		56,03,196
		<b>55,23,43,866</b>		<b>58,69,49,311</b>
<b>11 Due to SSI Units for a period exceeding 30 Days:</b>				
Erode Scientific & Chemicals		Nil		12,896
The Pandian Engineering Industries		2,48,857		2,06,317
<b>12 Sundry Debtors Include :</b>				
Debts due by Private Limited Company in which there are common Directors				
AVT McCormick Ingredients Private Limited		1,44,96,398		64,22,542
<b>13 Earnings per Share</b>				
Profit after Taxation		8,73,19,223		7,53,09,863
Less: Preference dividend and tax thereon		Nil		7,52,254
Profit available for Equity Shareholders		<b>8,73,19,223</b>		<b>7,45,57,609</b>
Weighted average number of Equity Shares outstanding at the end of the year		76,14,200		38,07,100
Earnings per share of Rs.10 Each (Basic and Diluted) (Computed on enhanced capital)		11.47		9.79
<b>14 Segment Reporting :</b>				
The Company operates in a single business segment of solvent extracted products. Therefore, segment reporting is not applicable.				
<b>15 Computation of Deferred Tax Asset / Liability:</b>				
a) Deferred Tax Liability:				
Tax Impact of difference between carrying amount of Fixed Assets in the Financial Statements and the income tax returns		3,36,36,000		3,40,30,000
b) Deferred Tax Asset:				
Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax.		7,26,000		7,00,000
Net Deferred Tax Liability [(a) - (b)]		<b>3,29,10,000</b>		<b>3,33,30,000</b>



## S C H E D U L E S

*N o t e s o n A c c o u n t s*

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

Key Management Personnel:

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

	Year ended 31.03.2007 Rs.		Year ended 31.03.2006 Rs.
Details of Transaction	Associates	Key Management Personnel (including relatives)	Associates Key Management Personnel (including relatives)
<b>INCOME</b>			
Sales	4,75,14,459		1,48,30,371
Rent Received	1,80,000		1,80,000
<b>EXPENDITURE</b>			
Purchases	10,35,705		7,73,675
C & F Charges	44,19,455		52,13,564
Remuneration to Managing Director (Refer Note: 8)		37,86,000	21,24,000
Sitting Fees		30,000	30,000
Dividend Paid - Equity	1,07,24,375	24,92,190	83,60,476
Dividend Paid - Preference	Nil		22,12,576
			26,60,001
<b>OTHERS</b>			
Purchase of Fixed Assets	Nil		75,000
Preference Share Capital Redeemed	Nil		2,00,00,000
Investments Made	1,63,04,750		2,25,000
Issue of Bonus Shares	2,14,48,750	49,84,380	Nil
<b>BALANCE AS ON 31.03.2007</b>			
Debit Balances	1,44,96,398		64,22,542
Credit Balances	15,076		11,43,489

## S C H E D U L E S

### *Notes on Accounts*

- 17 Previous year's figures have been regrouped wherever necessary to conform to Current year's classification.
- 18 In absence of information from the company's creditors with regard to submission of Memorandum with the specified authority, as required under the Micro, Small and Medium Enterprise Development Act, 2006 the company is unable to furnish the information under the said Act.
- 19 The post of the secretary is vacant at present, and hence the accounts do not bear his signature

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO**

**S. Ganesan**

Partner

Membership No 18525

Chartered Accountants

**Ajit Thomas**

Chairman

**M.A. Alagappan**

Director

Place : Chennai

Date : 23rd June, 2007

**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	Tonghe AVT Natural Ltd, China
2	Financial Year of the Subsidiary Company	31.12.2006 (1)	31.12.2006 (2)
3	Holding Company's Interest in the Subsidiary	355000 Shares of US\$ 1 each 100%	350000 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	46.84 Lacs	(50.58 Lacs)
	b) For the previous financial years of the Subsidiary Company	N.A	N.A
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	Nil	Nil
	b) For the previous financial years of the Subsidiary Company	Nil	Nil
	1) Financial statements for the period 24.03.2006 to 31.12.2006		
	2) Financial statements for the period 06.06.2006 to 31.12.2006		

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO**

**S. Ganesan**

Partner

Membership No 18525

Chartered Accountants

**Ajit Thomas**

Chairman

**M.A. Alagappan**

Director

Place : Chennai

Date : 23rd June, 2007

**M.S.A. Kumar**

Managing Director

## CASH FLOW STATEMENT

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
<b>A CASH FLOW FOR OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	13,65,99,223	12,84,89,863
Adjustment for:		
Depreciation	2,07,24,894	2,01,26,378
Provision for Leave Encashment	Nil	3,08,000
Loss On Sale of Assets/Assets Discarded	9,59,829	5,05,046
Interest received	(6,39,515)	(9,98,015)
Interest	2,95,28,402	2,13,45,919
Operating Profit before working capital changes:	<u>18,71,72,833</u>	<u>16,97,77,191</u>
Adjustment for:		
Trade and other receivables	1,18,56,365	(5,63,45,299)
Inventories	(7,15,85,573)	1,65,64,424
Trade Payables	55,65,085	(1,95,99,115)
Other Current assets	(56,35,139)	(1,11,60,578)
Cash generated from operations	<u>12,73,73,571</u>	<u>9,92,36,623</u>
Taxes paid	(5,02,82,433)	(4,97,38,045)
Cash flow before extra ordinary items	<u>7,70,91,138</u>	4,94,98,578
Extra-ordinary Items	Nil	Nil
<b>Net cash from operating activities</b>	<b>(A) <u>7,70,91,138</u></b>	<u>4,94,98,578</u>
<b>B Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(2,97,42,602)	(1,73,90,769)
Sale of Fixed Assets	10,81,549	1,30,001
Investment in Subsidiary Company	(1,63,04,750)	(2,25,000)
Interest Received	5,78,736	10,80,108
<b>Net Cash used in Investing Activities</b>	<b>(B) <u>(4,43,87,067)</u></b>	<u>(1,64,05,660)</u>

## CASH FLOW STATEMENT

	Year ended 31.03.2006 Rs.	Year ended 31.03.2005 Rs.
<b>C Cash flow from Financing Activities</b>		
Redemption of Preference Share Capital	Nil	(2,00,00,000)
Repayment of Long Term Borrowings	(1,08,48,862)	(1,55,17,682)
Working capital facilities	3,47,64,580	2,16,66,132
Public Deposits	(44,33,900)	25,06,710
Interest paid	(2,99,85,439)	(2,11,00,997)
Dividend Paid including Dividend Tax	(2,17,05,229)	(2,03,97,250)
<b>Net Cash used in Financing Activities</b>	<b>(3,22,08,850)</b>	<b>(5,28,43,087)</b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b>4,95,221</b>	<b>(1,97,50,169)</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>1,91,38,544</b>	<b>3,88,88,713</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>1,96,33,765</b>	<b>1,91,38,544</b>
	<b>4,95,221</b>	<b>(1,97,50,169)</b>

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 : 23rd June, 2007

**Ajit Thomas**

Chairman

**M.A. Alagappan**

Director

**M.S.A. Kumar**

Managing Director

## FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

	2002-2003	2003-2004	2004-2005	2005-2006	<b>2006-2007</b>
Sales & Service (Rs. Lakhs)	3260.41	5203.42	5728.88	7164.43	<b>7234.74</b>
Net Profit (Rs. Lakhs)	(169.89)	215.77	482.71	753.09	<b>873.19</b>
Net Worth (Rs. Lakhs)	1915.67	2074.82	2386.08	2914.61	<b>3520.55</b>
Fixed Assets (Rs. Lakhs)	2161.11	2044.45	2073.86	2040.15	<b>2109.91</b>
Dividend (%)	0.00	10.00	40.00	50	<b>30*</b>
Dividend Amount (Rs.Lakhs)	0.00	38.07	152.28	190.35	<b>228.43</b>
Earning Per Share (Rs.)	(4.46)	5.31	12.08	19.58	<b>11.47**</b>
Dividend Per Share (Rs.)	0.00	1.00	4.00	5.00	<b>3.00</b>
Book Value Per Share (Rs.)	50.32	54.50	62.68	76.55	<b>46.24</b>
Return on Networth (%)	(8.87)	10.40	20.23	25.84	<b>24.80</b>
PAT/Sales (%)	(5.21)	4.15	8.43	10.51	<b>12.07</b>
Fixed Assets Turnover (times)	1.51	2.55	2.76	3.51	<b>3.43</b>

\* 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 2007, 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.1.56 Crores as at 31.12.2006 and total revenue of Rs. 5.42 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 2007;
- 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 : 23rd June, 2007

Membership No 18525  
Chartered Accountants

## CONSOLIDATED BALANCE SHEET

	Schedule	As at 31.03.2007 Rs.
<b>SOURCES OF FUNDS</b>		
<b>1. SHAREHOLDERS' FUNDS</b>		
(a) Share Capital	1	7,61,42,000
(b) Reserves & Surplus	2	27,50,14,488
		<u>35,11,56,488</u>
<b>2. LOAN FUNDS</b>		
(a) Secured Loans	3	31,17,11,713
(b) Unsecured Loans	4	2,75,02,000
		<u>33,92,13,713</u>
<b>3. DEFERRED TAX LIABILITY</b>		
		<u>3,29,10,000</u>
<b>TOTAL</b>		<u><b>72,32,80,201</b></u>
<b>APPLICATION OF FUNDS</b>		
<b>1. FIXED ASSETS</b>		
(a) Gross Block	5	40,84,82,034
(b) Less: Depreciation		19,66,54,070
(c) Net Block		21,18,27,964
(d) Capital work in progress		Nil
		<u>21,18,27,964</u>
<b>2. CURRENT ASSETS, LOANS AND ADVANCES</b>		
(a) Inventories	6	26,32,51,802
(b) Sundry Debtors	7	27,26,73,468
(c) Cash and Bank Balances	8	2,21,38,431
(d) Others: Income Accrued		1,47,894
(e) Loans and advances	9	10,62,79,213
		<u>66,44,90,808</u>
Less:		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
(a) Current Liabilities	10	6,66,70,386
(b) Provisions	11	8,63,68,185
		<u>15,30,38,571</u>
Net Current Assets		<u>51,14,52,237</u>
<b>TOTAL</b>		<u><b>72,32,80,201</b></u>

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 : 23rd June, 2007

**Ajit Thomas**  
Chairman

**M.A. Alagappan**  
Director

**M.S.A. Kumar**  
Managing Director



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Schedule	As at 31.03.2007 Rs.
<b>INCOME</b>		
Operations	12	77,76,35,687
Other Income	13	72,76,964
<b>TOTAL</b>		<b><u>78,49,12,651</u></b>
<b>EXPENDITURE</b>		
Increase (-) / Decrease (+) in stock	14	(-) 8,48,90,000
Materials Consumed		29,88,45,133
Purchases		10,20,41,379
Employee Cost	15	7,69,05,571
Other Expenditure	16	20,46,96,483
Interest	17	2,95,28,402
Depreciation		2,07,78,259
<b>TOTAL</b>		<b><u>64,79,05,227</u></b>
<b>Profit before Tax</b>		13,70,07,424
Less : Provision for Taxation		
- Current Tax		4,92,82,955
- Deferred Tax	(-)	4,20,000
- Fringe Benefit Tax		12,00,000
<b>Profit after Tax</b>		<u>8,69,44,469</u>
Add : Surplus Brought Forward		1,73,94,591
		<b><u>10,43,39,060</u></b>
Appropriations:		
Transfer to General Reserve		
Proposed Dividend on Equity Shares @ 30%		5,00,00,000
Provision for Tax on Dividend		2,28,42,600
Surplus Carried Forward		2,79,14,360
		<b><u>10,43,39,060</u></b>
Earnings Per Share ( Basic and Diluted )		11.47
Notes on Accounts	18	

Schedules 12 to 17, 18 (Notes) and Cash Flow Statement form part of this Profit and 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 : 23rd June, 2007

**Ajit Thomas**  
Chairman

**M.A. Alagappan**  
Director

**M.S.A. Kumar**  
Managing Director

## SCHEDULES

### *Schedules to the Consolidated Balance Sheet*

	<b>As at 31.03.2007 Rs.</b>
<b>SCHEDULE - 1:</b>	
<b>SHARE CAPITAL</b>	Rs.
<b>AUTHORISED:</b>	
79,90,000 - Equity Shares of Rs 10 each (Previous year 39,90,000 Equity shares of Rs.10 each)	7,99,00,000
1,000 - 12% Redeemable Cumulative Preference Shares of Rs.100/- each	1,00,000
30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs.10 each	3,00,00,000
	<b>11,00,00,000</b>
<b>ISSUED , SUBSCRIBED AND PAID UP</b>	
76,14,200 - Equity Shares of Rs.10/- each (Previous year 38,07,100 Equity shares of Rs.10 each)	<b>7,61,42,000</b>
<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>	
<b>SCHEDULE - 2:</b>	
<b>RESERVES &amp; SURPLUS:</b>	
Capital Redemption Reserve	3,00,06,000
Capital Reserve - (Represents capital	35,000
Profit on re-issue of forfeited shares)	
Share Premium account	
As per last Balance Sheet	2,66,82,300
Less: Capitalised for issue of Bonus Shares	2,66,82,300
Investment Subsidy	99,01,670
Foreign Currency Translation Reserve	(5,24,443)
General Reserve	
As per Last Balance Sheet	15,93,70,601
Less : Capitalised for issue of Bonus Shares	1,13,88,700
	14,79,81,901
Add: Transfer from Profit & Loss A/c	5,00,00,000
Contingency Reserve	1,00,00,000
Surplus :	
Balance in Profit and Loss Account	2,76,14,360
	<b>27,50,14,488</b>

## **SCHEDULES**

### *Schedules to the Consolidated Balance Sheet*

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**As at  
31.03.2007  
Rs.**

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#### **SCHEDULE - 3:**

##### **SECURED LOANS:**

a) Term Loan	1,53,19,456
(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)	
b) Working Capital Facilities	29,63,92,257
(Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)	
	<u>31,17,11,713</u>

#### **SCHEDULE - 4:**

##### **UNSECURED LOANS:**

Public Deposits	<u>2,75,02,000</u>
(Deposits repayable within one year Rs.1,44,40,000/-)	

## SCHEDULES

### *Schedules to the Consolidated Balance Sheet*

#### SCHEDULE - 5 FIXED ASSETS:

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions	Deductions	As at 31.03.2007	Upto 31.03.2006	For the year	Withdrawn	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	90,86,514	32,73,920	–	<b>1,23,60,434</b>	–	–	–	–	<b>1,23,60,434</b>	90,86,514
Lease Hold Land	18,94,995	–	–	<b>18,94,995</b>	–	–	–	–	<b>18,94,995</b>	18,94,995
Buildings	9,52,81,985	32,60,901	–	<b>9,85,42,886</b>	3,74,75,428	40,50,983	–	<b>4,15,26,411</b>	<b>5,70,16,475</b>	5,78,06,557
Plant and Machinery	25,68,23,115	2,46,18,753	18,69,085	<b>27,95,72,783</b>	13,13,21,895	1,54,20,701	11,55,562	<b>14,55,87,034</b>	<b>13,39,85,749</b>	12,55,01,220
Furniture and Fixtures	50,04,679	4,00,502	–	<b>54,05,181</b>	33,81,647	2,37,577	–	<b>36,19,224</b>	<b>17,85,957</b>	16,23,032
Vehicles	1,35,01,028	3,03,194	30,98,467	<b>1,07,05,755</b>	66,23,015	10,68,998	17,70,612	<b>59,21,401</b>	<b>47,84,354</b>	68,78,013
<b>TOTAL</b>	<b>38,15,92,316</b>	<b>3,18,57,270</b>	<b>49,67,552</b>	<b>40,84,82,034</b>	<b>17,88,01,985</b>	<b>2,07,78,259</b>	<b>29,26,174</b>	<b>19,66,54,070</b>	<b>21,18,27,964</b>	<b>20,27,90,331</b>

## SCHEDULES

### *Schedules to the Consolidated Balance Sheet*

	As at 31.03.2007 Rs.
<b>SCHEDULE - 6:</b>	
<b>INVENTORIES:</b>	
(a) Stores, Spares and Packing Materials	2,76,64,613
(b) Raw Materials	3,59,77,189
(c) Finished Goods	18,14,40,000
(d) Stock in process	1,81,70,000
	<b>26,32,51,802</b>
<b>SCHEDULE - 7:</b>	
<b>SUNDRY DEBTORS:</b>	
Unsecured considered Good :	
(a) Debts outstanding for a period exceeding six months	40,86,163
(b) Other debts	26,85,87,305
	<b>27,26,73,468</b>
<b>SCHEDULE - 8:</b>	
<b>CASH AND BANK BALANCES</b>	
(a) Cash	3,05,183
(b) Balances with Scheduled Banks:	
- In Current Account	89,17,150
- In Deposit Account	1,10,94,546
- In Dividend Account	15,80,059
(c) Balances with Foreign Bank:	
- In Current Account	
- Bank of China, Beijing	2,41,493
(Maximum balance - Rs.13,86,009/-)	
	<b>2,21,38,431</b>
* Includes Rs.80,94,546/- as Margin Money Deposit for the issue Letter of Credit/Guarantee	
<b>SCHEDULE - 9:</b>	
<b>LOAN AND ADVANCES</b>	
(Unsecured Considered Good)	
Advances recoverable in cash or in kind or for value to be received	4,41,48,783
Deposits	46,37,881
Tax Payments pending adjustments	5,74,92,549
	<b>10,62,79,213</b>
<b>SCHEDULE - 10:</b>	
<b>CURRENT LIABILITIES:</b>	
Sundry Creditors	
- Small Scale Industrial Units	2,48,857
- Others	6,29,68,607
Due on Hire Purchase	7,00,310
Investor Education and Protection Fund *	
- Unclaimed Dividend	15,80,059
- Unclaimed Matured Deposits	1,18,000
- Interest accrued on Matured Deposits	11,181
Interest accrued but not due	10,43,372
	<b>6,66,70,386</b>
* Includes no amount due to be credited to Investor Education and Protection Fund	

## **SCHEDULES**

*Schedules to the Consolidated Profit and Loss Account*

	<b>As at 31.03.2007 Rs.</b>
<b>SCHEDULE - 11:</b>	
<b>PROVISIONS:</b>	
For Taxation	5,63,08,485
For Fringe Benefit Tax	12,00,000
For Leave Encashment	21,35,000
Proposed Dividend on Equity Shares	2,28,42,600
For Tax on Dividend	38,82,100
	<b>8,63,68,185</b>
 <b>SCHEDULE - 12:</b>	
<b>INCOME FROM OPERATIONS:</b>	
Sales :	68,21,83,992
Less : Excise Duty	2,60,848
	68,19,23,144
Processing Income ( TDS Rs.17,26,932 )	8,04,49,085
Sale of Import Entitlement	1,52,63,458
	<b>77,76,35,687</b>
 <b>SCHEDULE - 13:</b>	
<b>OTHER INCOME</b>	
Rent (Tax deducted at source Rs.40,392/-)	1,80,000
Interest (Tax deducted at source Rs.1,13,078/-)	6,60,201
Exchange Fluctuation	60,28,383
Miscellaneous (Tax deducted at source Rs.5,389/-)	1,58,400
Provision for bad & doubtful debts no longer required written back	2,49,980
	<b>72,76,964</b>
 <b>SCHEDULE - 14:</b>	
<b>INCREASE (-) / DECREASE (+) IN STOCK:</b>	
<b>OPENING STOCK:</b>	
Finished Goods	10,05,20,000
Stock in Process	1,42,00,000
	<b>11,47,20,000</b>
 <b>CLOSING STOCK</b>	
Finished Goods	18,14,40,000
Stock in Process	1,81,70,000
	<b>19,96,10,000</b>
<b>Increase(-)/Decrease(+) in Stock</b>	<b>(-) 8,48,90,000</b>

## SCHEDULES

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

	As at 31.03.2007 Rs.
<b>SCHEDULE - 15:</b>	
<b>EMPLOYEE COST:</b>	
Salaries, Wages and Bonus	6,36,93,686
Contribution to Provident and other Funds	63,52,932
Welfare Expenses	68,58,953
	<b>7,69,05,571</b>
<b>SCHEDULE - 16:</b>	
<b>OTHER EXPENDITURE:</b>	
Consumption of Stores, Spares & Packing Materials	4,61,31,135
Power and Fuel	5,70,07,990
Processing Charges	6,67,867
Repairs :	
Building	6,01,253
Plant & Machinery	1,77,13,885
Vehicles	44,68,575
Others	66,96,621
Postage and Telephones	37,36,478
Printing & Stationery	14,52,493
Travelling Expenses	1,50,78,172
Auditors Remuneration	
- For Audit	3,95,064
- For Tax Audit/Certification	1,42,500
- For Tax Representation	1,35,000
- For Service Tax	89,222
- For Expenses	1,63,500
Directors' Sitting Fees	1,40,000
Bank Charges	53,56,874
Rent	8,69,250
Rates and Taxes	28,95,786
Insurance	41,54,085
Freight and Transport	1,18,51,661
Commission	13,04,354
Loss on Sale of Assets / Assets Discarded	9,59,829
Bad debts written off	1,18,997
LESS: Provision	24,604
Miscellaneous Expenses	2,25,90,496
	<b>20,46,96,483</b>
<b>SCHEDULE - 17:</b>	
<b>INTEREST:</b>	
Fixed Loans	44,08,748
Others	2,51,19,654
	<b>2,95,28,402</b>

# **S C H E D U L E S**

## *Notes on Consolidated Financial Statements*

### **18. (1). SIGNIFICANT ACCOUNTING POLICIES**

#### **1. GENERAL:**

The accompanying financial statements have been prepared on the historical cost convention and in accordance with the normally accepted accounting principles.

#### **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) RETIREMENT BENEFITS :**

Liability towards Gratuity and Leave Encashment is determined on the basis of annual actuarial valuation as at the balance sheet date and Contributions to Provident, Super-Annuation and Gratuity Funds and Provision for incremental liability towards Leave Encashment are charged to revenue.

#### **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.



# S C H E D U L E S

## *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 Tonghe AVT Natural Ltd,China

Name of the Subsidiary	Country of Incorporation	Proportion of ownership Interest %
AVT Natural Pte Ltd	Singapore	100%
Tonghe AVT Natural Ltd *	China	100%

(\* wholly owned subsidiary of AVT Natural Pte Ltd,Singapore)

- 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 Tonghe AVT Natural Ltd, which depreciates its Fixed Assets on Straight Line Method over the estimated useful life of asset.
  - iii) The Subsidiaries reporting date was 31.12.2006 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 31.12.2006 and the end of the holding company’s financial year viz 31.03.2007
  - 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.

### 3 CONTINGENT LIABILITIES IN RESPECT OF

- |   |             |
|---|-------------|
| a) Salestax demand disputed in appeals, against which Rs.40,43,714 paid and included under Advances | 1,47,70,208 |
| b) Outstanding Bank Guarantees/Letters of Credit (including Rs.6,44,64,000 for Subsidiary Company)  | 6,96,06,393 |

### 4 REMUNERATION TO MANAGING DIRECTOR - SRI MSA KUMAR

Salaries and Allowances	33,00,000
Contribution to Provident and other Funds	4,86,000
Other Benefits/Perquisites	Nil
	37,86,000

## S C H E D U L E S

### *Notes on Consolidated Financial Statements*

#### 5 Earnings per Share

Profit after Taxation	8,69,44,469
Less: Preference dividend and tax thereon	Nil
Profit available for Equity Shareholders	<b>8,69,44,469</b>
Weighted average number of Equity Shares outstanding at the end of the year	76,14,200
Earnings per share of Rs.10 Each (Basic and Diluted)	11.42

#### 6 Segment Reporting :

The Company operates in a single business segment of solvent extracted products. 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	3,36,36,000
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##### b) Deferred Tax Asset:

Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax.	7,26,000
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Net Deferred Tax Liability [(a) - (b)]	<b>3,29,10,000</b>
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#### 8 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	- Teleflex Medical Private Ltd.
- A V Thomas International Ltd	- AVT Infotech Private Ltd.
- LJ International Ltd	- AV Thomas Leather & Allied Products Pvt.Ltd.
- A V Thomas Investments Company Ltd	- A V Thomas Exports Ltd.
- The Nelliampathy Tea & Produce Co.Ltd	- Midland Latex Products Ltd.
- Neelamalai Agro Industries Ltd	- Sermatech Private Ltd.
- The Midland Rubber and Produce Company Ltd.	- Ajit Thomas Holdings Private Limited
- AVT McCormick Ingredients Private Ltd.	- ST Holdings Private Limited
- Blue Mountain Developments Corp.,	- IQ Tech Private Limited

Key Management Personnel:

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

# S C H E D U L E S

## *Notes on Consolidated Financial Statements*

	As at 31.03.2007 Rs.	
Details of Transaction	Associates	Key Management Personnel (including relatives)
<b>INCOME</b>		
Sales	4,75,14,459	
Rent Received	1,80,000	
<b>EXPENDITURE</b>		
Purchases	10,35,705	
C & F Charges	44,19,455	
Remuneration to Managing Director (Refer Note: 8)		37,86,000
Sitting Fees		30,000
Dividend Paid	1,07,24,375	24,92,190
<b>OTHERS</b>		
Issue of Bonus Shares	2,14,48,750	49,84,380
<b>BALANCE AS ON 31.03.2007</b>		
Debit Balances	1,44,96,398	
Credit Balances	15,076	

9 This being the first year of Consolidated Financial Statements the previous year's figures are not furnished.

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 : 23rd June, 2007

**Ajit Thomas**

Chairman

**M.A. Alagappan**

Director

**M.S.A. Kumar**

Managing Director

## CONSOLIDATED CASH FLOW STATEMENT

	<b>Year ended 31.03.2007 Rs.</b>
<b>A CASH FLOW FOR OPERATING ACTIVITIES</b>	
Net Profit before tax and extraordinary items	13,70,07,424
Adjustment for:	
Depreciation	2,07,78,259
Loss On Sale of Assets/Assets Discarded	9,59,829
Foreign Currency Translation Reserve	(5,24,443)
Interest received	(6,60,201)
Interest	2,95,28,402
Operating Profit before working capital changes:	<u>18,70,89,270</u>
Adjustment for:	
Trade and other receivables	(2,71,36,199)
Inventories	(7,32,02,352)
Trade Payables	3,91,57,993
Other Current assets	(1,16,91,132)
Cash generated from operations	<u>11,42,17,580</u>
Taxes paid	(5,02,82,433)
Cash flow before extra ordinary items	6,39,35,147
Extra-ordinary Items	Nil
<b>Net cash from operating activities</b>	<b>(A) <u>6,39,35,147</u></b>
<b>B Cash flow from Investing Activities</b>	
Purchase of Fixed Assets	(3,06,32,381)
Sale of Fixed Assets	10,81,549
Interest Received	5,99,422
<b>Net Cash used in Investing Activities</b>	<b>(B) <u>(2,89,51,410)</u></b>

## CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31.03.2007 Rs.
<b>C Cash flow from Financing Activities</b>	
Repayment of Long Term Borrowings	(1,08,48,862)
Working Capital Facilities	3,47,64,580
Dividend Paid including Dividend Tax	(2,17,05,229)
Public Deposits	(44,33,900)
Interest paid	(2,99,85,439)
<b>Net Cash used in Financing Activities</b>	<b>(C) (3,22,08,850)</b>
<b>Net Increase in cash and cash equivalents (A+B+C)</b>	<b>27,74,887</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>1,93,63,544</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>2,21,38,431</b>
	<b>27,74,887</b>

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

Vide our Report of date attached

For **SURI & CO**

**S. Ganesan**

Partner

Membership No 18525

Chartered Accountants

Place : Chennai

Date : 23rd June, 2007

For and on behalf of the board

**Ajit Thomas**

Chairman

**M.A. Alagappan**

Director

**M.S.A. Kumar**  
Managing Director

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

## DIRECTORS' REPORT

The directors present their first 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 2006. The financial year covers the period since incorporation on 24 March 2006 to 31 December 2006.

### 1. DIRECTORS

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

Ajit Thomas (Appointed on 24 March 2006)  
 Gopalasamy (Appointed on 24 March 2006)  
 s/o Vasudhevan  
 Methil Sreenivasan (Appointed on 4 April 2006)  
 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	3,58,332	7,16,664
Methil Sreenivasan Achutha Kumar	2,100	4,200

### 4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the date of incorporation, 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**                      **Methil Sreenivasan Achutha Kumar**  
 Director                              Director

Singapore, 20 March 2007

## 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 5 to 19 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 2006, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial period from 24 March 2006 (date of incorporation) to 31 December 2006; and

- a) 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.

On behalf of the Board

**Ajit Thomas**  
Director

**Methil Sreenivasan Achutha Kumar**  
Director

Singapore, 20 March 2007



## 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 SUBSIDIARIES**, which comprises the balance sheet as at 31 December 2006, 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 5 to 19 for the financial period from 24 March 2006 (date of incorporation) to 31 December 2006.

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 directors, as well as evaluating the overall presentation of the financial statements.

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

In our opinion,

- (a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards 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 2006 and the results, changes in equity and cash flows of the group and changes in equity of the company for the financial period from 24 March 2006 (date of incorporation) to 31 December 2006; 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  
CERTIFIED PUBLIC ACCOUNTANTS**

Singapore, 20 March 2007

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## BALANCE SHEET AS AT 31ST DECEMBER 2006

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	Note	Group 31 Dec 2006 US\$	Company 31 Dec 2006 US\$
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and bank balances	(6)	56,475	4,385
Inventories		36,455	-
Trade and other receivables	(7)	1,015,751	879,201
Total current assets		<u>1,108,681</u>	<u>883,586</u>
<b>Non-current assets:</b>			
Plant and equipment	(8)	18,859	-
Investment in subsidiary	(9)	<u>-</u>	<u>350,000</u>
Total non-current assets		18,859	350,000
<b>Total assets</b>		<u>1,127,540</u>	<u>1,233,586</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Trade and other payables	(10)	757,450	755,317
Provision for taxation		<u>17,654</u>	<u>17,654</u>
Total current liabilities		<u>775,104</u>	<u>772,971</u>
<b>Capital and reserve:</b>			
Issued capital	(11)	355,000	355,000
Accumulated profits		(8,434)	105,615
Foreign translation reserves		<u>5,870</u>	<u>-</u>
Total equity		<u>352,436</u>	<u>460,615</u>
<b>Total liabilities and equity</b>		<u>1,127,540</u>	<u>1,233,586</u>

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

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*For the Financial Period from 24 March 2006 (Date of Incorporation) to 31 December 2006*

	Note	24 Mar 2006 To 31 Dec 2006 US\$
<b>Revenue</b>	(12)	1,220,135
<b>Cost of goods sold</b>		<u>(1,091,323)</u>
<b>Gross profit</b>		128,812
Other operating income	(13)	466
Administrative expenses		(91,217)
Other operating expenses		(28,485)
Finance costs	(14)	(356)
<b>Profit before income tax</b>		<u>9,220</u>
Income tax expense	(15)	(17,654)
<b>Loss for the period</b>	(16)	<u>(8,434)</u>

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

## STATEMENT OF CHANGES IN EQUITY

*For the Financial period from 24 march 2006 (date of Incorporation) to 31 december 2006*

Group	Foreign Issued Capital US\$	Accumulated Losses US\$	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	<b>355,000</b>	<b>(8,434)</b>	<b>5,870</b>	<b>352,436</b>

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	<b>355,000</b>	<b>105,615</b>	<b>460,615</b>

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

## **CONSOLIDATED CASH FLOW STATEMENT**

*For the Financial Period from 24 March 2006 (Date of Incorporation) to 31 December 2006*

	<b>24 Mar 2006 To 31 Dec 2006 US\$</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Profit before income tax	9,220
Adjustment for:	
Depreciation of plant and equipment	1,179
Foreign currency alignment	5,894
Interest expense	356
Operating profit before working capital changes	16,649
Inventories	(36,455)
Trade and other receivables	(1,015,751)
Trade and other payables	757,450
<b>Net cash used in operating activities</b>	<b>(278,107)</b>
<b>Investing activities:</b>	
Purchase of plant and equipment	(20,062)
<b>Net cash used in investing activities</b>	<b>(20,062)</b>
<b>Financing activities:</b>	
Issue of share capital	355,000
Interest expense	(356)
<b>Net cash from financing activities</b>	<b>354,644</b>
Net increase in cash	56,475
Cash at beginning of period	–
<b>Cash at end of period</b>	<b>56,475</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

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 is domiciled and incorporated on 24 March 2006 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 are prepared on the going concern basis on the assumption that the directors, of the group and the company will continue to provide unconditional financial support to the group and the company to enable it to discharge its financial obligations as and when they fall due. The directors have represented that financial support will be provided when required.

The financial statements of the company and consolidated financial statements of the group for the year ended 31 December 2006 were authorised for issue in accordance with the directors' resolution dated 20 March 2007.

### 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") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements except as described below:

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. Basis of Consolidation

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.

The results of subsidiaries 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 members of the group.

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

## **NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**

### 2.3. Plant and Equipment and Depreciation

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:-

	<b>Years</b>
Equipment, plant & machinery	5
Workshop	5
Office equipment	5
Furniture & fittings	5

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.

### 2.4. Impairment of Assets

At each balance sheet date, the company and the group reviews the carrying amounts of its tangible 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.

### 2.5. 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.

### 2.6. Foreign Currency Transactions

Transactions in foreign currencies have been converted into Singapore dollars at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date have been translated into Singapore dollars at the rates of exchange approximating those ruling at that date. All resultant exchange differences are dealt with in the profit and loss statement.

### 2.7. Revenue Recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transactions can be measured reliably.

Revenue is measured at the fair value of the consideration received for the sale of goods provided in the normal course of business, net of discounts and sales related taxes.

### 2.8. 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.

### 2.9. 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.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**

### 2.10. Provisions

Provisions are recognised when the company has a present obligations as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

### 2.11. Cash and cash equivalents

Cash and cash equivalents for the cash flow statement includes cash and bank balances, less bank overdraft.

### 2.12. 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 entity 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.

### 2.13. Investment in subsidiary

Investment in unquoted equity shares in subsidiary in the company’s financial statements are stated at cost less any impairment losses.

## **3. FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised on the company balance sheet when the company 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 company 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.

### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 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 company will not have sufficient funds to pay its debts as and when they fall due.

The group is exposed to liquidity risk. However, the directors of the group have agreed to provide unconditional financial support to the group as and when it required as stated in Note 1 to the financial statement.

#### 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 AND CASH EQUIVALENTS

	<b>Group</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	US\$	US\$
Cast at bank	<b>56,475</b>	4,385

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

	<b>Group</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	US\$	US\$
RMB	52,090	-
United States dollars	4,385	4,385
	<b>56,475</b>	4,385

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 7. TRADE AND OTHER RECEIVABLES

	<b>Group 2006</b>	<b>Company 2006</b>
	US\$	US\$
Trade receivables	879,201	879,201
Other receivables:		
- others	3,171	-
- prepayment	130,464	-
- advance	299	-
- tax recoverable	2,616	-
	<b>1,015,751</b>	<b>879,201</b>

The carrying amount of trade and other receivables approximate their fair value.

### 8. PLANT AND EQUIPMENT

Group	Equipment Plant & Computers US\$	Furniture & Machine US\$	Office Fittings US\$	Equipment US\$	Total US\$
<b>Cost</b>					
At 24.3.2006	-	-	-	-	-
Additions	985	17,621	1,108	348	20,062
<b>At 31.12.2006</b>	<b>985</b>	<b>17,621</b>	<b>1,108</b>	<b>348</b>	<b>20,062</b>
<b>Accumulated depreciation</b>					
At 24.3.2006	-	-	-	-	-
Additions	64	1,019	72	23	1,178
Foreign currency alignment	2	21	2	-	25
<b>At 31.12.2006</b>	<b>66</b>	<b>1,040</b>	<b>74</b>	<b>23</b>	<b>1,203</b>
<b>Carrying amount</b>					
At 31.12.2006	919	16,581	1,034	325	18,859

### 9. INVESTMENT IN SUBSIDIARY

	<b>2006</b>
	US\$
Unquoted equity shares at cost	<b>350,000</b>

Name of subsidiary	Principal activities and (country of Incorporation) 2006	Percentage of equity held %
Tonghe AVT Natural Ltd	Trading business(China)	<b>100</b>

Tonghe AVT Natural Ltd audited by Jia Xin Certified Public Accountants.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 10. TRADE AND OTHER PAYABLES

	<b>Group 2006</b>	<b>Company 2006</b>
	US\$	US\$
Trade payable	750,424	750,389
Other payables:		
- others	2,098	-
- accrued expenses	4,928	4,928
	<b>757,450</b>	<b>755,317</b>

### 11. ISSUED CAPITAL

	<b>Issued share capital 2006</b>
	US\$
355,000 ordinary shares	<b>355,000</b>

At date of incorporation, the company issued 5,000 ordinary shares for cash to the subscribers to the Memorandum of Association. During the year, an additional 350,000 ordinary shares were issued for cash.

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

### 12. REVENUE

	<b>Group 2006</b>
	US\$
Sales of goods	<b>1,220,135</b>

### 13. OTHER OPERATING INCOME

	<b>Group 2006</b>
	US\$
Interest received	<b>466</b>

### 14. FINANCE COSTS

	<b>Group 2006</b>
	US\$
China subsidiary finance cost	<b>356</b>

### 15. INCOME TAX EXPENSE

	<b>Group 2006</b>	<b>Company 2006</b>
	US\$	US\$
Current income tax	17,654	17,654

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	<b>Group</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	US\$	US\$
Income tax expenses at statutory rate	1,844	26,654
Non- allowable item	(7,000)	-
Tax exemption	22,810	(7,000)
	<b>17,654</b>	<b>17,654</b>

16. **PROFIT FOR THE YEAR**

Profit for the year has been arrived after charging:

	<b>Group</b>
	<b>2006</b>
	US\$
Incorporation fee	2,000
Other secretary service fee	261

17. **IMMEDIATE AND ULTIMATE HOLDING COMPANY**

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

18. **ACQUISITION OF SUBSIDIARY (NET CASH EFFECT)**

During the year, the group acquired 100% interest in Tonghe, AVT Natural Ltd. The fair value of assets assumed are as follows:

	<b>2006</b>
	US\$
Cash	355,000
Purchase consideration	355,000
Less: Cost taken over	355,000
Cost flow on acquisition	-

19. **COMPARATIVE FIGURES**

The financial statements cover the financial period since incorporation on 24 March 2006 to 31 December 2006. This being the first set of financial statements, there are no comparative figures.

## **PROFIT AND LOSS ACCOUNT**

*For the Financial Period from 24 March 2006 (Date of Incorporation) to 31 December 2006*

	<b>24 Mar 2006 To 31 Dec</b>
<b>AVT NATURAL PTE. LTD. SINGAPORE</b>	
<b>2006</b>	
<b>INCOME</b>	<b>US\$ 1,220,135</b>
<b>Cost of sales</b>	
Total cost of sales	(1,091,323)
<b>GROSS PROFIT</b>	<b>128,812</b>
<b>OTHER INCOME</b>	
Interest income	466
	<b>129,278</b>
<b>Less: Operating expenses</b>	
<b>ADMINISTRATIVE EXPENSES</b>	
Auditors' remuneration	2,000
Bank charges	1,081
Professional fees	2,261
Tax fee	667
	<b>(6,009)</b>
<b>PROFIT BEFORE INCOME TAX</b>	<b>123,269</b>
Income tax	(17,654)
<b>PROFIT AFTER INCOME TAX</b>	<b>105,615</b>

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

**TONGHE AVT NATURAL LIMITED**  
**CHINA**  
**MONETARY UNIT : RMB ¥**

# AUDITORS' REPORT

*To the members of Tonghe AVT Natural Limited*

We have audited the accompanying balance sheet of the Tonghe AVT Natural Limited as of December 31,2006, and the related statements of Income for the year then ended.

## 1. Management's responsibilities for the financial statements

The management of Tonghe AVT Natural Limited 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 statements free of material misstatements for frauds and errors; (2) choose and apply suitable accountable policies; (3) make reasonable and prudent accounting judgements and estimates.

## 2. The responsibility of Chinese Certified Public Accountants

Our responsibility is to express an audit opinion on financial statements based on our audit procedures. We conducted our audit in accordance with Chinese Certified Public Accountants' Standards on 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 judgments, 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 for our opinion.

## 3. Auditor's opinion

In our opinion, the financial statements are prepared in accordance with Chinese Accounting standards and Chinese Enterprise Accounting Rules and Regulations, present fairly, in all material respects, the financial position of the Tonghe AVT Natural Limited As of December 31,2006, and of the results of its operations for the year then ended.

Address: Xinjian Street,Tonghe County,Chinese Certified Public Accountant

Heilongjiang Province  
People's Republic of China

**SUN Yu-xiang**  
Chinese Certified Public Accountant

ZHAO Han-de

January 10, 2007

## BALANCE SHEET

*As at 31 December 2006*

ASSETS	LINE	AT BEG- INNING OF YEAR	AT END OF YEAR RMB	LIABILITIES AND OWNER'S EQUITY	LINE	AT BEG- INNING OF YEAR	AT END OF YEAR RMB
Current Asset				Current Liability			
Monetary Funds	1		407,242	Short Term Loans	68		
Shortterm Investment	2			Notes Payable	69		
Bills Receivable	3			Accounts Payable	70		278
Dividend Receivable	4			Advance Collection	71		
Interest Receivable	5			Accrued Payrolls	72		
Account Receivable	6			Employee benefits Payable	73		
Other Receivable	7		24,788	Dividend Payable	74		
Advance Payments	8		1,019,970	Accrued Tax	75		-20,454
Subsidies Receivable	9			Others unpaid	80		16,404
Inventory	10		285,000	Others Payable	81		
Deferred Expense	11		2,335	Accrued Expense	82		
Yearing Long-term debt investment	21			Accrued Liability	83		
Other Current Asset	24			Yearing Long Term Liabilities	86		
Total of Current Asset	31		1,739,335	Other Current Liabilities	90		
Longterm Investment				Total of Current Liabilities	100		-3,772
Long-term Equity Investment	32			Long Term Liabilities			
Long-term debt Investment	34			Long Term loans	101		
Total of Longterm Investment	38			Bonds Payable	102		
Fixed Asset				Long Term Accounts Payable	103		
Fixed Asset Cost	39		156,850	Special Account Payable	106		
Less:Accumulated Depreciation	40		9,407	Other Long Term Liabilities	108		
Net Value of Fixed Assets	41		147,443	Total of Long Term Liabilities	110		
Less:Provision for Fixed Asset Impairment	42			Deferred Tax:			
Net amount of Fixed Assets	43		147,443	Deferred Tax credit:	111		
Supplies of Construction	44			Total Liabilities	114		-3,772
Construction work in process	45			Owner's Equity			
Disposal of Fixed Asset	46			Paid in Capital	115		2,784,271
Total of Fixed Asset	50		147,443	Less:Retired Capital	116		
Intangible and Other Assets				Net amount of Paid in Capital	117		2,784,271
Intangible Assets	51			Capital Reserves	118		16,639
Long term Prepaid and Deferred Expense	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		-910,360
Deferred Taxes:				Foreign Translation Reserves	122		1,890,550
Deferred Tax Debit	61			Total of Own's Equity	122		1,890,550
Total Assets	67		<b>1,886,778</b>	Total Liabilities and owner's equity	135		<b>1,886,778</b>



## INCOME STATEMENT

*For the year ended 31 December 2006*

ITEM	LINE	CURRENT YEAR RMB
<b>1. Income from Main Operations</b>	1	
Less: Main Operating Cost	4	
Main Operating tax and surcharge	5	
<b>2. Profit from main operations</b>	10	
Add: Profit from other operations	11	<b>-227,369</b>
Less: Operating Expenses	14	
General and administrative expenses	15	680,147
Financial Expenses	16	2,844
<b>3. Operating Profit</b>	18	<b>-910,360</b>
Add: Investment Income	19	
Subsidies Receipt	22	
Non-Operating Income	23	
Less: Non-Operating Expenses	25	
<b>4. Profit before tax</b>	27	<b>-910,360</b>
Less: Income tax expense	28	
<b>5. Profit after tax</b>	30	<b>-910,360</b>
<b>Supplementary Information:</b>		
ITEM	CURRENT YEAR CUMULATIVE	ACTUAL LAST YEAR
1. Proceeds from disposal of segment and investee		
2. Losses from natural disaster		
3. Profit increase (or decrease ) from changes in accounting policies		
4. Profit increase (or decrease ) from changes in accounting estimations		
5. Losses from liabilities reorganisation		
6. Others		

# AVT NATURAL PRODUCTS LIMITED

Regd. Office : 64, Rukmani Lakshmi pathi Salai, Egmore, Chennai - 600 008.

## PROXY FORM ANNUAL GENERAL MEETING

I/We .....  
of ..... in the district of .....  
being a member/members of the above named Company hereby appoint.....  
of ..... in the district of .....  
or failing him .....  
and vote for me/us on my/our behalf at the Twenty First Annual General Meeting of the Company to be held on Friday 27th July 2007 at 11.00 a.m. and at any adjournment thereof.

Signed this ..... day of ..... 2007

Signature .....

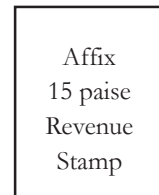
Full Name of the Shareholder  
(in block letters)

Folio No./DP-Id & Client Id. ....

Address .....

.....

Note : The proxy form duly signed across the revenue stamp of 15 paise should reach the Company's Registered Office at least 48 hours before the time of the meeting.



..... ✂ .....

# AVT NATURAL PRODUCTS LIMITED

## ATTENDANCE SLIP

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company at 11.00 AM on Friday the 27th July 2007 at REGENCY HALL, 4<sup>th</sup> Floor, Hotel Ambassador Pallava, No.30, Montieth Road, Egmore, Chennai 600 008.

.....  
Full name of the Shareholder ..... Signature

Folio No./DP-Id & Client Id. ....

.....  
Full name of Proxy ..... Signature  
(in block letters)

Note : Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the Meeting Hall.

## **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.