

AVT NATURAL PRODUCTS LIMITED

24th Annual Report
2009-2010

AVT NATURAL PRODUCTS LIMITED

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Mr. Dileepraj. P

AUDITORS

M/s Suri & Co.,
Chartered Accountants

BANKERS

Bank of Baroda
State Bank of India
The South Indian Bank Ltd.,
Citi Bank

PLANT LOCATIONS

SF No. 234/1, Mysore Trunk Road,
Puduvadavalli, Sathyamangalam - 638 401,
Erode District, Tamil Nadu.

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

Vazhakulam, Marampilly Post,
Aluva - 683 107, Ernakulam District,
Kerala.

SUBSIDIARY COMPANIES

AVT Natural Pte. Ltd.,
17, Phillip Street, # 05-01, Grand Building,
Singapore - 048695.

Heilongjiang AVT Bio-Products Ltd.,
(Subsidiary of AVT Natural Pte. Ltd.,)
Shuangyashan State Farm, Baoshan District,
Shuangyashan City, Heilongjiang Province, China.

REGISTERED OFFICE

64, Rukmani Lakshmi pathy Salai,
Egmore, Chennai - 600 008
Tel: 044-28584147, Tele Fax: 044-28584147
E-mail: shareholder@avtspice.com

Contents	Page No.
Notice to the Shareholders	2
Directors' Report	6
Management Discussion and Analysis Report	9
Corporate Governance	11
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Schedules	22
Notes on Accounts	29
Cash Flow Statement	37
Financial Highlights	40
Consolidated Statements	41
AVT Natural Pte. Ltd., Singapore	57
Heilongjiang AVT Bio-Products Ltd., China	80

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of the Company will be held at **12.00 Noon on Thursday, the 9th September 2010 at Elliots Hall, Hotel Comfort INN Marina Towers, 2A, Ponniamman Koil Street, 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 31.03.2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. P. Shankar, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. M.A. Alagappan, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

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

"RESOLVED that Subject to the provisions of sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 approval of the Members be and is hereby accorded for the reappointment of Mr. M.S.A. Kumar as the Managing Director of the Company with effect from 1st August 2010 to hold office for a period of three years upon the remuneration by way of salary, allowances, benefits and perquisites, as are applicable and as may be decided by the Board of Directors of the Company from time to time, without further reference, consent of members, within overall limits specified under section 198 of the Act read with section I of Part II of the Schedule XIII of the Companies Act, 1956, as in force from time to time, without entitlement to sitting fees for meeting of the Board of Directors and / or Committees thereof, attended by him during his tenure of office.

RESOLVED FURTHER that Mr. M.S.A. Kumar, Managing Director, be paid the following managerial

remuneration, within the overall limit specified under Section 198 read with Section I of Part II of Schedule XIII of the Companies Act, 1956, from the date of his re-appointment w.e.f. 1st August 2010, until otherwise decided by the Board of Directors.

Remuneration:

Salary : Rs. 2,60,000 per month in the scale of Rs 2,50,000 - Rs. 4,00,000 with annual increment as may be decided by the Board of Directors from time to time.

Special Allowance : Rs 50,000 per month.

Performance Incentive: As may be decided by the Board of Directors subject to a maximum of Six months salary and special allowance.

Perquisites and Allowances:

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

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

7. Reduction in payment of Commission to Non-Executive Chairman.

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

"RESOLVED that in supersession of the resolution passed by the Members in the 22nd Annual General Meeting held on 29th July 2008 pursuant to the provisions of Section 309 and other applicable provisions, if any, of

the Companies Act, 1956, the consent of the Company be and is hereby accorded to reduce the payment of commission payable to Chairman from 3% on the net profits of the Company to 2% on the net profits of the Company, for the period commencing from April 1, 2010 to March 31, 2013 and such payment be made out of profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956 for each corresponding year.

FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorized to do everything necessary and incidental in this behalf".

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

Place : Chennai
Date : 29th July 2010

Dileepraj. P
Company Secretary

Notes:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXY FORMS, COMPLETE IN ALL RESPECTS, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. FORM OF PROXY IS ENCLOSED.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 3rd September 2010 to 9th September 2010 (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 9th September 2010.
4. Members are requested to notify immediately any change in their address to the Company's Registrar and Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 in the case of physical holdings, and to their respective Depository Participants in case of demated shares.
5. Members are requested to notify the Company's Registrar and Share Transfer Agent immediately of their Bank Account Number and name of the Bank and Branch in the case of physical holdings and to their respective Depository Participants in the case of

demated shares, so that the payment of dividend when made through Electronic Clearing Service (ECS) / Dividend Warrants, can capture the updated particulars to avoid delay / default.

6. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all the unclaimed/unpaid Dividends upto the inclusive of financial year 2000 - 01 have been transferred to the 'Investor Education and Protection Fund' established by the Central Government. Those members who have not encashed their dividend warrants for the financial years ended on 31.3.2004, 31.03.2005, 31.3.2006, 31.3.2007, 31.3.2008 and 31.3.2009 may lodge a claim with the Company immediately, failing which the balance will be transferred to the Investor Education and Protection Fund with in the statutory period of 7 years, as envisaged in the section 205A(5) of the Companies Act, 1956.
7. Members are, therefore, advised to claim the unclaimed dividend, if any, immediately.
8. Members are requested to note that trading of company's shares through Stock Exchanges is permitted only in electronic / demat form. Those members who have not yet converted their holdings into the electronic form may please consider opening an account with an authorized Depository Participant and arrange for Dematerialisation of share, at their own interest.
9. 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. P. Shankar

Mr. P. Shankar, aged 66 years, had 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 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 of India in the Department / Ministries of Heavy Industry, Sugar, Food & 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 Gangaikonda 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 co-operatives.

A significant part of his service years were 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 Tamil Nadu (1974-78), Additional Development Commissioner of Handlooms, Govt. of India (1979-80) General Manager, Handicrafts and Handlooms Export Corporation of India (1982-86) and Joint Secretary, Ministry of Textiles, Govt. of India (1989-91). In his last assignment he was also the Textiles Negotiator in the Uruguay Round of GATT.

His other Directorship :

Name of the Company	Nature of Office held
1. Thirumalai Chemicals Limited	Director

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

b. Mr. M.A. Alagappan

Mr. M.A. Alagappan, aged about 66 years, holds a Degree in Commerce from University of Madras and he is a Management graduate from the University of Aston U. K. He is an Industrialist and was the Executive Chairman of the well-known Murugappa Group of Companies with a turnover of Rs. 13617 Crores.

Equipped with vast experience and knowledge in managing diverse businesses, Alagappan has been actively involved with several leading industry associations.

He is a Past President of The United Planters' Association of Southern India and AIEO. He is a Committee Member of the Federation of Indian Chamber of Commerce & Industry (FICCI) and the Southern India Chambers of Commerce and Industry (SICCI). He is the Honorary Consul of Hungary in India for the southern region. Alagappan takes keen interest in social welfare and is a trustee of the AMM Arunachalam Trust and AMM Foundation that run schools and hospitals.

His other Directorships

Name of the Company	Nature of Office held
Cholamandalam Investment and Finance Company Limited	Chairman
Cholamandalam Factoring Limited	Director
DBS Cholamandalam Securities Limited	Director
DBS Cholamandalam Distribution Limited	Director
Parry Agro Industries Limited	Director
New Ambadi Estates Private Limited	Director
A.M.M. Arunachalam & Sons Private Limited	Director

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

His other Committee Membership :

Name of the Company	Name of the Committee
1. Cholamandalam Investment and Finance Company Limited	Member, Audit Committee

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Mr. M.S.A. Kumar was appointed as the Managing Director of the Company for a period of two years from 1st August 2008 to 31st July 2010. In view of the significant contribution made by him for the growth of the Company, the Directors decided to re-appoint him as his term of office expires on 31st July 2010, for a further period of three years from 01.08.2010 to 31.07.2013 on the terms of remuneration as mentioned in the resolution, subject to the approval of the members, hence this resolution.

Mr. M.S.A. Kumar, aged about 57 years is a graduate in Agriculture with an MBA from IIM, Ahmedabad. He has served as top management executive in several premier organizations like Sandoz (India) Ltd., Bayer (India) Ltd., and Shaw Wallace Co. Limited. His field of expertise includes Sales & Marketing, Product Management etc., and he is with the Company since 1995.

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

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

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

The Board recommends the passing of this ordinary resolution.

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

Item No. 7

The Members at the 22nd Annual General meeting held on 29th July 2008 had passed a special resolution for the payment of remuneration to the Non-executive Chairman, by way of commission of 3% on the net profits of the Company, for a period of five years commencing from April 1, 2008 to March 31, 2013 and such payment be made out of profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956 for each corresponding year.

The Central Government vide its order SRN No. A-50481217-CL-VII dated 15th July 2009 had also approved the payment of commission to the Non-executive Chairman. Accordingly, the Company had paid the commission to Non-executive Chairman for the financial year 2008-09 and 2009-10.

Pursuant to request made by the Chairman, it is now proposed to reduce the Commission payable to him from 3% to 2% on the net profit of the company with effect from 1st April 2010 to 31st March 2013.

Since the Company already is having the permission of the Central Government for the payment of commission upto 3 %, no further approval is necessary for reducing the same to 2 %.

The Board recommends the passing of the Special Resolution.

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

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

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

Place : Chennai
Date : 29th July 2010

Dileepraj. P
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty Fourth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2010.

FINANCIAL RESULTS

	(Rs. In lakhs)	
	2009-10	2008-09
Turn Over	8297.33	8745.42
Other Income	35.09	51.88
Total Income	8332.42	8797.30
Profit before tax for the year	1011.96	1135.23
Less : Provision for taxation		
- Current Tax	320.00	320.00
- Deferred Tax	40.00	101.20
- Fringe Benefit Tax	Nil	12.00
Profit after tax	651.96	702.03
Add: Surplus brought forward	329.98	395.20
Total Amount available for appropriation	981.94	1097.23
Less:		
Transfer to General Reserve	400.00	500.00
Proposed Dividend on Equity Shares @ 30%	228.43	228.43
Provision for tax on Dividends	37.94	38.82
Surplus carried Forward	315.57	329.98

OPERATIONS

During 2009-10, the Sales dropped to Rs.82.97 Crore from Rs 87.45 Crores of 2008-09. Profit After Tax dropped by 7.12 % from Rs 7.02 Crores in 2008-09 to Rs 6.52 Crores in 2009-10.

Spice Oleo sales and Value Added Beverages Sales were lower due to reduced global demand. Marigold Oleoresins, key ingredient in Eye Health Care and your company's main product line was not impacted as the demand compression did not occur in this segment.

Your company experienced margin pressures in all 3 product categories. Cost push in labour, power and fuel prices coupled with lower product prices dented the operating margins. With the increase in Agricultural commodity prices and increase in cost of cultivation, Marigold Farmers are demanding higher flower prices. Southern India experienced adverse weather conditions for Marigold crop growing resulting in lower flower output and lesser volumes through the plant. Thus margin pressures coupled with lower volumes resulted in 7.12% drop in PAT.

FUTURE PROSPECTS

The "Critical Global Strategic Partnership Agreement" signed with Kemin Health, L.C. (Kemin), Des Moines, Iowa,

USA last year for supply of Marigold Oleoresin is progressing as planned. Future volume of this product is expected to register around 5 to 10% annual growth rates. Kemin and AVT are working together in further strengthening the Lutein (Eye care ingredient from Marigold Oleoresin) supply chain in anticipation of the emerging global competition.

Spice Oils and Oleoresins demand is bouncing back with the start of the global economic recovery. Your company will continue its focus on "niche food safe" platform to increase the sales. The importing countries' thrust on Food Safety will result in higher sales for this product group in future years.

Value Added Beverages - Decaffeinated Teas - will grow at a faster rate with addition of more customers and higher volumes. We expect to fill the second extraction plant volumes during next 3 to 5 years. Instant Teas is another product we are focusing on.

2010 Crop Season is progressing well. Good Summer showers and timely rains from South West Monsoon is helping the crop growth. We increased flower prices to meet the expectations of Farmers. We strengthened the Agricultural Operations Management systems. To mitigate risk of single season, your company now cultivates in Monsoon season as well apart from Summer. Thus we expect good flower output during 2010-11 thereby ensuring higher capacity utilization of the plant.

DIVIDEND

Your Directors are pleased to recommend a dividend of 30 % on Equity Share Capital for the year ended 31.03.2010.

PERFORMANCE OF SUBSIDIARY COMPANY

AVT Natural Pte. Ltd., Singapore together with its subsidiary, Heilongjiang AVT Bio-Products Limited, China has recorded sales of Rs 7.15 Crores and profit of Rs 20.41 Lakhs in the period ended December 2009 against the sales of 8.43 Crores and a profit of Rs 9.56 Lakhs during the period ended December 2008. We expect improved performance in sales and profits of the subsidiary company in 2010 from our Chinese operation due to increase in growing areas and higher flower output.

Pursuant to section 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Director's Report and the Auditors Report for the period ended 31st December 2009 for AVT Natural Pte. Ltd., Singapore, an overseas subsidiary of your company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Limited, have been attached.

FIXED DEPOSITS

As on 31.03.2010, a total sum of Rs 2.31 Lakhs due to 8 fixed deposit holders remain unclaimed. Out of this, deposits for a sum of Rs.1.22 Lakhs were renewed / repaid subsequently.

RECOGNITION OF IN-HOUSE R&D UNIT

The Department of Scientific & Industrial Research, Technology Bhavan, under Ministry of Science & Technology has accorded its recognition to the in-House, R&D facility of your company located at South Vazhakulam, Marampilly Post, Aluva, Kerala, for the period ending 31st March 2012, vide its letter No. F-TU-IV/RD/ 2976/2009 dated 18th March 2010.

WIND MILL

The Company had set up a windmill project 600 KW WTG, Kokkampalayam Village, Dharapuram Taluk, Erode District, Tamil Nadu. The wind mill has started its commercial operation with effect from 27th September 2008. The wind mill has generated 13,70,520 units in the year 2009-10. This output is as per our projections.

CLOSURE OF PLANT

During the year 2009-10, the company had closed its plant located at Hindupur. The said plant which was processing various grades of marigold flower, cultivated in and around that area and that the plant was running only 4 to 5 months a year depending on the flower arrival.

With the introduction of the Hybrid seeds at Sathyamangalam and Hassan cultivation area, the company was able to meet its requirement of 'Xanthophyll' from these two areas. The Hindupur plant was set up in a lease hold land and its lease period had already expired, is being vacated by your company.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. P. Shankar, Director and Mr. M.A. Alagappan, Director, retire by rotation at the 24th Annual General Meeting and being eligible, offer themselves for re-appointment.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

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

PARTICULARS OF EMPLOYEES

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

AUDITORS

M/s. Suri & Co., Chartered Accountants, Chennai 600 017, Auditors of the Company retire at the conclusion of the

ensuing Annual General Meeting and being eligible, offer themselves for reappointment. They have confirmed that their re-appointment, if made, will be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

CORPORATE GOVERNANCE

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended 31st March 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March 2010 on a 'going concern' basis.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank and place on record their sincere appreciation for the continued co-operation and support extended by the share holders customers, farmers, bankers namely State Bank of India, Bank of Baroda, The South Indian Bank, CITI Bank, suppliers and other stake holders for their continued support to the Company.

The Directors also wish to place on record their appreciation for the contribution support and continued co-operation made by the employees.

For and On behalf of the Board

Place : Chennai
Date : 29th July, 2010

Ajit Thomas
Chairman

ANNEXURE - I

To the Directors' Report

FORM-A

Disclosure of particulars with respect to conservation of energy

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

FORM-B

Disclosure of particulars with respect to absorption

Research and Development (R & D)

Specific areas of Research and Development The company is focusing on three areas of R&D - (a) Planting Material Development - Marigold Seed Development (b) Development of New Crops (c) New Product Lines

Benefits of R&D Superior planting materials seed will benefit farmers by way of increased yields and thereby improving the net farm returns. The company will be benefited through higher levels of active ingredient, lower costs and superior global competitiveness.

New crops and new products aim to improve the top line as well as minimise dependency on the lead product line and this would help the company to grow the business port folio.

Future Plan of action The focus would be on seed development for the new generation of marigold. Also the focus shall be on New crop development for the Artemisia and introduction of new products like Phytochemicals, New Carotenoids, Soluble Beverages and Formulations.

We would also continue to be on Process development for nutraceutical and pharmaceutical ingredients, value added tea, tea extracts, herbal isolates etc., Further, the Development of new technologies concentrating on improved delivery systems for nutra and pharma ingredients and formulations.

Expenditure on R&D

a) Capital	Rs. 5,06,056
b) Recurring	Rs. 65,59,136
c) Total	Rs. 70,65,192

Foreign Exchange Earnings / Outgo

The company's operations during the year under review has resulted in a foreign exchange inflow of Rs 69.69 crores and outflow of Rs 24.56 crores.

ANNEXURE - II

To the Directors' Report

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

Name	Age	Designation/ Nature of duties	Remuneration received (Rs)	Qualification	Total Experience (years)	Date of commencement of Employment	Previous Employment
Mr. M.S.A Kumar *	57	Managing Director	52,57,600	B.Sc(Agri.) PGDBA(IIM-A)	34	27.09.1995	Vice President, Shaw Wallace and Co Ltd.,
Mr. V. Ravikumar	58	Executive Director	35,99,343	M.Tech	37	01.10.1996	Vice President Projects, A.V. Thomas & Co.Ltd.,
Mr. M.N. Satheesh Kumar	55	Sr. Vice President &COO	29,39,291	M.Sc(Hons.) Che.,PGDBA	32	10.06.1996	Plant Manager (Sr. Mgr. Cadre) GOETZE (INDIA) LTD, Escorts Group Co.

* The nature of Employment is contractual

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

ANNEXURE - III

Management Discussions and Analysis Report

BUSINESS PROFILE

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

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

While Marigold Extracts for Eye care and Food coloring is manufactured in India, Poultry pigmentation product is manufactured in our China subsidiary.

To achieve top line growth, AVT NPL is planning diversification in related fields.

INDUSTRY STRUCTURE AND DEVELOPMENT

Marigold

Like any other Agricultural Commodity, Marigold is also experiencing a major cost push through increased flower prices and higher processing costs. Prices of Finished Products from Marigold are not increasing proportionately to the input cost escalation. Therefore, the thrust has to be on cost reduction through improved efficiencies. We expect the Marigold prices in China to go up by 15 to 20% due to cost push and RMB / Yuan appreciation.

We have a strong market presence in the Eye Care segment of prevention of Age related Macular Degeneration (AMD). Despite the fact that approximately 25 to 30 million people worldwide are affected by AMD, as per Industry experts, awareness of the condition is low. And as the generation of Baby Boomers gets older, we expect the incidence to be on the rise and triple by 2025 to close to 100 million people affected by AMD. We participate in this growing market segment through two Carotenoids - Lutein (through Kemin, Des Moines, Iowa) and Zeaxanthin (through Chrysantis, Chicago, Illinois). We have exclusive long term supply agreements with Kemin and Chrysantis.

Our core competency in Good Agricultural Practices (GAP) based farming of Marigold flowers and Food Safety based Processing is giving us the much needed differentiator in this crowded market place.

Spice Oils and Oleoresins

China is dominating the Paprika Oleo segment with its low costs of cultivation & processing and the business model driven by "scale". India is dominating product lines like Black Pepper and Turmeric wherein we have the origin advantage. Since importing countries' Governments are tightening the food safety laws, we are confident that our Niche/Focus strategy will pay dividends in future.

Value Added Beverages

We will continue to expand the customer base in Decaffeinated Teas using both Ethyl Acetate and Methylene Chloride solvent systems we have developed in house. Instant Teas is another product line we are currently exploring.

PERFORMANCE

During 2009-10, the Sales dropped to Rs.82.97 Crore from Rs 87.45 Crores of 2008-09. Profit after Tax dropped by 7.12 % from Rs 7.02 Crores in 2008-09 to Rs 6.52 Crores in 2009-10. Spice Oleo sales and Value Added Beverages Sales were lower due to reduced global demand. Marigold Oleoresins, key ingredient in Eye Health Care and your company's main product line was not impacted as the demand compression did not occur in this segment.

Your company experienced margin pressures in all 3 product categories. Cost push in labour, power and fuel prices coupled with lower product prices dented the operating margins. With the increase in Agricultural commodity prices and increase in cost of cultivation, Marigold Farmers are demanding higher flower prices. Southern India experienced adverse weather conditions for Marigold crop growing resulting in lower flower output and lesser volumes through the plant. Thus margin pressures coupled with lower volumes resulted in 7.12% drop in PAT.

FUTURE OUTLOOK

The "Critical Global Strategic Partnership Agreement" signed with Kemin Health, L.C. (Kemin), Des Moines, Iowa, USA last year for supply of Marigold Oleoresin is progressing as planned. Kemin and AVT are working together in further strengthening the Lutein (Eye care ingredient from Marigold Oleoresin) supply chain in anticipation of the emerging global competition. Spice Oils and Oleoresins demand is bouncing back with the start of the global economic recovery. 2010 Crop Season is progressing well. Good Summer showers and timely rains from South West Monsoon is helping the crop growth.

OPPORTUNITIES & THREATS AND RISK MITIGATION

Growing global demand for our existing product range offers a good opportunity for top line growth in future. We have geared ourselves to tap this opportunity by expanding our extraction capacity. Ever changing food safety standards and cost pressures faced by our customers are other two opportunities for us to get more volumes to our plant.

Managing volatility and discontinuity is a major threat we are facing. More relevant to us is the ever increasing agricultural commodity prices and the currency fluctuations. We have diversified our Marigold growing risks by cultivating in two seasons. Currency hedging systems are also in place.

INTERNAL AUDIT

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

HUMAN RESOURCES

We continue to invest in "Human Resources" through various training programs - both external and internal. Our investments on Human Resources Development aid organization to remain a learning organization always.

ANNEXURE - IV

Corporate Governance

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

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

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

The Board has an appropriate mix of executive and independent directors to ensure proper governance and management. Composition and category of Directors is as follows:

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

SHAREHOLDING OF NON-EXECUTIVE DIRECTORS

Name of the Non-Executive Director	No of Shares held
Mr. Ajit Thomas (Promoter/Chairman)	228426
Mr. M.A.Alagappan	1430
Mr. Shyam B.Ghia	-
Mr. P. Shankar	-
Mr. Habib Hussain	42132

a) Board Meetings

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

During the year 2009-10, the Board met five times as per the requirement. The dates on which the meetings were held are as follows 27.04.2009, 30.07.2009, 10.09.2009, 28.10.2009 and 20.01.2010.

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

Name of the Directors	Attendance particulars		No. of other directorships and Committee chairmanship / membership (Excl. AVT NPL, Pvt.Ltd Companies & Foreign Companies)		
	Board Meetings	Last AGM	Other Directorship	Committee Chairmanship	Committee Membership
Mr. Ajit Thomas	5	Yes	9	-	1
Mr. M.A.Alagappan	5	Yes	5	-	1
Mr. Shyam B.Ghia	3	No	6	2	5
Mr. P. Shankar	4	No	1	-	-
Mr. Habib Hussain	4	Yes	3	-	-
Mr. M.S.A. Kumar	5	Yes	-	-	-

b) Board Procedure

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

3. AUDIT COMMITTEE

The Company has a qualified independent Audit Committee consisting of four members all being non-executive directors and out of that three are independent director. 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. Presently, the Committee consisted of four Non-executive Directors viz., Mr. M. A. Alagappan, Mr. Shyam B. Ghia, Mr. P. Shankar and Mr. Habib Hussain.

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

Number of Audit Committee Meetings held and the dates on which they were held during the year 2009-10 :

During the year 2009-10, the Audit Committee met four times and the dates on which the meetings were held are as follows 27.04.2009, 30.07.2009, 28.10.2009 and 20.01.2010. 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	4
Mr. Shyam B. Ghia	3
Mr. P. Shankar	4
Mr. Habib Hussain	3

4. REMUNERATION COMMITTEE

The Remuneration Committee was constituted in the year 2002 as required by Schedule XIII to the Companies Act, 1956 to consider and approve the remuneration payable to the Executive Directors of the Company based on the performance of the Company.

The Committee at present comprises of three non-executive independent Directors, viz., Mr. M.A. Alagappan, Mr. Shyam B. Ghia and Mr. P. Shankar. Mr. M.A. Alagappan is the Chairman of the Remuneration Committee.

The Committee met once during the year on 30.07.2009 to recommend the remuneration payable to Mr. M.S.A. Kumar, Managing Director. The attendance of the each member of the Remuneration Committee at its meetings is as under:

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

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

i) Executive Director

Name of the Managing Director	Salary	PF & Other Funds	Total
	Rs.	Rs.	Rs.
Mr. M.S.A. Kumar	44,80,000	7,77,600	52,57,600

ii) Non-Executive Directors

The Company pays sitting fees to all the Non-Executive Directors at the rate of Rs.7,000/- for each meeting of the Board and Rs.3,000/- for any Statutory Committee meeting attended by them. The sitting fee paid for the year ended 31st March 2010 to the Directors is as follows:

Name of the Director	Amount (Rs.)
Mr. Ajit Thomas	35,000
Mr. M.A. Alagappan	50,000
Mr. Shyam B. Ghia	30,000
Mr. P. Shankar	43,000
Mr. Habib Hussain	37,000

The Company has also paid a sum of Rs. 32,98,300/- towards commission of 3 % on the net profit of the Company for year 2009-10 to Mr. Ajit Thomas, Non-executive Chairman, as per the approval of the Central Government.

5. SHAREHOLDERS/GRIEVANCE COMMITTEE

The Board had 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, transmission 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 31.03.2010.

6. GENERAL BODY MEETINGS

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

Year	Location	Date	Time
2006-07	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai 600 008	27.07.2007	11.00 A.M.
2007-08	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai 600 008	29.07.2008	11.00 A.M.
2008-09	Hotel Ambassador Pallava, Montieth Road, Egmore, Chennai 600 008	10.09.2009	11.00 A.M.

b) In the last three years, only one Special Resolutions was passed:

During the year 2007-08, the Company had passed special resolution for Payment of Commission to Non-Executive Chairman.

c) During the year 2008-09, the company had passed a postal ballot resolution for amending the Object Clause of Memorandum of Association.

d) The special resolutions passed in the Annual General Meetings do not require postal ballot.

7. DISCLOSURES

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

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

8. MEANS OF COMMUNICATION

The quarterly, half-yearly unaudited financial results and the annual audited financial results are published in 'Business Line / Trinity Mirror' in English and 'Makkal Kural' in Tamil as per the Clause 41 of the Listing Agreement. .

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

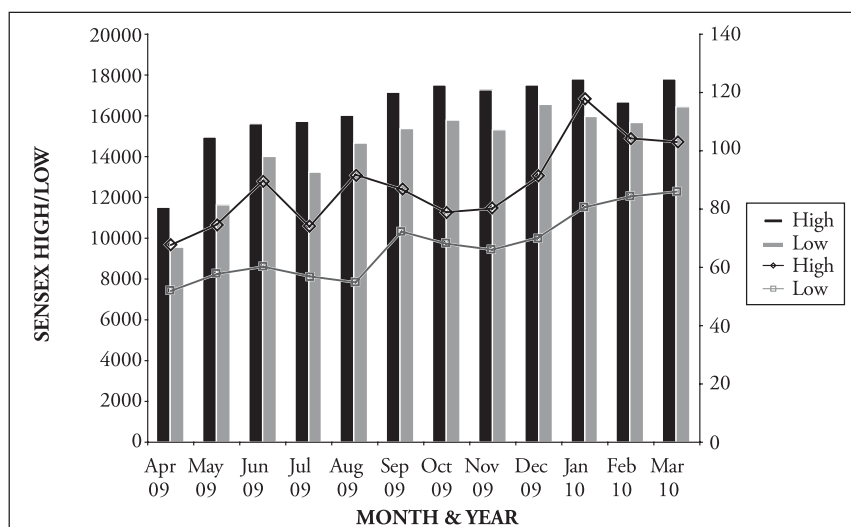
9. GENERAL SHAREHOLDER INFORMATION

9.1. Annual General Meeting - Date and Time - Venue	9 th September 2010: 12.00 Noon Elliot's Hall, Hotel Comfort INN Marina Towers, 2A, Ponniamman Koil Street, Egmore, Chennai - 600 008.
9.2. Financial calendar Results for the quarter ending Results for the quarter ending Results for the quarter ending Results for the quarter ending	30.06.2010 - 29 th July 2010. 30.09.2010 - Between 15 th Oct & 15 th of Nov.'10. 31.12.2010 - Between 15 th Jan & 15 th of Feb.'11. 31.03.2011 - Between 15 th April & 15 th of May'11.
9.3. Book Closure date	3 rd September 2010 To 9 th September 2010 (both days is inclusive)
9.4. Dividend payment date	4 th week of September 2010.
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	Mumbai - 519105 NSE - AVTNPL - Eq Chennai - AVT
(b) Demat ISIN Number in NSDL & CDSL for equity shares	INE488D01013

9.7. Stock market data (The Stock Exchange, Mumbai)

Month	Share Price		Sensex		Month	Share Price		Sensex	
	High Rs.	Low Rs.	High	Low		High Rs.	Low Rs.	High	Low
April 2009	67.70	52.00	11492.10	9546.29	October 2009	78.90	68.00	17493.17	15805.20
May 2009	74.60	57.95	14930.54	11621.30	November 2009	80.00	66.15	17290.48	15330.56
June 2009	89.90	60.25	15600.30	14016.95	December 2009	91.00	70.10	17530.94	16577.78
July 2009	73.85	57.00	15732.81	13219.99	January 2010	118.00	80.70	17790.33	15982.08
August 2009	91.75	55.00	16002.46	14684.45	February 2010	104.25	84.50	16669.25	15651.99
September 2009	87.00	72.15	17142.52	15356.72	March 2010	103.00	86.20	17793.01	16438.45

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



9.9. Registrar and Share Transfer Agent : Cameo Corporate Services Ltd.,
'Subramanian Building', No. 1, Club House Road, Chennai - 600 002.
Contact Persons & : Mr. Narasimhan D.
E-mail id narasimhan@cameoindia.com
Compliance Officer & : Mr. Dileepraj P.
E-mail id dileepraj@avtspice.com

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

9.11. Distribution of shareholding as on 31st March 2010: 9.12. Pattern of Shareholding as on 31st March 2010

No.of shares	Shareholders		No. of shares	
	Number	%	Number	%
Upto 500	1,366	27.56	20,505	0.27
501 - 1,000	658	13.27	62,583	0.82
1,001 - 2,000	1,193	24.07	2,21,532	2.91
2,001 - 3,000	177	3.57	46,868	0.62
3,001 - 4,000	516	10.41	1,98,343	2.60
4,001 - 5,000	124	2.50	59,652	0.78
5,001-10,000	581	11.72	4,27,052	5.61
10,001 and above	342	6.90	65,77,665	86.39
Total	4,957	100	76,14,200	100

Category	No.of shares	Percentage
Promoters	52,99,667	69.60
Banks/ Financial Institutions	2,400	0.03
NRI	61,239	0.80
Bodies Corporate	1,72,523	2.27
Public	20,78,371	27.30
Total	76,14,200	100

9.13. Dematerialisation of Shares & Liquidity : 89% of the equity shares have been dematerialised upto 31.03.2010.

The Company's shares are listed in three stock Exchanges at Mumbai, (BSE), Chennai and at the National Stock Exchange of India Ltd., (NSE) they are actively traded at BSE & NSE

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

9.15. Plant Locations : 1. SF No. 234/1, Mysore Trunk Road, Pudukavalli, Sathyamangalam - 638 401, Erode District, Tamil Nadu.
2. HL No. 1182, Harikura Village, Honavally Hobli, Tiptur Taluk - 572 202, Tumkur District, Karnataka
3. Vazhakulam, Marampilly Post, Aluva - 683 107, Ernakulam District, Kerala .

9.16. Subsidiary Companies : 1. AVT Natural Pte. Ltd.,
17 Phillip Street, # 05-01, Grand Building, Singapore - 048 695
2. HEILONGJIANG AVT BIO-PRODUCTS LTD
(Subsidiary of AVT Natural Pte. Ltd.)
Shuangyashan State Farm, Baoshan District, Shuangyashan City,
Heilongjiang Province, China.

9.17. Address for Correspondence : No. 64, Rukmani Lakshmi pathy Salai, Egmore, Chennai - 600 008.
Tel.: 044-2858 4147; Tele fax: 2858 4147, E-mail: shareholder@avtspice.com

Non-mandatory disclosure

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

The Board

No specific tenure has been fixed for the independent directors.

Remuneration Committee

The Board has set up a Remuneration Committee.

Shareholder Rights

The quarterly / half-yearly results of the Company are published in English and Tamil newspapers and uploaded in www.sebiedifar.nic, the official website of SEBI till recently and as per SEBI guidelines, herein after, it shall be uploaded in www.corpfiling.co.in, They are not sent to the shareholders individually.

Audit Qualifications

The statutory statements of the Company are unqualified.

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

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

ANNEXURE - V**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT
REGARDING 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 31st March 2010.

For **AVT Natural Products Ltd.**,

Place : Chennai
Date : 29th July 2010

M.S.A. Kumar
Managing Director

ANNEXURE - VI**AUDITORS CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE
UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To the Members of
AVT Natural Products Ltd.

We have examined the compliance of corporate governance by AVT Natural Products Limited for the year ended 31st March 2010, 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.**,
Chartered Accountants
Firm's Regn. No. : 004283S

Place : Chennai
Date : 29th July 2010

S. Ganesan
Partner
Membership No. 18525

AUDITORS' REPORT

To the members of AVT Natural Products Limited, Chennai

We have audited the attached Balance Sheet of AVT NATURAL PRODUCTS LIMITED, CHENNAI, as at 31st March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto, together with the Notes thereon and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to the comments referred to above, we report that:

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) In our opinion, proper books of account as required by Law, have been kept by the Company so far as appears from our examination of those books.

- (iii) The Company's Balance Sheet and Profit and Loss Account read with the Notes forming part thereof, dealt with by this Report, are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account, dealt with by this Report, comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- (v) Based on the written representations made by the Directors and taken on record by the Board of Directors, we state that none of the Directors is disqualified from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.
- (vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the Notes forming part thereof, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - 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.**,
Chartered Accountants
Firm's Regn. No. : 004283S

S. Ganesan
Partner

Place : Chennai
Date : 29th July 2010

Membership No. 18525

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

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
- b) Physical verification of major items of these assets has been conducted by the Management during the financial year and no material discrepancies were noticed on such verification.
- c) No substantial part of fixed assets of the company has been disposed off during the year.
- ii) a) Physical verification of Inventory has been conducted by the Management at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company has maintained proper records of inventory and no material discrepancies have been noticed on physical verification of inventory as compared to book records.
- iii) a) The Company has granted an inter corporate loan to its subsidiary company during earlier year, which is repayable on demand. The maximum amount and the year end balance is Rs.1.52 crores. The terms and conditions are not prima facie prejudicial to the interest of the company.
- Other than the above, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties, covered in the register maintained under Section 301 of the Act and hence the clauses (iii) (a), (b), (c) & (d) of the Order are not applicable.
- b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties, covered in the register maintained under Section 301 of the Act and hence the clauses (iii) (e), (f) & (g) of the Order are not applicable.
- iv) The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods or services.
- v) a) The particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
- vi) The Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or other provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- vii) The Company has an Internal Audit system commensurate with its size and nature of its business.
- viii) The maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies Act, 1956 for the products of the Company.
- ix) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise-duty, cess and other statutory dues applicable to it. No undisputed statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
- b) The details of disputed statutory dues are as under:

Name of the Statute	Nature of the dues	Amount disputed (Rs.)	Amount Paid (Rs.)	Forum where dispute is pending
Andhra Pradesh General Sales Tax Act	APGST 1999/00 to 2004/05 Assessments	1,15,34,804	35,40,491	Sales Tax Appellate Tribunal
	APGST 1996/97 to 1998/99	27,02,181	27,02,181	High Court of Andhra Pradesh
Kerala General Sales Tax Act	KGST 2000/01 to 2004/05 Assessment	8,98,969	8,98,030	Deputy Commissioner (Appeals)
Karnataka Sales Tax Act	KST 2006/07 Assessment	27,516	-	Joint Commissioner (Appeals)
Service Tax Act	Service Tax for the 2005-2009	4,30,81,160	-	CESTAT Bangalore

- 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) There are no guarantees given by the company and outstanding as on 31.03.2010 for loans taken by others from bank or financial institutions..
- 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.,**
Chartered Accountants
Firm's Regn. No. : 004283S

S. Ganesan
Partner

Place : Chennai
Date : 29th July 2010

Membership No. 18525

BALANCE SHEET

	Schedule	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	1	7,61,42,000	7,61,42,000
(b) Reserves & Surplus	2	<u>41,79,22,613</u>	<u>37,93,63,321</u>
		<u>49,40,64,613</u>	<u>45,55,05,321</u>
2. LOAN FUNDS			
(a) Secured Loans	3	42,26,76,401	37,27,03,366
(b) Unsecured Loans	4	<u>1,68,49,000</u>	<u>1,01,86,000</u>
		<u>43,95,25,401</u>	<u>38,28,89,366</u>
3. DEFERRED TAX LIABILITY		<u>4,31,99,000</u>	<u>3,91,99,000</u>
TOTAL		<u>97,67,89,014</u>	<u>87,75,93,687</u>
APPLICATION OF FUNDS			
1. FIXED ASSETS			
(a) Gross Block	5	62,90,52,992	51,98,18,488
(b) Less: Depreciation		<u>26,38,59,491</u>	<u>23,75,47,936</u>
(c) Net Block		<u>36,51,93,501</u>	<u>28,22,70,552</u>
(d) Capital work in progress		Nil	2,86,74,301
		<u>36,51,93,501</u>	<u>31,09,44,853</u>
2. INVESTMENTS	6	<u>2,82,27,150</u>	<u>2,82,27,150</u>
3. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	7	28,94,91,637	30,69,05,661
(b) Sundry Debtors	8	34,12,99,281	24,22,43,398
(c) Cash and Bank Balances	9	2,16,33,829	2,30,04,023
(d) Others: Income Accrued		26,82,342	13,52,931
(e) Loans and advances	10	<u>9,69,04,701</u>	<u>8,64,88,389</u>
		<u>75,20,11,790</u>	<u>65,99,94,402</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	11	8,85,73,402	4,19,68,533
(b) Provisions	12	<u>8,00,70,025</u>	<u>7,96,04,185</u>
		<u>16,86,43,427</u>	<u>12,15,72,718</u>
Net Current Assets		<u>58,33,68,363</u>	<u>53,84,21,684</u>
TOTAL		<u>97,67,89,014</u>	<u>87,75,93,687</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.,**
Chartered Accountants
Firm's Regn. No. : 004283S

S. Ganesan
Partner
Membership No. 18525

Ajit Thomas
Chairman

M.A. Alagappan
Director

Place : Chennai
Date : 29th July 2010

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

PROFIT AND LOSS ACCOUNT

	Schedule	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
INCOME			
Operations	13	82,97,33,152	87,45,42,258
Other Income	14	<u>35,09,392</u>	<u>51,87,700</u>
TOTAL		<u>83,32,42,544</u>	<u>87,97,29,958</u>
EXPENDITURE			
Increase (-) / Decrease (+) in stock	15	(+) 1,96,77,000	(-) 6,95,99,000
Materials Consumed		26,77,25,515	31,21,78,450
Purchases		6,99,60,926	14,18,42,756
Employee Cost	16	10,13,66,039	9,49,65,131
Other Expenditure	17	21,19,81,346	22,84,08,165
Interest	18	3,22,86,859	3,38,10,611
Depreciation		<u>2,90,49,097</u>	<u>2,46,01,166</u>
TOTAL		<u>73,20,46,782</u>	<u>76,62,07,279</u>
PROFIT BEFORE TAX		10,11,95,762	11,35,22,680
Less : Provision for Taxation			
- Current Tax		3,20,00,000	3,20,00,000
- Deferred Tax		40,00,000	1,01,20,000
- Fringe Benefit Tax		N.A.	12,00,000
PROFIT AFTER TAX		<u>6,51,95,762</u>	<u>7,02,02,680</u>
Add : Surplus Brought Forward		<u>3,29,98,192</u>	<u>3,95,20,212</u>
		<u>9,81,93,954</u>	<u>10,97,22,892</u>
Appropriations:			
Transfer to General Reserve		4,00,00,000	5,00,00,000
Proposed Dividend on Equity Shares @ 30 %		2,28,42,600	2,28,42,600
Provision for Tax on Dividend		37,93,870	38,82,100
Surplus Carried Forward		<u>3,15,57,484</u>	<u>3,29,98,192</u>
		<u>9,81,93,954</u>	<u>10,97,22,892</u>
Earnings Per Share (Basic and Diluted)		8.56	9.22
Notes on Accounts	19		

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

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**
Chartered Accountants
Firm's Regn. No. : 004283S

S. Ganesan
Partner
Membership No. 18525

Ajit Thomas
Chairman

M.A. Alagappan
Director

Place : Chennai
Date : 29th July 2010

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

SCHEDULES

To the Balance Sheet

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE - 1:		
SHARE CAPITAL		
AUTHORISED:		
79,90,000 - Equity Shares of Rs 10 each	7,99,00,000	7,99,00,000
1,000 - 12% Redeemable Cumulative Preference Shares of Rs.100/- each	1,00,000	1,00,000
30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs.10 each	3,00,00,000	3,00,00,000
	<u>11,00,00,000</u>	<u>11,00,00,000</u>
ISSUED , SUBSCRIBED AND PAID UP		
76,14,200 - Equity Shares of Rs.10/- each	7,61,42,000	7,61,42,000
Note : Of the above shares, 38,07,100 Equity shares were allotted as fully paid-up bonus shares by capitalisation from General Reserve and Share Premium Account.		
SCHEDULE - 2:		
RESERVES & SURPLUS:		
Capital Redemption Reserve	3,00,06,000	3,00,06,000
Capital Reserve - (Represents capital Profit on re-issue of forfeited shares)	35,000	35,000
Investment Subsidy	99,01,670	99,01,670
General Reserve		
As per Last Balance Sheet	29,64,22,459	
Add: Transfer from Profit & Loss A/c	<u>4,00,00,000</u>	29,64,22,459
Contingency Reserve	1,00,00,000	1,00,00,000
Surplus :		
Balance in Profit and Loss Account	3,15,57,484	3,29,98,192
	<u>41,79,22,613</u>	<u>37,93,63,321</u>

SCHEDULES

To the Balance Sheet

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE - 3:		
SECURED LOANS:		
FROM BANKS:		
(a) Term Loan (Secured by equitable mortgage of immovable properties and hypothecation of all movable assets, present and future, save and except inventories and bookdebts, and subject to prior charges created in favour of Banks on specific assets for securing working capital facilities)	4,93,60,350	6,70,15,000
(b) Working Capital Facilities (Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)	37,33,16,051	30,56,88,366
	<u>42,26,76,401</u>	<u>37,27,03,366</u>
SCHEDULE - 4:		
UNSECURED LOANS:		
Public Deposits (Deposits repayable within one year Rs.30,18,000/-)	<u>1,68,49,000</u>	<u>1,01,86,000</u>

SCHEDULES

To the Balance Sheet

**SCHEDULE - 5:
FIXED ASSETS:**

Description	GROSS BLOCK						DEPRECIATION						NET BLOCK							
	As at 01.04.2009		Additions		Deductions		As at 31.03.2010		Upto 31.03.2009		For the Year		Withdrawn		Upto 31.03.2010		As at 31.03.2010		As at 31.03.2009	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Freehold Land	1,33,60,434		-		-		1,33,60,434		-		-		-		-		1,33,60,434		1,33,60,434	
Lease Hold Land	18,94,995		-		-		18,94,995		-		-		-		-		18,94,995		18,94,995	
Buildings	12,04,67,835		2,69,46,662		-		14,74,14,497		5,00,51,753		54,99,657		-		5,55,51,410		9,18,63,087		9,18,63,087	
Plant and Machinery	36,73,01,694		8,90,79,627		67,16,427		44,96,64,894		17,78,17,398		2,25,11,520		26,62,186		19,76,66,732		25,19,98,162		25,19,98,162	
Furniture and Fixtures	67,83,377		-		-		67,83,377		41,44,291		2,48,568		-		43,92,859		23,90,518		23,90,518	
Vehicles	1,00,10,153		-		75,358		99,34,795		55,34,494		7,89,352		75,356		62,48,490		36,86,305		36,86,305	
TOTAL	51,98,18,488		11,60,26,289		67,91,785		62,90,52,992		23,75,47,936		2,90,49,097		27,37,542		26,38,59,491		36,51,93,501		36,51,93,501	
Previous Year	43,24,85,178		9,18,02,026		44,68,716		51,98,18,488		21,65,00,719		2,46,01,166		35,53,949		23,75,47,936		28,22,70,552		28,22,70,552	

SCHEDULES

To the Balance Sheet

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE - 6:		
INVESTMENTS (LONG TERM):		
In wholly owned Subsidiary Company (Unquoted)		
AVT Natural Pte. Limited, Singapore		
6,41,000 ordinary shares of US\$ 1 each fully paid-up	2,82,27,150	2,82,27,150
SCHEDULE - 7:		
INVENTORIES:		
(a) Stores, Spares and Packing Materials	3,36,70,687	3,37,33,782
(b) Raw Materials	5,10,20,950	4,86,94,879
(c) Finished Goods	18,81,80,000	21,46,87,000
(d) Stock in process	1,66,20,000	97,90,000
	28,94,91,637	30,69,05,661
SCHEDULE - 8:		
SUNDRY DEBTORS:		
(a) Debts outstanding for a period exceeding six months		
- Considered Good	93,46,227	91,77,628
- Considered Doubtful	10,57,750	
Less : Provision	10,57,750	Nil
(b) Other debts - Considered Good	33,19,53,054	23,30,65,770
	34,12,99,281	24,22,43,398
SCHEDULE - 9:		
CASH AND BANK BALANCES:		
(a) Cash	59,213	2,53,608
(b) Balances with Scheduled Banks:		
- In Current Account	47,93,348	43,74,272
- In Deposit Account	1,39,13,335 *	1,59,54,313
- In Dividend Account	28,67,933	23,22,846
(c) Balances with Foreign Bank:		
- In Current Account		
- Bank of China, Beijing	Nil	98,984
(Maximum balance - Rs.98,984/-)		
	2,16,33,829	2,30,04,023

* Includes Rs.1,09,13,335/- as Margin Money Deposit for issue of Letter of Credit/Guarantee

SCHEDULES

To the Balance Sheet

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE - 10:		
LOANS AND ADVANCES:		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received	4,53,88,046	3,18,52,974
Intercompany Loan to Subsidiary	1,51,77,600	1,71,66,600
Deposits	37,38,786	40,12,175
Tax Payments pending adjustments	3,26,00,269	3,34,56,640
	<u>9,69,04,701</u>	<u>8,64,88,389</u>
SCHEDULE - 11:		
CURRENT LIABILITIES:		
Sundry Creditors	5,36,76,771	3,52,77,134
Due to Micro & Small Enterprises	Nil	Nil
Due to Subsidiary	2,73,54,881	Nil
Due to Managing Director	2,34,602	Nil
Commission Payable to Chairman	32,98,300	36,67,450
Investor Education and Protection Fund *		
- Unclaimed Dividend	28,67,932	23,22,846
- Unclaimed Matured Deposits	2,31,000	2,28,000
- Interest accrued on Matured Deposits	25,575	24,133
Interest accrued but not due	8,84,341	4,48,970
	<u>8,85,73,402</u>	<u>4,19,68,533</u>
* Amount payable to Investor Education and Protection Fund - Nil		
SCHEDULE - 12:		
PROVISIONS:		
For Taxation	4,33,26,973	4,18,51,903
For Fringe Benefit Tax	Nil	12,00,000
For Gratuity	37,20,582	37,20,582
For Leave Encashment	63,86,000	61,07,000
Proposed Dividend on Equity Shares	2,28,42,600	2,28,42,600
For Tax on Dividend	37,93,870	38,82,100
	<u>8,00,70,025</u>	<u>7,96,04,185</u>

SCHEDULES

To the Profit and Loss Account

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE - 13:		
INCOME FROM OPERATIONS:		
Sales :	74,60,19,654	87,61,51,524
Less: Excise Duty	7,45,095	11,35,912
	74,52,74,559	87,50,15,612
Exchange Difference	(1,76,11,443)	(9,19,49,759)
Processing Income (TDS Rs.6,60,000/-)	7,93,30,915	7,48,93,488
Sale of Windpower	23,85,679	Nil
Sale of Import Entitlement	2,03,53,442	1,65,82,917
	82,97,33,152	87,45,42,258
SCHEDULE - 14:		
OTHER INCOME:		
Rent (Tax deducted at source Rs.18,000/-)	1,80,000	1,80,000
Interest (Tax deducted at source Rs.85,209/-)	20,38,682	34,75,213
Profit on Sale of Assets	Nil	4,47,646
Miscellaneous (Tax deducted at source Rs.4,525/-)	9,12,580	67,858
Insurance Claim Received	3,78,130	10,16,983
	35,09,392	51,87,700
SCHEDULE - 15:		
INCREASE (-) / DECREASE (+) IN STOCK:		
OPENING STOCK		
Finished Goods		
- Processed	21,46,70,000	13,92,30,000
- Trade	17,000	14,98,000
Stock in Process	97,90,000	1,41,50,000
	22,44,77,000	15,48,78,000
CLOSING STOCK		
Finished Goods		
- Processed	18,81,80,000	21,46,70,000
- Trade	Nil	17,000
Stock in Process	1,66,20,000	97,90,000
	20,48,00,000	22,44,77,000
Increase(-)/Decrease(+) in Stock	(+) 1,96,77,000	(-) 6,95,99,000
SCHEDULE - 16:		
EMPLOYEE COST:		
Salaries, Wages and Bonus	7,90,64,555	7,50,23,248
Contribution to Provident and other Funds	1,31,25,603	90,09,093
Provision for Gratuity	Nil	12,63,005
Provision for Leave Encashment	2,79,000	14,75,000
Welfare Expenses	88,96,881	81,94,785
	10,13,66,039	9,49,65,131

SCHEDULES

To the Profit and Loss Account

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE - 17:		
OTHER EXPENDITURE:		
Consumption of Stores, Spares & Packing Materials	4,88,15,825	5,52,01,723
Power and Fuel	5,58,32,001	7,07,02,549
Processing Charges	2,67,224	16,98,675
Repairs :		
Building	5,80,589	4,44,780
Plant & Machinery	1,82,04,607	1,60,41,396
Vehicles	43,53,365	39,95,746
Others	1,04,54,576	98,96,115
Postage and Telephones	37,13,651	31,72,481
Printing & Stationery	14,06,953	13,49,607
Travelling Expenses	1,16,12,596	1,30,69,983
Auditors Remuneration		
- For Audit	7,00,000	5,00,000
- For Tax Audit/Certification	1,93,000	1,65,000
- For Tax Representation	1,70,000	1,60,000
- For Service Tax	1,21,180	1,05,946
- For Expenses	1,13,500	1,17,500
Directors' Sitting Fees	1,95,000	2,11,000
Commission to Chairman	32,98,300	36,67,450
Bank Charges	52,72,391	64,12,273
Rent	19,17,499	21,96,763
Rates and Taxes	15,91,838	13,44,391
Insurance	28,97,483	30,06,855
Freight and Transport	1,28,91,353	1,44,70,626
Commission	2,68,202	9,52,207
Loss on Sale of Assets	24,98,627	Nil
Provision for bad & doubtful debts	10,57,750	Nil
Sample Testing Charges	60,31,414	26,49,757
Miscellaneous Expenses	1,75,22,422	1,68,75,342
	<u>21,19,81,346</u>	<u>22,84,08,165</u>
SCHEDULE - 18:		
INTEREST:		
Fixed Loans	54,14,167	40,02,058
Others	2,68,72,692	2,98,08,553
	<u>3,22,86,859</u>	<u>3,38,10,611</u>

SCHEDULES

Notes on Accounts for the year ended 31st March 2010

19. 1 SIGNIFICANT ACCOUNTING POLICIES

1) ACCOUNTING CONVENTION:

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

2) FIXED ASSETS:

- a) Fixed Assets are stated at historical cost less depreciation. Assets acquired on hire purchase are capitalised at principal value.
- b) Amount of provisional consideration paid on land acquired under registered lease-cum-sale agreement for twenty one years; with option to the Company to convert the lease into absolute sale at the expiry of the lease; subject to fulfilment of the terms and conditions specified and payment of additional consideration, if any, to be fixed at that time, is capitalised and included, without being amortised over the period of lease.
- c)
 - (i) Buildings and structures constructed on land acquired under lease-cum- sale agreement with option to convert the lease into absolute sale at the expiry of the lease are depreciated in the normal way and such assets on other lease-hold land are amortised over the period of lease.
 - (ii) Assets at Tiptur, Pandhurna, Bydagi and Decaffeination Plant at 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) IMPAIRMENT OF ASSETS :

The Company reviews the carrying amounts of its assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount and the impairment loss, if any, is recognized in the Profit and Loss Account.

4) INVESTMENTS:

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

5) INVENTORIES :

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

6) EMPLOYEE BENEFITS :

Gratuity Liability, which is a defined benefit scheme and provision for leave encashment is accrued and provided for on the basis of independent actuarial valuation made at the end of each financial year. Actuarial gains and losses are recognized in the Profit and Loss account and are not deferred. Retirement benefits in the form of Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to the Profit and Loss Account of the year when the contribution to the respective funds accrue.

7) REVENUE RECOGNITION :

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

8) 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 other than for acquisition of fixed assets, 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. Premium or discount on forward contracts is amortised over the life of such contract and is recognized as income or expense in the Profit and Loss account. Exchange differences arising on settlement / translation of long term monetary items utilized for acquisition of Fixed Assets are adjusted to carrying cost of Fixed Assets.

9) BORROWING COSTS:

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All other borrowing costs are charged to revenue. A qualifying assets is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

10) TAXES ON INCOME:

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

SCHEDULES

Notes on Accounts for the year ended 31st March 2010

2 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

A Registration Details:

Registration No: (CIN : L15142TN1986PLC012780)	12780 of 1986	State Code: 18
Balance Sheet Date	Date: 31	Months : 03 Year: 2010

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

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

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

Total Liabilities	9,76,789	Total Assets	9,76,789
Sources of Funds:			
Paid-up Capital	76,142	Reserves & Surplus	4,17,923
Secured Loans	4,22,676	Unsecured Loans	16,849
Deferred Tax Liability	43,199		
Application of Funds:			
Net Fixed Assets	3,65,194	Investments	28,227
Net Current Assets	5,83,367	Miscellaneous Expenditure	Nil
Accumulated Losses	Nil		

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

Turnover	8,33,243	Total Expenditure	7,32,047
Profit(+)/Loss(-) Before Tax	1,01,196	Profit(+)/Loss(-) After Tax	65,196
Earnings per Share (in Rs)	8.56	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

SCHEDULES

Notes on Accounts

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.		
3 CONTINGENT LIABILITIES IN RESPECT OF				
a) Salestax demand disputed in appeals, against which Rs.71,40,702 paid and included under Advances	1,52,86,216	1,52,86,216		
b) Service Tax demand disputed in appeal	4,30,81,160	Nil		
c) Outstanding Bank Guarantees/Letters of Credit	9,66,83,981	1,35,75,067		
d) Capital Commitments not provided for (net of advances)	Nil	1,73,77,130		
4 PARTICULARS OF ANNUAL LICENCED/REGISTERED INSTALLED CAPACITIES/PRODUCTION	(Qty in MT)	(Qty in MT)		
Oil, Oleo and Natural Food Colours:				
Licensed/Registered Capacity	1380	1380		
Installed Capacity	1380	1380		
Production	555	640		
Wind Mill	(in Units)	(in Units)		
Production (Used for Own Consumption 455744 Units)	1394064	96899		
5 SALES:	(Qty in MT)	Value Rs.	(Qty in MT)	Value Rs.
Oil, Oleo and Natural Colours	551	65,12,09,286	644	71,67,87,522
Others		2,10,12,742		1,30,77,325
Trade-Oleo and Natural Colours & Spice Seasonings	115	7,30,52,531	252	14,51,50,764
		<u>74,52,74,559</u>		<u>87,50,15,612</u>
6 OPENING AND CLOSING STOCK				
Opening Stock:				
Oil, Oleo and Natural Food Colours	207	21,46,70,000	211	13,92,30,000
Trade-Spice Seasonings		17,000	5	14,98,000
Stock-in-process		97,90,000		1,41,50,000
		<u>22,44,77,000</u>		<u>15,48,78,000</u>
Closing Stock:				
Oil, Oleo and Natural Food Colours	211	18,81,80,000	207	21,46,70,000
Trade-Spice Seasonings		Nil		17,000
Stock-in-process		1,66,20,000		97,90,000
		<u>20,48,00,000</u>		<u>22,44,77,000</u>
7 MATERIALS CONSUMED:				
Marigold	25840	14,85,61,489	32865	10,31,58,003
Spices and Others	616	11,91,64,026	949	20,90,20,447
		<u>26,77,25,515</u>		<u>31,21,78,450</u>
8 PURCHASES				
Marigold Oleo and Natural Colours	115	6,99,60,926	242	14,05,98,066
Spice Seasonings		Nil	5	12,44,690
		<u>6,99,60,926</u>		<u>14,18,42,756</u>

SCHEDULES

Notes on Accounts

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
9 a) REMUNERATION TO MANAGING DIRECTOR		
Mr. M.S.A. Kumar		
Salaries and Allowances	44,80,000	42,00,000
Contribution to Provident and other Funds*	7,77,600	6,48,000
Other Benefits/Perquisites	Nil	Nil
	52,57,600	48,48,000
* Contribution to Gratuity Fund is based on actuarial valuation on overall company basis and therefore, has not been included above		
Remuneration is paid to the Managing Director in accordance with Section I of Part II of Schedule XIII to the Companies Act, 1956.		
b) COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 198 READ WITH SECTION 349 OF THE COMPANIES ACT, 1956		
Profit before Taxation	10,11,95,762	11,35,22,680
Add :		
Remuneration to Managing Director	52,57,600	48,48,000
Directors Sitting Fees	1,95,000	2,11,000
Commission to Chairman	32,98,300	36,67,450
Depreciation as per accounts	2,90,49,097	2,46,01,166
	13,89,95,759	14,68,50,296
Less :		
Depreciation as per Sec. 350 of Companies Act	2,90,49,097	2,46,01,166
Net Profit as per Sec 198 of the Companies Act,1956	10,99,46,662	12,22,49,130
5 % there off	54,97,333	61,12,456
Remuneration paid to Managing Director	52,57,600	48,48,000
c) COMMISSION TO CHAIRMAN		
Mr. Ajit Thomas		
Commission provided @ 3% of Net Profit (As approved by the Central Government)	32,98,300	36,67,450
10 SUNDRY DEBTORS INCLUDE:		
Debts due by Private Limited Companies in which there are common Directors		
AVT McCormick Ingredients Private Limited (Since realised)	1,55,21,101	1,42,23,400
AVT Gavia Foods Pvt Ltd.	Nil	5,57,032

SCHEDULES

Notes on Accounts

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.		
11 OTHER ADDITIONAL INFORMATION				
a) Expenditure in Foreign Currency:				
Travelling Expenses	17,66,701	29,39,269		
Commission	26,327	9,37,485		
Professional Fees	11,49,869	12,25,820		
Interest	1,06,13,228	1,42,70,280		
Sample Analysis Charges	58,20,719	23,54,984		
Others	10,37,725	6,37,204		
b) Particulars of Consumption:				
Raw Materials	%	Rs.	%	Rs.
- Indigenous	70.30	18,82,16,993	48.05	15,00,14,120
- Imported	29.70	7,95,08,522	51.95	16,21,64,331
	<u>100.00</u>	<u>26,77,25,515</u>	<u>100.00</u>	<u>31,21,78,450</u>
Stores, Spares and Packing Materials	%	Rs.	%	Rs.
- Indigenous	89.12	4,35,02,682	84.19	4,64,76,557
- Imported	10.88	53,13,143	15.81	87,25,166
	<u>100.00</u>	<u>4,88,15,825</u>	<u>100.00</u>	<u>5,52,01,723</u>
c) Value of Imports on CIF basis				
Raw Materials	13,62,19,907	18,39,45,709		
Purchases of Traded Goods	6,99,60,926	14,14,72,265		
Stores, Spares and Packing Materials	36,63,291	70,22,708		
Capital Items	1,53,74,107	23,74,942		
d) Earnings in Foreign Exchange (On FOB Basis):				
On Export of goods	65,20,73,533	78,30,12,188		
Processing Income	4,48,34,541	2,16,73,062		
	<u>69,69,08,074</u>	<u>80,46,85,250</u>		

12 The Company has certain unexpired foreign currency derivative contracts to the tune of US \$ 14.4 Million as on 31.03.2010, which were entered into to hedge the risk of changes in foreign exchange currency rates on future export sales against existing long term export contracts. The mark to market negative variation on currency position as on 31.03.2010 of Rs. 2.28 crores has not been considered as loss on foreign currency derivatives. As the hedge transactions have been entered into based on firm export sale contracts and as per the costing systems of the company, such hedge transaction will only result in current profit for the relevant period of execution of the contract. On the principle of going concern, such hedge transactions will not result in losses requiring recognition as on this date.

13 The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules, 2009 on Accounting Standard 11 (AS-11) notified by the Government of India on 31st March 2009. Accordingly, the effect of exchange differences on foreign currency term loan availed for acquisition of fixed assets has been adjusted to the cost of fixed assets and depreciation has been provided over the balance life of assets. The unamortised amount as on 31.03.2010 on account of the above is Rs.0.18 Crores.

14 Due to Micro & Small Enterprises:

Based on the information available with the company, the principal amount due to Micro, Small & Medium Enterprises as on 31.03.2010 is Rs.Nil. There are no overdue principal amounts and therefore no interest was paid or payable.

SCHEDULES

Notes on Accounts

15 Employee Benefits:

i) Defined Benefit Plans:

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

i) Gratuity Scheme:

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

ii) Leave Encashment:

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

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

	Year Ended 31.03.2010		Year Ended 31.03.2009	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
Present Value of the Obligation as on 1.04.2009	1,46,82,882	61,06,841	1,08,92,000	46,32,000
Current Service Cost	10,70,457	7,00,429	12,81,975	6,31,535
Interest Cost	11,74,631	4,32,411	8,63,390	3,19,643
Benefits Paid	(32,775)	(14,03,410)	(1,99,247)	(12,72,919)
Actuarial loss / (gain)	36,75,190	5,49,452	18,44,764	17,96,582
Present Value of the Obligation as on 31.03.2010	<u>2,05,70,385</u>	<u>63,85,723</u>	<u>1,46,82,882</u>	<u>61,06,841</u>
c) Reconciliation of changes in the fair value of Plan Assets:				
Fair Value of Plan Assets as on 1.04.2009	109,62,300	Nil	84,34,423	Nil
Expected return on plan assets	14,06,584	Nil	7,37,780	Nil
Contribution by the Company	46,58,555	Nil	17,74,910	Nil
Benefits Paid	(32,775)	Nil	(1,99,247)	Nil
Actuarial gain / (loss)	Nil	Nil	2,14,434	Nil
Fair Value of Plan Assets as on 31.03.2010	<u>1,69,94,664</u>	<u>Nil</u>	<u>1,09,62,300</u>	<u>Nil</u>
d) The total expense recognised in the profit and loss account is as follows:				
Current Service Cost	10,70,457	7,00,429	12,81,975	6,31,535
Interest Cost	11,74,631	4,32,411	8,63,390	3,19,643
Expected return on plan assets	(14,06,584)	NA	(7,37,780)	NA
Net Actuarial (gain) / loss recognised in the year	36,75,190	5,49,452	16,30,330	17,96,582
	<u>45,13,694</u>	<u>16,82,292</u>	<u>30,37,915</u>	<u>27,47,760</u>
e) Reconciliation of Net Liability recognised in the balance sheet				
Net Liability as at the beginning of the year	37,20,582	61,06,841	24,57,577	46,32,000
Add : Expense as (d) above	45,13,694	16,82,292	30,37,915	27,47,760
Less: Employers Contribution / Payment	46,58,555	14,03,410	17,74,910	12,72,919
Net Liability as at the end of the year	<u>35,75,721</u>	<u>63,85,723</u>	<u>37,20,582</u>	<u>61,06,841</u>

SCHEDULES

Notes on Accounts

	Year Ended 31.03.2010		Year Ended 31.03.2009	
	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)	Gratuity (Funded Plan)	Leave Encashment (Non Funded Plan)
f) Constitution of Plan Assets:				
Investments in LIC Group Gratuity Scheme	1,69,94,664	Not Applicable	1,09,62,300	Not Applicable
g) Principal actuarial assumptions used as at the Balance Sheet date:				
Discount Rate	8%	8%	8%	8%
Salary Escalation Rate	10%	10%	10%	10%
Attrition Rate	5%	5%	5%	5%
Expected rate of return on plan assets	9.25%	NA	9.25%	NA
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.				
h) The amounts pertaining to defined benefit plans are as follow :	31.03.2010		31.03.2009	31.03.2008
Gratuity - Funded Plan				
Defined Benefit obligation	2,05,70,385		1,46,82,882	1,08,92,000
Plan Assets	1,69,94,664		1,09,62,300	84,34,423
Surplus / (Deficit)	35,75,721		37,20,582	24,57,577
Experience adjustment plan liabilities	36,75,190		18,44,764	26,454
Experience adjustment plan assets	(32,775)		(1,99,247)	(5,88,629)
The company expects to fund Rs. 20 lakhs towards its Gratuity Plan during 2010-11				
ii) Defined Contribution Plans:				
The Company makes contribution towards employees' provident fund, family pension fund, super annuation fund and employees' state insurance scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs. 82,12,208/- as expense towards contributions to these plans.				
16 Earnings per Share			31.03.2010	31.03.2009
Profit after Taxation			6,51,95,762	7,02,02,680
Weighted average number of Equity Shares outstanding at the end of the year			76,14,200	76,14,200
Earnings per share of Rs.10 Each (Basic and Diluted)			8.56	9.22
17 Segment Reporting :				
The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.				
18 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			4,65,56,000	4,25,39,000
b) Deferred Tax Asset:				
Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income Tax.			33,57,000	33,40,000
Net Deferred Tax Liability [(a) - (b)]			4,31,99,000	3,91,99,000

SCHEDULES

Notes on Accounts

19 Related Party Transactions :

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

- | | |
|---|---|
| <ul style="list-style-type: none"> - A V Thomas & Company Ltd - A V Thomas International Ltd - LJ International Ltd - A V Thomas Investments Company Ltd - The Nelliampathy Tea & Produce Co.Ltd - Neelamalai Agro Industries Ltd - The Midland Rubber and Produce Company Ltd - AVT McCormick Ingredients Private Ltd - AVT Natural Pte Ltd. - Heilongjiang AVT Bio-Products Ltd - Teleflex Medical Private Ltd - AVT Infotech Private Ltd | <ul style="list-style-type: none"> - A V Thomas Leather & Allied Products Pvt.Ltd - A V Thomas Leather (UK) Ltd - A V Thomas Exports Ltd - Midland Latex Products Ltd - Sermatech Private Ltd - Ajit Thomas Holdings Private Limited - Midland Corporate Advisory Services P Ltd - IQ Tech Private Limited - AVT Gavia Foods Pvt Ltd - Tekessence Software Solutions P Ltd - Tek Health Services Inc USA - Midland Charitable Trust |
|---|---|

Key Management Personnel:

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

Details of Transaction	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.	Year Ended 31.03.2009 Rs.
	Associates	Key Management Personnel (including relatives)	Associates Key Management Personnel (including relatives)
INCOME			
Sales	6,33,11,509		6,05,83,314
Rent Received	1,80,000		1,80,000
Interest Received	14,79,816		16,50,362
EXPENDITURE			
Purchases	4,73,25,540		8,96,89,787
C & F Charges	73,91,301		31,98,711
Remuneration to Managing Director (Refer Note: 8)		52,57,600	48,48,000
Commission		32,98,300	36,67,450
Sitting Fees		35,000	35,000
Dividend Paid	1,51,28,946	6,97,878	1,59,89,820
OTHERS			
Intercorporate Loan	Nil		Nil
Investments Made	Nil		Nil
BALANCE AS ON 31.03.2010			
Debit Balances	1,55,21,401	Nil	1,47,80,432
Credit Balances	2,90,27,842	35,32,902	10,29,084
			36,67,450

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

Vide our Report of date attached
For **SURI & CO.,**
Chartered Accountants
Firm's Regn. No. : 004283S

For and on behalf of the board

S. Ganesan
Partner
Membership No. 18525

Ajit Thomas
Chairman

M.A. Alagappan
Director

Place : Chennai
Date : 29th July 2010

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

CASH FLOW STATEMENT

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	10,11,95,762	11,35,22,680
Adjustment for:		
Depreciation	2,90,49,097	2,46,01,166
Provision for Leave Encashment	2,79,000	14,75,000
Provision for Gratuity	Nil	12,63,005
(Profit)/Loss on Sale of Assets	24,98,627	(4,47,646)
Interest received	(20,38,682)	(34,75,213)
Interest	3,22,86,859	3,38,10,611
Operating Profit before working capital changes:	16,32,70,663	17,07,49,603
Adjustment for:		
Trade and other receivables	(9,96,81,741)	5,41,20,992
Inventories	1,74,14,024	(8,95,17,988)
Trade Payables	4,61,65,056	(1,55,97,609)
Other Current assets	(1,32,61,683)	1,99,74,841
Cash generated from operations	11,39,06,319	13,97,29,839
Taxes paid	(3,08,68,559)	(2,55,47,275)
Cash flow before extra ordinary items	8,30,37,760	11,41,82,564
Extra-ordinary Items	Nil	Nil
Net cash from operating activities	(A) 8,30,37,760	11,41,82,564
B Cash flow from Investing Activities		
Purchase of Fixed Assets	(8,73,51,989)	(11,16,16,651)
Sale of Fixed Assets	15,55,616	13,62,413
Intercompany Loan to Subsidiary Company	19,89,000	(33,05,200)
Interest Received	13,35,129	30,46,590
Net Cash used in Investing Activities	(B) (8,24,72,244)	(11,05,12,848)

CASH FLOW STATEMENT

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
C CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Borrowings -Term Loan	(1,76,54,650)	6,23,26,234
Working capital facilities	6,76,27,686	(39,96,345)
Public Deposits	66,66,000	(36,77,000)
Interest paid	(3,18,50,046)	(3,41,81,122)
Dividend Paid including Dividend Tax	(2,67,24,700)	(3,11,78,817)
Net Cash used in Financing Activities	(C) (19,35,711)	(1,07,07,050)
Net Increase in cash and cash equivalents (A+B+C)	(13,70,194)	(70,37,334)
Cash and cash equivalent at the beginning of the year	2,30,04,023	3,00,41,357
Cash and cash equivalent at the end of the year	2,16,33,829	2,30,04,023
	(13,70,194)	(70,37,334)

Vide our Report of date attached
For **SURI & CO.,**
Chartered Accountants
Firm's Regn. No. : 004283S

For and on behalf of the board

S. Ganesan
Partner
Membership No. 18525

Ajit Thomas
Chairman

M.A. Alagappan
Director

Place : Chennai
Date : 29th July 2010

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

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

1 Name of the Subsidiary Company	AVT Natural Pte Ltd, Singapore	Heilongjiang AVT Bio-Products Ltd, China
2 Financial Year of the Subsidiary Company	31.12.2009	31.12.2009
3 Holding Company's Interest in the Subsidiary	6,41,000 Shares of US\$ 1 each 100%	8,10,000 Shares of US\$ 1 each 100% (Wholly owned by AVT Natural Pte. Ltd, Singapore)
4 Net aggregate amount of the profits/(loss) of the subsidiary not dealt with in the Holding Company's accounts a) For the financial year of the Subsidiary Company b) For the previous financial years of the Subsidiary Company	(5.46 Lakhs) 70.74 Lakhs	25.87 Lakhs (76.03 Lakhs)
5 Net aggregate amount of the profits/(loss) of the subsidiary dealt with in the Holding Company's accounts a) For the financial year of the Subsidiary Company b) For the previous financial years of the Subsidiary Company	Nil Nil	Nil Nil

Financial statement of the Subsidiaries are from 01.01.2009 to 31.12.2009

Vide our Report of date attached
For **SURI & CO.,**
Chartered Accountants
Firm's Regn. No. : 004283S

For and on behalf of the board

S. Ganesan
Partner
Membership No. 18525

Ajit Thomas
Chairman

M.A. Alagappan
Director

Place : Chennai
Date : 29th July 2010

Dileepraj. P
Company Secretary

M.S.A. Kumar
Managing Director

FINANCIAL HIGHLIGHTS FOR THE LAST FIVE YEARS

Particulars	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Sales and Services (Rs.Lakhs)	7164.43	7298.57	8685.72	8745.42	8297.33
Net Profit (Rs.Lakhs)	753.09	873.19	927.10	702.03	651.96
Net Worth (Rs.Lakhs)	2914.61	3520.55	4120.27	4555.05	4940.65
Fixed Assets (Rs.Lakhs)	2040.15	2109.91	2248.44	3109.45	3651.94
Dividend %	50	30	35	30	30*
Dividend Amount (Rs.Lakhs)	190.35	228.43	266.50	228.43	228.43
Earnings per share (Rs.)	19.58	11.47**	12.18**	9.22**	8.56**
Dividend per share (Rs.)	5.00	3.00	3.50	3.00	3.00
Book value per share (Rs.)	76.60	46.20	54.10	59.80	64.90
Return on Networth (%)	25.84	24.80	22.50	15.41	13.20
PAT/Sales (%)	10.51	11.96	10.67	8.03	7.86
Fixed Assets Turnover (times)	3.51	3.46	3.86	2.81	2.27

* 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 2010, 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. 7.96 Crores as at 31.12.2009 and total revenue of Rs. 7.15 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 2010;
- 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.**,
Chartered Accountants
Firm's Regn. No. : 004283S

S. Ganesan
Partner

Place : Chennai
Date : 29th July 2010

Membership No. 18525

CONSOLIDATED BALANCE SHEET

	Schedule	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	1	7,61,42,000	7,61,42,000
(b) Reserves & Surplus	2	<u>42,53,53,588</u>	<u>38,27,67,220</u>
		<u>50,14,75,588</u>	<u>45,89,09,220</u>
2. LOAN FUNDS			
(a) Secured Loans	3	46,66,76,619	39,52,99,306
(b) Unsecured Loans	4	<u>1,68,49,000</u>	<u>1,01,86,000</u>
		<u>48,35,25,619</u>	<u>40,54,85,306</u>
3. DEFERRED TAX LIABILITY			
		4,31,99,000	3,91,99,000
TOTAL		<u>102,82,00,207</u>	<u>90,35,93,526</u>
APPLICATION OF FUNDS			
1. FIXED ASSETS			
(a) Gross Block	5	64,87,21,577	53,94,03,006
(b) Less: Depreciation		<u>26,92,39,414</u>	<u>24,05,63,269</u>
(c) Net Block		<u>37,94,82,163</u>	<u>29,88,39,737</u>
(d) Capital work in progress		Nil	2,86,74,301
		<u>37,94,82,163</u>	<u>32,75,14,038</u>
2. CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	6	32,92,38,252	32,82,68,760
(b) Sundry Debtors	7	36,36,46,155	27,20,59,078
(c) Cash and Bank Balances	8	3,28,38,689	2,53,52,626
(d) Others: Income Accrued		15,23,652	8,20,100
(e) Loans and advances	9	<u>8,75,73,839</u>	<u>7,49,39,950</u>
		<u>81,48,20,587</u>	<u>70,14,40,514</u>
Less:			
CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	10	8,60,32,518	4,57,56,841
(b) Provisions	11	<u>8,00,70,025</u>	<u>7,96,04,185</u>
		<u>16,61,02,543</u>	<u>12,53,61,026</u>
Net Current Assets		<u>64,87,18,044</u>	<u>57,60,79,488</u>
TOTAL		<u>102,82,00,207</u>	<u>90,35,93,526</u>
Notes on Accounts	18		

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

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.,**
Chartered Accountants
Firm's Regn No.: 004283S

S. Ganesan
Partner
Membership No. 18525

Place : Chennai
Date : 29th July 2010

Ajit Thomas
Chairman

Dileepraj. P
Company Secretary

M.A. Alagappan
Director

M.S.A. Kumar
Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Schedule	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
INCOME			
Operations	12	85,64,71,527	87,12,80,144
Other Income	13	20,49,072	35,37,862
TOTAL		85,85,20,598	87,48,18,006
EXPENDITURE			
Increase (-) / Decrease (+) in stock	14	(+ 1,96,77,000	(-) 6,95,99,000
Materials Consumed		26,77,25,515	31,21,78,450
Purchases		6,43,13,682	11,08,45,126
Employee Cost	15	10,74,96,724	9,87,67,337
Other Expenditure	16	23,11,97,949	24,65,38,293
Interest	17	3,34,59,613	3,45,81,360
Depreciation		3,14,13,687	2,69,81,498
TOTAL		75,52,84,169	76,02,93,064
Profit before Tax		10,32,36,429	11,45,24,943
Less : Provision for Taxation			
- Current Tax		3,20,00,000	3,20,46,532
- Deferred Tax		40,00,000	1,01,20,000
- Fringe Benefit Tax		N.A.	12,00,000
Profit after Tax		6,72,36,429	7,11,58,411
Add : Surplus Brought Forward		3,24,69,552	3,80,35,841
		9,97,05,981	10,91,94,252
Appropriations:			
Transfer to General Reserve		4,00,00,000	5,00,00,000
Proposed Dividend on Equity Shares @ 30 %		2,28,42,600	2,28,42,600
Provision for Tax on Dividend		37,93,870	38,82,100
Surplus Carried Forward		3,30,69,511	3,24,69,552
		9,97,05,981	10,91,94,252
Earnings Per Share (Basic and Diluted)		8.83	9.35
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.,**
Chartered Accountants
Firm's Regn No.: 004283S

S. Ganesan
Partner
Membership No. 18525

Place : Chennai
Date : 29th July 2010

Ajit Thomas
Chairman

Dileepraj. P
Company Secretary

M.A. Alagappan
Director

M.S.A. Kumar
Managing Director

SCHEDULES

Schedules to the Consolidated Balance Sheet

Schedule	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE - 1:		
SHARE CAPITAL:		
AUTHORISED		
79,90,000 - Equity Shares of Rs 10 each	7,99,00,000	7,99,00,000
1,000 - 12% Redeemable Cumulative Preference Shares of Rs.100/- each	1,00,000	1,00,000
30,00,000 - 7% Redeemable Cumulative Preference Shares of Rs.10 each	<u>3,00,00,000</u>	<u>3,00,00,000</u>
	<u>11,00,00,000</u>	<u>11,00,00,000</u>
ISSUED , SUBSCRIBED AND PAID UP		
76,14,200 - Equity Shares of Rs.10/- each	<u>7,61,42,000</u>	<u>7,61,42,000</u>
 Note : Of the above shares, 38,07,100 Equity shares were allotted as fully paid-up bonus shares by capitalisation from General Reserve and Share Premium Account.		
SCHEDULE - 2:		
RESERVES & SURPLUS:		
Capital Redemption Reserve	3,00,06,000	3,00,06,000
Capital Reserve - (Represents capital Profit on re-issue of forfeited shares)	35,000	35,000
Investment Subsidy	99,01,670	99,01,670
Foreign Currency Translation Reserve	58,98,948	39,32,539
General Reserve		
As per Last Balance Sheet	29,64,22,459	
Add: Transfer from Profit & Loss A/c	<u>4,00,00,000</u>	29,64,22,459
Contingency Reserve	1,00,00,000	1,00,00,000
 Surplus :		
Balance in Profit and Loss Account	3,30,69,511	3,24,69,552
	<u>42,53,33,588</u>	<u>38,27,67,220</u>

SCHEDULES

Schedules to the Consolidated Balance Sheet (Contd.)

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE - 3:		
SECURED LOANS:		
a) Term Loan (Secured by equitable mortgage of immovable properties and hypothecation of all movable assets, present and future, save and except inventories and book debts, and subject to prior charges created in favour of Banks on specific assets for securing working capital facilities)	4,93,60,350	6,70,15,000
b) Working Capital Facilities (Secured by hypothecation of inventories and book debts and second charge on present and future movable and immovable block of assets of the company)	41,73,16,269	32,82,84,306
	<u>46,66,76,619</u>	<u>39,52,99,306</u>
SCHEDULE - 4:		
UNSECURED LOANS:		
Public Deposits (Deposits repayable within one year Rs. 30,18,000/-)	<u>1,68,49,000</u>	<u>1,01,86,000</u>

SCHEDULES

Schedules to the Consolidated Balance Sheet (Contd.)

SCHEDULE - 5:

FIXED ASSETS:

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2009 Rs.	Additions Rs.	Deductions Rs.	As at 31.03.2010 Rs.	Upto 31.03.2009 Rs.	For the year Rs.	Withdrawn 31.03.2010 Rs.	Upto 31.03.2010 Rs.	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
Freehold Land	1,33,60,434	-	-	1,33,60,434	-	-	-	-	1,33,60,434	1,33,60,434
Lease Hold Land	18,94,995	-	-	18,94,995	-	-	-	-	18,94,995	18,94,995
Buildings	12,87,05,468	2,69,46,662	-	15,56,52,130	5,10,52,009	64,13,342	-	5,74,65,351	9,81,86,779	7,76,53,459
Plant and Machinery	37,75,95,485	8,91,30,364	67,16,427	46,00,09,422	17,94,83,242	2,37,13,985	26,62,186	20,05,35,041	25,94,74,381	19,81,12,243
Furniture and Fixtures	69,07,349	-	-	69,07,349	41,90,779	2,76,188	-	44,66,967	24,40,382	27,16,570
Vehicles	1,09,39,275	33,330	75,358	1,08,97,247	58,37,239	10,10,172	75,356	67,72,055	41,25,192	51,02,036
TOTAL	53,94,03,006	11,61,10,356	67,91,785	64,87,21,577	24,05,63,269	3,14,13,687	27,37,542	26,92,39,414	37,94,82,163	29,88,39,737
Previous Year	44,83,66,255	9,55,05,467	44,68,716	53,94,03,006	21,71,35,720	2,69,81,498	35,53,949	24,05,63,269	29,88,39,737	-

SCHEDULES

Schedules to the Consolidated Balance Sheet (Contd.)

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SCHEDULE - 6:		
INVENTORIES:		
(a) Stores, Spares and Packing Materials	3,43,16,761	3,37,33,782
(b) Raw Materials	9,01,21,491	7,00,57,978
(c) Finished Goods	18,81,80,000	21,46,87,000
(d) Stock in process	1,66,20,000	97,90,000
	<u>32,92,38,252</u>	<u>32,82,68,760</u>
SCHEDULE - 7:		
SUNDRY DEBTORS:		
Unsecured considered Good :		
(a) Debts outstanding for a period exceeding six months		
- Considered Good	93,46,227	91,77,628
- Considered Doubtful	10,57,750	
Less: Provision	<u>10,57,750</u>	Nil
(b) Other debts - Considered Good	35,42,99,928	26,28,81,450
	<u>36,36,46,155</u>	<u>27,20,59,078</u>
SCHEDULE - 8:		
CASH AND BANK BALANCES		
(a) Cash	1,58,645	2,54,910
(b) Balances with Scheduled Banks:		
- In Current Account	1,58,98,776	67,21,573
- In Deposit Account	1,39,13,335 *	1,59,54,313
- In Dividend Account	28,67,933	23,22,846
(c) Balances with Foreign Bank:		
- In Current Account		
- Bank of China, Beijing	Nil	98,984
(Maximum balance - Rs.98,984/-)		
	<u>3,28,38,689</u>	<u>2,53,52,626</u>
* Includes Rs.1,09,13,335/- as Margin Money Deposit for issue of Letter of Credit/Guarantee		
SCHEDULE - 9:		
LOANS AND ADVANCES:		
(Unsecured Considered Good)		
Advances recoverable in cash or in kind or for value to be received	4,55,56,968	3,26,85,155
Deposits	37,38,786	40,12,175
Tax Payments pending adjustments	3,82,78,085	3,82,42,620
	<u>8,75,73,839</u>	<u>7,49,39,950</u>
SCHEDULE - 10:		
CURRENT LIABILITIES:		
Sundry Creditors	7,84,90,768	3,90,65,442
Due to Micro and Small Enterprises	Nil	Nil
Due to Managing Director	2,34,602	Nil
Commission Payable to Chairman	32,98,300	36,67,450
Investor Education and Protection Fund *		
- Unclaimed Dividend	28,67,932	23,22,846
- Unclaimed Matured Deposits	2,31,000	2,28,000
- Interest accrued on Matured Deposits	25,575	24,133
Interest accrued but not due	8,84,341	4,48,970
	<u>8,60,32,518</u>	<u>4,57,56,841</u>

* Amount payable to Investor Education and Protection Fund - Nil

SCHEDULES

Schedules to the Consolidated Profit and Loss Account

	Year Ended 31.03.2010	Year Ended 31.03.2009
	Rs.	Rs.
SCHEDULE - 11:		
PROVISIONS:		
For Taxation	4,33,26,973	4,18,51,903
For Fringe Benefit Tax	Nil	12,00,000
For Gratuity	37,20,582	37,20,582
For Leave Encashment	63,86,000	61,07,000
Proposed Dividend on Equity Shares	2,28,42,600	2,28,42,600
For Tax on Dividend	37,93,870	38,82,100
	8,00,70,025	7,96,04,185
SCHEDULE - 12:		
INCOME FROM OPERATIONS:		
Sales :	77,27,58,029	87,10,25,736
Less: Excise Duty	7,45,095	11,35,912
	77,20,12,934	86,98,89,824
Exchange Difference	(1,76,11,443)	(9,00,86,085)
Processing Income (TDS Rs.6,60,000)	7,93,30,915	7,48,93,488
Sale of Windpower	23,85,679	Nil
Sale of Import Entitlement	2,03,53,442	1,65,82,917
	85,64,71,527	87,12,80,144
SCHEDULE - 13:		
OTHER INCOME:		
Rent (Tax deducted at source Rs.18,000/-)	1,80,000	1,80,000
Interest (Tax deducted at source Rs.85,209/-)	5,78,362	18,25,375
Profit on Sale of Assets	Nil	4,47,646
Miscellaneous (Tax deducted at source Rs.4,525/-)	9,12,580	67,858
Insurance Received	3,78,130	10,16,983
	20,49,072	35,37,862
SCHEDULE - 14:		
INCREASE (-) / DECREASE (+) IN STOCK:		
OPENING STOCK		
Finished Goods		
- Processed	21,46,70,000	13,92,30,000
- Trade	17,000	14,98,000
Stock in Process	97,90,000	1,41,50,000
	22,44,77,000	15,48,78,000
CLOSING STOCK		
Finished Goods		
- Processed	18,81,80,000	21,46,70,000
- Trade	Nil	17,000
Stock in Process	1,66,20,000	97,90,000
	20,48,00,000	22,44,77,000
Increase(-)/Decrease(+) in Stock	(+) 1,96,77,000	(-) 6,95,99,000

SCHEDULES

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

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
SCHEDULE - 15:		
EMPLOYEE COST:		
Salaries, Wages and Bonus	8,49,62,331	7,79,11,294
Contribution to Provident and other Funds	1,31,25,603	90,09,093
Provision for Gratuity	Nil	12,63,005
Provision for Leave Encashment	2,79,000	14,75,000
Welfare Expenses	91,29,790	91,08,945
	10,74,96,724	9,87,67,337
SCHEDULE - 16:		
OTHER EXPENDITURE:		
Consumption of Stores, Spares & Packing Materials	5,00,71,982	5,52,01,723
Power and Fuel	6,02,00,583	7,07,02,549
Processing Charges	37,64,314	69,60,811
Repairs :		
Building	5,80,589	4,61,168
Plant & Machinery	2,00,22,168	1,61,56,677
Vehicles	45,18,228	39,95,746
Others	1,04,54,576	98,96,115
Postage and Telephones	41,49,894	33,42,299
Printing & Stationery	14,47,837	14,49,462
Travelling Expenses	1,31,52,341	1,77,92,686
Auditors Remuneration		
- For Audit	8,65,620	6,52,950
- For Tax Audit/Certification	1,93,000	2,10,885
- For Tax Representation	1,70,000	1,60,000
- For Service Tax	1,21,180	1,05,946
- For Expenses	1,13,500	1,17,500
Directors' Sitting Fees	1,95,000	2,11,000
Commission to Chairman	32,98,300	36,67,450
Bank Charges	52,81,618	64,12,929
Rent	19,17,499	40,86,570
Rates and Taxes	36,25,604	18,23,037
Insurance	28,97,483	30,06,855
Freight and Transport	1,50,48,672	1,64,83,273
Commission	2,68,202	9,52,207
Loss on Sale of Assets	24,98,627	Nil
Provision for bad & doubtful debts	10,57,750	Nil
Sample Testing Charges	60,31,414	26,49,757
Miscellaneous Expenses	1,92,51,968	2,00,38,698
	23,11,97,949	24,65,38,293
SCHEDULE - 17:		
INTEREST:		
Fixed Loans	54,14,167	40,02,058
Others	2,80,45,446	3,05,79,302
	3,34,59,613	3,45,81,360

SCHEDULES

Notes on Consolidated Financial Statements

18. 1 SIGNIFICANT ACCOUNTING POLICIES

1) ACCOUNTING CONVENTION:

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

2) FIXED ASSETS :

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

3) IMPAIRMENT OF ASSETS:

The Company reviews the carrying amounts of its assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount and the impairment loss, if any, is recognized in the Profit and Loss Account.

4) INVESTMENTS:

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

5) INVENTORIES :

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

6) EMPLOYEE BENEFITS :

Gratuity Liability, which is a defined benefit scheme and provision for leave encashment is accrued and provided for on the basis of independent actuarial valuation made at the end of each financial year. Actuarial gains and losses are recognized in the Profit and Loss account and are not deferred. Retirement benefits in the form of Provident Fund, Family Pension Fund and Superannuation Schemes, which are defined contribution schemes, are charged to the Profit and Loss Account of the year when the contribution to the respective funds accrue.

7) REVENUE RECOGNITION :

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

8) 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 other than for acquisition of fixed assets, 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. Premium or discount on forward contracts is amortised over the life of such contract and is recognized as income or expense in the Profit and Loss account. Exchange differences arising on settlement / translation of long term monetary items utilized for acquisition of Fixed Assets are adjusted to carrying cost of Fixed Assets.

SCHEDULES

Notes on Consolidated Financial Statements (Contd.)

9) **BORROWING COSTS :**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of such assets. All other borrowing costs are charged to revenue. A qualifying assets is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

10) **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.

18. 2 **BASIS OF CONSOLIDATION:**

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

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

- b) The Consolidated Financial Statements have been prepared on the following basis :
- i) The Financial Statements of the Parent Company and its Subsidiary Companies have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities , income and expenses, after fully eliminating intra-group balances and intra group transactions resulting in unrealised profits and losses in accordance with Accounting Standard (AS) 21 - " Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
 - ii) The Consolidated Financial Statements have been prepared by adopting uniform Accounting policies except the Subsidiary Heilongjiang AVT Bio-Products Ltd, which depreciates its Fixed Assets on Straight Line Method over the estimated useful life of asset.
 - iii) The Subsidiaries reporting date was 31.12.2009 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 31.12.2009 and the end of the holding company's financial year viz 31.03.2010
 - v) No material change has occurred between the end of the financial year of the subsidiaries and the end of the holding company's financial year in-respect of
 - a) the subsidiaries fixed assets
 - b) the investments
 - c) the money lent/borrowed by it.

SCHEDULES

Notes on Consolidated Financial Statements (Contd.)

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
3 CONTINGENT LIABILITIES IN RESPECT OF		
a) Salestax demand disputed in appeals, against which Rs. 71,40,702 paid and included under Advances	1,52,86,216	1,52,86,216
b) Service Tax demand disputed in appeal	4,30,81,160	Nil
c) Outstanding Bank Guarantees/Letters of Credit	9,66,83,981	1,35,75,067
4 Earnings per Share		
Profit after Taxation	6,72,36,429	7,11,58,411
Weighted average number of Equity Shares outstanding at the end of the year	76,14,200	76,14,200
Earnings per share of Rs.10 Each (Basic and Diluted)	8,83	9.35
5 Segment Reporting :		
The Company operates in solvent extracted products which is the primary reportable segment. Therefore, segment reporting is not applicable.		
6 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	4,65,56,000	4,25,39,000
b) Deferred Tax Asset: Tax impact of expenses charged in the financial statements but allowable as deduction in future years under Income tax	33,57,000	33,40,000
Net Deferred Tax Liability [(a) - (b)]	<u>4,31,99,000</u>	<u>3,91,99,000</u>
7		
The Company has certain unexpired foreign currency derivative contracts to the tune of US \$ 14.4 Million as on 31.03.2010, which were entered into to hedge the risk of changes in foreign exchange currency rates on future export sales against existing long term export contracts. The mark to market negative variation on currency position as on 31.03.2010 of Rs.2.28 crores has not been considered as loss on foreign currency derivatives. As the hedge transactions have been entered into based on firm export sale contracts and as per the costing systems of the company, such hedge transaction will only result in current profit for the relevant period of execution of the contract. On the principle of going concern, such hedge transactions will not result in losses requiring recognition as on this date.		
8		
The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules, 2009 on Accounting Standard 11 (AS-11) notified by the Government of India on 31st March 2009. Accordingly, the effect of exchange differences on foreign currency term loan availed for acquisition of fixed assets has been adjusted to the cost of fixed assets and depreciation has been provided over the balance life of assets. The unamortised amount as on 31.03.2010 on account of the above is Rs.0.18 Crores.		
9 Employee Benefits:		
i) Defined Benefit Plans:		
a) Description of the Company's defined benefit plan:		
i) Gratuity Scheme:		
This is a funded defined benefit plan for qualifying employees for which, the Company makes contribution to the Gratuity Fund managed by the Life Insurance Corporation of India. The scheme provides for a lumpsum payment to vested employees at retirement, death while in employment or on termination of employment. Vesting occurs upon completion of five years of service.		
ii) Leave Encashment:		
The company also operates a non funded leave encashment scheme for its employees.		

SCHEDULES

Notes on Consolidated Financial Statements (Contd.)

	Year Ended 31.03.2010		Previous Year	
	Gratuity	Leave	Gratuity	Leave
	(Funded Plan)	(Non Funded Plan)	(Funded Plan)	(Non Funded Plan)
b) Reconciliation of changes in the Present Value of Obligation:				
Present Value of the Obligation as on 1.04.2009	1,46,82,882	61,06,841	1,08,92,000	46,32,000
Current Service Cost	10,70,457	7,00,429	12,81,975	6,31,535
Interest Cost	11,74,631	4,32,411	8,63,390	3,19,643
Benefits Paid	(32,775)	(14,03,410)	(1,99,247)	(12,72,919)
Actuarial loss / (gain)	36,75,190	5,49,452	18,44,764	17,96,582
Present Value of the Obligation as on 31.03.2010	<u>2,05,70,385</u>	<u>63,85,723</u>	1,46,82,882	61,06,841
c) Reconciliation of changes in the fair value of Plan Assets:				
Fair Value of Plan Assets as on 1.04.2009	109,62,300	Nil	84,34,423	Nil
Expected return on plan assets	14,06,584	Nil	7,37,780	Nil
Contribution by the Company	46,58,555	Nil	17,74,910	Nil
Benefits Paid	(32,775)	Nil	(1,99,247)	Nil
Actuarial gain / (loss)	Nil	Nil	2,14,434	Nil
Fair Value of Plan Assets as on 31.03.2010	<u>1,69,94,664</u>	<u>Nil</u>	1,09,62,300	Nil
d) The total expense recognised in the profit and loss account is as follows:				
Current Service Cost	10,70,457	7,00,429	12,81,975	6,31,535
Interest Cost	11,74,631	4,32,411	8,63,390	3,19,643
Expected return on plan assets	(14,06,584)	NA	(7,37,780)	NA
Net Actuarial (gain) / loss recognised in the year	36,75,190	5,49,452	16,30,330	17,96,582
	<u>45,13,694</u>	<u>16,82,292</u>	30,37,915	27,47,760
e) Reconciliation of Net Liability recognised in the balance sheet:				
Net Liability as at the beginning of the year	37,20,582	61,06,841	24,57,577	46,32,000
Add : Expense as (d) above	45,13,694	16,82,292	30,37,915	27,47,760
Less: Employers Contribution / Payment	46,58,555	14,03,410	17,74,910	12,72,919
Net Liability as at the end of the year	<u>35,75,721</u>	<u>63,85,723</u>	37,20,582	61,06,841
f) Constitution of Plan Assets:				
Investments in LIC Group Gratuity Scheme	1,69,94,664	Not Applicable	1,09,62,300	Not Applicable
g) Principal actuarial assumptions used as at the Balance Sheet date:				
Discount Rate	8%	8%	8%	8%
Salary Escalation Rate	10%	10%	10%	10%
Attrition Rate	5%	5%	5%	5%
Expected rate of return on plan assets	9.25%	NA	9.25%	NA
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as demand and supply in the employment market.				
h) The amounts pertaining to defined benefit plans are as follow:				
	<u>31.03.2010</u>	31.03.2009	31.03.2008	
Gratuity Funded Plan				
Defined Benefit obligation	2,05,70,385	1,46,82,882	1,08,92,000	
Plan Assets	1,69,94,664	1,09,62,300	84,34,423	
Surplus / (Deficit)	35,75,721	37,20,582	24,57,577	
Experience adjustment plan liabilities	36,75,190	18,44,764	26,454	
Experience adjustment plan assets	(32,775)	(1,99,247)	(5,88,629)	

The Company expects to fund Rs. 20 Lakhs towards its Gratuity Plan during 2010-11.

ii) Defined Contribution Plans:

The Company makes contribution towards employees' provident fund, family pension fund, super annuation fund and employees' state insurance scheme. Under the rules of these schemes, the Company is required to contribute a specified percentage of payroll costs. The Company during the year recognised Rs. 82,12,208/- as expense towards contributions to these plans.

SCHEDULES

Notes on Consolidated Financial Statements (Contd.)

10 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 | - A V Thomas Leather & Allied Products Pvt.Ltd |
| - A V Thomas International Ltd | - A V Thomas Leather (UK) Ltd |
| - LJ International Ltd | - A V Thomas Exports Ltd |
| - A V Thomas Investments Company Ltd | - Midland Latex Products Ltd |
| - The Nelliampathy Tea & Produce Co.Ltd | - Sermatech Private Ltd |
| - Neelamalai Agro Industries Ltd | - Ajit Thomas Holdings Private Limited |
| - The Midland Rubber and Produce Company Ltd | - Midland Corporate Advisory Services P Ltd |
| - AVT McCormick Ingredients Private Ltd | - IQ Tech Private Limited |
| - Teleflex Medical Private Ltd | - AVT Gavia Foods Pvt Ltd |
| - AVT Infotech Private Ltd | - Tekessence Software Solutions P Ltd |
| - Midland Charitable Trust | - Tek Health Services Inc USA |

Key Management Personnel:

Mr Ajit Thomas, Chairman
Mr MSA Kumar, Managing Director

Details for Transaction	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.		
	Associates	Key Management Personnel (including relatives)	Associates	Key Management Personnel (including relatives)
INCOME				
Sales	6,33,11,509		6,05,83,314	
Rent Received	1,80,000		1,80,000	
EXPENDITURE				
Purchases	25,77,638		21,35,355	
C & F Charges	73,91,301		31,98,711	
Remuneration to Managing Director (Refer Note: 8)		52,57,600		48,48,000
Commission		32,98,300		36,67,450
Sitting Fees		35,000		35,000
Dividend Paid	1,51,28,946	6,97,878	1,59,89,820	25,13,371
BALANCE AS ON 31.03.2010				
Debit Balances	1,55,21,101	Nil	1,47,80,432	Nil
Credit Balances	16,72,961	35,32,902	10,29,084	36,67,450

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

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.**,
Chartered Accountants
Firm's Regn No.: 004283S

S. Ganesan
Partner
Membership No. 18525

Place : Chennai
Date : 29th July 2010

Ajit Thomas
Chairman

Dileepraj. P
Company Secretary

M.A. Alagappan
Director

M.S.A. Kumar
Managing Director

CONSOLIDATED CASHFLOW STATEMENT

	Year Ended 31.03.2010 Rs.	Year Ended 31.03.2009 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	10,32,36,429	11,45,24,943
Adjustment for:		
Depreciation	3,14,13,687	2,69,81,498
Provision for Leave Encashment	2,79,000	14,75,000
Provision for Gratuity	Nil	12,63,005
(Profit)/Loss on Sale of Assets	24,98,627	(4,47,646)
Foreign Currency Translation Reserve	19,66,409	60,02,667
Interest received	(5,78,362)	(18,25,375)
Interest	3,34,59,613	3,45,81,360
Operating Profit before working capital changes:	<u>17,22,75,403</u>	<u>18,25,55,452</u>
Adjustment for:		
Trade and other receivables	(9,22,90,629)	4,37,13,459
Inventories	(9,69,492)	(8,49,30,179)
Trade Payables	3,98,35,864	(1,60,55,251)
Other Current assets	(1,25,98,424)	1,93,19,552
Cash generated from operations	<u>10,62,52,722</u>	<u>14,46,03,033</u>
Taxes paid	(3,17,60,395)	(2,62,24,359)
Cash flow before extra ordinary items	7,44,92,327	11,83,78,674
Extra-ordinary Items	Nil	Nil
Net cash from operating activities	(A) <u>7,44,92,327</u>	<u>11,83,78,674</u>
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8,74,36,056)	(11,53,20,092)
Sale of Fixed Assets	15,55,616	13,62,413
Interest Received	5,78,362	15,34,789
Net Cash used in Investing Activities	(B) <u>(8,53,02,078)</u>	<u>(11,24,22,890)</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Borrowings - Term Loan	(1,76,54,650)	6,23,26,234
Working Capital Facilities	8,90,31,964	(63,22,709)
Dividend Paid including Dividend Tax	(2,67,24,700)	(3,11,78,817)
Public Deposits	66,66,000	(36,77,000)
Interest paid	(3,30,22,800)	(3,49,51,871)
Net Cash used in Financing Activities	(C) <u>1,82,95,814</u>	<u>(1,38,04,163)</u>
Net Increase in cash and cash equivalents (A+B+C)	<u>74,86,063</u>	<u>(78,48,379)</u>
Cash and cash equivalent at the beginning of the year	2,53,52,626	3,32,01,005
Cash and cash equivalent at the end of the year	<u>3,28,38,689</u>	<u>2,53,52,626</u>
	<u>74,86,063</u>	<u>(78,48,379)</u>

Vide our Report of date attached

For and on behalf of the board

For **SURI & CO.**,
Chartered Accountants
Firm's Regn No.: 004283S

S. Ganesan
Partner
Membership No. 18525

Place : Chennai
Date : 29th July 2010

Ajit Thomas
Chairman

Dileepraj. P
Company Secretary

M.A. Alagappan
Director

M.S.A. Kumar
Managing Director

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

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of the group and balance sheet and statement of changes in equity of the company for the financial year ended 31 December 2009.

1. DIRECTORS

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

Ajit Thomas

Gopaldasamy S/o Vasudhevan

Methil Sreenivasan Achutha Kumar

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

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

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

Name of directors and companies in which interest are held	At beginning of year	At end of year
AVT Natural Products Limited	Ordinary shares of Rs.10 each	
Ajit Thomas	4,37,894	228,426
Methil Sreenivasan Achutha Kumar	4,370	4,370

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5. OPTIONS TO TAKE UP UNISSUED SHARES

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

6. OPTIONS EXERCISED

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

7. UNISSUED SHARES UNDER OPTIONS

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

8. AUDITORS

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

On behalf of the Board

Ajit Thomas
Director

Methil Sreenivasan Achutha Kumar
Director

Singapore, 19 February 2010

STATEMENT BY DIRECTORS'

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

- (a) the consolidated financial statements of the group and balance sheet and statement of changes in equity of the company set out on pages 6 to 31 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 2009, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended; and

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

On behalf of the Board

Ajit Thomas
Director

Methil Sreenivasan Achutha Kumar
Director

Singapore, 19 February 2010

AUDITORS' REPORT

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

We have audited the accompanying financial statements of the group and the statement of financial position and statement of changes in equity of **AVT NATURAL PTE. LTD. AND SUBSIDIARY**, which comprises the statement of financial position as at 31 December 2009, and statement of comprehensive income, statement of changes in equity and statement of cash flows and a summary of significant accounting policies and other explanatory notes set out on pages 6 to 31 for the financial year ended 31 December 2009.

Management's responsibility for financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Act, and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at 31 December 2009 and the results, changes in equity and cash flows of the company for the year then ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

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

Singapore, 19 February 2010

BALANCE SHEET
as at 31 December 2009

	Note	Group		Company	
		2009 US\$	2008 US\$	2009 US\$	2008 US\$
ASSETS					
Current assets:					
Cash and cash equivalents	(6)	241,381	48,706	5,845	1,142
Inventories at cost	(7)	856,239	443,034	-	-
Trade and other receivables	(8)	1,194,582	723,658	365,067	383,319
Other current assets		<u>2,292,202</u>	<u>1,215,398</u>	<u>370,912</u>	<u>384,461</u>
Non-current assets:					
Plant and equipment	(9)	365,045	414,173	-	-
Investment in subsidiary	(10)	-	-	810,000	810,000
Total non-current assets		<u>365,045</u>	<u>414,173</u>	<u>810,000</u>	<u>810,000</u>
Total assets		<u>2,657,247</u>	<u>1,629,571</u>	<u>1,180,912</u>	<u>1,194,461</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Trade and other payables	(11)	1,889,641	912,805	388,571	390,587
Provision for taxation		-	-	-	-
Total current liabilities		<u>1,889,641</u>	<u>912,805</u>	<u>388,571</u>	<u>390,587</u>
Capital and reserve:					
Issued capital	(12)	641,000	641,000	641,000	641,000
Accumulated (losses)/profits		35,512	(6,675)	151,341	162,874
Foreign translation reserves		91,094	82,441	-	-
Total equity		<u>767,606</u>	<u>716,766</u>	<u>792,341</u>	<u>803,874</u>
Total liabilities and equity		<u>2,657,247</u>	<u>1,629,571</u>	<u>1,180,912</u>	<u>1,194,461</u>

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year Ended 31 December 2009

	Note	2009 US\$	2008 US\$
Revenue	(13)	1,510,699	1,886,239
Cost of goods sold		(1,167,596)	(1,462,024)
Gross profit		343,103	424,215
Other operating income	(14)	412	42,659
Administrative expenses		(227,260)	(334,274)
Other operating expenses		(18,012)	(47,195)
Finance costs	(15)	(56,056)	(55,402)
Profit before income tax		42,187	30,003
Income tax expense	(16)	-	(965)
Profit for the year		42,187	29,038
Other comprehensive income		-	-
Total comprehensive income for the year		42,187	29,038

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2009

Group	Issued Capital US\$	Accumulated Profit US\$	Foreign Translation Reserves US\$	Total US\$
Balance as at 1 January 2008	641,000	(35,713)	35,983	641,270
Net profit for the year	-	29,038	-	29,038
Foreign translation reserves	-	-	46,458	46,458
Balance as at 31 December 2008	641,000	(6,675)	82,441	716,766
Total comprehensive income for the year	-	42,187	-	42,187
Foreign translation reserves	-	-	8,653	8,653
Balance as at 31 December 2009	641,000	35,512	91,094	767,606

Company	Issued Capital US\$	Accumulated Profits US\$	Total US\$
Balance as at 1 January 2008	355,000	170,774	811,774
Net loss for the year	-	(7,900)	(7,900)
Balance as at 31 December 2008	641,000	162,874	803,874
Total comprehensive income for the year	-	(11,533)	(11,533)
Balance as at 31 December 2009	641,000	151,341	792,341

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

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 December 2009

	2009	2008
	US\$	US\$
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before income tax	42,187	30,003
Adjustment for:		
Depreciation of property, plant and equipment	50,908	47,402
Foreign currency alignment	8,684	20,216
Interest expense	22,815	55,402
Interest income	-	(12)
	124,594	153,011
Operating profit before working capital changes	124,594	153,011
Inventories	(413,205)	219,486
Trade and other receivables	(470,924)	(111,382)
Trade and other payables	976,836	(181,932)
	217,301	79,183
Cash from operation	217,301	79,183
Taxes paid	-	(7,153)
Net cash from operating activities	217,301	72,030
Investing activities:		
Interest income	-	12
Purchase of property, plant and equipment	(1,811)	(48,599)
Net cash used in investing activities	(1,811)	(48,587)
Financing activities:		
Interest expense	(22,815)	(55,402)
Net cash used in financing activities	(22,815)	(55,402)
Net increase/(decrease) in cash	192,675	(31,959)
Cash at beginning of year	48,706	80,665
Cash at end of year	241,381	48,706

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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

1. GENERAL

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

17 Phillip Street #05-01
Grand Building
Singapore 048695

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

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

The financial statements of the company and consolidated financial statements of the group for the year ended 31 December 2009 were authorised for issue in accordance with the directors' resolution dated 19 February 2010.

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 and in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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. Changes in accounting policies

In the current financial year, the group and company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for current financial year. The adoption of the above standards is assessed to have no material impact on the financial results and the financial position of the group and company for the year ended 31 December 2009, except for FRS 107 and the amendment to FRS 1 (revised) as indicated below.

FRS 1 Presentation of Financial Statements (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs. However, the group and company had adopted the one statement of comprehensive income.

FRS 107 Financial Instruments: Disclosures (Amendment) clarifies that fair value disclosures are required for each class of financial instruments separately. The amendments introduce a three-level hierarchy for fair value measurement disclosures; Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability directly or indirectly, and Level 3: inputs for the asset or liability that are not based on observable market data; and require additional disclosures about the relative reliability of fair value measurements. In addition, the existing requirements for the disclosure of liquidity risk are clarified and enhanced. Comparative disclosure is not required in the first year of application.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

2.3. FRSs and INT FRSs not yet effective

At the date of authorisation of these financial statements, the following FRS's and INT FRS's were issued but not effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 24	Related Party Disclosures (Revised)	1 January 2011
FRS 27	Consolidated and Separate Financial Statements (Amendment)	1 July 2009
FRS 32	Financial Instruments: Presentation-Classification of Rights Issues (Amendment)	1 February 2010
FRS 39	Financial Instruments: Recognition and Measurement -Eligible Hedged Item	1 July 2009
FRS 101	First-time Adoption of Financial Reporting Standards (Revised)	1 July 2009
FRS 101	First-time Adoption of Financial Reporting Standards (Revised) - Additional exemptions for first-time Adopters	1 January 2010
FRS 102	Share-based Payment: Group Cash-settled Share-based Payment Transactions (Amendment)	1 January 2010
FRS 103	Business Combinations (Amendment)	1 July 2009
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendment)	1 July 2009
INT FRS 114	Prepayment of a Minimum Funding Requirement (Amendment)	1 January 2011
INT FRS 119	Extinguishing Financial liabilities with Equity Instruments	1 July 2010
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	Transfers of Assets from Customers	1 July 2009

Improvements to FRSs issued in 2009

FRS 38	Intangible Assets (Amendment)	1 July 2009
FRS 102	Share-based Payment (Amendment)	1 July 2009
INT FRS 109	Reassessment of Embedded Derivatives (Amendment)	1 July 2009
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (Amendment)	1 July 2009
FRS 1	Presentation of Financial Statements (Amendment)	1 January 2010
FRS 7	Statement of Cash Flows (Amendment)	1 January 2010
FRS 17	Leases (Amendment)	1 January 2010
FRS 36	Impairment of Assets (Amendment)	1 January 2010
FRS 39	Financial Instruments: Recognition and Measurement	1 January 2010
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendment)	1 January 2010

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

2.4. Basis of Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

2.5. Property, Plant and Equipment and Depreciation

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

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

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

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

2.6. Investment in subsidiary

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

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

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

2.7. Impairment of financial assets

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

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

2.8. Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case, it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax assets is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current deferred tax assets and liabilities and they relate to income tax levied by the same authority on the same entity.

2.9. Foreign Currencies

a) Functional and presentation currency

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

b) Foreign Currency Transactions

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

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

c) Translation of group entities' financial statements

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

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

2.10. Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.11. Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the group's activities. Revenue is presented, net of goods and services tax, rebates and discounts,

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

and after eliminating sales within the group. Revenue is recognized when it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is recognized as follows:

a) Sales of goods

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

b) Interest income

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

2.12. Inventories

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

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

2.13. Retirement Benefit Costs

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

2.14. Employee Leave Entitlement

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

2.15. Impairment of Non-financial Assets

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

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

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

3. FINANCIAL INSTRUMENTS

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

3.1. Financial assets

a) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

b) 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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks with original maturity within 3 months and are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

d) Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss statement.

3.2. Financial liabilities and equity

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

a) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of the financial liability, or, where appropriate, a shorter period.

b) Financial liabilities

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bills payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue cost.

d) Depreciation of plant and machinery

The cost of plant and machinery for the manufacturing activities is depreciated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised.

e) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Gains or losses are recognised in the profit and loss statement when the liabilities are derecognised as well as through the amortisation process.

4. CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

4.1. Critical accounting judgements

In the process of applying the company'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 key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of property, plant and equipment

The group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

based on value-in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted.

The carrying amount of the group's property, plant and equipment at 31 December 2009 was **US\$365,045** (2008: US\$414,173).

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 the financial risks associated with these financial instruments are as follows:

a) Categories of financial assets and liabilities

Group	2009	2008
	US\$	US\$
Financial assets		
Trade and other receivables	1,194,582	723,658
Cash and cash equivalents	241,381	48,706
	<u>1,435,963</u>	<u>772,364</u>
Financial liabilities		
Trade and other payables	1,889,641	912,805
	<u>1,889,641</u>	<u>912,805</u>
 Company	 2009	 2008
	US\$	US\$
Financial assets		
Trade and other receivables	365,067	383,319
Cash and cash equivalents	5,845	1,142
	<u>370,912</u>	<u>384,461</u>
Financial liabilities		
Trade and other payables	388,571	390,587
	<u>388,571</u>	<u>390,587</u>

b) Credit Risk

Credit risk refers to risk that counterparty will default on their obligations to repay amounts owing to group resulting in a loss to the group. The group's primary exposure to credit risk arises through its trade receivables and other financial assets including cash and cash equivalents. It is the Group's policy to enter into transactions with creditworthy customers and high credit rating counter-parties to mitigate any significant credit risk. The Group has procedures in place to control credit risk and that exposure to such risk is monitored on an ongoing basis. At the end of the financial year, the Group has no significant concentration of credit risk.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

c) **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of the group's financial instruments will fluctuate because of changes in market interest rate.

The group has cash and bank balances that are non-interest bearing and therefore has no exposure to cash flow interest rate risk.

The group does not have any available-for-sale fixed rate instruments that are carried at fair value through profit and loss and therefore is not exposed to fair value interest rate.

The group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity management section of this note.

No interest rate sensitivity analysis is disclosed as the group is not exposed to cash flow interest rate risk.

d) **Foreign Currency Risk**

Foreign currency risk arose from the change in foreign exchange rates that may have an adverse effect on the group in the current reporting period and in the future years.

The group trades mainly in RMB and United States Dollars. Foreign exchange exposures are naturally hedged as both trade purchases and sales are denominated in the above currencies. This natural hedge reduces significantly the financial impact of movements in the foreign exchange rates. Management believes that the foreign exchange rate risk is manageable. Hence, the group does not use derivative financial instruments to mitigate this risk.

The group's exposure to foreign exchange are as follows:

Group	2009		2008	
	S\$	RMB	S\$	RMB
Financial assets				
Cash and cash equivalents	-	235,536	-	47,564
Trade and other receivables	-	123,885	-	278,507
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities				
Trade and other payables	4,250	31,557	7,268	53,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 5% increase or decrease is used when reporting foreign exchange rate risk internally to key management personnel and represents management's assessment of the possible change in exchange rates.

A 5% strengthening of United States Dollar against the following currencies would increase/(decrease) profit or loss by the amount shown below:

	2009	2008
	S\$	S\$
S\$ and others	<u>16,181</u>	<u>13,259</u>

A 5% weakening of United States Dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Company	2009		2008	
	S\$	RMB	S\$	RMB
Financial assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities				
Trade and other payables	4,250	-	7,268	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 5% increase or decrease is used when reporting foreign exchange rate risk internally to key management personnel and represents management's assessment of the possible change in exchange rates.

A 5% strengthening of United States Dollar against the following currencies would increase/(decrease) profit or loss by the amount shown below:

	2009	2008
	S\$	S\$
S\$	(213)	(363)

A 5% weakening of United States Dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

e) Liquidity Risk Management

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

In the management of the liquidity risk, the group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the group's operations and mitigate the effects of fluctuations in cash flows.

The following table summarised the group's remaining contractual maturity for its non-derivative financial instruments at the balance sheet date based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or pay.

Group 2009	Effective Interest rate (%)	Less than 1 year US\$	Total US\$
Financial assets:			
Trade and other receivables	-	1,194,582	1,194,582
Cash and cash equivalents	-	241,381	241,381
		<u>1,435,963</u>	<u>1,435,963</u>
Financial liabilities			
Trade and other payables	-	1,889,641	1,889,641

Group 2008	Effective Interest rate (%)	Less than 1 year US\$	Total US\$
Financial assets:			
Trade and other receivables	-	723,658	723,658
Cash and cash equivalents	-	48,706	48,706
		<u>772,364</u>	<u>772,364</u>
Financial liabilities			
Trade and other payables	-	912,805	912,805

Company 2009	Effective Interest rate (%)	Less than 1 year US\$	Total US\$
Financial assets:			
Trade and other receivables	-	365,067	365,067
Cash and cash equivalents	-	5,845	5,845
		<u>370,912</u>	<u>370,912</u>
Financial liabilities			
Trade and other payables	-	388,571	388,571

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Company 2008	Effective Interest rate (%)	Less than 1 year US\$	Total US\$
Financial assets:			
Trade and other receivables	-	383,319	383,319
Cash and cash equivalents	-	1,142	1,142
		<u>384,461</u>	<u>384,461</u>
Financial liabilities			
Trade and other payables	-	390,587	390,587

f) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables, trade and other payables 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.

g) Capital risk management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

In order to maintain or adjust the capital structure, the group may adjust the dividend payment to equity holders, issue new shares, return capital to the equity holders, obtain new borrowings or redemption of borrowings.

The group monitors capital using gearing ratio, which is net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt. The Group's overall strategy remains unchanged during the year.

	2009 US\$	2008 US\$
Trade and other payables	1,889,641	912,805
Less: Cash and cash equivalents	(241,381)	(48,706)
Net debt	<u>1,648,260</u>	<u>864,099</u>
Total equity	<u>767,606</u>	<u>716,766</u>
Total capital	<u>2,415,866</u>	<u>1,580,865</u>
Gearing ratio	68%	54%

The Group and Company are not subject to externally imposed capital requirements.

6. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 US\$	2008 US\$	2009 US\$	2008 US\$
Cash at hand	-	27	-	-
Bank balance	241,381	48,679	5,845	1,142
	<u>241,381</u>	<u>48,706</u>	<u>5,845</u>	<u>1,142</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

	Group		Company	
	2009 US\$	2008 US\$	2009 US\$	2008 US\$
RMB	235,536	47,564	-	-
United States Dollars	5,845	1,142	5,845	1,142
	<u>241,381</u>	<u>48,706</u>	<u>5,845</u>	<u>1,142</u>

7. INVENTORIES

	Group	
	2009 US\$	2008 US\$
Trading inventories at Cost	<u>856,239</u>	<u>443,034</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to **US\$1,167,596** (2008: US\$1,462,024).

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 US\$	2008 US\$	2009 US\$	2008 US\$
Trade receivables	1,070,697	618,326	-	-
Other receivables:				
- others	3,639	-	-	-
- advance - input tax	-	6,079	-	-
- tax recoverable	120,246	99,253	-	-
- subsidiary (Note 17)	-	-	365,067	383,319
	<u>1,194,582</u>	<u>723,658</u>	<u>365,067</u>	<u>383,319</u>

Amount due from subsidiary bear interest at 9.75% per annum and payable within one year.

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

	Group		Company	
	2009 US\$	2008 US\$	2009 US\$	2008 US\$
RMB	123,885	278,507	-	-
United States Dollars	1,070,697	445,151	365,067	383,319
	<u>1,194,582</u>	<u>723,658</u>	<u>365,067</u>	<u>383,319</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

9. PLANT AND EQUIPMENT

Group	Computers	Equipment Plant & Machine	Furniture & Fittings	Office Equipment	Building	Motor car	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cost							
At 1.1.2009	1,129	254,885	2,973	400	196,835	23,367	479,589
Additions	1,093	-	-	-	-	718	1,811
At 31.12.2009	2,222	254,885	2,973	400	196,835	24,085	481,400
Accumulated depreciation							
At 1.1.2009	527	35,547	1,033	187	21,502	6,620	65,416
Exchange difference	-	16	-	-	12	3	31
Additions	335	25,473	595	80	19,671	4,754	50,908
At 31.12.2009	862	61,036	1,628	267	41,185	11,377	116,355
Carrying amount							
At 31.12.2009	1,360	193,849	1,345	133	155,650	12,708	365,045
At 31.12.2008	602	219,388	1,940	213	175,333	16,747	414,173

10. INVESTMENT IN SUBSIDIARY

	2009	2008
	US\$	US\$
Unquoted equity shares at cost	810,000	810,000

Name of subsidiary	Principal activities and country of incorporation	Percentage of equity held	
		2009 %	2008 %
Heilongjiang AVT Bio-Products Ltd., previously known as Tonghe AVT Natural Ltd.,	Trading business (China)	100	100

During the year, the subsidiary issued additional shares which were fully subscribed and paid up by the company. Heilongjiang AVT Bio-Products Ltd., was audited by Jia Xin Certified Public Accountants.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Trade payable:				
- third parties	394,704	45,523	-	-
Other payables:				
- others	108,111	-	-	-
- accrued expenses	54,632	15,362	4,250	7,268
- bill discounted	947,873	468,601	-	-
- withholding tax	-	6,498	-	6,498
- immediate and ultimate holding company	384,321	376,821	384,321	376,821
	<u>1,889,641</u>	<u>912,805</u>	<u>388,571</u>	<u>390,587</u>

The amount due to immediate and ultimate holding company is unsecured, bears interest at 9.75% per annum and repayable on demand.

Interest on bill discounted ranges from 6.81% to 6.83% per annum and secured by corporate guarantee given by immediate and ultimate company.

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

	Group		Company	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
RMB	31,557	53,617	-	-
United States Dollars	1,853,834	851,920	384,321	383,319
Singapore Dollars	4,250	7,268	4,250	7,268
	<u>1,889,641</u>	<u>912,805</u>	<u>388,571</u>	<u>390,587</u>

12. ISSUED CAPITAL

	Issued share capital	
	Group and Company	
	2009	2008
	US\$	US\$
641,000 ordinary shares	<u>641,000</u>	<u>641,000</u>

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

13. REVENUE

	Group	
	2009	2008
	US\$	US\$
Sales of goods	<u>1,510,699</u>	<u>1,886,239</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

14. OTHER OPERATING INCOME

	Group	
	2009	2008
	US\$	US\$
Interest received	-	12
Foreign exchange gain	-	42,647
Miscellaneous income	<u>412</u>	<u>-</u>
	<u>412</u>	<u>42,659</u>

15. FINANCE COSTS

	Group	
	2009	2008
	US\$	US\$
Interest on bills	22,815	22,161
Interest on amount due to immediate and ultimate holding company	33,241	33,241
	<u>56,056</u>	<u>55,402</u>

16. INCOME TAX EXPENSE

	Group	
	2009	2008
	US\$	US\$
Current income tax	-	-
Underprovision previous year	-	965
	<u>-</u>	<u>965</u>

The income tax expense varied from the amount of income tax expense determined by applying the Singapore Income Tax of 17% (2008: 18%) to profit before income tax as a result of the following differences:

	Group	
	2009	2008
	US\$	US\$
Income tax (benefit)/expenses at statutory rate	7,172	5,401
Underprovision in previous year	-	965
Non-allowable/taxable item	(7,172)	(5,401)
	<u>-</u>	<u>965</u>

17. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

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

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

Significant intercompany transactions:

	Group		Company	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
Interest received from subsidiary	-	-	33,241	33,241
Interest paid to immediate and ultimate holding company	<u>33,241</u>	<u>33,241</u>	<u>33,241</u>	<u>33,241</u>

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 December 2009

AVT NATURAL PTE. LTD. SINGAPORE	2009 US\$	2008 US\$
SALES	-	-
Other income		
Interest income	33,241	33,253
	<u>33,241</u>	<u>33,253</u>
Less: Operating expenses		
ADMINISTRATIVE EXPENSES		
Auditors' remuneration	3,500	3,500
Bank charges	195	15
Printing & Stationery	172	172
Postage	218	-
Professional fees	2,572	2,210
Tax fee		
- current year	750	1,050
- last year over provision	(750)	-
Withholding tax	4,876	-
Finance expenses		
Interest on amount due to immediate and ultimate holding company	33,241	33,241
	<u>(44,774)</u>	<u>(40,188)</u>
LOSS BEFORE INCOME TAX	(11,533)	(6,935)
Income tax	-	(965)
LOSS AFTER INCOME TAX	(11,533)	(7,900)

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

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

AUDITORS' REPORT

To the members of Heilongjiang AVT Bio-Products Ltd.,

We have audited the accompanying financial statement of Heilongjiang AVT Bio-Products Ltd., including balance sheet till December 31st 2009 and income sheet of the year.

Management's responsibilities for the financial statement

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

The responsibilities of Chinese Certified Public Accountant

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

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

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

Auditor's opinion

In our opinion, the financial statements are prepared in accordance with Chinese Accounting Standards and Chinese Foreign Enterprise Accounting Rules and Regulations, present fairly, in all material respects, the financial position of the Heilongjiang AVT Bio-Products Ltd. as of December 31st 2009, and of the results of its operations for the year then ended.

- Annexes: a. Audited financial statements;
1. Balance sheet;
 2. Income sheet;
- b. Registered capital receiving statement;
- c. Registered capital and received capital auditing result;
- d. Four copies of qualification of auditor's firm.

Shuangyashan Xingshuang Auditor's Firm

Chinese Certified Public Accountant

Gao Xianglan

Chinese Certified Public Accountant

Nie Li

Shuangyashan China

January 18th 2010

Registered Capital and Received capital Auditing Result

A. Background information

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

B. Registered capital and received capital auditing result

Until December 31st, 2009 the registered capital is 810,000 USD and received capital is 810,000 USD. Invested by Singapore AVT Natural Pte. Ltd. (details please refer to registered capital receiving statement), total 810,000 USD was paid by the investor, received and accounted.

BALANCE SHEET
As at 31 December 2009

Monetary Unit: RMB ¥

ASSETS	LINE	AT BEG. OF YEAR	AT END OF YEAR	LIABILITIES AND OWNERS EQUITY	LINE	AT BEG. OF YEAR	AT END OF YEAR
Current assets:				Current liabilities:			
Monetary funds	1	324,225	1,605,560	Short-term loans	68	5,512,943	9,014,931
Short-term investment	2	-	-	Notes payable	69	-	-
Notes receivable	3	-	-	Accounts payable	70	310,317	2,690,549
Dividend receivable	4	-	-	Advance collection	71	-	-
Interest receivable	5	-	-	Accrued payrolls	72	34,565	172,165
Accounts receivable	6	4,214,902	7,298,550	Employee benefits payable	73	3,108	1,120
Others receivable	7	-	24,802	Dividend payable	74	-	-
Advance payments	8	-	-	Accrued tax	75	-676,571	-819,672
Subsidies receivable	9	41,441	-	Others unpaid	80	-	-
Inventories	10	3,020,000	5,836,669	Others payable	81	17,500	736,956
Deferred expenses	11	-	-	Accrued expenses	82	301,274	170,152
Yearling long-term debt investment	21	-	-	Accrued liabilities	83	-	-
Other current assets	24	-	-	Yearling long-term liabilities	86	-	-
Total current assets	31	7,600,568	14,765,581	Other current liabilities	90	-	-
Long-term investment:				Total current liabilities	100	5,503,1364	11,966,201
Long-term equity investment	32	-	-	Long-term liabilities:			
Long-term debt investment	34	-	-	Long-term loans	101	-	-
Total long-term investment	38	-	-	Bonds payable	102	-	-
Fixed assets:				Long-term accounts payable	103	-	-
Fixed assets cost	39	3,269,180	3,281,530	Special accounts payable	106	-	-
Less: Accumulated depreciation	40	445,918	793,150	Other long term liabilities	108	-	-
Net value of fixed assets	41	2,823,262	2,488,380	Total long term liabilities	110	-	-
Less: Provision for fixed assets impairment	42	-	-	Deferred tax:			
Net amount of fixed assets	43	2,823,262	2,488,380	Deferred tax credit	111	-	-
Supplies for construction	44	-	-	Total liabilities	114	5,503,136	11,966,201
Construction work in process	45	-	-	Owner's equity:			
Disposal of fixed assets	46	-	-	Paid-in capital	115	6,260,208	6,250,208
Total fixed assets	50	2,823,262	2,488,380	Less: Retired capital	116	-	-
Intangible and other assets:				Net amount of paid-in capital	117	6,260,208	6,260,208
Intangible assets	51	-	-	Capital reserves	118	16,639	16,639
Long-term deferred expenses	52	-	-	Surplus from profit	119	-	-
Other long-term assets	53	-	-	Include: statutory public welfare funds	120	-	-
Total intangible and other assets	60	-	-	Undistributed profit	121	-1,356,154	-989,088
Deferred tax:				Total owner's equity	122	4,920,693	5,287,759
Deferred tax debit	61	-	-	Total liabilities and owner's equity	135	10,423,830	17,253,961
Total assets	67	10,423,830	17,253,961				

INCOME STATEMENT

For the year ended 31 December 2009

ITEM	LINE	LAST YEAR IN RMB ¥	CURRENT YEAR IN RMB ¥
1. Income from main operations	1	13,085,254	10,304,199
Less:Main operating cost	4	10,142,377	7,963,957
Main operating tax and surcharge	5	-	-
2. Profit from main operations	10	2,942,876	2,340,242
Add:Profit from other operations	11	-	-
Less:Operating expenses	14	319,503	117,854
General and administrative expenses	15	2,270,738	1,697,520
Financial expenses	16	384,337	155,612
3. Operating profit	18	-31,702	369,256
Add:Investment income	19	295,849	-
subsidies receipt	22	-	-
Non-operating income	23	-	2,810
Less:Non-operating expenses	25	7,900	5,000
4. Profit before tax	27	256,248	367,066
Less:Income tax expense	28	-	-
5. Profit after tax	30	256,248	367,066
Supplementary information:			

AVT NATURAL PRODUCTS LIMITED

Registered Office : 64, Rukmani Lakshmi pathy Salai, Egmore, Chennai - 600 008, INDIA

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 Fourth Annual General Meeting of the Company to be held at 12.00 Noon on Thursday, the 9th September 2010 and at any adjournment thereof.

Signed this day of 2010

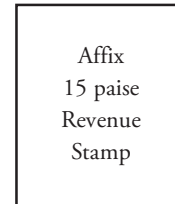
Signature

Full Name of the Share holder
(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 FOURTH ANNUAL GENERAL MEETING of the Company at 12.00 Noon on Thursday, the 9th September 2010 at Elliots Hall, Hotel Comfort INN Marina Towers, 2A, Ponniamman Koil Street, 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: Share holders 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 neighbourhood and individuality of each customer, supplier and employee.