

BOARD OF DIRECTORS

Shri P Prakash Pai	Director
Shri P Anantha Pai	Director
Shri Ganpath Subramonia Ram	Whole Time Director
Shri Gottemukkala Venkatapathi Raju	Director
Shri Dilip Mangesh Kalelkar	Whole Time Director(Technical)
Ms Ashwini Pai	Whole Time Director
Shri Abhijeet Pai	Director

Auditors

M/s. S.R.Mohan & Co.
3rd Floor, North Block,
Raghava Ratna Towers,
Chirag Ali Lane,
Hyderabad-500 001.

Registrar & Share Transfer Agents

M/s.Sathguru Management Consultants
Private Limited
Plot No.15, Hindi Nagar,
Punjagutta, Hyderabad - 500 034.

Registered Office

8-2-596 , 1st Floor, 1B,
Sumedha Estates, Avenue - 4,
IVRCL Towers, St.No.1. Rd. No.10
Banjara Hills,
Hyderabad-500 034.

Bankers

State Bank of India

Industrial Finance Branch
Somajiguda,
Hyderabad-500 082.

Works

Doulatabad
Hathnoora Mandal,
Medak District, Andhra Pradesh,
PIN-502 296.

Bank of Baroda

Khairtabad Branch,
Hyderabad-500 004.

NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Second Annual General Meeting of Lotus Chocolate Company Limited will be held at 10.00 A.M. on Friday, the 30.09.2011 at LIC Bhavan, Lions Bhavan, Paradise, Secunderabad to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the Year ended 31.03.2011 and the Balance Sheet as at that date together with the Report of Auditors and the Report of the Board of Directors.
2. To re-appoint M/s. S. R. Mohan & Co., Chartered Accountants, Hyderabad as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed upon between the said S.R. Mohan & Co., and the Board of Directors of the Company.
3. To appoint a Director in the place of Shri P. Abhijeet Pai, Director who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri Gottemukkala Venkatapathi Raju, Director who retires by rotation and being eligible, offers himself for reappointment.

For and on behalf of the Board

Sd/-

**P. Anantha Pai
Director**

Sd/-

**G.S.Ram
Whole Time Director**

Place : Hyderabad

Date : 11.08.2011

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company.
2. Instrument of proxies in order to be effective must be deposited at the Company's registered office at #8-2-596, 1st Floor, 1B, Sumedha Estates, Avenue-4, IVRCL Towers, St.No.1,

Road No.10, Banjara Hills, Hyderabad-500 034 not less than 48 hours before the meeting.

3. Members/Proxies should bring the attendance slip duly filled-in for attending the meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from Monday, 26th day of September, 2011 to Friday, 30th day of September, 2011 (both days inclusive).
5. Members desiring any information on the Accounts are requested to write to the company at least seven days before the meeting so as to enable the management to keep the information ready.

Information on Directors seeking re-appointment as required under Clause 49VI(A) of the Listing Agreement with Stock Exchanges.

Shri Abhijeet Pai

Shri Abhijeet Pai is an Engineering Graduate by qualification. He is the President of M/s.Puzzolana Machinery Fabricators for the last 5 years and has taken active part in overseas and domestic business development.

Shri Gottemukkala Venkatapathi Raju

Shri Gottemukkala Venkatapathi Raju is an AMIE Mechanical by qualification and has approximately 30 years of extensive experience in designing and development of machines for crushing, screening and material handling equipments.

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 22nd Annual Report together with the audited accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

₹ in lakhs

	Year ended 2011	Year ended 2010
Income	3902.54	3076.44
Gross Profit before Interest & Depreciation	(337.13)	213.32
Interest	(81.79)	(56.91)
Depreciation	(50.67)	(46.79)
Profit/(loss) for the year	(469.59)	109.61
Loss brought forward from previous year	(2039.57)	(2149.19)
Loss carried forward to Balance Sheet	(2526.31)	(2039.57)

Loss carried forward to Balance Sheet is ₹ 2526.31 lakhs.

PERFORMANCE

Lotus has achieved a sales turnover at ₹ 3902.54 Lakhs for the period ended 31.03.2011. The Company continued to follow its policy of offering value to the customers with sales prices just below inflation. The Management is addressing this area of concern as major initiatives are planned during the current fiscal year. Your company's performance has been led through modest investments in our brands, products, innovation initiatives, expansion into new product categories and an uphill task in managing operating costs through cost efficiency measures.

BUSINESS PLAN

During the year under review the Company withstood heavy competition, reflecting strong consumer demand for all its products and services.

The most significant impact will be the cost escalation on the prime inputs, higher escalation on the cost of power/ steam generation, had a cumulative devastating impact on the product

competitiveness.

Indeed a passionate commitment to serve a larger segment of customers is the core of your company's business strategy.

Going forward the Company's relentless endeavor to create new benchmarks in sustainable business practices will lend it an unique source of competitive advantage in an increasingly challenging socio- economic environment.

ISO CERTIFICATION

Your company's manufacturing factory located at Narsapur, Medak District has been certified to the latest version of IS 22000 (FSMS- Standard for Food Safety Management System) by Llyods, a leading International Certification Company.

This certification indicates our commitment in a sustainable manner, in meeting global quality, environment, health and safety standards. This is a milestone in our quest for quality.

Our Company has been rated by CRISIL as SME III.

RESEARCH AND DEVELOPMENT

Efforts made on the process front:

1. It is our constant investment and innovation in our basic approach, by adding quality and originality to the products/creations.
2. The Company is able to manage the stiff competition and retained the esteemed customers within its fold and also increase processing capacity.
3. Further new products will be introduced later part of this year. To achieve this, the Company is making innovative energies to harness skills, raising performance and leadership qualities.
4. We work closely with our clients own food technologies, ensuring quality performance and stability under the most rigorous industrial processing conditions.
5. The Company is earnestly focusing on installing a full fledged chocolate and confectionary laboratory scale machinery to fabricate tailor made products to our prestigious customers.

BIFR

Our Company has come out with Board of Industrial and Financial Reconstruction (BIFR) which was registered earlier, since our Company has achieved its positive net worth.

PARTICULARS OF EMPLOYEES

During the year under review, none of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

PARTICULARS REGARDING ENERGY CONSERVATION ETC.

The particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed to this Report.

DEPOSITS

The Company has not accepted any deposit during the year under review.

BOARD OF DIRECTORS

Shri Abhijeet Pai and Shri Gottemukkala Venkatapathi Raju, Directors retires by rotation at the 22nd Annual General Meeting and being eligible offers themselves for reappointment.

AUDITORS

M/s S R Mohan & Company, Chartered Accountants, Hyderabad, Statutory Auditors of your Company hold office until the conclusion of the 22nd Annual General Meeting and are being proposed for re-appointment. The Company has received a certificate from them to the effect that their appointment if made would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

The Board submits as under :

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgements 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 or loss of the company for that period;

- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Yours Directors place on record the appreciation for the sincere efforts and hard work put in by the employees of the Company in its operations. The Directors acknowledge the support and co - operation received from Banks and other Governmental Agencies.

The Directors express their gratitude to the shareholders of the Company for the confidence and faith reposed in the management

For and on behalf of the Board

Sd/-

Sd/-

**P.Anantha Pai
Director**

**G.S.Ram
Whole Time Director**

Place : Hyderabad

Date : 11.08.2011

ANNEXURE TO THE DIRECTORS REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988:

A. Conservation of Energy

a. Energy Conservation measures taken:

The Company has installed the following energy saving devices:

- CFL Lamps
- Power Capacitors
- Steam Condensate Recovery
- Street Lighting Timer
- Water Level Controller

b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

Energy saving devices are being installed to reduce consumption of electrical energy.

c. Impact of measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods.

d. Total energy consumption & energy consumption per unit of production in prescribed Form 'A'

	Year ended 31 st March, 2011	Year ended 31 st March, 2010
A. Power & fuel consumption in respect of		
1. Electricity		
a. Purchased :		
Units (Kwh)	17,43,419	19,50,987
Total (₹)	82,24,818	75,11,300
Rate per unit (₹)	4.71	3.85
b. Own Generation : Through Diesel Generator		
Units (Kwh)	1,45,36	1,85,242
Units per Litre of Diesel Oil	2.22	2.45
Cost per Unit (₹)	15.69	15.06
2. Furnace Oil/LSHS/LDO/HSD		
Qty (Lts)	—	Nil
Total Amount (₹)	—	Nil
Average (₹/ltr)	—	Nil
3. Wood/Coal		
Qty (Kgs.)	5,64,700	7,85,950
Total Amount (₹)	19,59,509	28,92,296
Average (₹/Kgs.)	3.47	3.68
B. Consumption per unit of production Cocoa & Chocolate products (tones)		
i. Electricity (KWH/Tonnes)		
- Cocoa	513 units/MT	408 units/MT
- Chocolate	434 units/MT	321 units/MT
ii. Furnace Oil/LSHS/LDO HSD (KL/Tonne)		
- Cocoa	—	Nil
- Chocolate	—	Nil
iii. Wood/coal (KG/MT)		
- Cocoa	312 Kgs/MT	226 Kgs/MT
- Chocolate	60 kgs/MT	59 Kgs/MT

B Technology Absorption

e. Efforts made in technology absorption in Form 'B'

Research & Development

1. Specific areas in which R & D was carried out by the Company:

Research and Development work has been continued to develop tailor-made recipes. Improved the packing mode of consumer products with better appeal and product protection. Improvements in Cocoa process carried out to improve product safety and quality. Cocoa plant is being certified for HACCP(Food Safety Systems) and successfully undergone through surveillance audits.

2. Benefits derived as a result of the above R & D:

The Company could sustain the stiff competition and is able to retain the esteemed customers within its fold and also increase its capacity.

3. Future Plans & Actions

Further new Chocolate products will be introduced later this year. To achieve this the Company is making special efforts to development management skills, raising performance, Leadership capabilities sharpening the customers at all levels within the company.

4. Expenditure on R & D:

	₹
a. Capital	-
b. Recurring	-
c. Total as % turnover	-

5. Technology Absorption, Adoption and Innovation : -

C. Foreign Exchange Earnings & Outgo:

f. Activities relating to exports, initiatives taken to increase the exports, development of new export markets for products and services and export plans:

The Company has exported its Cocoa and Chocolate Products to Nepal and Europe.

g. Total foreign exchange used and earned (CIF Value):

	₹ / lacs
i) Foreign Exchange earnings	354.40
ii) Foreign Exchange Outgo(including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	536.46

For and on behalf of the Board

Place : Hyderabad

Date : 11.08.2011

Sd/-
P.Anantha Pai
Director

Sd/-
G.S.Ram
Whole Time Director

COMPLIANCE REPORT ON CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT.

1. Company's Philosophy on Corporate Governance

The Company has adopted adequate control systems and adherence to Corporate Governance to enable its Board of Directors to effectively discharge its responsibilities in the best interest of its stakeholders, customers, employees and the society.

The Company's philosophy on Corporate Governance ensures the fullest commitment of the Management and envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its activities and operations.

2. Board of Directors

(a) Composition of the Board

The Company's Board presently consists of Seven Directors, out of which four are Non-Executive Directors and three are Executive Directors of the Company.

(b) Attendance of each Director at Board Meetings and the last Annual General Meeting (AGM)

Nine.9. Board Meetings were held during the financial year ended 2011:

S.No.	Name of the Director	Category of Directorship	No. of Board Meetings held in the year during the tenure of the Director	No. of Board Meetings attended	Attendance at the last AGM
1.	P.Anantha Pai	Independent Non-executive Director	9	9	Yes
2.	P.Prakash Pai	Independent Non-executive Director	9	9	Yes
3.	G.S.Ram	Independent Executive Director	9	9	Yes
4.	G.V.Raju	Independent Non-executive Director	9	9	Yes
5.	Dilip Mangesh Kalelkar	Independent Executive Director	9	5	Yes
6.	P.Ashwini Pai	Independent Executive Director	9	9	Yes
7.	P.Abhijeet Pai	Independent Non-executive Director	9	9	Yes
8.	T.Sarada*	Independent Promoter Non-executive Director	9	--	--

Date of last Annual General Meeting (AGM) – 30.09.2010.

*T.Sarada, Director resigned as a Director w.e.f. 14th July, 2011

(c) Pecuniary relationship or transactions of the non-executive Directors vis-à-vis the Company.

The Company's non-executive Directors do not have any pecuniary relationship or transactions with the Company.

(d) Number of other Boards/Board Committees each Director (being a Director of the Company as at the end of the financial year) is a Director/Chairman of :

S.No.	Name of the Director	No. of other Companies in which Director	No. of Committees (other than those constituted by the Company in which Member/Chairman)
1.	P.Prakash Pai	5	Nil
2.	P.Anantha Pai	5	Nil
3.	P.Ashwini Pai	Nil	Nil
4.	P.Abhijeet Pai	4	Nil
5.	G.V.Raju	Nil	Nil
6.	G.S.Ram	Nil	Nil
7.	Dilip Mangesh Kalelkar	Nil	Nil

(e) Number of Board Meetings held during the financial year and the dates of the Board Meetings

Nine(9) Board Meetings were held during the financial year 2011. The time gap between any two Board Meetings did not exceed by more than four months.

The dates on which the said Board Meetings were held are as follows:

1 st Board Meeting	-	10.05.2010
2 nd Board Meeting	-	13.05.2010
3 rd Board Meeting	-	24.06.2010
4 th Board Meeting	-	13.08.2010
5 th Board Meeting	-	17.08.2010
6 th Board Meeting	-	13.11.2010
7 th Board Meeting	-	05.02.2011
8 th Board Meeting	-	14.02.2011
9 th Board Meeting	-	31.03.2011

3. Audit Committee

(a) Brief description of terms of reference

- 1) It shall have authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if any.

- 2) To seek information from any employee and obtain outside legal or professional advice.
- 3) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 4) Reviewing with the management the annual financial statements before submission to the Board, internal and external auditors and the adequacy of the internal control systems.
- 5) Reviewing the Company's financial and risk management policies and compliance with internal control systems.

(b) Composition, Names of Members and Chairperson

A qualified and an independent Audit Committee consisting of three members, all being independent Directors, was constituted on April 25th, 2001 and further reconstituted again on 30.01.2009. The Committee was reconstituted with the following members:

The Committee consists of:

1. Shri.P.Prakash Pai, Director
2. Shri. P.Anantha Pai ,Director
3. Shri. G S Ram, Whole Time Director
4. Shri G V Raju, Director

(C) Meetings during the year

Three meetings of the Audit Committee were held.

4. Remuneration Committee

The Board of Directors re-constituted Remuneration Committee on 30.01.2009 with the objective to evaluate compensation and other benefits for Executive Directors and the Manager subject to the approval of the Board of Directors and Members.

The Committee consists :

1. Shri.P.Prakash Pai - Director
2. Shri. P.Anantha Pai - Director
3. Shri G V Raju - Whole Time Director
4. Shri. G S Ram - Director

5. Remuneration of Directors

(a) Remuneration to Non-Executive Directors

Presently, the non-executive Directors do not receive any remuneration from the Company and are paid sitting fees for attending the meetings of the Board and Committees thereof.

(b) Remuneration to Executive Director

There is no change in the remuneration paid to the Whole Time Directors - Shri G S Ram, Ms. Ashwini Pai and Shri Dilip Mangesh Kalelkar.

6. Shareholders/Investors Grievances Committee

The Board of Directors designated an “Investor Grievance Committee” on 30-07-2001 which was reconstituted on 30.01.2009 as a measure of good corporate governance and to strengthen the investor relations. The following are the members of the Committee:

1. Shri.P.Prakash Pai, Director
2. Shri. P.Anantha Pai , Director
3. Shri. G S Ram, Whole Time Director
4. Shri G V Raju – Director

(a) Name of the Non-executive Director heading the Committee

The Committee functions under the Chairmanship of Shri. P.Prakash Pai, an Independent and Non – Executive Director.

(b) Name and designation of Compliance Officer

G S Ram, Whole Time Director, has been appointed as the Compliance Officer of the Company.

(c) Status of Investor Complaints received during the financial year 2011:

Nature of Complaint	Received	Cleared
Non-receipt of Share Certificates sent for transfer	9	9
Demat request pending	2	2
Non-receipt of Dividend warrant	1	1
Any other complaints	1	1
Total		

Note: The Company has attended to the shareholders'/investors' grievances/correspondence generally within a period of 7 days except in cases where constraints by disputes or legal impediments.

(d) Number of pending share transfers

There were no share transfers pending as at the end of the financial year.

7. General Body Meetings

(a) Details of the location and time of the last three Annual General Meetings (AGMs) of the Company.

The details in respect of the last **three** Annual General Meetings of the Company are as follows:

Date of the Meeting(Relating to Calender Year)	AGM held relating to accounting year ended	Venue of the Meeting	Time of Meeting
30 th September, 2008	31-03-2008	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 th September, 2009	31-03-2009	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 th September, 2010	31-03-2010	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m

(b) Information on Directors seeking appointment/re-appointment as required under Clause 49VI(A) of the Listing Agreement with Stock Exchanges.

This information is provided in the Notes appended to the Explanatory Statement under the heading “Additional information on Directors recommended for appointment/seeking re-election at the ensuing Annual General Meeting.”

(c) Whether special resolutions were put through Postal Ballot last year, details of voting pattern, person who conducted the Postal Ballot exercise, proposed to be conducted through Postal Ballot and procedure for Postal Ballot.

Not applicable. None of the resolutions had been proposed to be passed through Postal Ballot.

8. Disclosures

(a) Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

Forming part of the Note to Accounts of the Company.

(b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None.

9. Means of Communication

Half yearly Report sent to each of the shareholders	No. But published in English and Regional News paper
Quarterly Results – Newspapers normally published in	English – Business Standard Telugu - Andhra Bhoomi
Website where quarterly results are displayed	sebidifar.nic.in

10. General Shareholder information

- (a) As indicated in the Notice to our Shareholders, the Annual General Meeting of the Company will be held on 30th day of September, 2011, Friday at 10.00 A.M.
- (b) Date of book closure: 26th day of September, 2011 to 30th day of September, 2011 for the purpose of the Annual General Meeting.
- (c) No gifts will be given at the Annual General Meeting.
- (d) The shares of the company is listed on:
 - The Stock Exchange, Mumbai

The listing fees for all the years have been paid to the stock exchange where the company's shares are listed.

(e) Stock Code

Stock Code-HSE-LAGLOB Scrip Code No. LOTCHO\$

Stock Code-BSE-LANGLSY Scrip Code No. 523475

(f) Registrar & Share Transfer Agents

M/s Sathguru Management Consultants (P) Limited

Plot No.15, Hindi Nagar Colony,

Behind Sai Baba Temple,

Punjagutta, Hyderabad- 500 034.

Ph: 2335 0586, 2335 6975

(g) Share Transfer system

The shareholders are advised to contact the Registrar and Share Transfer Agents at their address for effecting transfer of shares both in physical and electronic form.

(h) Distribution of Shareholding as on 31st March, 2011 :

	Category	Number of Shares Held	Percentage of Shareholding(%)
A	Promoter's Holding		
1	Promoter's		
	- Indian Promoters	8627100	67.18
	- Foreign Promoters	-	-
	Sub – Total	8627100	67.18
B	Non – Promoters Holding		
2	Institutional Investors		
A	Mutual Funds & UTI	-	-
B	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non – Govt. Institutions)	4400	0.03
C	FII's	1500	0.01
	Sub – Total		
3	Others		
A	Private Corporate Bodies	237329	1.85
B	Indian Public	3958391	30.83
C	Any other - NRIs / OCBs	12323	0.10
	Sub – Total	4213949	32.82
	Grand Total	12841049	100.00

(i) Dematerialization of Shares:

The shares are traded in dematerialized form with effect from **June 28th, 2001**. Our Company had entered into agreements with National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd.(CDSL) to establish electronic connectivity and facilitate scripless trading. The list of Depository Participants is available with the National Securities Depository Limited (NSDL) at www.nsdl.co.in. The **International Securities Identification Number (ISIN)** allotted to the Company's scrip is **INE026D01011**.

(j) Outstanding GD ₹ / AD ₹ / Warrants or any other Convertible instruments, conversion date and likely impact on equity.

The Company has not issued any GD ₹/AD ₹ / Warrants or any other convertible instruments so far.

(k) Plant Location

Doulatabad, Narsapur Taluq, Medak District, 502296.

(l) Address for correspondence

LOTUS CHOCOLATE COMPANY LIMITED

#8-2-596, 1st Floor, 1B, Sumedha Estates, Avenue - 4, IVRCL Towers, St.No.1. Rd. No.10, Banjara Hills, Hyderabad-500 034.

Disclosure under clause 43 A(2) of the Listing Agreement

The Equity Shares of the Company are listed in the following Stock Exchanges and the listing fees till date have been paid by the Company.

Non-Regional

The Stock Exchange, Mumbai, 1st Floor, Rotunda Building, B.S.Marg, Fort, Mumbai - 400 001.

AUDITORS' REPORT

We have audited the attached Balance Sheet of Lotus Chocolate Company Limited as at March 31, 2011 and the Profit and Loss Account 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 report as follows:

1. We conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the 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.
2. The Company has not provided the interest of ₹ 42,36,549/- on over-due Deferred Sales Tax Loan for the year. Total accumulated liability of interest amounting to ₹1,70,36,097/- on over-due deferred Sales Tax is not provided in the books of account. This has an effect of understatement of loss for the year by ₹ 42,36,549/- and understatement of accumulated loss and liabilities by ₹ 1,70,36,097/- as at 31-03-2011.
3. As required by the Companies (Auditor's Report) Order, 2003 issued and subsequently amended by the Central Government in exercise of the power conferred by section 227(4A) of the Companies Act, 1956 and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Subject to our remarks in paragraph 2 and the annexure referred to in paragraph 3, we report:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far it appears from our examination of such books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956;
 - (v) On the basis of the written representation received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 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 together with notes thereon, 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 Balance Sheet, of the state of affairs of the Company as at March 31, 2011,
 - (b) in the case of Profit and Loss Account, of the loss for the year ended on that date, and
 - (c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

Place : Hyderabad
Date : August 11, 2011

For S.R. Mohan & Co.,
Chartered Accountants
FR No. 0021118

Sd/-
B. Brahmanandam, Partner
Membership No. 020026

Ref: LOTUS CHOCOLATE COMPANY LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITORS' REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of Fixed Assets which in our opinion is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off Fixed Assets during the period, which affects the going concern concept.
- (ii) (a) As explained to us, all the inventory of the Company except stock-in-process has been physically verified by the management at the year-end. Stock-in-process has been taken as per the management's technical estimate. In our opinion and according to the information and explanations given to us, the frequency of the verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management and read with our comments in paragraph (ii) (a) above, are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) On the basis of examination of the records of inventory and according to the information and explanations given to us, we are of the opinion that the Company is maintaining proper records of inventory. Discrepancies noticed on physical verification of stocks were not material.
- (iii) (a) On the basis of examination of records and according to the information and explanation given to us, 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 Companies Act, 1956.
- (b) On the basis of examination of records and according to the information and explanation given to us, the Company has taken unsecured loans from two parties covered in the register maintained under section 301 of companies Act, 1956. The maximum amount at any time during the year was ₹1.461.01 lakhs and year-end balance outstanding was 1.461.01 lakhs.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans taken are not prejudicial to the interest of the Company.
- (d) The Company has repaid the loans along with interest thereon during the year.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion, and according to the information and explanation given to us, there is no continuing failure to correct major weaknesses in the internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 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 and arrangements referred to in (a) above and exceeding the value of ₹ 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits under section 58A or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
- (vii) In our opinion, Company has internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for the products of the Company;

- (ix) (a) According to the records of the Company and the information and explanations given to us, The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
- (b) According to records of the Company and the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were outstanding as at 31st March, 2011 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and as per the information and explanations given to us by the management, the details of disputed statutory dues which have not been deposited are as given below:

Name of Statute	Nature of dues	Amount (₹ in Lakhs)	Period to which it relates	Forum where pending
Customs	Customs Duty	319.04	1996-1997	High Court, Chennai
Customs	Customs Duty	180.00	1996-1997	Appellate Tribunal, Chennai

- (x) In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth as on 31st March, 2011. The Company has incurred cash loss of ₹406.95 lakhs during the financial year covered by our audit, but it has not incurred any cash loss in immediately preceding financial year.
- (xi) Based on our examination of documents and records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- (xii) Based on our examination of documents and records and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of the pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or nidhi/ mutual benefit fund/society. Therefore, the provisions of the clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loan during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on a short-term basis have been used for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- (xix) According to the information and explanations given to us and the records examined by us, no debentures have been issued during the year. Accordingly, provisions of Clause 4(xix) of the Order are not applicable to the Company.
- (xx) Based on the records examined by us, the Company has not raised monies by public issue during the year.
- (xxi) During the course of our examination of books of account carried out in accordance with generally accepted practices in India, we have neither come across any incidence of fraud on or by the Company nor have we been informed of any such case by the management.

For S.R. Mohan & Co.,
Chartered Accountants

Sd/-

B. Brahmanandam, Partner
Membership No. 020026

Place : Hyderabad
Date : August 11, 2011

BALANCE SHEET AS AT MARCH , 2011

	SCH REF	AS AT 31-03-2011 (₹)	AS AT 31-03-2010 (₹)
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
SHARE CAPITAL	1	202,346,490	202,346,490
RESERVES AND SURPLUS	2	66,882,599	66,882,599
SUB-TOTAL		269,229,089	269,229,089
2. LOAN FUNDS			
SECURED LOANS	3	33,337,139	25,422,317
UNSECURED LOANS	4	170,981,847	24,880,838
SUB-TOTAL		204,318,986	50,303,155
TOTAL		473,548,075	319,532,244
II APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
GROSS BLOCK		211,814,933	182,020,542
LESS: DEPRECIATION		148,219,909	143,151,921
NET BLOCK		63,595,024	38,868,621
2. INVESTMENTS	6	2,000,000	-
3. CURRENT ASSETS, LOANS AND ADVANCES			
A. CURRENT ASSETS			
INVENTORIES	7	137,195,387	50,661,010
SUNDRY DEBTORS	8	57,036,088	31,452,408
CASH AND BANK BALANCES	9	2,122,311	2,504,104
OTHER CURRENT ASSETS	10	4,811,340	3,505,302
B. LOANS AND ADVANCES	11	15,474,851	23,546,699
SUB-TOTAL		218,639,977	111,669,523
LESS: CURRENT LIABILITIES AND PROVISIONS	12	61,318,546	34,963,109
NET CURRENT ASSETS		157,321,431	76,706,414
4. PROFIT AND LOSS ACCOUNT		252,631,620	203,957,209
TOTAL		473,548,075	319,532,244
ACCOUNTING POLICIES	18		
NOTES ON ACCOUNTS	19		

THE SCHEDULES 1 TO 19 REFERRED TO ABOVE FORM AN INTEGRAL PART OF THIS BALANCE SHEET

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For **S.R. MOHAN & CO.**,
CHARTERED ACCOUNTANTS

Sd/-

B. BRAHMANANDAM, Partner
Membership No. 020026

Place : Hyderabad

Date : 11th August 2011

Sd/-

P. ANANTHA PAI
DIRECTOR

Sd/-

G.S. RAM
WHOLE TIME DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH, 2011

	SCH REF	AS AT 31-03-2011 (₹)	AS AT 31-03-2010 (₹)
I. INCOME			
SALES (GROSS)		419,966,205	286,299,621
LESS : EXCISE DUTY		40,120,680	21,220,223
SALES (NET)		379,845,525	265,079,398
INCOME FROM CONVERSION		7,901,479	38,771,167
OTHER INCOME	13	2,507,219	3,793,448
TOTAL		390,254,223	307,644,013
II. EXPENDITURE			
MATERIAL CONSUMED	14	302,879,485	182,711,701
(INCREASE) / DECREASE IN STOCKS	15	(14,290,145)	(3,464,241)
MANUFACTURING, ADMINISTRATIVE, AND SELLING EXPENSES	16	134,785,596	106,418,825
FINANCIAL EXPENSES	17	8,770,406	6,018,033
DEPRECIATION		5,067,988	4,679,290
TOTAL		437,213,330	296,363,608
III. PROFIT FOR THE YEAR		(46,959,107)	11,280,405
IV. PROFIT AFTER TAX		(46,959,107)	11,280,405
V. PRIOR YEAR ADJUSTMENTS		(1,715,304)	(318,841)
VI. LOSS BROUGHT FORWARD FROM PREVIOUS YEAR		(203,957,209)	(214,918,773)
VII. LOSS CARRIED FORWARD TO BALANCE SHEET		(252,631,620)	(203,957,209)
VIII. EPS (BASIC) BEFORE PRIOR YEAR ADJUSTMENT		(3.66)	0.88
IX. EPS (BASIC) AFTER PRIOR YEAR ADJUSTMENT		(3.79)	0.85
ACCOUNTING POLICIES	18		
NOTES ON ACCOUNTS	19		

THE SCHEDULES 1 TO 19, REFERRED TO ABOVE FORM AN INTEGRAL PART OF THIS PROFIT AND LOSS ACCOUNT.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For S.R. MOHAN & CO.,
CHARTERED ACCOUNTANTS

Sd/-
B. BRAHMANANDAM, Partner
Membership No. 020026
Place : Hyderabad
Date : 11th August 2011

Sd/-
P. ANANTHA PAI
DIRECTOR

Sd/-
G.S.RAM
WHOLE TIME DIRECTOR

SCHEDULE FORMING AN INTEGRAL PART OF BALANCE SHEET AS AT MARCH, 2011

	AS AT 31-03-2011 (₹)	AS AT 31-03-2010 (₹)
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED :		
14,000,000 EQUITY SHARES OF ₹10/- EACH (Previous Year 14,000,000)	140,000,000	140,000,000
8,000,000 PREFERENCE SHARES OF ₹10/- EACH (Previous Year 8,000,000)	80,000,000	80,000,000
TOTAL	220,000,000	220,000,000
ISSUED, SUBSCRIBED AND PAID-UP :		
12,841,049 EQUITY SHARES OF ₹10/- EACH (Previous Year 12,841,049)	128,410,490	128,410,490
LESS: CALLS UNPAID		
- FROM MEMBERS OTHER THAN DIRECTORS	30,000	30,000
SUB TOTAL	128,380,490	128,380,490
PREFERENCE SHARE CAPITAL	73,966,000	73,966,000
73,96,600 10% REDEEMABLE CUMULATIVE PREFERENCE SHARES ₹10/- EACH (Previous Year 73,96,600)		
TOTAL	202,346,490	202,346,490
SCHEDULE - 2		
RESERVES AND SURPLUS		
CAPITAL RESERVE	27,414,157	27,414,157
STATE INVESTMENT SUBSIDY	1,500,000	1,500,000
SHARE PREMIUM	37,968,442	37,968,442
TOTAL	66,882,599	66,882,599
SCHEDULE - 3		
SECURED LOANS		
CASH CREDIT FROM :		
STATE BANK OF INDIA	27,688,135	25,303,318
BANK OF BARODA	5,649,004	118,999
TOTAL	33,337,139	25,422,317
SCHEDULE - 4		
UNSECURED LOANS		
SALES TAX PAYABLE UNDER DEF. PAYMENT SCHEME	24,880,838	24,880,838
UNSECURED LOANS FROM DIRECTORS		
MR P.PRAKASH PAI	71,194,322	-
MR P.ANANTHA PAI	74,906,687	-
TOTAL	170,981,847	24,880,838

SCHEDULE - 5

SCHEDULE OF FIXED ASSETS		AMOUNT IN Rs.											
		GROSS BLOCK					DEPRECIATION					NET BLOCK	
		AS AT 01-04-2010	ADDITIONS DURING THE PERIOD	ADJ.FOR SALE/ TRA.WO	AS AT 31.03.2011	UPTO 31.03.2010	DURING THE PERIOD	ADJ.FOR SALE/DEL. WRITE BACK	UPTO 31.03.2011	AS AT 31.03.2011	AS AT 31.03.2010		
LAND	230,863			230,863					230,863	230,863			
BUILDINGS	18,772,443	395757		19,168,200	10,542,683	636,348		11,179,031	7,989,169	8,229,760			
PLANT AND MACHINERY	147,802,085	11,073,619		158,875,704	125,147,593	3,420,579	0	128,568,172	30,307,532	22,654,492			
ELECTRIC INSTALLATIONS	4,845,142	0		4,845,142	3,732,720	230,144		3,962,864	882,278	1,112,422			
FURNITURES AND FIXTURES	2,253,901	201,744	4000	2,451,645	1,859,710	76,111	0	1,935,821	515,824	394,191			
OFFICE EQUIPMENT	699,905	70,494		770,399	180,957	56,594		237,551	532,848	518,948			
OFFICE EQUIPMENT - COMPUTERS	2,084,325	358,829		2,443,154	555,481	359,139		914,620	1,528,534	1,528,844			
VEHICLES	3,042,878		0	3,042,878	1,132,777	289,073	0	1,421,850	1,621,028	1,910,101			
CAPITAL WORK IN PROGRESS	2,289,000	19,986,948	2,289,000	19,986,948					19,986,948	2,289,000			
TOTAL	182,020,542	32,087,391	2,293,000	211,814,933	143,151,921	5,067,988	0	148,219,909	63,595,024	38,868,621			
AS PER FIXED ASSETS REGISTER	0	0	0				0						
PREVIOUS YEAR													
AS AT 31ST MARCH 2010	169,919,484	12,144,781	43,723	1,820,120,542	138,472,631	4,679,290	0	143,151,921	38,868,621				

	AS AT 31-03-2011 (₹)	AS AT 31-03-2010 (₹)
SCHEDULE - 6		
INVESTMENTS		
UN QUOTED - MUTUAL FUNDS		
1. BARODA PIONEER SHORT TERM BOND FUND - GROWTH PLAN 1,00,000 units @ ₹10/- each	1,000,000	-
2. SBI PSU FUND - GROWTH 1,00,000 units @ ₹10/- each	1,000,000	-
TOTAL	2,000,000	
SCHEDULE - 7		
INVENTORIES		
RAW MATERIAL	90,395,548	18,228,313
PACKING MATERIAL	7,895,496	5,918,809
STORES AND SPARES	4,681,761	6,581,451
WORK -IN- PROCESS	8,377,042	5,736,862
FINISHED GOODS	25,845,540	14,195,575
SUB TOTAL	137,195,387	50,661,010
TOTAL	137,195,387	50,661,010
SCHEDULE - 8		
SUNDRY DEBTORS		
DEBTS OUTSTANDING FOR MORE THAN SIX MONTHS :		
CONSIDERED GOOD	-	-
CONSIDERED DOUBTFUL	3,428,262	3,428,262
	3,428,262	3,428,262
LESS : PROVISION FOR DOUBTFUL DEBTS	3,428,262	3,428,262
SUB TOTAL	-	-
OTHER DEBTS		
CONSIDERED GOOD	57,036,088	31,452,408
TOTAL	57,036,088	31,452,408
SCHEDULE - 9		
CASH AND BANK BALANCES		
CASH ON HAND	61,335	153,784
BALANCE WITH SCHEDULE BANKS :		
IN CURRENT ACCOUNTS	1,991,751	2,281,095
IN SHORT-TERM DEPOSIT ACCOUNTS *	69,225	69,225
TOTAL	2,122,311	2,504,104
* Duly discharged deposit receipts deposited with Company's bankers as security against guarantees given by them ₹ 69,225 (Previous Year ₹69,225/-)		

	AS AT 31-03-2011 (₹)	AS AT 31-03-2010 (₹)
SCHEDULE - 10		
OTHER CURRENT ASSETS		
INCOME TAX DEDUCTED AT SOURCE	521,609	386,038
INTEREST RECEIVABLE	90,999	152,532
BALANCE WITH GOVERNMENT BODIES	4,198,732	2,966,732
TOTAL	4,811,340	3,505,302
SCHEDULE - 11		
LOANS AND ADVANCES (UNSECURED-CONSIDERED GOOD)		
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED	10,907,473	11,248,755
DEPOSIT WITH GOVERNMENT AUTHORITIES	4,567,378	9,737,578
TOTAL	15,474,851	20,986,333
SCHEDULE - 12		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
CREDITORS FOR :		
CAPITAL ITEMS	475,830	2,560,366
MATERIAL SUPPLIES AND SERVICES		
DUE TO SSI UNITS	820,729	820,729
DUE TO OTHERS	30,283,625	9,365,118
EXPENSES	5,561,359	4,330,014
ADVANCE FROM CUSTOMERS	2,946,535	1,684,783
OTHER LIABILITIES	13,457,419	11,902,758
SUB TOTAL	53,545,497	30,663,768
PROVISIONS		
PROVISION FOR GRATUITY	4,750,640	4,050,241
PROVISION FOR LEAVE SALARY	753,728	650,992
PROVISION FOR BONUS	2,268,681	2,143,744
SUB TOTAL	7,773,049	6,844,977
TOTAL	61,318,546	37,508,745

	AS AT 31-03-2011 (₹)	AS AT 31-03-2010 (₹)
SCHEDULE FORMING INTEGRAL PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 2011		
SCHEDULE - 13		
OTHER INCOME		
INTEREST EARNED	326,159	205,277
MISCELLANEOUS INCOME	2,181,060	3,588,171
TOTAL	2,507,219	3,793,448
SCHEDULE - 14		
MATERIALS, FINISHED GOODS ETC.,		
MATERIAL CONSUMED :		
RAW MATERIAL	274,733,249	159,015,688
PACKING MATERIAL	28,146,236	23,696,013
TOTAL MATERIAL CONSUMED	302,879,485	182,711,701
SCHEDULE - 15		
DECREASE/(INCREASE) IN STOCKS :		
OPENING STOCK :		
- FINISHED GOODS	14,195,575	13,545,536
- WORK-IN-PROCESS	5,736,862	2,922,660
SUB-TOTAL	19,932,437	16,468,196
CLOSING STOCK :		
- FINISHED GOODS	25,845,540	14,195,575
- WORK-IN-PROCESS	8,377,042	5,736,862
SUB-TOTAL	34,222,582	19,932,437
DECREASE/(INCREASE) IN STOCK	(14,290,145)	(3,464,241)

	(In ₹) for the Year ended 31.03.2011	(In ₹) for the Year ended 31.03.2010
SCHEDULE - 16		
MANUFACTURING, ADMINISTRATIVE AND SELLING MANUFACTURING EXPENSES		
MANUFACTURING EXPENSES		
SALARIES AND ALLOWANCES FACTORY	26,123,636	17,431,232
POWER CHARGES	8,316,175	7,392,242
FUEL CHARGES (Coal and Diesel)	4,628,826	5,480,119
STORES AND SPARES	7,429,682	9,932,518
STAFF WELFARE	1,141,051	1,089,495
JOBWORK CHARGES	3,503,467	2,394,555
REPAIRS AND MAINTENANCE :		
PLANT AND MACHINERY	1,072,886	1,456,994
BUILDINGS	337,609	164,038
OTHERS	529,439	702,361
TOTAL A	53,082,771	46,043,554
ADMINISTRATIVE AND SELLING EXPENSES		
SALARIES AND ALLOWANCES STAFF	30,178,201	21,446,658
RENT	2,263,421	1,033,555
RATES, TAXES AND FILING FEES	2,173,885	726,238
VEHICLE & OTHER HIRE CHARGES	240,643	446,730
POSTAGE, TELEGRAMS AND TELEPHONES	1,612,578	1,179,645
TRAVELING AND CONVEYANCE :		
DIRECTOR'S	317,719	287,970
OTHERS	15,953,670	6,911,832
INSURANCE	290,190	191,127
CONSULTANCY & PROFESSIONAL CHARGES	791,799	803,103
DIRECTOR'S REMUNERATION	1,539,000	1,503,800
MEETING AND CONFERENCES	123,019	199,681
AUDITORS REMUNERATION :		
AUDIT FEES	45,000	49,635
TAX AUDIT FEES	25,000	38,605
OTHER SERVICES	-	-
OUT OF POCKET EXPENSES	3,780	2,915
RESEARCH AND DEVELOPMENT EXPENSES	587,147	870,439
BUSINESS PROMOTION	6,318,921	3,710,062
CARRIAGE OUTWARD	9,888,902	6,426,233
SALES COMMISSION	668,402	702,612
OTHER EXPENSES	8,681,548	13,844,431
TOTAL B	81,702,825	60,375,271
SUB-TOTAL (A+B)	134,785,596	106,418,825
SCHEDULE - 17		
FINANCIAL EXPENSES		
- INTEREST ON WORKING CAPITAL LOAN	3,901,028	983,899
- INTEREST TO OTHERS	4,278,992	4,707,015
- BANK CHARGES	590,386	327,119
SUB-TOTAL (C)	8,770,406	6,018,033
CHARGED TO PROFIT AND LOSS ACCOUNT (A+B+C)	143,556,002	112,436,858

CASHFLOW STATEMENT FOR THE PERIOD FROM APRIL 2010 TO MARCH 2011

	(In ₹) for the Year ended 31.03.2011	(In ₹) for the Year ended 31.03.2010
A. Cash Flow from Operating Activities:		
Net Profit before tax and Extra Ordinary items	(46,959,107)	11,280,405
Adjustment for:		
Depreciation	5,067,988	4,679,290
Provision no longer required written back		
Fixed Assets Written Off	0	0
Interest	5,690,914	5,690,914
Operating Profit before working capital Changes	(36,200,205)	21,650,609
Adjustment for:		
Trade & Other Receivables	(20,817,870)	(7,392,906)
Inventories	(86,534,377)	(20,140,637)
Trade Payables	26,355,437	10,376,722
CASH GENERATED FROM OPERATIONS	(117,197,015)	4,493,788
Interest Paid	(5,690,914)	(5,690,914)
Cash flow before extra ordinary items	(122,887,929)	(1,197,126)
Extra Ordinary items	(1,715,304)	(318,841)
Loss on Sale of Assets		
NET CASH FROM OPERATING ACTIVITIES	(124,603,233)	(1,515,967)
B. Cash Flow from Investing activities:		
Purchase of Fixed Assets	(29,794,391)	(12,101,058)
Sale/(Purchase) of Investments	0	0
Sale of Fixed Assets/Depreciation write back		
NET CASH USED IN INVESTING ACTIVITIES	(29,794,391)	(12,101,058)
C. Cash Flow from Financing Activities:		
Receipt/Repayment of Term Loans	154,015,831	11,476,462
Sales Tax Deferment	0	0
NET CASH FROM FINANCING ACTIVITIES	154,015,831	11,476,462
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS(A+B+C)	(381,793)	(2,140,563)
CASH & CASH EQUIVALENTS (As on 31.03.2011)	2,504,104	4,644,667
CASH & CASH EQUIVALENTS (As on 31.03.2010)	2,122,311	2,504,104
NET INCREASE IN CASH & CASH EQUIVALENTS	(381,793)	(2,140,563)

Notes:

The above Cash flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For **S.R. MOHAN & CO.,**
CHARTERED ACCOUNTANTS

Sd/-

B. BRAHMANANDAM, Partner
Membership No. 020026

Place : Hyderabad

Date : 11th August 2011

Sd/-

P.ANANTHA PAI
DIRECTOR

Sd/-

G.S.RAM
WHOLE TIME DIRECTOR

SCHEDULE - 18

ACCOUNTING POLICIES:

1. ACCOUNTING ASSUMPTIONS:

The accounts have been prepared under the historic cost convention on the basis of a going concern concept, with revenues recognized and expenses accounted for on their accrual, with due provisions/adjustments for obligations that have been crystallised but not yet incurred.

Accounting policies not specifically referred to herein below are consistent and in consonance with generally accepted accounting principles prevalent in India.

2. BASIS OF PRESENTATION:

The structures of the accounts have been drawn in accordance with the Schedule VI to the Companies Act, 1956.

3. FIXED ASSETS:

Fixed assets are stated at cost less depreciation. Cost includes freight, installation charges, duties, taxes, insurance, interest levied on borrowed funds used to finance assets in the course of construction and installation and other related incidental charges. Expenditure for additions and improvements are capitalized and expenditure for maintenance and repairs are charged to profit and loss account. When assets are sold or retired, their cost or valuation and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

4. DEPRECIATION:

Depreciation on fixed assets (except land) have been provided on Straight Line Method as per rates provided in Schedule XIV to the Companies Act, 1956.

5. INVESTMENTS:

All investments are stated at cost i.e., cost of acquisition is inclusive of expenditure incidental to acquisition.

6. INVENTORIES:

Inventories are valued as under:

a) Raw-materials, packing materials, stores and spares:

At cost (determined on a weighted average basis) which includes freight, duty and insurance or net realizable value whichever is lower.

b) Work-in-process:

At cost plus allocation and apportionment of relevant factory overheads applicable till the stage of completion.

c) Finished goods:

1. At factory: Valued at lower of cost or market value. Cost computed on the basis of material, direct labour and allocation and apportionment of relevant factory overheads incurred and excise duty payable on such goods.

2. At branches: Valued at lower of cost or market value. Cost computed on the basis of material, direct labour and allocation and apportionment of relevant factory overheads including excise duty paid on such goods and transport charges to the branch.

7. PROVISIONS:

A. In accordance with year-end review of the realisability of sundry debtors and receivables, specific provisions are created and maintained against those debtors and receivables that in the opinion of the management may not be recovered partially or fully.

B. Provisions are made for non-moving, obsolete and unserviceable inventories / stores on the basis of technical evaluation.

8. REVENUE RECOGNITION:

Sale of goods is recognized at the point of dispatch of finished goods to Customers.

Sales are Exclusive of excise duty and sales tax.

Income from interest on call money arrears, Investment in National savings certificates being insignificant and accounted for on cash basis.

9. RESEARCH AND DEVELOPMENT:

Expenditure pertaining to Research and Development is charged to revenue in the year in which it is incurred.

10. GRATUITY AND LEAVE ENCASHMENT LIABILITY:

Liability on account of gratuity and leave encashment for the employees is provided on the estimated basis of liability at the year-end. Actuarial valuation of future liability for the services rendered has not been determined.

11. PRIOR-PERIOD ITEMS:

An item has been determined as prior period item in accordance with the accounting standards issued by the ICAI

12. EXCEPTIONAL ITEM:

An item of income/expense arising from certain ordinary activities of the Company which are of such size, nature or incidence that their disclosure is relevant to be made separately are treated as exceptional item.

13. FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are accounted at the rate prevailing on the transaction date. Exchange differences if any arising on the date of settlement have been charged to profit & loss account.

14. TAXES ON INCOME

Current tax is determined in accordance with the provisions of the Income Tax Act, 1961, as the amount of tax payable to the Tax Authorities in respect of taxable income for the year.

Deferred tax: Since the company has substantial carried forward business losses and unabsorbed depreciation, it is unlikely to have taxable profits in the near future and the deferred tax liability is much lesser than deferred tax assets and hence it is considered prudent not to recognize either deferred tax assets or deferred tax liability.

15. TREATMENT OF CONTINGENT LIABILITIES:

Liabilities, which may or may not arise and not crystallized as at the end of accounting period, have been shown as contingent liabilities.

SCHEDULE-19

Notes on Accounts:

- 1) Working Capital loans from State Bank of India and Bank of Baroda are secured by way of hypothecation of stock in trade, book debts and other current assets.
- 2) Segment Reporting:
The Company's operations predominantly relates to manufacture of chocolates, hence no reportable primary segment information is made. The secondary segment reporting of the company's revenues are as follows:

(a) Cocoa products including chocolates	Turnover in Rupees	
	For the Year 2010-11	For the Year 2009-10
India	37,63,01,525	23,29,88,872
Export	35,44,000	3,20,90,526
Total	37,98,45,525	26,50,79,398
(b) Conversion	79,01,479	3,87,71,167

2. Related party disclosures:

The Company has identified all related parties and details of transactions are given below. No provision for doubtful debts or advances is required to be made. No amounts have been written off or written back during the year in respect of debts due from or to related parties. There are no other related parties where control exists that need to be disclosed.

(Amount in Rupees)

Sl. No.	Name of the transacting related party	Relationship between the parties	Nature of transaction	Volume of transactions during the year	Amount outstanding as on 31.03.2011
1.	P.Anantha Pai	Director	Un secured Loan Interest	7,28,75,000 (2,90,00,000) 20,31,687 (27,07,455)	7,28,75,000 (Nil) 20,31,687 (Nil)
2.	P.Prakash Pai	Director	Un secured Loan Interest	6,93,75,000 (2,32,00,000) 18,19,322 (19,43,575)	6,93,75,000 (Nil) 18,19,322 (Nil)
3.	Puzzolana Machinery Fabricators	Interested Directors (P.Anantha Pai & Prakash Pai)	1) Purchase of Machinery & Spare parts 2) Chocolate Sales	31,44,454 (34,18,181) (Nil) (95,953)	31,44,454 (Nil) Nil (Nil)

4. Particulars of Managerial Remuneration:

Whole Time Director Mr.G.S.Ram	For the Year 2010-11	For the Year 2009-10
Salary	7,45,800	7,45,800
Perquisites-PF	50,544	50,544
Total	7,96,344	7,96,344

Whole Time Director Ms.Ashwini Pai	For the Year 2010-11	For the Year 2009-10
Salary	2,61,586	2,22,750
Perquisites-PF	15,120	13,860
Total	2,76,706	2,36,610

Whole Time Director (Technical) Mr.Dilip Kalelkar	For the Year 2010-11	For the Year 2009-10
Salary	6,00,000	5,50,000
Perquisites-PF	-	-
Total	6,00,000	5,50,000

5. Claims against the Company not acknowledged as debts:

- a) From Commissioner of Customs, Chennai in respect of Advance licences not fulfilled within the stipulated time though extension and clubbing of such licences have been allowed by the Licensing authority ₹1.80 Crores (Previous year ₹1.80 Crores). During the year the company has received order in favour of the company from Commissioner of Customs, Chennai Vide order No.10404/2009 dt 23-12-2009. However the department has preferred an appeal before the appellate tribunal against the order issued by Commissioner Customs, (Seaport-Export)
- b) From Directorate of Revenue Intelligence, Chennai in respect of alleged non fulfillment of export obligation for ₹.3.19 crore (₹ 3.19 Crore)

6. Contingent Liabilities in respect of :

- (a) Counter Guarantees given to the Bankers in respect of guarantees furnished by them ₹5.43 Lakh (previous year ₹5.43 Lakh)
- (b) Accrued and unpaid preference dividend ₹935.06Lakh (previous year ₹ 861.09 Lakh)

7. Additional information pursuant to para 3 and 4 of part II of Schedule VI the Companies Act, 1956.

- A Licensed Capacity** : Not Applicable
- B Installed Capacity** : As this is an integrated plant, with versatile product range, ascertainment of installed capacity is not possible.
- C Actual Production (MT)** : **MT 3,725.76 (previous year MT 5,885.66)**

	Actual Production Kgs	
	2010-11	2009-10
1. Cocoa Powder	3,64,925	2,31,175
2. Cocoa Butter	2,46,600	1,91,740
3. Milk Covering	2,96,923	3,18,555
4.Choco Treat	*6,02,474	*4,83,476
5. Others	14,94,512	11,14,298
Total	30,05,434	23,39,244
6. Conversion (Job work)	7,20,328	35,46,412
Grand Total	37,25,762	58,85,656
* Including third party operation of Eclairs, Gobble, High-5: 2,17,513 Kgs (Previous Year-1,73,690 kgs)		

D. Details of Materials consumed :

(Amount in Rupees)

	For the Year 2010-11		For the Year 2009-10	
	Quantity in Kgs	Amount	Quantity in Kgs	Amount
1. Cocoa Beans	8,81,545	14,78,85,270	5,44,064	6,87,69,579
2. Sugar	10,46,812	3,01,05,739	8,25,200	2,19,13,764
3. Vegetable Fat	1,77,675	1,65,15,305	1,19,160	78,50,318
4. S.M.P	1,19,768	1,59,25,916	1,11,200	12,429,827
5.W.M.P	29,425	45,97,452	13,000	17,27,860
6. R.C.O/ R.B.D/ R.P.K.O	3,98,873	2,48,84,580	4,78,721	2,23,13,467
7. Others	3,69,121	3,48,21,833	2,49,849	2,40,01,873
Total	30,23,219	27,47,36,095	23,41,194	15,90,15,688

E. Details of Stock and Turnover of Finished goods:

Class of Goods	Opening stock As at 01.04.2010		Captive Consumption	Turnover for the Year ended 31.03.2011		Closing Stock As at 31.03.2011	
	Qty Kgs	Qty Kgs		Qty Kgs	Qty Kgs	Qty Kgs	Qty Kgs
Cocoa Powder	550 (NIL)	105727 (NIL)	1,31,975 (87,150)	2,28,975 (1,43,475)	5,43,63,849 (2,75,70,920)	4,525 (550)	10,40,288 (1,05,727)
Cocoa Butter	2625 (31775)	55,56,372 (78,69,625)	38,100 (33,050)	1,82,715 (1,87,840)	5,85,47,525 (4,57,06,289)	28,410 (2,625)	78,99,137 (55,56,372)
Milk Covering	5150 (7600)	4,43,500 (5,46,490)	NIL (NIL)	2,95,285 (3,21,005)	2,86,31,736 (2,38,72,208)	6,788 (5,150)	6,17,056 (4,43,500)
Choco Treat	58,488 (23,756)	84,89,419 (28,53,249)	827 (5,072)	6,19,655 (4,43,672)	14,30,64,692 (10,46,91,547)	40,481 (58,488)	45,44,092 (84,89,419)
Others	30,920 (25,755)	46,00,557 (22,76,173)	80,202 (23,205)	13,36,749 (10,85,928)	13,53,58,404 (8,44,58,657)	1,08,480 (30,920)	1,17,30,422 (46,00,557)
TOTAL	97,733 (88,886)	14195575 (13545537)	2,51,104 (1,48,477)	26,63,379 (21,81,920)	41,99,66,205 (28,62,99,621)	1,88,684 (97,733)	2,58,30,995 (1,41,95,575)

F. Value of imported and indigenous Raw Material and stores and spares consumed.

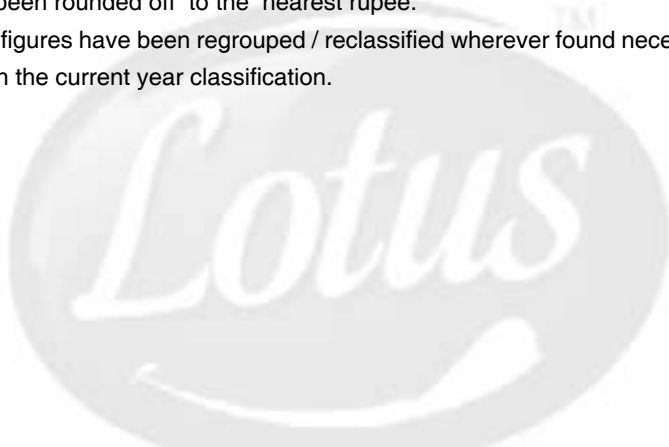
Particulars	Raw Materials		Stores and Spares	
	In Rupees	%	In Rupees	%
Imported	4,13,55,334 (1,41,40,201)	15.05 (8.89)	19,88,105 (49,34,029)	24.04 (53.85)
Indigenous	23,33,80,761 (14,48,75,487)	84.95 (91.11)	62,81,392 (42,28,594)	75.96 (46.15)
Total	27,47,36,095 (15,90,15,688)		82,69,497 (91,62,623)	

(Figures in brackets represent previous year)

H. CIF Value of imports towards:

Particulars	For the year ended 31.03.11	For the year ended 31.03.10
	In Rupees	In Rupees
Capital Equipment	1,86,79,570	Nil
Raw Materials	3,35,57,075	1,22,36,592
Components & Spares	14,10,037	41,96,476
I. Expenditure in Foreign Currency		
Foreign travel expenses	Nil	Nil
Interest paid on Foreign Currency Term Loan	Nil	Nil
J. Earnings in foreign currency on account of Export sales	35,44,000	3,20,90,526
K. Earnings in foreign currency on account of dividends	Nil	Nil
L. Remittance in foreign currency on account of dividends	Nil	Nil

8. Figures have been rounded off to the nearest rupee.
9. Previous year figures have been regrouped / reclassified wherever found necessary in order to have conformity with the current year classification.



AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

Sd/-
P.ANANTHA PAI
DIRECTOR

Sd/-
G.S.RAM
WHOLE TIME DIRECTOR

Place : Hyderabad
Date : 11th August 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details:

Registration No: 01-09111/88-89
Balance Sheet Date: 31-03-2011 State Code: 01

Capital Raised During the Year: NIL

Position of Mobilization & Development of Funds:

(Rupees in Thousands)

Sources of Funds	Amount	Application of Funds	Amount
Paid-up Capital	202346	Net Fixed Assets	63595
Reserves & Surplus	66883	Investments	2000
Secured Loans	33337	Net Current Assets	157321
Unsecured Loans	170982	Accumulated Loss	252632
Total Liabilities	473548	Total Assets	473548

Performance of the Company

(Rupees in Thousands)

Turnover	390254
Total Expenditure	437213
Profit / (Loss) Before Tax	(46959)
Profit / (Loss) After Tax	(46959)
Earnings per Share	(3.66)
Dividend (%)	-

Generic name of Three Principal Products / Services of Company

Item Code (ITC Code)	Product Description
180600.00	Chocolate
180400.00	Cocoa Butter
180500.00	Cocoa Powder

FOR AND ON BEHALF OF THE BOARD

Sd/-
P.ANANTHA PAI
DIRECTOR

Sd/-
G.S.RAM
WHOLE TIME DIRECTOR



CHOCOLATE COMPANY LIMITED

**22ND ANNUAL REPORT
2010-2011**

Lotus Chocolate Company Limited

Door No. 8-2-596, 1st Floor, 1B, Sumedha Estates, IVRCL Towers, Avenue-4,
Street No. 1, Road No. 10, Banjara Hills, Hyderabad - 500 034

PROXY FORM

Regd Folio No. _____ No. of Shares held

I / We of

of failing him of

..

as my / our behalf at the Annual General Meeting of the Company to held at 10.00 am on Friday, the 30th September 2011 at LIC Bhavan Trust, Behind LIC & HDFC Bank, Near Paradise Circle (West), SD Road, Secunderabad - 500 003.

Signed :
Date :
For Office Use only

1/-
Revenue

Note : Proxy form must reach Company's Registered Office not less than 48 hours before the meeting

Signature of
Member

Lotus Chocolate Company Limited

Door No. 8-2-596, 1st Floor, 1B, Sumedha Estates, IVRCL Towers, Avenue-4,
Street No. 1, Road No. 10, Banjara Hills, Hyderabad - 500 034

ATTENDANCE SLIP

Annual General Meeting - at 10.00 am on Friday the 30th September 2011

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

Regd. Folio No. No. of Share Held

Name of the attending member (in block letters)

Name of the Proxy (in block letters to be filled in by the proxy attending instead of the members)

I here by record my presence at the Annual General Meeting held at LIC Bhavan Trust, Behind LIC & HDFC Bank, Ner Paradise Circle (West), S.D. Road, Secunderabad - 500 003.

Signature of the shareholder / proxy

- Notes : 1) Member's / Joint Member's Proxies are requested to bring the Attendance Slip with them, Duplicate slips will not be issued at the venue.
2) Members are requested to come to the Venue of the meeting well in advance for Registration, No registration will be entertained after commencement of the meeting.

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of pure joy*



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Door No. 8-2-596, 1st Floor, 1B, Sumedha Estates

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Hyderabad - 500 034