



CHOCOLATE COMPANY LIMITED

**23rd ANNUAL REPORT
2011-2012**



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)
Smt.Ashwini Pai	Director
Shri Abhijeet Pai	Director

Auditors

M/s. S.R.Mohan & Co.
3rd Floor, North Block,
Raghava Ratna Towers,
Chirag Ali Lane,
Hyderabad-500001.

Registrar & Share Transfer Agents

M/s.Cil Securities Limited
Reg.Off.: 214,
Raghava Ratna Towers,
Chirag Ali Lane, Abids,
Hyderabad – 500 001.



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, Narsapur,
Medak District, Andhra Pradesh,
PIN-502 296.

Bank of Baroda

Khairtabad Branch,
Hyderabad-500 004.

NOTICE OF THE TWENTY THIRD ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Third Annual General Meeting of Lotus Chocolate Company Limited will be held at 09.00 A.M. on Friday, the 28.09.2012 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 31.03.2012 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 Smt.Ashwini Pai, Director who retires by rotation and being eligible, offers herself for reappointment.

For and on behalf of the Board

**Sd-
P.Anantha Pai
Director**

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

Place : Hyderabad

Date : 20.08.2012

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, 24th day of September, 2012 to Friday, 28th day of September, 2012 (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 Director seeking re-appointment as required under Clause 49VI(A) of the Listing Agreement with Stock Exchanges.

Smt. Ashwini Pai

Smt. Ashwini Pai is an Engineering Graduate, having skill of leadership qualities in business development and management.

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 23rd Annual Report together with the audited accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS

₹ in lakhs

	Year ended 2012	Year ended 2011
Income	5569.16	3902.54
Gross Profit before Interest & Depreciation	21.27	(337.13)
Interest	(179.90)	(81.79)
Depreciation	(49.51)	(50.67)
Profit/(loss) for the year	(208.14)	(469.59)
Loss brought forward from previous year	(2526.31)	(2039.57)
Loss carried forward To Balance Sheet	(2734.45)	(2526.31)

PERFORMANCE

Lotus has achieved a sales turnover at ₹ 5569.16 Lakhs for the period ended 31.03.2012. 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 endeavour 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.

The Company is planning for FSSAI Certification which covers even PAS 220 and the same will be completed before 2012.

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.

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

Smt.Ashwini Pai has withdrawn as Whole Time Director, further continues as a Director who retires by rotation at the 23rd Annual General Meeting and being eligible offers herself for reappointment.

AUDITORS

M/s S R Mohan & Company, Chartered Accountants, Hyderabad, Statutory Auditors of your Company hold office until the conclusion of the 23rd 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-
P.Anantha Pai
Director**

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

Place : Hyderabad
Date : 20.08.2012

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 31st March, 2012	Year ended 31st March, 2011
A.	1.	Power & fuel consumption in respect of Electricity		
	a.	Purchased :		
		Units (Kwh)	18,45,136	17,43,419
		Total (₹)	87,68,314	82,24,818
		Rate per unit (₹)	4.75	4.71
	b.	Own Generation :		
		Through Diesel Generator		
		Units (Kwh)	1,92,445	1,45,360
		Units per Litre of Diesel Oil	2.11	2.22
		Cost per Unit (₹)	17.22	15.69
	2.	Furnace Oil/LSHS/LDO/HSD		
		Qty (Lts)	Nil	Nil
		Total Amount (₹)	Nil	Nil
		Average (₹/ltr)	Nil	Nil
	3.	Wood/Coal		
		Qty (Kgs.)	5,87,035	5,64,700
		Total Amount (₹)	23,30,529	19,59,509
		Average (₹/Kgs.)	3.97	3.47

B.		Consumption per unit of production Cocoa & Chocolate products (tones)		
		i. Electricity (KWH/Tonnes)		
		- Cocoa	558	513 units/MT
		- Chocolate	478	516 units/MT
		ii. Furnace Oil/LSHS/LDOHSD (KL/Tonne)		
		- Cocoa	Nil	Nil
		- Chocolate	Nil	Nil
		iii. Wood/coal (KG/MT)		
		- Cocoa	447	333 Kgs/MT
		- Chocolate	60	60 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	90.02
ii) Foreign Exchange Outgo (including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	645.67

Place : Hyderabad

Date : 20.08.2012

For and on behalf of the Board
 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 five are Non-Executive Directors and two 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 2012:

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.Prakash Pai	Independent Non-executive Director	9	9	Yes
2.	P.Anantha Pai	Independent Non-executive Director	9	9	Yes
3.	G.S.Ram	Independent Executive Director	9	9	Yes
4.	G.V.P.Raju	Independent Non-executive Director	9	9	Yes
5.	Dilip Mangesh Kalelkar	Independent Executive Director	9	5	Yes
6.	P.Ashwini Pai	Independent Non-Executive Director	7	5	Yes
7.	P.Abhijeet Pai	Independent Non-executive Director	9	5	Yes

Date of last Annual General Meeting (AGM) – 30.09.2011.

(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	7	Nil
2.	P.Anantha Pai	7	Nil
3.	P.Ashwini Pai	2	Nil
4.	P.Abhijeet Pai	8	Nil
5.	G.V.P.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 2012. 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:

1st Board Meeting	-	13.05.2011
2nd Board Meeting	-	14.07.2011
3rd Board Meeting	-	11.08.2011
4th Board Meeting	-	13.09.2011
5th Board Meeting	-	12.11.2011
6th Board Meeting	-	01.02.2012
7th Board Meeting	-	03.02.2012
8th Board Meeting	-	14.02.2012
9th Board Meeting	-	31.03.2012

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 P 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 of:

1. Shri.P.Prakash Pai- Chairman
2. Shri. P.Anantha Pai -Member
3. Shri G V P Raju – Member
4. Shri. G S Ram- Member



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 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 P 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 2012:

Nature of Complaint	Received	Cleared
Non-receipt of Share Certificates sent for transfer	02	02
Non-receipt of Dividend warrant	01	01
Any other complaints	Nil	Nil
Total	03	03

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 Calendar Year)	AGM held relating to accounting year ended	Venue of the Meeting	Time of Meeting
30th September, 2011	31-03-2011	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30th September, 2010	31-03-2010	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30th September, 2009	31-03-2009	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 Newspaper
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 **28th day of September, 2012, Friday at 09.00 A.M.**
- (b) Date of book closure: **24th day of September, 2012 to 28th day of September, 2012** 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 CIL SECURITIES LIMITED
Reg.Off.: 214, Raghava Ratna Towers, Chirag Ali Lane, Abids,
Hyderabad – 500 001.
Tel.No.040-23202465,23203155

(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, 2012 :

	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	FIs	1500	0.01
	Sub – Total		
3	Others		
A	Private Corporate Bodies	215241	1.68
B	Indian Public	3978915	30.99
C	Any other - NRIs / OCBs	13893	0.11
	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 GDRs/ADRs/Warrants or any other Convertible instruments, conversion date and likely impact on equity.

The Company has not issued any GDRs/ADRs/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

To
The Members of Lotus Chocolate Company Limited

We have audited the attached Balance Sheet of Lotus Chocolate Company Limited as at March 31, 2012 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 if any on overdue Deferred Sales Tax Loan in the Books of Account.
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 2012 from being appointed as a director in terms of clause (g) of sub section (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, 2012,
 - (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 20, 2012

For S.R. Mohan & Co.,
Chartered Accountants
FR No. 0021115

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 of 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 ₹ 1751.01 Lakhs and year-end balance outstanding was ₹1390.77 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 aforesaid loans given to the company are repayable on demand and there is no repayment schedule. Therefore, the question of repayment being regular does not arise.
- (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 and 58AA 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 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 and Excise Duty were outstanding as at 31st March, 2012 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 its Net worth as on 31st March, 2012. The Company has incurred Cash Loss of ₹ 170.89 Lakhs during the Financial year covered by our audit and ₹ 436.06 Lakhs In the 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.

Place : Hyderabad
Date : August 20, 2012

For S.R. Mohan & Co.,
Chartered Accountants
FR No. 002111S
Sd/-
B. Brahmanandam, Partner
Membership No. 020026

Balance Sheet as at 31 March, 2012

Particulars	Note No.	As at 31 March, 2012	As at 31 March, 2011
		Amount in ₹	Amount in ₹
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	202,346,490	202,346,490
(b) Reserves and surplus	3	(206,563,518)	(185,749,021)
		(4,217,028)	16,597,469
3 Non-current liabilities			
(a) Long-term borrowings	4	139,266,554	146,291,009
(b) Other long-term liabilities	5	14,730	475,830
(c) Long-term provisions	6	5,161,207	5,130,343
		144,442,491	151,897,182
4 Current liabilities			
(a) Short-term borrowings	7	34,503,479	58,217,977
(b) Trade payables	8	22,466,092	34,333,613
(c) Other current liabilities	9	15,089,726	16,961,847
(d) Short-term provisions	10	4,368,222	4,226,913
		76,427,519	113,740,350
TOTAL		216,652,982	282,235,001
B ASSETS			
1 Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		39,150,750	43,608,076
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		19,986,948	19,986,948
		59,137,698	63,595,024
(b) Long Term Loans & Advances & Deposits	12	4,903,831	5,416,993
2 Current assets			
(a) Current investments	13	1,843,000	2,000,000
(b) Inventories	14	51,138,886	137,195,387
(c) Trade receivables	15	78,018,418	57,036,088
(d) Cash and cash equivalents	16	2,052,740	2,122,311
(e) Short-term loans and advances	17	14,476,185	9,766,494
(f) Other current assets	18	5,082,224	5,102,704
		152,611,453	213,222,984
TOTAL		216,652,982	282,235,001
Significant Accounting Policies and Notes form an integral part of Financial Statements.	1-35		

In terms of our report attached.

For and on behalf of the Board of Directors

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

Sd-
B. BRAHMANANDAM, Partner
Membership No. 020026

Place : HYDERABAD
Date : 20th August, 2012

Sd-
P.ANANTHA PAI
DIRECTOR

Sd-
G.S.RAM
WHOLE TIME DIRECTOR

Statement of Profit and Loss for the year ended 31 March, 2012

Particulars	Note No.	For the year ended	For the year ended
		31 March, 2012	31 March, 2011
		Amount in ₹	Amount in ₹
A FROM CONTINUING OPERATIONS:			
I Revenue From Operations:	19	555,091,131	386,850,330
		555,091,131	386,850,330
II Other income	20	1,825,595	2,507,219
III Total revenue (I+II)		556,916,726	389,357,549
IV Expenses			
(a) Cost of materials consumed	21	410,000,051	300,485,683
(b) Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	7,883,600	(14,290,145)
(c) Employee benefits expense	23	50,565,091	58,981,888
(d) Finance costs	24	17,990,063	8,770,406
(e) Depreciation and amortisation expense		4,950,978	5,067,988
(f) Other expenses	25	87,566,841	77,300,836
Total expenses		578,956,624	436,316,656
V Profit / (Loss) before exceptional and extraordinary items and tax (III - IV)		(22,039,898)	(46,959,107)
VI Exceptional items		-	-
VII Profit / (Loss) before extraordinary items and tax (V + VI)		(22,039,898)	(46,959,107)
VIII Extraordinary items (Prior Period Adj.)		1,225,401	(1,715,304)
IX Profit / (Loss) before tax (VII + VIII)		(20,814,497)	(48,674,411)
X Tax expense:			
(a) Current tax expense for current year		-	-
(b) Deferred tax		-	-
XI Profit / (Loss) (IX + X)		(20,814,497)	(48,674,411)
XII Basic and diluted Earnings per Equity Share (face value of ₹10/- each) before prior year adjustment		(1.72)	(3.66)
XIII Basic and diluted Earnings per Equity Share (face value of ₹10/- each) after prior year adjustment		(1.62)	(3.79)
Significant Accounting Policies and Notes form an integral part of Financial Statements.	1-35		

In terms of our report attached.

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

Sd-
B. BRAHMANANDAM, Partner
Membership No. 020026

Place : HYDERABAD
Date : 20th August, 2012

For and on behalf of the Board of Directors

Sd-
P. ANANTHA PAI
DIRECTOR

Sd-
G.S. RAM
WHOLE TIME DIRECTOR

CASHFLOW STATEMENT FOR THE YEAR ENDED 31.03.2012

PARTICULARS	(In ₹) Year ended 31.03.2012	(In ₹) Year ended 31.03.2011
A. Cash Flow from Operating Activities:		
Net Profit before tax and Extra Ordinary items	(22,039,898)	(46,959,107)
Adjustment for:		
Depreciation	4,950,978	5,067,988
Provision no longer required written back		0
Fixed Assets Written Off	0	0
Interest	17,990,063	8,770,406
Operating Profit before working capital Changes	901,143	(33,120,713)
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	86,056,501	(86,534,377)
Trade and other receivables	(25,158,379)	(20,817,870)
Adjustments for increase / (decrease) in operating liabilities:		
Trade and other payables	(14,059,432)	26,355,437
Long-term provisions	30,864	
CASH GENERATED FROM OPERATIONS	47,770,697	(114,117,523)
Interest Paid	(17,990,063)	(8,770,406)
Cash flow before extra ordinary items	29,780,634	(122,887,929)
Extra Ordinary items	1,225,401	(1,715,304)
Loss on Sale of Assets	0	0
NET CASH FROM OPERATING ACTIVITIES	31,006,035	(124,603,233)
B. Cash Flow from Investing activities:		
Purchase of Fixed Assets	(493,652)	(29,794,391)
Sale/(Purchase) of Investments	0	0
Sale of Fixed Assets/Depreciation write back	157,000	0
NET CASH USED IN INVESTING ACTIVITIES	(336,652)	(29,794,391)
C. Cash Flow from Financing Activities:		
Receipt/Repayment of Term Loans	(30,738,953)	154,015,831
NET CASH FROM FINANCING ACTIVITIES	(30,738,953)	154,015,831
NET INCREASE/(DECREASE) IN CASH	(69,570)	(381,793)
& CASH EQUIVALENTS(A+B+C)		
CASH & CASH EQUIVALENTS (As on 31.03.2012)	2,052,740	2,122,310
CASH & CASH EQUIVALENTS (As on 31.03.2011)	2,122,310	2,504,104
NET INCREASE IN CASH & CASH EQUIVALENTS	(69,570)	(381,794)

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.

In terms of our report attached.

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

Sd-
B. BRAHMANANDAM, Partner
Membership No. 020026

Place : HYDERABAD
Date : 20th August, 2012

For and on behalf of the Board of Directors

Sd-
P.ANANTHA PAI
DIRECTOR

Sd-
G.S.RAM
WHOLE TIME DIRECTOR

Notes 1:

SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. BASIS OF PRESENTATION:

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

C. 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.

D. DEPRECIATION:

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

E. INVESTMENTS:

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

Provision for diminution in their market value of current investments is recognized and charged to Profit and Loss Account.

F. 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.

G. PROVISIONS:

- A. In accordance with year-end review of the reliability of Trade receivables and other receivables, specific provisions are created and maintained against those Trade receivables and other 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.

H. 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.

I. RESEARCH AND DEVELOPMENT:

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

J. EMPLOYEE BENEFITS

- A) In respect of Gratuity, for eligible employees, provision is made on the assumption that all of them retire at the year end.
- B) In respect of leave encashment, provision is made based on salary as at March, 31, 2012 for the leave accumulated and credited to the respective employees.

K. PRIOR-PERIOD ITEMS:

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

L. 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.

M. 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.

N. 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.

O. 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

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

The amount is in ₹

2.SHARE CAPITAL	As at March 31, 2012		As at March 31, 2011	
	Number	Amount	Number	Amount
Authorised:				
Equity Shares - Par Value ₹ 10/- each	14,000,000	140,000,000	14,000,000	140,000,000
Preference Shares - Par Value ₹10/- each	8,000,000	80,000,000	8,000,000	80,000,000
Issued, Subscribed and fully paid up:				
Equity Shares - Par Value ₹ 10/- each	12,841,049	128,410,490	12,841,049	128,410,490
Less: CALLS UNPAID				
From Members other than Directors		30,000		30,000
		128,380,490		128,380,490
Preference Share Capital				
73,96,600 -10% Redeemable Cumulative Preference Shares ₹ 10/ each (Previous Year 73,96,600)	7,396,600	73,966,000	7,396,600	73,966,000
TOTAL		202,346,490		202,346,490
(A) Reconciliation of Equity Shares:				
As at the beginning of the year	12,841,049	128,380,490	12,841,049	128,380,490
Issued During the Year	-	-	-	-
As at the End of the year	12,841,049	128,380,490	12,841,049	128,380,490
(B) Reconciliation of Preference Shares:				
As at the beginning of the year	7,396,600	73,966,000	7,396,600	73,966,000
Issued During the Year	-	-	-	-
As at the End of the year	7,396,600	73,966,000	7,396,600	73,966,000
(C) Shareholders holding more than 5% of the Equity Shares in the Company				
	As at March 31, 2012	Percentage of holding	As at March 31, 2011	Percentage of holding
Prakash Peraji Pai	3,659,272	28.50	3,659,272	28.50
Ananth Peraji Pai	3,659,272	28.50	3,659,272	28.50
(C) Rights, Preferences and restrictions attached to the Shares:				
(i) Equity Shares:				
Equity shares rank pari passu as regards to dividend and voting rights. Each share has one vote.				
(ii) Preference Shares				
Preference shares have right to preferential dividend of 10% per annum on cumulative basis and also for redemption of as to principal over the equity shares. Preference share holders have right of vote only on the matters concerning the preference shares.				

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

3. RESERVES AND SURPLUSES:	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
(A) Capital Reserve:				
As at the Beginning of the year	27,414,157		27,414,157	
Additions during the year				
Less Transferred to Profit & Loss Statement				
As at end of the year		27,414,157		27,414,157
(B) Securities Premium Account				
As at the Beginning of the year	37,968,442		37,968,442	
Additions during the year				
Less Transferred to Profit & Loss Statement				
As at end of the year		37,968,442		37,968,442
(C) State Investment Subsidy		1,500,000		1,500,000
(D) Surplus/(Deficit) in Profit and Loss				
As at the beginning of the year	(252,631,620)		(203,957,209)	
Additions during the year	(20,814,497)		(48,674,411)	
Transfers during the year				
As at the end of the year		(273,446,117)		(252,631,620)
TOTAL		(206,563,518)		(185,749,021)

4. LONG TERM BORROWINGS:	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
(i) Unsecured Loans				
From others :				
From Directors	139,076,554		146,101,009	
Security Deposit	190,000	139,266,554	190,000	146,291,009
TOTAL		139,266,554		146,291,009

5. OTHER LONG TERM LIABILITY	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
Creditors for Capital Items	14,730		475,830	
		14,730		475,830
TOTAL		14,730		475,830

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

6. LONG TERM PROVISIONS:	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
Provision for Employee Benefits:				
Provision for Gratuity	4,271,075		4,750,640	
Provision for Leave Encashment	890,132		379,703	
		5,161,207		5,130,343

Provision is made for Gratuity on the assumption that all the eligible employees retire at the year end.

Provision for Leave Encashment is made for the leave accrued as at March 31, 2012 calculated at the year end salary of the respective employees.

7. SHORT - TERM BORROWINGS:	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
(a) Loans repayable on Demand:				
Secured Loans from banks (Loans from bank is secured by first charge on inventory, trade receivables and other current assets)		23,527,602		33,337,139
(b) Sales Tax Payable Under deferred payment scheme		10,975,877		24,880,838
		34,503,479		58,217,977

8. TRADE PAYABLES	As at 31-03-2012	As at 31-03-2011
Creditors for Suppliers	19,043,887	27,287,723
Creditors for Services	3,422,205	7,045,890
	22,466,092	34,333,613

The company have not received any intimation from suppliers regarding their status under the Micro, Small & Medium Enterprises Act 2006 and hence disclosures if any, relating to amounts unpaid as at the year end to whether with interest paid/payable as required under the said Act has not been given.

9. OTHER CURRENT LIABILITIES	As at 31-03-2012	As at 31-03-2011
Salaries and other Staff benefits Payable	2,617,434	3,977,152
Salary Recoveries Payable	165,688	491,372
VAT & Other Indirect Taxes Payable	5,815,767	5,760,864
TDS Payable	160,737	372,879
Outstanding Liabilities for Expenses	3,937,856	3,413,045
Advances from Customers	2,392,244	2,946,535
	15,089,726	16,961,847

10. SHORT TERM PROVISIONS	As at 31-03-2012	As at 31-03-2011
<u>Provision for Employee benefits</u>		
Bonus	2,784,015	2,642,706
Provision for Obsolete Packing Material	1,584,207	1,584,207
	4,368,222	4,226,913

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Note 11

SCHEDULE OF FIXED ASSETS		GROSS BLOCK						DEPRECIATION			NET BLOCK	
		AS AT 01-04-2011	ADDITIONS DURING THE PERIOD	ADJ.FOR SALE/ TRA. WO	AS AT 31.03.2012	UPTO 31.03.2011	DURING THE PERIOD	ADJ.FOR SALE/DEL. WRITE BACK	UPTO 31.03.2012	AS AT 31.03.2012	AS AT 31.03.2011	
A	TANGIBLE ASSETS:											
	LAND - FREEHOLD	230,863	0	0	230,863	0	0	0	0	230,863	230,863	
	BUILDINGS	19,168,200	0	0	19,168,200	11,179,031	640,218	0	11,819,249	7,348,951	7,989,169	
	PLANT AND MACHINERY	158,875,704	0	0	158,875,704	128,568,172	3,323,077	0	131,891,249	26,984,455	30,307,532	
	ELECTRIC INSTALLATIONS	4,845,142	0	0	4,845,142	3,962,864	203,229	0	4,166,093	679,049	882,278	
	FURNITURES AND FIXTURES	2,451,645	79,344	0	2,530,989	1,935,821	69,136	0	2,004,957	526,032	515,824	
	OFFICE EQUIPMENT	770,399	375,728	0	1,146,127	237,551	69,179	0	306,730	839,397	532,848	
	OFFICE EQUIPMENT - COMPUTERS	2,443,154	38,580	0	2,481,734	914,620	357,066	0	1,271,686	1,210,048	1,528,534	
	VEHICLES	3,042,878	0	0	3,042,878	1,421,850	289,073	0	1,710,923	1,331,955	1,621,028	
	Total	191,827,985	493,652	0	192,321,637	148,219,909	4,950,978	0	153,170,887	39,150,750	43,608,076	
B	INTANGIBLE ASSETS	0	0	0	0	0	0	0	0	0	0	
	TOTAL (A+B)	191,827,985	493,652	0	192,321,637	148,219,909	4,950,978	0	153,170,887	39,150,750	43,608,076	
	PREVIOUS YEAR	182,020,542	32087391	22,93,000	211,814,933	143,151,921	5,067,988		148,219,909	63,595,024	38,868,621	
C	CAPITAL WORK IN PROGRESS	19,986,948			19,986,948					19,986,948	19,986,948	

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

12. LONG TERM LOANS & ADVANCES	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
(a) Deposit with Govt. Authorities		4,162,678		4,567,378
(b) Prepaid Expenses		741,153		849,615
		4,903,831		5,416,993

13. CURRENT INVESTMENTS:	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
(a) Other Investments:				
Units of Mutual Fund:				
(a) STG- Baroda Poiner- Short Term units of Mutual Fund- Bondfund- Growth Plan (100,000 units of ₹10 NAV ₹11.175)		1,000,000		1,000,000
(b) S.B.I- PSU Fund Growth	1,000,000			
Less: Diminution in Value	157,000	843,000		1,000,000
100000 units of ₹10/-each in Baroda Pioneer ST BOND & SBI PSU FUND (Nav ₹ 8.43)				
		1,843,000		2,000,000

14. INVENTORIES	As at 31-03-2012	As at 31-03-2011
Raw Material	12,785,016	90,395,548
Work -in- Process	6,847,625	8,377,042
Finished Goods	19,491,357	25,845,540
Stores and Spares and Fuel	4,708,872	4,681,761
Stock of Packing Materials	7,306,016	7,895,496
	51,138,886	137,195,387

13.1 Raw material, Packing material and Stores and Spares are valued at cost on weighted average cost.

13.2 Working in process and finished goods are valued at lower of the cost or Net Realisable Value

15. TRADE RECEIVABLES:	As at 31.03.2012		As at 31.03.2011	
	Amount	Amount	Amount	Amount
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured - Considered good	-		-	
Unsecured - Considered Doubtful	10,792,882		3,428,262	
	10,792,882		3,428,262	
Less: Provision for doubtful debts	10,792,882	-	3,428,262	-
Others				
Unsecured - Considered good		78,018,418		57,036,088
		78,018,418		57,036,088

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

16. CASH AND CASH EQUIVALENTS	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
(a) Balances with Banks				
in Current Accounts	1,895,788		1,991,751	
in earmarked deposit accounts	69,225	1,965,013	69,225	2,060,976
(b) Cash on Hand		87,727		61,335
		2,052,740		2,122,311

17. SHORT TERM LOANS AND ADVANCES	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
Unsecured - Considered good				
Advances to Suppliers	13,410,159		8,109,510	
Advances to Employees	1,066,026		1,656,984	
		14,476,185		9,766,494
		14,476,185		9,766,494

18. OTHER CURRENT ASSETS:	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
Unsecured - Considered good				
Tax Deducted at Source	390,548		521,609	
Interest Accrued	137,467		90,999	
Balance with Government Bodies	4,379,654		4,198,732	
Pre-paid expenses	174,555	5,082,224	291,364	5,102,704
		5,082,224		5,102,704

19. REVENUE FROM OPERATIONS:	As at 31-03-2012		As at 31-03-2011	
	Amount	Amount	Amount	Amount
Sale of Manufactured Products				
Gross Sales		611,492,440		419,069,531
Less Excise Duty		56,401,309		40,120,680
Net Sale of Products		555,091,131		378,948,851
Processing Income		-		7,901,479
Income from Operations		555,091,131		386,850,330

20. OTHER INCOME	As at 31-03-2012	As at 31-03-2011
Interest Income	258,649	326,159
Creditors balances written back	478,397	232,884
Misc. Income	1,088,549	1,948,176
Total Other Income	1,825,595	2,507,219

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

21. COST OF MATERIAL CONSUMED	As at 31.03.2012		As at 31.03.2011	
	Amount	Amount	Amount	Amount
A. Raw material				
Opening Stock	90,395,548		18,228,313	
Purchases	299,213,107		344,506,682	
Purchase plus Opening Stock	389,608,655		362,734,995	
Less Closing Stock	12,785,016		90,395,548	
Raw Material Consumed		376,823,639		272,339,447
B. Basic Packing Material		33,176,412		28,146,236
Total Material Consumed		410,000,051		300,485,683

22. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROCESS AND STOCK IN TRADE	As at 31-03-2012	As at 31-03-2011
A. Opening Stock:		
Finished Goods	25,845,540	14,195,575
Work in Process	8,377,042	5,736,862
Total Opening Stock (A)	34,222,582	19,932,437
B. Closing Stock		
Finished Goods	19,491,357	25,845,540
Work in Process	6,847,625	8,377,042
Total Closing Stock (B)	26,338,982	34,222,582
Decrease/(Increase) in Inventory (A-B)	7,883,600	(14,290,145)

23. EMPLOYEE BENEFITS EXPENSES	As at 31-03-2012	As at 31-03-2011
Salaries and Wages, Bonus & Ex-gratia	44,323,293	52,982,312
Provident Fund & ESI Contributions	2,578,872	2,424,821
Gratuity Paid	478,327	669,900
Leave Encashment Paid	904,436	224,804
Staff Welfare	975,563	1,141,051
Directors' Remuneration	1,304,600	1,539,000
Total Employee benefits and Expenses	50,565,091	58,981,888

24. FINANCE COSTS	As at 31-03-2012	As at 31-03-2011
Interest Expenses	17,616,206	8,180,020
Other Borrowing Costs	373,857	590,386
Total Finance Costs	17,990,063	8,770,406

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

25. OTHER EXPENSES	As at 31-03-2012	As at 31-03-2011
Consumption of Stores & Spares	2,988,438	7,429,679
Power & Fuel	14,735,105	12,945,001
Other Manufacturing Expenses	6,290,343	5,897,272
Repairs to Building	390,596	337,609
Repairs to Plant & Machinery	995,144	1,072,886
Repairs to Other Assets	1,342,132	770,082
Insurance	389,063	290,190
Rates & Taxes other than taxes on Income	4,090,159	2,799,140
Professional Charges	720,503	776,799
Rent	2,149,399	2,263,421
Travelling & Conveyance	16,016,265	16,271,389
R & D/ Lab Expenses	677,634	587,147
Meeting & Conferences	75,123	123,019
Selling Expenses	20,567,465	16,876,225
Postage, Telephone & Courier Charges	1,524,819	1,612,578
General Expenses	14,530,653	7,159,619
Payment to Auditors - As Audit Fees	45,000	45,000
As Tax Audit Fees	20,000	25,000
Consultancy Charges	15,000	15,000
Reimbursement of Expenses	4,000	3,780
Total	87,566,841	77,300,836

26. 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 ₹	
	For the Year 2011-12	For the Year 2010-11
India	546,088,827	383,306,330
Export	9,002,304	3,544,000
Total	555,091,131	386,850,330
(b) Conversion	Nil	7,901,479

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

27. Imported and Indigenous Materials consumed				
Particulars	For the year ended 31st March 2012		For the year ended 31st March 2011	
	In ₹	%	In ₹	%
Raw Materials:				
Imported	67,207,091	17.83	14,140,201	8.89
Indigenous	309,616,548	82.17	144,875,487	91.11
Total	376,823,639	100	159,015,688	100
Components and Spares Parts				
Imported	1,292,823	43.26	4,934,029	53.85
Indigenous	1,695,615	56.74	4,228,594	46.15
Total	2,988,438	100	9,162,623	100

28. Earnings Per Share :

(Amount in ₹)

Particulars	31st March, 2012	31st March, 2011
Numerator :		
Net Profit/(Loss) as disclosed in Statement of Profit & Loss	(22,039,898)	(46,959,107)
Net Profit/(Loss) attributable to the Equit Shareholders		
Denominator :		
Weighted average No. of Equity Shares	12,841,049	12,841,049
Basic and diluted Earnings Per Share (face value of ₹ 10 each)	(1.72)	(3.66)
Basic and diluted Earnings Per Share After Exceptional items	(1.62)	(3.66)

29. Related party disclosures:

Related parties with whom company entered into transactions during the year:

(i) List of Related parties :

(a) Key Management Personnel and Enterprises :

- (i) P.Prakash Pai, Director
- (ii) P.Ananth Pai , Director
- (iii) P. Abhijeet Pai, Director
- (iv) P. Ashwini Pai, Director
- (v) G.S.Ram, CEO, Whole Time Director
- (vi) Dilip Mangesh Kalelkar, Whole Time Director (Technical)

(b) Enterprises / Entities having Common Key Management Personnel

- i. Puzzolona Machinery Fabricators
- ii. Lotus Lanka (P) Limited
- iii. Lotus Choco Uganda Limited

The Company has identified all related parties and details of transactions are given below There are no other related parties where control exists that need to be disclosed.

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

(Amount in ₹)

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 31.03.2012
1	P.Prakash Pai	Director	Un secured Loan Interest	10,925,000 (69,375,000) 6,020,086 (18,19,322)	58,450,000 (69,375,000) 7,839,408 (1,819,322)
2	P.Anantha Pai	Director	Un secured Loan Interest	8,525,000 (72,875,000) 6,405,459 (2,031,687)	64,350,000 (72,875,000) 8,437,146 (2,031,687)
3	P. Ashwini Pai	Director	Managerial Remuneration	215,100 (276,706)	NIL
4	G.S.Ram	Whole Time Director	Managerial Remuneration	796,344 (796,344)	62,150
5	Dilip Mangesh Kalelkar	Whole Time Director (Technical)	Managerial Remuneration	600,000 (600,000)	50,000
6	Puzzolana Machinery Fabricators	Interested Directors (P.Anantha Pai & Prakash Pai)	1) Purchase of Machinery & Spare parts 2) Chocolate Sales	9,177 (3,144,454) 6,450 (Nil)	3,008,181 (3,144,454)
7	Lotus Lanka (P) Limited	Common Key Management	Purchases	1,034,670 (Nil)	Nil Nil

30. Particulars of Managerial Remuneration:

In ₹

Mr.G.S.Ram , Whole Time Director	For the Year 2011-12	For the Year 2010-11
Salary	745,800	745,800
Perquisites-PF	50,544	50,544
Total	796,344	796,344

Ms.Ashwini Pai, Whole Time Director		
Salary	202,500	261,586
Perquisites-PF	12,600	15,120
Total	215,100	276,706

Mr.Dilip Kalelkar, Whole Time Director (Technical)		
Salary	600,000	600,000
Perquisites-PF	-	-
Total	600,000	600,000

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

31. Contingent Liabilities not Provided for in respect of:

1. 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 ₹ 18,000,000 (Previous year ₹18,000,000).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 ₹ 31,900,000 (Previous year ₹ 31,900,000)
2. Counter Guarantees given to the Bankers in respect of guarantees furnished by them ₹ 543,000 (previous year ₹ 543,000)
3. Accrued and unpaid preference dividend ₹ 100,903,000 (previous year ₹ 93,506,000)

32. CIF Value of imports towards:

Particulars	For the year ended 31.03.12	For the year ended 31.03.11
	In ₹	In ₹
Capital Equipment	Nil	18,679,570
Raw Materials	51,615,319	33,557,075
Components & Spares	1,232,615	1,410,037
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	9,002,304	3,544,000
K. Earnings in foreign currency on account of dividends	Nil	Nil

33. Balances of Trade receivables, payables and loans & advances are subject to confirmation and reconciliation.
34. Figures have been rounded off to the nearest rupee.
35. The company was using pre revised Schedule VI to the Companies Act, 1956 for the preparation and presentation of its financial statements up to the year ended 31st March 2011. During the year ended 31st March 2012 the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

In terms of our report attached.
For **S.R. MOHAN & CO.,**
CHARTERED ACCOUNTANTS

Sd-
B. BRAHMANANDAM, Partner
Membership No. 020026
Place : HYDERABAD
Date : 20th August, 2012

For and on behalf of the Board of Directors

Sd-
P.ANANTHA PAI
DIRECTOR

Sd-
G.S.RAM
WHOLE TIME DIRECTOR



Lotus Chocolate Company Limited

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 09.00 am on Friday,
the 28th September 2012 at LIC Bhavan Trust, Behind LIC & HDFC Bank, Near Paradise Circle
(West), SD Road, Secunderabad - 500 003.

Signed :

Date :

For Office Use only

Affix ₹1/-
Revenue
Stamp

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

Lotus Chocolate Company Limited

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 09.00 am on Friday the 28th September 2012

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