

SEVENTEENTH ANNUAL REPORT 2005-2006



ADVANCED **ENZYME TECHNOLOGIES LTD.**

Where ENZYME is life
(An ISO 9001 : 2000 Company)

ABOVE NAVNEET MOTORS, GOKULNAGAR. P.O. BOX : 182 THANE (w) 400601. INDIA
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BOARD OF DIRECTORS

V. L. Rathi	Chairman
C. L. Rathi	Managing Director
S. C. Rathi	Whole Time Director
M. M. Kabra	Whole Time Director
R. T. Mehta	Director
Pradip Shah	Director
G. C. Gore	Alternate Director to Pradip Shah

CFO & COMPANY SECRETARY

Beni Prasad Rauka

REGISTERED OFFICE

106, Dhanlaxmi Industrial Estate,
Old Agra Road, Thane (W) 400 601.

PLANT

1. A-61/62, M.I.D.C. Area, Sinnar, Nasik - 422 103. Maharashtra
2. SORL, H-17, M.I.D.C, Satpur Area, Nasik, Maharashtra
3. Survey No.30, Pali, Vasind, Shahpur, Thane, Maharashtra
4. Plot No. B-5-13, Special Economic Zone(SEZ), Pithampur, Dhar, Madhya Pradesh

BANKERS

Citi Bank N.A.
ICICI Bank Ltd.
Union Bank of India
Shree Sinnar Vyapari Sahakari Bank Ltd.

AUDITORS

M.M.Nissim & Co.
Chartered Accountants
Barodawala Mansion,
B-Wing, 3rd Floor,
81, Dr. Annie Besant Road,
Worli, Mumbai - 400 018.

NOTICE

NOTICE is hereby given that the **Seventeenth Annual General Meeting** of the members of **ADVANCED ENZYME TECHNOLOGIES LIMITED** will be held on Tuesday the 6th June 2006 at Sun Magnetica, 'A' Wing, Accolade Galaxy, 4th Floor, Near L.I.C. Service Road, Naupada, Thane- 400604, at 11.30 A.M., to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and the Directors' and Auditors' report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Pradip Shah who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mrs. Savita Rathi who retires by rotation and being eligible offers herself for reappointment.
5. To appoint Auditors and to fix their remuneration.

Special Business :

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

"RESOLVED THAT pursuant to the provisions of Sections 198,309,310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby ratifies and confirms the payment of managerial remuneration amounting to Rs 68,72,830/- paid/ payable to Mr. Chandrakant L. Rathi (C.L.Rathi), Managing Director, Mrs. Savita Rathi (S. C. Rathi), Whole Time Director, Mr. Mukund Kabra (M. M. Kabra), Whole Time Director of the Company (hereinafter collectively referred as *Whole Time Directors*) and Rs. 3,66,191/- payable to *Non-Executive Director* for the financial year ended 31st March 2006, as detailed in the explanatory note annexed to the notice of the Annual General Meeting of the Company and waives the recovery of the sum of Rs. 7,37,809/- from the whole time directors, being the remuneration paid to them in excess of the statutory limits laid down under the Act and approves of consequential retention thereof by them."

"RESOLVED FURTHER THAT the Company Secretary be and is hereby authorized to do all such acts, matters, deeds and things as may be necessary, expedient or proper to implement the resolution including making application/s to the Central Government and making necessary submission to that effect."

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.
2. All documents referred in the Notice are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of Annual General Meeting.
3. The Proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday the 2nd June 2006 to Tuesday the 6th June 2006 (both days inclusive.)
5. Members desiring to seek further information or clarification on the Annual Accounts or operations of the Company at the meeting are requested to send their queries to the Chief of Finance Department so as to reach to the Registered Office of the Company at least one week in advance of the date of meeting to enable the management to keep information ready. Replies will be provided only at the meeting.
6. Members are requested to bring their copy of this Annual Report to the meeting.
7. Relevant Explanatory Statement pursuant to Section 173(2) of the companies Act, 1956, is annexed hereto.

By Order of the Board of Directors

Thane, May 8, 2006
Registered Office
106, Dhanlaxmi Industrial Estate,
Old Bombay Agra Road,
Thane-400 601.

(C. L. Rathi)
Managing Director

(R.T.Mehta)
Director

EXPLANATORY NOTES PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956**Item no. 6**

Members may recall that pursuant to the provisions of Section 198 of the Companies Act, 1956 (hereinafter referred as "the Act") the total managerial remuneration cannot exceed 11% of the net profits of a Company as computed in the manner laid down in Section 349 read with Section 350 of the Act without approval of the Central Government. Pursuant to the provisions of Section 269 and 309 of the Act, remuneration of Managing Director and other whole time directors shall not exceed 10% of the net profits of the company.

During the financial year 2005-06 the Company has paid Rs. 64,15,092/- as Managerial Remuneration to the Managing Director, Mr. C.L.Rathi, and the other two whole time directors, Mrs. S.C.Rathi and Mr. Mukund Kabra (hereinafter collectively referred as "Whole time directors") as their remuneration and further commission aggregating to 1.25% of the net profits amounting to Rs. 4,57,738/- is payable to Mr. C.L.Rathi and Mukund Kabra for the said financial year in terms of resolution passed in the extra ordinary general meeting of the members dated 4th January 2005. Pursuant to the resolution passed in the Extra Ordinary General Meeting dated 4th January 2005, Non-Executive Directors are also eligible for commission @ 1% of the net profits and as per resolution passed by the Board of Directors in their meeting held on 4th January 2005 , Rs. 3,66,191/- is payable to the Chairman of the Company Mr. V. L. Rathi.

Details of managerial remuneration is as follows:

	(Amount Rs.)
A) To Wholetime Directors	
Salaries and allowances	58,36,513
Commission	4,57,738
Company's contribution to Provident Fund, Superannuation Fund	5,78,579
Total A	<u>68,72,830</u>
B) To Non - Executive Director	
Commission to Mr. V.L.Rathi	<u>3,66,191</u>
Total B	<u>3,66,191</u>
Grand Total	<u><u>72,39,021</u></u>

Accordingly the remuneration paid/payable to the directors for the year ended 31st March,2006 exceeds the statutory limits as per Section 198 of the Act by Rs. 4,90,498/- and managerial remuneration to wholetime directors exceeds the statutory limit as per Section 269 and 309 of the Act by Rs. 7,37,809/-.

Under Section 309(5A) of the Act, any sums paid in excess of these statutory limits become refundable to the Company unless the Company waives recovery of the amount paid in excess of the limits and such waiver is approved by the Central Government.

Since amount of commission payable to non-executive director is within the prescribed limit of Section 309(4) but overall managerial remuneration is in excess of the limit of Section 198 of the Companies Act, 1956, accordingly no amount as such is recoverable from the non-executive directors.

During the year 2005-06, although the Company has achieved a turnover of Rs. 5556 lacs as against Rs. 3968 lacs but net profits are lower mainly due to increased research and development expenses of Rs 302 lacs and depreciation Rs. 211 lac. during the current financial year as against Rs.163 lacs and Rs.186 lacs respectively during the last financial year. Further increased expenses on account of expansion of marketing, development of export market and on branding of the products of the Company also adversely affected profits for the current year.

Besides during the year the Company has made mandatory leave encashment for leave in excess of 90 days in respect of each employee working in Head Office and 60 days for employees working in the plant. Accordingly remuneration of whole time directors includes Rs.13,94,194/- paid towards leave encashment and has resulted in a higher remuneration of the whole time directors for the year under review.

The Board is of the view that the Whole Time Directors should be permitted to retain the salaries, perquisites and commission as approved by the members and paid/payable to them during the financial year ended 31st March 2006 though the amount is in excess of the statutory limits to the extent mentioned hereinabove and as set out in the Resolution.

Members' ratification and confirmation of the payment of remuneration made to the Whole Time Directors and non-executive director, as set out in the Resolution at Item 6 and the approval for the retention of remuneration in excess of the statutory limits laid down in Sections 198, 309 and 310 of the Act, being treated as increased remuneration, is requested subject to the approval of the Central Government. The Board commends the Resolution for acceptance by the Members.

Since the proposal is pertaining to the approval of excess remuneration of Mr. C.L.Rathi, Mrs. S.C.Rathi, Mr. Mukund Kabra and Mr. V.L.Rathi accordingly they are interested in the said resolution, none of the other directors are interested in the said resolution.

By Order of the Board of Directors

Thane, May 8, 2006

(C. L. Rathi)
Managing Director

(R.T.Mehta)
Director

Registered Office
106, Dhanlaxmi Industrial Estate,
Old Bombay Agra Road,
Thane-400 601.

DIRECTOR'S REPORT

The Directors have pleasure in presenting their Seventeenth Annual Report together with the audited statement of accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS:

	Rupees In Lacs	Year ended 31.03.2006 Rupees In lacs	Year ended 31.03.2005 Rupees In lacs
Profit before depreciation, interest & tax		833.71	878.59
(Less):			
Depreciation	211.49		185.90
Interest/Finance Charges	80.27		50.62
		<u>291.76</u>	<u>236.52</u>
Profit before tax		541.95	642.07
(Less): Provision for taxation			
Current Tax	107.00		110.00
Deferred Tax	6.93		97.61
Fringe Benefit Tax	10.31	<u>124.24</u>	<u>-</u>
Profit after tax		417.71	434.46
Add/(Less): Previous year tax adjustments		(50.63)	16.45
Balance Brought forward		644.25	340.75
		<u>1011.33</u>	<u>791.66</u>
Profit available for appropriation			
Out of which directors have appropriated as follows:			
General Reserve		40.53	41.92
Proposed Dividend (including tax on dividend)		107.26	105.48
		<u>147.79</u>	<u>147.40</u>
Balance in Profit and Loss Account carried to Balance Sheet		863.54	644.26

DIVIDEND :

The Board of Directors has recommended a dividend of 18% on Equity Shares amounting to Rs.93.29 lacs.

REVIEW OF OPERATIONS:

During the year under review your Company achieved a turnover of Rs.5556 lacs as compared to Rs. 3968 lacs in the previous financial year 2004-05. Increase in sales is about 40% as compared to 32% during the previous year. Exports during the year were higher at Rs.1155 lacs as compared to Rs. 624 lacs and posted a growth of about 85% compared to previous year.

The net profits before tax of the Company is lower at Rs. 542 lacs during the year compare to Rs. 642 lacs of the previous year. The Profits during the year are lower mainly due to increased research and development expenses and depreciation coupled with expenses incurred on expansion of marketing team and their expenses, development of export market and change in marketing strategies for complete branding of the products of the Company. However these factors has enabled the Company to increase its customers base, market and better visibility and gradual brand building, therefore the Company will be reaping the benefits in due course.

During the year under review the Company has chalked out capital expenditure plan of about Rs.2000 lacs comprising of (a) Setting up a recovery and formulation plant in Special Economic Zone, Pithampur, Indore (b) Setting up of formulation facilities at Shahpur, Thane (c) Installation of additional recovery facilities and advanced equipments at existing plant at Sinner and in R&D Labs at Sinner and Thane (d) Acquiring premises for shifting Registered office to expand R&D facilities in the existing premises at Thane.

SEZ plant is likely to become operational by mid of August 2006 and Shahpur plant shall commence commercial operation from July 2006. Other facilities as mentioned at (c) & (d) above are at the stage of completion.

The Company has incurred Rs. 1009 lacs on Capital expenditure as against Rs. 473 lacs of previous year.

CHANGE IN THE NAME :

Enzyme manufacturing and various technologies pertaining to the use of enzymes are core business activities of the Company therefore in order to reflect the true nature of business activities carried out by the Company, the name of the Company was changed from 'Advanced Biochemicals Limited' to 'ADVANCED ENZYME TECHNOLOGIES LIMITED'(AETL) and fresh certificate of incorporation consequent on change of name dated 19th August 2005 was obtained from the Registrar of Companies, Maharashtra.

FUTURE OUTLOOK :

Enzymes are Biochemical form of Energy! Current focus all over the world is to find alternative forms of Energy. We all have already started understanding the perils of various hazardous chemicals including Drugs, Pesticides, & other chemicals. Mankind is now very sincere in finding Natural Solutions to the present day problems. Enzymes are the solutions to the above problem.

The Company in its pursuit of excellence and for serving the mankind has been working on a very unique concept called 'Enzyme Therapy' for providing natural solutions to various Industries and mankind for Global Health & Living.

The Company continued its leadership position in the supply of bulk enzymes however on realizing the scope and potential of branding its own formulation its has given equal thrust to branding of the products of the company. AETL has several trademarks registered in its name and some of them are at different stage of registration. Besides intellectual property rights has been given top priority and during the last two years its has filed about 6 Patents as detailed elsewhere in this report.

The Company has developed several multi enzyme blends to take care of drug menace in Cancer, Tuberculosis, Arthritis, Cardic Care, Anti-Ulcer Treatments. Anti-inflammatory multi-enzyme formulation of the Company will provide supply of vital enzymes to support the Liver, Pancreas and Kidney. The Company has leadership position in the supply of enzymes used by pharma industry for formulation of medicines for digestive dysfunction. The Company is in the process of launching its own branded digestive enzymes. The market size for bulk Enzymes in Pharma industry is estimated at Rs. 6500 lacs and for branded products AETL has a huge potential due to its core strength of manufacturing and technology.

Animal Healthcare & Nutrition industry is fast growing with average growth of about 12%. With the change in the marketing outlook, the Company has started marketing its unique branded formulation developed for various segments of the Industry. The Company has already launched its unique Bio-feed supplement blend of enzymes and probiotics for improving the milk production in Cattle, for ruminal disorders and for fertility disorders. Based on the estimates the market size is about Rs. 20000 lacs. AETL having presence in this industry since over 10 years and supplying bulk enzymes, will be in a position to maintain its leadership in the retail segment also.

Stringent pollution control regulations and increased awareness about the environment is also forcing industries to look for alternates to replace use of chemicals. The company has a range of products providing 'Natural Solutions' for Textile, Leather and Brewery Industries. The products are eco-friendly, safe and cost competitive thereby enables the user to replace use of the hazardous, polluting, non-bio-degradable chemicals. Process industries are growing in double digits hence the potential available is enormous for the company, which is being tapped.

For conservation of fast depleting natural resources, use of bio-fuel by blending with petrol has been considered top priority world over. Brewery & Distillery, industries too have shifted their focus on use of grain for better yield and quality. Enzyme has its major role in both the industries since it plays vital role in degrading the grains to lower sugars. Besides enzymes also addresses the problem of pollution in the said Industries. Therefore will have dual advantage. Business potential in bio-fuel is in billions of money and market size in the brewery industry is estimated at Rs. 65000 Lacs.

The Company has also launched several products for bakery industry, which are alternatives to traditional chemical based technology and can replace synthetic chemicals in many processes and allows environmental performance of the production process, lower energy consumption and biodegradable.

Hence we strongly feel that this decade the ENZYME industry shall grow very rapidly from at present level of about US \$ 3.2 Billion to at least by 3 fold to US \$ 10 Billion in next decade. AETL being a very strong contender in this segment, we see a great opportunity & future for us in this decade.

DIRECTORS' RESPONSIBILITY STATEMENT:

In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.

We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at 31st March 2006 and of the profit of the Company for the year ended on that date.

We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

We have prepared the accompanying Financial Statements of the Company on a going concern basis.

BANKING:

The Company has working capital arrangement from Union Bank of India and Citi Bank N.A.. To part finance the capital expenditure, the Company has got sanction for term loan of about Rs. 750 lacs from CITI Bank and about Rs.950 lacs from ICICI. The Company availed term loan of about Rs. 673 lacs from Citi Bank during the year under review.

DIRECTORS:

Mr. Pradip Shah retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment.

Mrs. Savita Rathi retires by rotation at the forthcoming Annual General Meeting and being eligible, offer herself for reappointment.

Mr. Tetsuji Kawamura due to his preoccupation resigned during the year and accordingly G.C.Gore alternate director to him ceased to be director. Mr Gore was appointed as alternate director to Pradip Shah.

Your directors place on the record their appreciation and gratitude to Mr. Kawamura for valuable contribution and support extended by him during his association with the Company.

EMPLOYEES:

Your directors place on record their appreciation of the contribution made by all the employees in ensuring the higher level of performance and growth that your company has achieved during the year.

Particulars of the employees of the Company who were in receipt of remuneration in excess of the limits of Rs.24 lacs, if employed through out the financial year or Rs.2 lac per month if employed for the part of the financial year as prescribed by the Department of Company Affairs under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 amended by Companies (Particulars of Employees) Amended Rules 2002 is given in the Annexure II (Part IV).

AUDITORS REPORT AND REAPPOINTMENT :

The observations made by the Auditors in their report are appropriately dealt in the schedule of notes forming part of the accounts for the year which are self explanatory and hence do not require any further explanations.

M/s M.M.Nissim And Co., Chartered Accountants retire and offer themselves for reappointment.

SUBSIDIARY :

The Company has two subsidiaries viz. Advanced Bio-Nutraceuticals Limited and Advanced Bio-Agro Tech Limited within the meaning of Section 4 of the Companies Act 1956. The accounts of the said subsidiaries are incorporated in the annual report of the Company. The statement under section 212 of the Companies Act, 1956 is annexed as "I" with the report.

FIXED DEPOSIT :

The Company has complied with the requirements prescribed under the Companies (Acceptance of Deposits) Rules 1975. The Company does not have any overdue or unclaimed deposit as on the date of this Report.

ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

The information required under Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure "II" (Part I and III) and forms part of this report.

AUDIT COMMITTEE :

The members of the audit committee are Mr.C.L.Rathi, Mr. R.T. Mehta and Mr.G.C.Gore . During the year under review the audit committee met twice, to review financial reporting system, internal control systems and control procedures and ensuring compliance with the regulatory guidelines. All the members of the committee attended both the meetings, except the second meeting was not attended by Mr. R. T. Mehta.

RESEARCH AND DEVELOPMENT :

Your Company has continued its focus on R&D and considered this crucial for sustained growth. The thrust on R&D can be also observed from total R&D expenditure, which is Rs. 440 lacs for the current year and constitute 8.78% of its turnover as against Rs. 305 lacs incurred during the previous year (8.64% of its turnover).

During the year the Company has added state of art advance technology equipments and spent about Rs.137 lacs. The Company has applied for necessary renewal/approval of the R&D Labs located at Thane and Sinner from the Department of Science & Technology, Ministry of Science & Technology, New Delhi, which is awaited.

INTELLECTUAL PROPERTY (IPR) :

The Company has focused and accelerated the IPR work on a number of products. The Company has filed 6 applications in Indian/International patent office. Work on 4 applications is at the stage of completion and shall submit the same within couple of months.

SOCIAL RESPONSIBLE CORPORATE CITIZEN :

Your Company has one of its mission to serve the mankind and provides social support and relief consistently either directly or through the one of the biggest NGO (Art of Living which operates under different segments for serving the mankind all over the world). Your Company has contributed for the relief operations for Tsunami affected people. All employees of your Company have contributed a day's salary.

EMPLOYEES STOCK OPTION PLAN :

Pursuant to resolution passed by the share holders at the Annual General Meeting dated 4th June 2002 and in terms of the said resolution the board of directors allotted 100000 Equity Shares at a price of Rs. 26/- per share to the 'ABL-Employee Stock Option Trust. The Company has also sought approval for issue of 200000 Equity Shares at a price of Rs. 38 per share from the shareholders of the Company at the Extra Ordinary General Meeting dated 8th August 2005. The Company has not granted any fresh stock option to the Employees for the year 2005-2006. The details of the options granted to employees and the status of such options as on March 31st, 2006 are given in Annexure II (Part V) to this report.

ENTERPRISE RESOURCE PLANNING (ERP) :

Your Company is in the process of implementation of SAP Business One Software for the entire organization. The system will help in managing costs, increasing transparency and consistency of information for the benefit of all the stakeholders.

ACKNOWLEDGMENTS :

Your Directors acknowledge with gratitude the support received by the company from Citi Bank N.A, ICICI Bank, Union Bank of India and other Banks, Government Agencies and organizations. Your Directors also acknowledge with thanks the faith reposed by the investors in the Company and look forward to their continued support for times to come.

For and on behalf of the Board

Thane, 8th May, 2006

C. L. RATHI
Managing Director

R.T.Mehta
Director

ANNEXURE "I" TO THE DIRECTOR'S REPORT

Name of the subsidiary	Advanced Bio-Nutraceuticals Limited	Advanced Bio-Agro Tech Limited
Extent of Holding	79.68%	99.6%
Date of incorporation	17.02.2005	09.11.2004
First accounting year	From 17.02.2005 to 31.03.2006	From 09.11.2004 to 31.03.2006*
Net aggregate of profit / (loss) for current period of the subsidiary so far it concerns the members of the holding Company (a) Dealt with or provided for in the accounts of the holding Company (b) Not dealt with or provided for in the accounts of the holding Company	Nil (Rs.23,43,122/-)	Nil Nil
Net aggregate of profit / (loss) for previous financial years of the subsidiary so far it concerns the members of the holding Company (a) Dealt with or provided for in the accounts of the holding Company (b) Not dealt with or provided for in the accounts of the holding Company	Nil	Nil

* Necessary permission from the Registrar of Companies obtained by the Company for having accounting year exceeding 15 months.

ANNEXURE "II " TO THE DIRECTOR'S REPORT

Information under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Director's Report for the year ended 31st March 2006.

I. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

The Company had continued with the measures already taken but with better experience and versatility and concentrated more to get better results. Measures taken includes:

- By repair and overhauling electrical equipments etc.
- Reduction of Boiler pressure, de-rating the boiler and maintaining fuel filters.
- Modification of process parameters to reduce steam consumption.

(b) Impact of measures taken:

The measures taken have resulted in savings in the cost of production.

Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in Schedule.

FORM A

Year Ended
March '2006

Year Ended
March '2005

(A) Power and Fuel Consumption

1. Electricity

a. Purchased from M.S.E.B.

Total Units	Kwh	4053355	3587438
Total Amount	Rs.	12551210	11040742
Average rate per Kwh.	Rs.	3.10	3.08

b. Own Generation

(Through Diesel)

Total Units	Kwh	331977	133377
High Speed Diesel Oil Quantity	Ltrs	77204	31018
Amount	Rs.	2699524	953240
Average Rate per Ltr	Rs.	34.97	30.73
Average Rate per Kwh.	Rs.	8.13	7.15

2. Furnace Oil & Diesel
(for steam generation)

Quantity	Ltrs.	1262854	952277
Total Amount	Rs.	18621569	11587312
Average Rate per Ltr.	Rs.	14.75	12.17

(B) Consumption per Tonne of production

(Total production of Enzymes 1401.88 M. T. (Last Year 780.587 M.T.))

	<u>Year ended March-2006</u>		<u>Year ended March-2005</u>	
1. Electricity	Unit (kwh)	Amount	Unit (kwh)	Amount
Purchased	4053355	12551210	3587438	11040742
Own Generation	331977	2699524	133377	953240
TOTAL	4385332	15250734	3720815	11993982
Average per tonne of production	3128	10879	4767	15365
2. Steam	Unit (kg)	Amount	Unit (kg)	Amount
Through Furnace Oil & Diesel	14786397	18621569	11235241	11587312
TOTAL	14786397	18621569	11235241	11587312
Average per tonne of Production	10548	13283	14353	14750

N.B. There are no separate standards available for each category since the product range consists of various products with different consumption.

FORM B**II. RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION****A. Research and Development (R & D)**

1. Specific Areas in which R & D carried out by the Company:
 - The company has developed various formulations for human & animal healthcare and nutrition. For Human healthcare **Exclzyme EN** Anti inflammatory and analgesic properties. **Vegpanzyme** Digestive aid and antacid supplement, **HemiSEB** Proper fiber digestion and antigaseous supplement. **DIgeSEB** Digestive Aid and **SoftSEB** Cosmetics.
 - For Animal Healthcare and Nutrition- An enzyme based dewormer, **Exclzyme BV** an anti-inflammatory analgesic, **ParaSEB**, and enzyme based dewormer for Sheep and Goats, **Exclzyme EQ** anti-inflammatory analgesic for Horses, Product for Colic prevention, Health Rejuvenator, Dewormer for Equines Product for control and/or treatment for Luminus Bacteria
 - Developed a new product Catalase / Glucose Oxidase.
 - Scaled up production process for Lactic Acid Bacillus upto 20 kl.
 - Developed Probiotic *Saccharomyces boulardii* fermentation and downstream process.
 - Significant improvement in Alkaline Protease downstreaming processes.
 - Developed enzymatic formulation to control browning in the Wheat flour dough
 - Developed mediator free laccase enzyme.
 - Development of enzyme overproducing strains
 - Up-gradation of production processes.
 - Change in the enzyme profile of the existing enzyme products.
 - Optimization of fermentation parameters for maximum enzyme yield.
 - Selection of enzyme producing strains, yield optimization in lab fomenter and scale-up.
2. Benefits derived as result of above R&D:
 - Cost reduction/improved utilization/ productivity of existing manufacturing facilities.
 - Improvement and Enhancement of quality of product.
 - Maintaining market leadership.
 - Technology up gradation.
 - Development of new products.

3. Expenditure on R&D:	(Rs. in lacs)	(Rs. in lacs)
	2005-06	2004-05
(a) Capital	137.25	141.84
(b) Recurring	302.40	163.14
(c) Total	439.65	304.98
(d) Total R&D expenditure as a % of total turnover of the Company	8.78%	8.66%

B. Technology Absorption, Adaptation and Innovation

1. Efforts, in brief made towards technology absorption, adaptation and Innovation.
 - Training of personnel for exposure to latest technology/products processes and practices.
 - Developing technology for products/processes in house.
 - Collaborative efforts with education institutions for technology up gradation etc.
 No new technology acquired during the year.
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.

New and improved quality of products, improved productivity, improvement in the upstream and downstream processing, improvement in fermentation procedure resulted in shortening of fermentation cycle time. The quality of the finished products has improved to suit the specific requirements of individual buyers in national as well as international markets.
3. Imported technology:

a. Technology imported	: Technology for manufacture of Three enzymes.
b. Year of Import	: 2002-03
c. Has the technology been Fully absorbed.	: Already absorbed.
d. If not fully absorbed areas where this has not taken place, reasons therefore and Future Plan	: —

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is contained in Schedule "13" of notes to the financial statements, Point No. 15 (iv) to (vii) of additional information, annexed thereto.

IV. PARTICULARS OF THE EMPLOYEES PURSUANT TO SECTION 217(2A)(B)(II) OF THE COMPANIES ACT,1956

NAME	DESIGNATION	AGE	QUALIFICATIONS	EXPERIENCE	DATE OF APPOINTMENT	GROSS REMUNERATION (Rs.)	LAST EMPLOYMENT
MR. C. L. RATHI	MANAGING DIRECTOR	52	B.Tech (HONS) CHEMICAL ENGG. DBM	28 YRS.	30.11.1992	4161178	Self Employment-Prop-SORL.

V. EMPLOYEE STOCK OPTION

The information on Employee Stock Option Scheme is as follows:

	Year 2002-03				Year 2003-04			Year 2004-05	
A Options granted	24000				25400			29000	
B The pricing formula	Note 1				Note 1			Note 1	
C Options vested	2400	3940	5820	7760	2360	5040	7560	2850	5560
D Options exercised	2400	3940	5820	7760	2360	5040	7560	2850	5560
E Total number of shares arising as a result of exercise of option	2400	3940	5820	7760	2360	5040	7560	2850	5560
F Options lapsed	4080				280			1130	
G Variation of terms of options	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
H Money realized by exercise of options	62,400	1,02,440	1,51,320	2,01,760	57,840	1,23,480	1,85,220	85,500	1,66,800
I Total number of options in force	17,520	13580	7760	NIL	22760	17720	10160	25020	19460
J Employee-wise details of options granted to-									
(i) (a) Senior Managerial Personnel	100%-	100%-	100%-	100%-	95%	95%	95%	85%	85%
No of Employees	25	20	20	20	26	26	26	23	23
(b) Junior Managerial Personnel	-	-	-	-	5%	5%	5%	15%	15%
	-	-	-	-	6	6	6	9	9
(ii) Any other employee who receives grant in any one year of option amounting to 5% or more of option granted during the year	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE
(iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant.	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE

Note

1. Book value of Equity share of the Company as at end of the financial year immediately preceding the date of grant of option.

For and on behalf of the Board

Thane, 8th May, 2006

C. L. RATHI
Managing Director

R.T.Mehta
Director

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Advanced Enzyme Technologies Limited, as at 31st March 2006, and also the Profit and Loss Account and the Cash flow statement for the year ended on that date annexed thereto. 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 conducted our audit in accordance with generally accepted auditing standards 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we give below a statement on the matters specified in paragraphs 4 and 5 of the said order.

In respect of its Fixed Assets:

- a) The company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets;
- b) As explained to us, the Assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification;
- c) The company has not disposed off any substantial part of its Fixed Assets during the year.
- ii) In respect of its inventories:
 - a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. As regards materials lying with third parties, confirmations have been obtained;
 - b) The procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the company and nature of its business;
 - c) The company is maintaining proper records of inventory. As informed, no material discrepancies were noticed on such physical verification.
- iii)
 - a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the clauses 4(ii) (b) to (d) of the Order are not applicable;
 - b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the clauses 4(ii) (f) & (g) of the Order are not applicable.
- iv) In our opinion there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in internal control system, in respect of these areas.
- v)
 - a) Based on the audit procedure applied by us and according to the information, explanations and representation given to us, we are of the opinion that particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered in the register maintained under that section have been so entered.
 - b) According to the information and explanations given to us, where each of such transactions is in excess of Rs.5 lakhs in respect of each party, the transactions have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.

- vi) The company has complied with the provisions of section 58 A and 58 AA of the Companies Act, 1956 and Rules framed there under in respect of deposits accepted from the public. We are informed by the management that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal in respect of the aforesaid deposits.
- vii) The company's internal audit system is 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 Company.
- ix) a) The company is regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities, where applicable. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2006 for a period of more than six months from the date they became payable.
- b) According to the records of the company there are no dues in respect of Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty & Cess, which are disputed except for Income Tax & Sales Tax Demands of Rs.33,727/- & Rs. 48,379/- respectively which are not deposited since the matters are pending with Appellate Authorities.
- x) The company has no accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi) The company has not defaulted in repayment of its dues to banks. The company does not have any borrowings by way of debentures.
- xii) The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the company.
- xiv) The company is not dealing or trading in shares, securities, debentures or other investments and hence the requirements of clause 4(xiv) 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 and financial institutions.
- xvi) On the basis of the records examined by us we have to state that, the company has, prima facie, applied the term loans for the purposes for which they were obtained.
- 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 short term basis have been used for long term investments.
- xviii) The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the companies Act, 1956.
- xix) The company has not issued any debentures during the year.
- xx) The company has not raised any money by way of public issue during the year.
- xxi) On the basis of our examination and according to the information and explanations given to us, no fraud on or by the company, has been noticed or reported during the year.
- Further to our comments referred to above, we report that:
1. We have obtained all the information and explanations, which to the best of our knowledge belief were necessary for the purpose of our audit;
 2. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
 3. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 5. On the basis of written representations received from the Directors as on 31st March 2006 and taken on record by the Board of Directors and on the basis of examination and records of the company, we report and certify that none of the Directors is disqualified as on 31 March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;

6. 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 the Balance Sheet, of the State of Affairs of the Company as at 31st March 2006;
 - b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For M.M. NISSIM AND CO.
Chartered Accountants

Mumbai, 8th May, 2006

Partner

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	In Rupees	
		2005-06	2004-05
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	51828000	51828000
Reserves & Surplus	2	172143657	146162107
		223971657	197990107
LOAN FUNDS			
Secured	3	136190516	56771921
Unsecured	4	57535806	49873166
		193726322	106645087
DEFERRED TAX LIABILITY (NET)		48987167	48294491
Total		466685146	352929685
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	443054268	370793354
Less: Depreciation		151944803	130628195
Net Block		291109465	240165159
Capital Work-in-Progress & Advances against capital expenditure		30853511	2205804
		321962976	242370963
INVESTMENTS	6		1046980
CURRENT ASSETS, LOANS AND ADVANCES	7		
Inventories		110967407	104530221
Sundry Debtors		84920568	54726194
Cash and Bank Balances		3811073	6304926
Other Current Assets		-	190379
Loans and Advances		21422811	17746265
		221121859	183497985
LESS: CURRENT LIABILITIES AND PROVISIONS	8		
Current Liabilities		63902349	58900913
Provisions		17153056	16018528
		81055405	74919441
NET CURRENT ASSETS		140066454	108578544
MISCELLANEOUS EXPENDITURE	9		
to the extent not written off or adjusted)		35736	933198
Total		466685146	352929685
Significant Accounting Policies and Notes on accounts 13			
Schedules 1 to 9 and 13 referred to above form an integral part of the Balance Sheet This is the Balance Sheet referred to in our report of even date For M.M. NISSIM AND CO. For and on behalf of the Board Chartered Accountants			
(N. Kashinath) Partner Mumbai, 8th May, 2006	(C.L. Rathi) Managing Director Thane, 8th May, 2006	(R.T. Mehta) Director	

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	Schedule	In Rupees	
		2005-06	2004-05
INCOME			
Sales		555583137	396833932
Less: Excise Duty		55097873	44700762
Other Income	10	500485264 3174929	352133170 2578251
		503660193	354711421
EXPENDITURE			
Manufacturing and other Expenses	11	420289340	266852434
Interest and Finance Costs (net)	12	8027159	5061393
		428316499	271913827
PROFIT BEFORE DEPRECIATION & TAXATION		75343694	82797594
Depreciation		21149008	18590234
PROFIT BEFORE TAXATION		54194686	64207360
Provision for Tax			
Current Tax		10700000	11000000
Deferred Tax		692676	9760944
Fringe Benefit Tax		1031000	-
		12423676	20760944
PROFIT AFTER TAXATION		41771010	43446416
Add/(Less): Excess/(Short) provision of Income Tax of earlier years		(5062813)	1644859
		36708197	45091275
Surplus Brought forward from previous year		64425277	34074581
AMOUNT AVAILABLE FOR APPROPRIATION		101133474	79165856
APPROPRIATIONS			
Proposed Dividend		9329040	9329040
Corporate Tax on Dividend		1397607	1219189
Transfer to General Reserve		4053001	4192350
Surplus Carried to Balance Sheet		86353826	64425277
		101133474	79165856
Basic and Diluted Earnings Per Equity Share (EPS)			
Number of equity shares - face value of Rs.10/- each		5182800	5182800
Basic and Diluted EPS (in Rs.)		7.08	8.70
Significant Accounting Policies and Notes on accounts	13		
Schedules 10 to 13 referred to above form an integral part of the Profit & Loss Account. This is the Profit & Loss Account referred to in our report of even date For M.M. NISSIM AND CO. Chartered Accountants (N. Kashinath) Partner Mumbai, 8th May, 2006			
For and on behalf of the Board (C.L. Rathi) Managing Director Thane 8th May, 2006			
(R.T. Mehta) Director			

ADVANCED ENZYME TECHNOLOGIES LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2006

		(In Rupees)	
		2005-06	2004-05
SCHEDULE 1: SHARE CAPITAL			
Authorised			
60,00,000 Equity Shares of Rs.10/- each		60000000	60000000
3,00,000 Preference Shares of Rs.100/- each		30000000	30000000
		<u>90000000</u>	<u>90000000</u>
Subscribed and Fully Paid-up			
51,82,800 Equity Shares of Rs.10/- each		51828000	51828000
		<u>51828000</u>	<u>51828000</u>
Of the above, 208400 Equity Shares of Rs.10/- each fully paid up have been issued for consideration other than cash.			
SCHEDULE 2: RESERVES AND SURPLUS			
Capital Reserve		3000000	3000000
Capital Redemption Reserve		28341000	28341000
Share Premium Account		34312000	34312000
General Reserve	16083830		11891480
Add: Transfer from Profit & Loss Account	<u>4053001</u>		<u>4192350</u>
		20136831	16083830
Profit and Loss Account		86353826	64425277
		<u>172143657</u>	<u>146162107</u>
SCHEDULE 3: SECURED LOANS			
Term Loan from Banks			
Foreign Currency Loan		68086355	12153779
Rupee Loan		1248192	1549494
Working Capital facilities from Banks		64075441	40998325
Hire Purchase Finance from Banks		2780528	2070323
		<u>136190516</u>	<u>56771921</u>
Term Loans are secured by Hypothecation of Plant & Machineries, movable assets including spares etc. and other specific assets acquired thereagainst and guaranteed by the Managing Director.			
Working Capital facilities are secured by First Charge on Stocks & Book Debts and Second Charge on all Plant & Machineries and guaranteed by the Managing Director.			
Hire Purchase Finance are secured by hypothecation of specific assets acquired thereagainst.			
Term Loan repayable within one year Rs.1,68,25,000/-			
SCHEDULE 4: UNSECURED LOANS			
Fixed Deposits:			
From Directors		6018000	5118000
From Others		3529000	1554000
Subsidiary Company		375866	382367
Sales Tax Deferral Scheme		47612940	42818799
		<u>57535806</u>	<u>49873166</u>

SCHEDULE 5: FIXED ASSETS

(In Rupees)

Nature of Fixed Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK
	Cost/ Value As at 1.4.2005	Additions	Deductions/ Adjustments	Cost/ Value as at 31.3.2006	Upto 31.3.2005	Provided during the year	Deduction/ Adjustments	Upto 31.3.2006	As at 31.3.2006
Land*	7855453	23235606	-	31091059	-	160740	-	160740	30930319
Buildings	45732139	6681725	-	52413864	18774910	2291442	-	21066352	31347512
Plant & Machinery	300171307	37518574	-	337689881	101843582	16403003	-	118246585	219443296
Furniture & Office Equipment	7076954	1108540	-	8185494	4591525	503598	-	5095123	3090371
Computer	4508798	1934021	-	6442819	2843557	1018724	-	3862281	2580538
Vehicles	5448703	1782448	-	7231151	2574621	939101	-	3513722	3717429
TOTAL	370793354	72260914	-	443054268	130628195	21316608	-	151944803	291109465
Previous year	327477811	45129005	1813462	370793354	113735784	18590234	1697823	130628195	240165159
Capital Work-in-Progress and advances against Capital Expenditure									30853511
Grand Total									321962976
* Including Lease hold Land amounting to Rs.31360727									

SCHEDULE 6: INVESTMENTS - Long Term - Unquoted - Fully Paid In Shares - Trade	In Rupees	
	2005-06	2004-05
In subsidiary companies		
49800 Equity shares of Rs.10/- each fully paid up of Advanced Bio-Agro Tech Ltd.	498000	498000
74900 Equity shares of Rs.10/- each fully paid up of Advanced Bio-Nutraceuticals Ltd. (Previous Year 49400 Equity Shares of Rs.10/- each fully paid up)	2509000	494000
Share Application money with Advanced Bio-Nutraceuticals Ltd.	1558000	-
Others - Non Trade		
200 Equity Shares of Rs.25/- each fully paid up of Shree Sinnar Vyapari Sahakari Bank Ltd.	5000	5000
1666 Equity Shares of Rs.30/- each fully paid up of Bombay Mercantile Co-op. Bank Ltd.	49980	49980
	<u>4619980</u>	<u>1046980</u>
SCHEDULE 7: CURRENT ASSETS, LOANS AND ADVANCES		
A. Current Assets		
Inventories :		
(As taken, valued and certified by the Managing Director)		
Stores, Spares and Packing Materials	11490755	9696537
Raw Materials	45949069	34420006
Stock in Process	33138350	48379620
Finished Goods	<u>20389233</u>	<u>12034058</u>
	110967407	104530221
Sundry Debtors :		
(Unsecured - Considered Good)		
Debts outstanding for a period exceeding six months	1943494	5867674
Other Debts	<u>82977074</u>	<u>48858520</u>
(Secured to the extent of amount of Deposits received of Rs.225000/- Previous Year Rs. 575000/-)	84920568	54726194
Cash and Bank Balances :		
Cash balance on hand	192003	124057
Bank balances :		
With Scheduled Banks :		
On Current Accounts	79831	152182
On Margin Accounts (Under Lien)	2282512	1536750
On Deposit Accounts	1254940	4465614
With Other Bank		
On Current Account	<u>1787</u>	<u>26323</u>
	3811073	6304926
Other Current Assets	-	190379
Total- A	<u>199699048</u>	<u>165751720</u>
B. Loans and Advances :		
(Unsecured - Considered Good)		
Loan to Employees	312981	472527
Advances recoverable in Cash or in kind or for value to be received	13768674	12128833
Advance Income Tax (Less provision)	-	1599242
Subsidiary Company	-	17200
Balance with Excise Authorities	4198883	1297215
Deposits	<u>3142273</u>	<u>2231248</u>
Total - B	<u>21422811</u>	<u>17746265</u>
Total - A & B	<u>221121859</u>	<u>183497985</u>

	In Rupees	
	2005 - 06	2004-05
SCHEDULE 8: CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
Acceptances	4925628	3939358
Sundry Creditors		
Due to Small Scale Industrial Undertaking	-	-
Others	37439688	35006923
Unclaimed Dividend	69267	59323
Other Liabilities	21467766	19895309
Total - A	<u>63902349</u>	<u>58900913</u>
B. Provisions :		
Provision for Income Tax (less payments)	3826569	-
Proposed Dividend	9329040	9329040
Dividend Tax	1308398	1219189
Provision for leave encashment	2689049	5470299
Total - B	<u>17153056</u>	<u>16018528</u>
Total - A & B	<u>81055405</u>	<u>74919441</u>
Note: There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund		
SCHEDULE 9: MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	35736	47648
Research & Development Expenses	-	885550
	<u>35736</u>	<u>933198</u>
SCHEDULE 10: OTHER INCOME		
Interest (Gross)	239643	678391
Profit on sale of Assets	-	7818
Profit on sale of Investment	92500	-
Recovery of bad-debts	534152	600000
Foreign exchange gain (Net)	-	836766
Provision no longer required written back	1493416	-
Miscellaneous Receipts	815218	455276
	<u>3174929</u>	<u>2578251</u>
Tax deducted at source on interest	<u>43859</u>	<u>110371</u>

	In Rupees	
	2005-06	2004-05
SCHEDULE 11: MANUFACTURING AND OTHER EXPENSES		
1. Raw Material Consumption and Other Charges :		
Raw materials consumed :		
Opening Stock	34420006	15208343
Purchases	<u>225950344</u>	<u>161629638</u>
	260370350	176837981
Less: Closing Stock	<u>45949069</u>	<u>34420006</u>
	214421281	142417975
Stores and Spares Consumed	18171571	24881445
Packing Materials consumed	9707086	5666649
Power and Fuel	33701923	22628054
Water Charges	874396	805204
Carriage Inward & Freight	5709856	4716588
Repairs and Renewals:		
Buildings	3521128	3869048
Plant and Machinery	3832477	5195242
Other Assets	<u>2081690</u>	<u>2218218</u>
	9435295	11282508
Excise Duty	515781	176884
Other Manufacturing Expenses	<u>55493</u>	<u>64802</u>
	78171401	70222134
<u>Add/(Less): Decrease/(Increase) in stocks</u>		
Closing Stock		
Finished Goods	20389233	12034058
Stock in Process	<u>33138350</u>	<u>48379620</u>
	53527583	60413678
Less: Opening Stock		
Finished Goods	12034058	6450432
Stock in Process	<u>48379620</u>	<u>21593382</u>
	60413678	28043814
Differential Excise duty on stocks	<u>1601040</u>	<u>(1504332)</u>
	8487135	(30865532)
	C/F. 301079817	181774577

		In Rupees	
		2005-06	2004-05
SCHEDULE 11: MANUFACTURING AND OTHER EXPENSES (Contd...)			
	B/F	301079817	181774577
2. <u>Employees' Remuneration and Benefits:</u>			
Salaries, Wages & Bonus		36362011	25978108
Contribution to Provident, Gratuity and other funds		3182111	2342175
Welfare Expenses		3548772	3088591
		<u>43092894</u>	<u>31408874</u>
3. <u>Selling and Distribution Expenses :</u>			
Commission		8834667	9009611
Discount on Sales		3005865	1677200
Sales Promotion and Advertisement		2506629	2478913
Transport & Freight Charges		4939462	3967839
Other Selling & Distribution Expenses		2713151	486869
		<u>21999774</u>	<u>17620432</u>
4. <u>Administrative and General Expenses :</u>			
Insurance		1508943	1270760
Rent		761070	113600
Rates and Taxes		343125	372769
Printing & Stationary		2223437	1238004
Travelling & Conveyance		6692299	2312785
Communication Expenses		2720271	1479643
Legal & Professional Charges		3333268	3870569
Auditors' Remuneration:			
Audit Fees	120000		120000
Tax Audit Fees	15000		15000
Certification & Other services	-		76440
Reimbursement of Expenses etc.	39825		36237
		<u>174825</u>	<u>247677</u>
Directors' Fees		9000	5000
Technical Knowhow Fees		-	840000
Research & Development Expenses		30240201	16313873
Donation		655002	625900
Loss on sale of assets		-	34465
Preliminary Expenses Amortised		11912	11912
Research & Development Expenses Amortised		885550	4477312
Sundry Expenses		4557952	2834282
		<u>54116855</u>	<u>36048551</u>
	Total -1 to 4	<u>420289340</u>	<u>266852434</u>
SCHEDULE 12: INTEREST AND FINANCE COSTS			
Interest:			
On Fixed Loans		1248794	1673625
To Banks & Others		4715165	2838096
		<u>5963959</u>	<u>4511721</u>
Finance Expenses		1160253	549672
Foreign Exchange Loss (Net)		902947	-
		<u>8027159</u>	<u>5061393</u>

SCHEDULE 13: NOTES ON ACCOUNTS

Notes annexed to and forming part of the Balance Sheet as at 31st March, 2006 and Profit & Loss Account for the year ended on that date.

1. Significant Accounting Policies:Basis of Accounting

The Accounts have been prepared on the historical cost convention in accordance with the Companies Act, 1956 and the applicable accounting standards issued by the Institute of Chartered Accountants of India.

Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

Revenue Recognition

All income and expenditure are accounted on accrual basis.

Sale of goods are recognised upon passage of title to the customers which generally coincides with their delivery.

Fixed Assets

Fixed Assets are stated at their original cost less accumulated depreciation and provision for impairment, if any. The cost includes expenditure incurred on the acquisition and construction / installation and other related expenses in bringing the asset to working condition for its intended use. In respect of qualifying assets, related pre operational expenses including borrowing costs are also capitalised.

Depreciation

Depreciation on Fixed Assets other than Plant & Machinery has been provided on Written Down Value Method and on Plant & Machinery on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 on prorata basis from the date of additions and/or disposal. Lease hold land is amortised over the period of lease except for lease hold land acquired under perpetual lease.

Investments

Long Term Investments are stated at cost. Provision for diminution in value is made if the decline in value is other than temporary.

Foreign Currency Transactions

Transactions arising in foreign currencies during the year are recorded at the exchange rates prevailing on the date of the transactions. Foreign currency monetary items are converted into Rupee equivalent at the exchange rates prevailing as on Balance Sheet date. Non monetary items are carried at historical cost denominated in a foreign currency and are reported using the exchange rate at the date of transaction. Exchange differences arising on settlement/ restatement of monetary items are recognised as income or as expenses in the year in which they arise, except exchange differences on transactions relating to acquisition of fixed assets from outside India, which are adjusted to the carrying amount of Fixed Assets. Premium or discount on Forward/ Swap Contracts is amortised over the life of such contracts and is recognised as income or expenses, except for difference in respect of liabilities incurred for acquiring Fixed Assets from outside India, in which case such difference is adjusted in the carrying cost of Fixed Assets. Any Profit or Loss on cancellation or renewal of Forward / Swap contracts is recognized as income or expense for the year except Profit or Loss on transactions relating to acquisition of Fixed Assets from outside India, which is adjusted against the carrying cost of the Fixed Assets.

Inventories

- (i) Inventories are valued as follows:
Stores, Spares, Packing Materials, Raw Materials, Finished Goods and Stock in Process - at lower of cost and net realisable value.
- (ii) Cost of Raw Materials, Stores, Spares and Packing Materials is determined on FIFO basis. Cost of Finished Goods and Stock in Process is determined by considering materials, labour and other related direct expenses.

Customs Duty and Excise Duty

Customs Duty and Excise Duty have been accounted for on the basis of both payments made in respect of goods cleared as well as provision made for goods lying in bonded warehouse. Such provision is included in the valuation of closing stocks of respective materials and goods.

Retirement Benefits

Superannuation and Gratuity benefits to employees, as per company's scheme, have been funded with Life Insurance Corporation of India and the annual contribution towards fund is accounted for on accrual basis.

Leave encashment benefits on retirement payable, as per Company's scheme, has been actuarially valued at the date of the Balance Sheet and are charged to the Profit & Loss Account *which hitherto was valued at the end of the year and provided for on the assumption that all eligible leave accrued on the Balance Sheet date is encashed.*

Income Taxes

Tax expense comprises both current and deferred taxes. Current Tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing difference and which are capable of reversal in subsequent periods are recognised using the tax rates and tax laws that have been enacted or substantively enacted. Provision for Fringe Benefit Tax liability is estimated and provided for.

Borrowing costs

Interest and other borrowing costs attributable to the acquisition of or construction of qualifying assets till the date of commercial use of the assets are capitalised. All other borrowing costs are charged to revenue.

Preliminary Expenses

Preliminary Expenses are written off over a period of ten years.

Research & Development Expenses

Revenue Expenditure on Research & Development is generally charged to revenue in the year in which it is incurred except in cases where expected future benefits are reasonably established.

Capital Expenditure on Research & Development is included in Fixed Assets under appropriate heads and accounted for accordingly.

Provisions & Contingent Liabilities

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

2. Contingent Liability not provided for:

- a. Disputed Sales Tax liability of Rs. 48,379/- (Rs 52,68,949/-)
 - b. Disputed excise duty liability of Rs. NIL (Rs.2,91,147/-)
 - c. Disputed Income Tax Liability Rs. 33,727/- (Rs.33,727/-)
 - d. Bills discounted Rs. 75,41,078/- (Rs 39,39,358 /-)
 - e. Mumbai Port Trust claim for demurrage charges and interest Rs.5,28,011/- (Rs.5,28,011/-).
- Notes : (1) Future cash outflows in respect of (a) to (c) & (e) above are determinable only on receipt of judgements/decisions pending with various forums/ authorities.

3. Estimated amount of contracts remaining to be executed on Capital Account (net of advances) and not provided for Rs. 2,65,76,495/- (Rs.50,88,973/-).

4 The breakup of Deferred Tax Asset / (Liabilities) as on 31st March, 2006 is as given below:

	Rs. in lacs	
	<u>2005-06</u>	<u>2004-05</u>
Arising on account of timing difference in:		
- Depreciation	(49892301)	(50094138)
- Deferred Revenue Expenditure	-	(648857)
- Accrued Expenses allowable on Actual Payments	<u>905134</u>	<u>2448504</u>
Deferred Tax Liability (Net)	<u>(48987167)</u>	<u>(48294491)</u>

5 (a) Capital work-in-progress includes pre-operative expenses pending allocation as under :

	In Rupees
	<u>31.03.2006</u>
Power & Fuel	91280
Water	131542
Freight & Forwarding	86586
Rent	263564
Rates & Taxes	45050
Travelling & Conveyance	130797
Communication Expenses	8244
Legal & Professional Charges	668000
Interest and other financial charges	1821706
Miscellaneous	215831
	<u>3,462,600</u>
Depreciation on Fixed Assets	<u>167600</u>
	<u>3,630,200</u>

5 (b) During the year, the company has capitalised Borrowing cost amounting to Rs. 40,28,018/-, and Foreign exchange rate difference of Rs.1,11,670/-

6 Bank Balance with Other Bank represents Current Account balance with Shree Sinnar Vyapari Sahakari Bank Ltd. amounting to Rs.1,787/- (Rs.26,323/-) and the maximum amount outstanding at any time during the year Rs.1,23,568/- (Rs.2,77,916/-).

	In Rupees	
	<u>2005-06</u>	<u>2004-05</u>
7.a Managerial Remuneration:		
i. To Managing Director and other Whole Time Directors:		
Salary and Allowances	5836513	2915356
Commission	457738	1083288
Contribution to Provident and other Funds	578579	419257
Perquisites	-	76,800
	<u>6872830</u>	<u>4494701</u>
ii. Commission to Non-Executive Directors	366191	-
	<u>7239021</u>	<u>4494701</u>

* Exclusive of provision for future liabilities in respect of leave encashment since the same is based on actuarial valuation done on overall Company basis but includes leave encashment made during the year.

- b Computation of Net Profit in accordance with section 349 of the Companies Act, 1956, and calculation of Commission payable to a Managing Director, Whole Time Director and a Non-Executive Director.

	<u>2005-06</u>	<u>2004-05</u>
Profit before taxation	54194686	65852218
Add: Managerial Remuneration	7239021	4494701
Director's sitting fees	9000	5000
Loss on sale of asset (net)	-	26647
	<u>61442707</u>	<u>70378566</u>
Less: Profit on Sale of Investment	92500	-
	<u>61350207</u>	<u>70378566</u>
Net Profit Under Section 349 of the Companies Act, 1956		
Maximum permissible remuneration to Managing Director and whole time Directors @ 10% of the Profits computed above	<u>6135021</u>	<u>7037857</u>
Maximum permissible remuneration by way of Commission to Non-Executive Director @ 1% of the Profits computed above	<u>613502</u>	<u>703786</u>
Restricted to	366191	-

- c Managerial Remuneration is in accordance with the shareholders' approval. However, as per the computation in accordance with Section 309 (5) read with Section 198 of the Companies Act, 1956, the managerial remuneration to Directors is in excess of the limits prescribed under section 198 of the Companies Act, 1956 by Rs.737809/-. An application is being made to the Central Government for payment of managerial remuneration as approved by the shareholders. Pending approval, no recovery has been made for the excess.
- d Salary, Wages and Bonus include provisions of Rs.366191/- towards commission payable to a Non-Executive Director of the company, in terms of the special resolution passed at the Extra Ordinary General Meeting held on 4th January, 2005.

8 Related Party Disclosure:

A Relationships:

I Subsidiaries

Advanced Bio-Nutraceuticals Limited
Advanced Bio-Agro Tech Limited

II Key Management Personnel and their Relatives

Directors :

Mr. Vasant L. Rathi
Mr. Chandrakant L. Rathi
Mrs. Savita C. Rathi
Mr. Mukund M. Kabra

Relatives of Directors :

Mr. Piyush C. Rathi
Ms. Radhika C. Rathi
Mrs. Prabha V. Rathi
Mr. Kishore L. Rathi
Mr. Madhusudan Kabra
Mrs. Mangala M. Kabra
Mrs. Geetanjali M. Kabra

III **Other Related Parties (in which either of the directors or their relatives have significant influence)**

Super Biochemicals Pvt. Ltd.
Chandrakant Rathi Financial & Investment Company Pvt. Ltd.
Speciality Enzymes & Biochemicals Co.

B. Nature of transactions:

The following transactions were carried out with the related parties mentioned in A above, in the ordinary course of business.

Sr. No.	Nature of Transaction	Subsidiary Companies	Key Management Personnel & Relatives	Other Related Parties
1	Purchases of Goods	-	-	6496969
2	Sale of Goods	-	-	62029291
3	Hire Charges Paid	-	243800	-
4	Rent Received	18000	-	-
5	Remuneration to Directors & their Relatives	-	9147113	-
6	Dividends Paid	-	5021460	2808540
7	Interest on Fixed Deposits	-	612457	96463
8	Share Application Money	1558000	-	-
9	Advances Received	425000	-	-
10	Advances Paid	431501	-	-
11	Investment in Subsidiaries	2200000	-	-
12	Deposits Received	-	1690000	1500000
13	<u>Outstanding Balances</u>			
	a. Fixed Deposits	-	6972000	1600000
	b. Investment in Subsidiaries	3007000	-	-
	c. Advances Received	375866	-	-
	d. Accounts Receivable	-	-	7517074

No amount has been provided as doubtful debts or advances / written off or written back in the year in respect of debts due from / to above related parties.

9 Revenue expenditure on Research and Development amounting to Rs.3,24,23,127/- (Rs.2,12,01,886/-) including depreciation of Rs.12,97,376/- (Rs. 4,10,701/-) and amortisation of R&D expenses out of balance under the head Miscellaneous Expenses Rs. 8,85,550/- (Rs. 44,77,312/-), has been charged to Profit and Loss Account and capital expenditure relating to Research and Development amounting to Rs. 1,37,24,726/- (Rs.1,41,64,294/-) has been included in the "Fixed Assets - Schedule".

10. The Company operates only in one business segment viz. 'Biochemicals' and hence no separate information for segmentwise disclosure is required.

11. a) Sundry Debtors includes Rs. 75,17,075/- (Rs. 7653071/-) due from Speciality Enzymes & Biochemicals, a company under the same management.

b) Loans & Advances includes deposits due from Directors' relatives Rs. 20,361/- (Rs. 44,800/-). Maximum balance outstanding during the year Rs.44,800/- (Rs.90,92,800/-).

12 The Company has taken various premises under operating leases. These are generally not non- cancellable and range between 11 months to 3 years and above and are renewable by mutual consent on mutually agreeable terms. Lease payments amounting to Rs. 5,02,120/- are recognised in the Profit & Loss Account under the head "Rent Account".

13 The Company formulated Employee Stock Option Scheme (ABL-ESOS) in the year 2002 pursuant to resolution passed by the shareholders at the Annual General Meeting dated 4th June 2002 and in terms of the said resolution the board of directors allotted 100000 Equity Shares at a price of Rs.26 per share to the 'ABL-Employee Stock Option Trust'.

Accordingly options totalling 78400 Nos(21600 options outstanding as on 31st March, 2006) were given to the employees. Each option is convertible into one equity share of Rs.10 each at a price, which is equivalent to the book value as at the end of financial year immediately preceding the year in which option is granted. The Company has also sought approval for issue of 200000 Equity Shares at a price of Rs.38 per share from the shareholders of the Company at the Extra Ordinary General Meeting dated 8th August 2005 and upon allotment share capital and premium shall stand increased to the extent of such allotment. No entries were passed in the books as the allotments were made at the book value of share as at the end of the financial year of the Company.

14 Liability for unavailed encashable leave determined based on actuarial valuation has been provided for in the account, which was hitherto accounted for at the end of the year on the assumption that all eligible leave accrued on the Balance Sheet date is encashed. The resulting excess provision amounting to Rs. 14,93,416/- has been written back as income during the year.

15 Additional information required under Schedule VI to the Companies Act, 1956.

i) Capacity, Production, Stocks & Sales:

Class of Goods	Unit	Production Qty.	Opening Stock Qty.	Rs.	Closing Stock Qty.	Rs.	Sales Qty	Sales Value
Enzymes	Kgs.	1173237 (698793)	21240 (12594)	11786399 (6448192)	29931 (21240)	19269230 (11786399)	1164545 (690147)	460558470 (337215243)
Animal Feed	Kgs.	219069 (67955)	2700 (0)	179838 (0)	2150 (2700)	718789 (179838)	219619 (65255)	36069886 (7736030)
Micro Organism	Kgs.	9570 (15011)	150 (5)	67821 (2240)	1320 (150)	401215 (67821)	8400 (14866)	3856908 (7181897)
		1401876 (781759)	24090 (12599)	12034058 (6450432)	33401 (24090)	20389234 (12034058)	1392564 (770268)	500485264 (352133170)

Figures in brackets are for the previous year.

Licensed Capacity - not applicable

Installed Capacity has not been disclosed as these are variable and subject to changes in product mix.

(ii) Raw Materials Consumed:

Product	Year Ended 31st March 2006		Year Ended 31st March 2005	
	Qty. in Kgs.	Value Rupees	Qty. in Kgs.	Value Rupees
1. Crude Papain	18040	13183254	13713	10742324
2. Lactose	208364	8538321	164641	7045134
3. Bran	883147	5666276	843002	5416246
4. Others		187033430		119214271
		<u>214421281</u>		<u>142417975</u>

(iii) Value of Raw Materials, Stores and Spare Parts consumed and percentage to the total:

	2005-2006		2004-2005	
	Value in Rupees	% to Total	Value in Rupees	% to Total
1. Raw Materials				
Indigenous	134415422	63	111347828	78
Imported	80005859	37	31070147	22
	<u>214421281</u>	<u>100</u>	<u>142417975</u>	<u>100</u>
2. Stores, Components & Spare Parts				
Indigenous	12092666	66	15530180	62
Imported	6078905	33	9351265	38
	<u>18171571</u>	<u>100</u>	<u>24881445</u>	<u>100</u>

	In Rupees	
	2005-06	2004-05
(iv) Value of Imports on CIF Basis:		
1. Raw Materials	74001971	42755795
2. Spare Parts	5621621	11047903
3. Capital Goods	5709497	11006627
(v) Expenditure in Foreign Currency:		
1. Travelling	1025002	2120755
2. Sales Promotion	475071	-
3. Legal & Professional Fees	11584314	2104250
4. Interest & Finance Charges	1343763	891973
5. Others	80339	4621

	In Rupees	
	2005-06	2004-05
(vi) Remittance in Foreign Currency for Dividend		
1. Year to which it relates	2004-05	2003-04
2. Number of Non-Resident Shareholders	3	3
3. Number of shares held by them	2482300	2482300
4. Gross amount of Dividend (In Rupees)	4468140	3723450
(vii) Earnings in Foreign Currency -		
Export of goods on F.O.B basis	115473623	62392281

16 Figures of previous year have been regrouped / reclassified wherever necessary.

Signatures to the Schedules 1 to 13 which form an integral part of the Financial Statements.

For M.M. NISSIM AND CO.
Chartered Accountants

For and on behalf of the Board

(N. Kashinath)
Partner
Mumbai, 8th May, 2006

(C.L. Rathi)
Managing Director
Thane, 8th May, 2006

(R.T. Mehta)
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER SCHEDULE VI, PART (IV) OF THE COMPANIES ACT, 1956

I. Registration Details		
Registration No.	:	51018
State Code	:	11
Balance Sheet Date	:	31.03.2006
II. Capital Raised during the Year		
<i>(Amount Rupees in 000's)</i>		
Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private placement - Preference Shares	:	Nil
III. Position of Mobilisation & Deployment of Funds		
<i>(Amount Rupees in 000's)</i>		
Total Liabilities	:	547741
Total Assets	:	547741
Sources of Funds		
Paid-up Capital	:	51828
Reserves & Surplus	:	172144
Secured Loans	:	136191
Unsecured Loans	:	57536
Deferred Tax Liability (Net)	:	48987
Application of Funds		
Net Fixed Assets	:	321963
Investments	:	4620
Net Current Assets	:	140066
Miscellaneous Expenditure	:	36
Accumulated Losses	:	Nil
IV. Performance of the Company		
<i>(Amount Rupees in lacs)</i>		
Total Income	:	503660
Total Expenditure	:	449466
Profit Before Tax	:	54195
Profit After Tax	:	41771
Earnings per Share (Rs.)	:	7.08
Dividend Rate (%)	:	18
V. Generic Names of Principal Products/Services of the Company		
<i>(as per monetary terms)</i>		
<u>Product description</u>		
Enzymes		
Animal Feed		
Micro Organism		

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	(Amount in Rs.)	
	2005-2006	2004-2005
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	54194686	64207360
Adjustment for :		
Depreciation	21149008	18590234
Interest	7124212	5061393
Profit on sale of investments	(92500)	-
Interest & Dividend Income	(239643)	(678391)
R&D Expenses written off	885550	4477312
Preliminary Expenses written off	11912	11912
Loss on fixed assets sold/discarded (Net)	-	26647
	28838539	27489107
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	83033225	91696467
Adjustment for :		
Trade and other receivables	(35252524)	(13121931)
Inventories	(6437186)	(56698990)
Trade Payable & Provision	2210242	23298607
	(39479468)	(46522314)
CASH GENERATED FROM OPERATIONS	43553757	45174153
Direct Taxes paid	(11368002)	(11987070)
NET CASH FROM OPERATING ACTIVITIES	32185755	33187083
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(72260914)	(45129005)
Capital work in Progress	(28480107)	(2183966)
Proceeds from sale of Fixed Assets	-	88992
Interest & Dividend income	212384	606056
Investments	(3573000)	(992000)
Profit on sale of investment	92500	-
NET CASH USED IN INVESTING ACTIVITIES	(104009137)	(47609923)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings (net of repayments)	87081235	31579319
Interest	(7124212)	(5061393)
Dividend and Corporate Dividend Tax	(10627494)	(8752809)
NET CASH FROM FINANCING ACTIVITIES	69329529	17765117
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2493853)	3342277
CASH AND CASH EQUIVALENTS AS AT 31.3.2005	6304926	2962649
CASH AND CASH EQUIVALENTS AS AT 31.3.2006	3811073	6304926

Note : Operating Profit before Working Capital Changes is considered as a key indicator to denote generation of sufficient Cash Flows for investment activities.

As per our attached Report of even date

For M.M. NISSIM & CO.

Chartered Accountants

For and on behalf of the Board

(N. Kashinath)

Partner

Mumbai, 8th May, 2006

(C.L. Rathi)

Managing Director

Thane, 8th May, 2006

(R.T. Mehta)

Director

ADVANCED BIO-NUTRACEUTICALS LIMITED**DIRECTORS' REPORT**

To
The Members
ADVANCED BIO-NUTRACEUTICALS LIMITED

Your directors have pleasure in presenting the First Annual Report together with the audited statements of Accounts for the year ended 31st March 2006.

1. FINANCIAL RESULTS

	CURRENT YEAR
	Rupees
Gross Income	3110627
Total Expenditure	<u>6037292</u>
Profit Before Tax	(2926665)
Provision for Tax	<u>14000</u>
Net Profit after Tax	(2940665)
Balance carried to Balance sheet	(2940665)
	=====

This being first year of operation and due to complex marketing structure of this industry, the company has suffered loss mainly due to expenses on marketing team and related expenses thereof. The profit accrues over a period of time once the brand of the products are established

2. DEPOSITS

The Company has not accepted any deposit under section 58 A of the Companies Act, 1956 hence no information is required to be appended to this report in terms of Non banking Financial Companies (Reserve Bank Of India) Directions.

3. CONSERVATION OF ENERGY , TECHNOLOGY ABSORPTION, POLLUTION CONTROL & FOREIGN EXCHANGE EARNING & OUTGO.

The Company does not engage in the business of manufacturing / processing activity and does not have any energy utilization or technology absorption. During the year there was no foreign exchange earnings and outgo.

4. AUDITORS

M/s. Kishan Sharma & Co. were appointed as first auditors of the company. However due to some unforeseeable reasons they could not continue with the assignment and resign as first auditors of the company. Thereafter M/s. Shailesh R. Agrawal & Co., Chartered Accountants, were appointed as the auditor of the company, who are now retiring and are eligible for reappointment. You are requested to consider their appointment to hold the office till the next Annual General Meeting.

5. PARTICULARS OF EMPLOYEES

There were no employees covered u/s. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 amended by the Companies (Particulars of Employees) Amended Rules, 2002.

6. BOARD OF DIRECTORS

In accordance with the provisions of the Companies Act 1956, Mrs. Savita Rathi, Director, retires by rotation at the forthcoming Annual General Meeting & being eligible, offers herself for reappointment.

7. DIRECTORS' RESPONSIBILITY STATEMENT

In the preparation of the accompanying annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review.

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

8. ACKNOWLEDGEMENT

Your directors place on record and acknowledge the cooperation extended to them by all concerned.

BY ORDER OF THE BOARD,

CHAIRMAN

PLACE : THANE

DATED : 28th April 2006

AUDITORS' REPORT

The Shareholders of
ADVANCED BIO-NUTRACEUTICALS LIMITED

1. We have audited the attached balance sheet of **Advanced Bio-Nutraceuticals Limited** as at 31st March, 2006 and the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with the auditing standards generally acceptable 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 report provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment Order), 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books of and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the order.
4. Further to our comments in the Annexure referred to in the paragraph 3 above, we report that;
 - a. 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.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of the books.
 - c. The Balance Sheet and Profit and Loss dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Profit and Loss Account, Balance Sheet and the Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of the written representations of the directors, taken on the record by the Board of Directors, none of the directors is disqualified as on 31st March, 2006 from being appointed as a director under section 274(1)(g) of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us the accounts give the information required by the Companies Act, 1956 in the manner so required and give true and fair view:-
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as as 31st March, 2006 and
 - ii. In the case of the Profit and Loss Account, of the Loss for the period ended on that date.
 - iii. In the case of the Cash Flow Statement, of the cash flow for the period ended on that date.

**For Shailesh R. Agrawal & Co.
Chartered Accountants**

Place : Thane
Date : 28th April, 2006

**[Shailesh R. Agrawal]
Proprietor**

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of Advanced Bio-Nutraceuticals Limited on the financial statement for the period ended on 31st March, 2006.

1. The Company does not own any Fixed assets during the period.
2. (a) In our opinion and according to the information and explanations given to us, the Company has physically verified the inventories at regular intervals.
(b) The procedure of physical verification of the inventories followed by the management is reasonable and adequate in relation to the size of the Company and nature of its business.
(c) According to the records verified by us, the Company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of accounts.
3. (a) The Company has neither granted nor taken any loans to / from the companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase and sale of goods.
5. (a) In our opinion and according to the explanations and informations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to explanations and information given to us, there are no transactions exceeding Rupees Five Lacs in pursuance of the contracts or arrangements referred to in Section 301 of the Act.
6. The Company has not accepted deposits from public attracting the provisions of Section 58A or 58AA of the Companies Act, 1956 and rules framed thereunder.
7. The Company is not liable to maintain an internal audit system. Hence, para 4(vii) of the Order is not applicable to the company.
8. The Central Government has not prescribed for maintenance of Cost records U/s 209(1)(d) of the Companies Act, 1956 for the products of the Company.
9. (a) According to the records verified and on the basis of the explanation and information given to us, the Company has been regular in depositing undisputed statutory dues on the Company with the appropriate authorities.
(b) There are no undisputed amounts payable in respect of Income Tax, Sales Tax which have remained outstanding as on 31st March, 2006 for a period of more than six months from the date they became payable.
10. The Company has incurred loss of Rs. 29,40,665/- for the period ended on 31st March, 2006.
11. According to the records examined by us, the company does not owe any sums to any financial institution or bank.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the company.
14. The Company is not dealing or trading in shares, securities, debentures or other investments and hence, the requirements of Para 4(xiv) are not applicable to the company.
15. The Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. The Company has not availed any loans during the period. Accordingly, Para 4(xvi) and 4(xvii) are not applicable to the company.
17. The Company has not made any preferential allotment of shares to the parties covered in the register maintained under section 301 of the Act.
18. No debentures have been issued by the Company and hence, the question of creating securities in respect thereof does not arise.
19. The Company has not raised money by any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
20. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

**For Shailesh R. Agrawal & Co.
Chartered Accountants**

Place : Thane
Date : 28th April, 2006

**[Shailesh R. Agrawal]
Proprietor**

ADVANCED BIO- NUTRACEUTICALS LIMITED			
BALANCE SHEET AS AT 31st MARCH 2006			
	Schedule	Rupees	As at 31.03.06 Rupees
Sources of Funds			
1. Shareholders' funds			
(a) Share Capital	1	2498000	
(b) Reserves and Surplus	2	1760000	4258000
TOTAL			4258000
Application of Funds			
2. Current Assets, Loans and Advances	3		
(a) Inventories		1060083	
(b) Sundry Debtors		439336	
(c) Cash & Bank Balances		177422	
(d) Loans & Advances		36900	
		1713741	
Less: Current Liabilities & Provisions	4		
(a) Current Liabilities		415943	
(b) Provisions		14000	
		429943	
Net Current Assets			1283798
3. Miscellaneous Expenditure (to the extent not written off or adjusted)	5		33537
4. Profit & Loss Account	6		2940665
TOTAL			4258000
NOTES TO ACCOUNTS	13		
PROFIT AND LOSS ACCOUNT FOR THE PERIOD 17TH FEBRUARY' 2005 TO 31ST MARCH' 2006			
	Schedule	Rupees	Current Period Rupees
Income			
Sales	7	2050309	
Other Income	8	235	
Increase / (Decrease) in Stocks	9	1060083	3110627
Expenditure			
Purchases		2110312	
Employees Emoluments	10	2422089	
Administrative and Selling Expenses	11	1503550	
Financial Charges	12	1341	6037292
Profit before tax			(2926665)
Provision for Income Tax			
Fringe Benefit Tax			14000
Profit after tax			(2940665)
Appropriations:			
Balance Carried To Balance Sheet			(2940665)
NOTES TO ACCOUNTS	13		

CASH FLOW STATEMENT FOR THE PERIOD FROM 17TH FEB 2005 TO 31ST MARCH, 2006

Particulars	Rupees	Current Period Rupees
Cash flows from Operating Activities		
Net Profit before tax and extraordinary items	(2940665)	
Increase in Trade Payables and other liabilities	415943	
Increase in Provisions	14000	
Increase in Inventories	(1060083)	
Preliminary Expenses	(33537)	
Increase in Trade Receivables & Other Receivables	(462236)	
Advance Fringe Benefit Tax Paid	(14000)	
Net Cash from Operating activities		(4080578)
Cash flows from Investing Activities		
Net Cash from Investing activities		-
Cash flows from Financing Activities		
Share Capital raised	940000	
Share Premium received	1760000	
Share Application received	1558000	
Net Cash from Financing activities		4258000
Net Cash increase/(Decrease) in cash and cash equivalents		177422
Opening Balance of Cash and Cash Equivalents		-
Closing Balance of Cash and Cash Equivalents		177422
<i>Schedules forming part of Accounts</i>	AS AT 31.03.2006 Rupees	
SCHEDULE 1:		
SHARE CAPITAL :		
Authorised :		
100,000 Equity Shares of Rs. 10/- Each	1000000	
Issued, Subscribed and paid up :		
94,000 Equity Shares of Rs.10/- each fully paid up	940000	
SHARE APPLICATION MONEY :	1558000	
	2498000	

SCHEDULE 2 :**RESERVES AND SURPLUS :**

Share Premium Account		<u>1760000</u>
		<u>1760000</u>

SCHEDULE 3 :**CURRENT ASSETS, LOANS & ADVANCES :****(A) INVENTORIES**

(As certified, taken and valued by Directors).

Finished Goods	<u>1060083</u>	1060083
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(B) SUNDRY DEBTORS

(Unsecured and Considered Good)

Outstanding for more than six months	998	
Other Debts	<u>438338</u>	439336

(C) CASH AND BANK BALANCES

Cash in Hand	5663	
Balance with Scheduled Banks: in Current Accounts	<u>171759</u>	177422

(D) LOANS AND ADVANCES

(Unsecured and Considered Good)

Advances recoverable in Cash or in Kind or for value to be received		
Other Advances	26900	
Deposits	<u>10000</u>	<u>36900</u>

TOTAL (A + B + C + D)1713741**SCHEDULE 4 :****CURRENT LIABILITIES AND PROVISIONS :***Current Liabilities :*

Sundry Creditors for Goods		180052
Other Creditors		<u>235891</u>
		415943

Provisions

For Fringe Benefit Tax		<u>14000</u>
		<u>14000</u>
		<u>429943</u>

SCHEDULE 5 :**MISCELLANEOUS EXPENDITURE :**

(To the extent not written off or adjusted)

Preliminary Expenses		<u>33537</u>
		<u>33537</u>

SCHEDULE 6**PROFIT & LOSS ACCOUNT :**

Debit balance in Profit & Loss Account		<u>2940665</u>
		<u>2940665</u>

SCHEDULE 7 :**SALES :**

Traded Goods		<u>2050309</u>
		<u>2050309</u>

SCHEDULE 8 :

Misc. Income		<u>235</u>
		<u>235</u>

SCHEDULE 9 :**INCREASE/DECREASE IN STOCKS :**

Closing Stock of Finished Goods	1060083
Less : Opening Stock	-
Increase / (Decrease)	<u>1060083</u>

SCHEDULE 10 :**EMPLOYEE EMOLUMENTS :**

(Including Directors' Remuneration)

Salary, Wages and Bonus	2318015
Staff Welfare	53178
Employer's contribution to Provident Fund and other funds	<u>50896</u>
	<u>2422089</u>

SCHEDULE 11 :**Administrative Expenses :**

Rent, Rates & Taxes	20700
Insurance	12597
Legal & Professional Fees	324133
Payment to Auditors	4490
Preliminary Expenses Amortised	8384
Printing & Stationery Expenses	253624
Membership & Subscription Expenses	90000
Conveyance	21670
Telephone Expenses	33044
Sundry Expenses	<u>35133</u>
	<u>803775</u>

Selling & Distribution Expenses :

Advertisement/Exhibition Expenses	44200
Discounts	538385
Sales Promotion Expenses	75458
Transport & Freight Charges	2583
Travelling Expenses	33500
Other Selling & Distribution Expenses	<u>5649</u>
	<u>699775</u>
	<u>1503550</u>

SCHEDULE 12 :**Financial Charges :**

Bank Charges	<u>1341</u>
	<u>1341</u>

Schedule 13**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON 31st MARCH 2006**

1. The company adopts accrual concept in preparation of accounts.
2. Sales are accounted when goods are invoiced to customers.
3. The Company has valued inventories at cost or net realizable value whichever is lower. Cost has been valued at the average cost method.
4. Auditors Remuneration (for the period ended on 31-3-2006) Rs. 4490/-
5. Deferred tax assets subject to consideration of prudence are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.
6. The Sundry Creditors includes Rs. Nil dues to the Small Scale Industrial Undertaking to whom an amount in excess of Rs. 1.00 lac each is payable and outstanding for more than 30 days.
The above information regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of the information available to the Company.
7. The accounting period comprises of 13 months and 11 days i.e. 17th February, 2005 from the date of incorporation to 31.03.2006 hence previous year figures are not applicable to the Company.
8. Preliminary Expenses will be written off over the period of five years.
9. Sundry debit and credit balances are subject to confirmation.
10. Related Party Disclosures as required by Accounting Standard – AS 18 issued by the Institute of Chartered Accountants of India requires following disclosures.

Relationships:

- A. Entities where control exists
 - i) Advanced Enzyme Technologies Limited (Earlier named as Advanced Biochemicals Limited) (Holding Company)
- B. Key Management Personnel
 - i) Mr. Chandrakant Rathi (Director)
 - ii) Mrs. Savita C. Rathi (Director)

Transactions with the Related Parties:

- i) Office Rent paid to M/s Advanced Enzyme Technologies Ltd. – Rs. 18000/-
 - ii) Sale of Rs. 1512/- to Mr. C.L.Rathi.
 - iii) Sale of Rs. 3022/- to Mrs. S.C. Rathi
11. The entire operations of the Company relate to only one segment viz; Bio-Nutraceuticals. Hence no separate information for segmentwise disclosure is required.

For Shailesh R. Agrawal & Co.
Chartered Accountants

ON BEHALF OF THE BOARD OF DIRECTORS

Shailesh R. Agrawal
Proprietor

P.C.Rathi
(Director)

S.C.Rathi
(Director)

Place ; Thane, 28th April, 2006

Thane, 28th April, 2006

ADVANCED BIO-AGRO TECH LIMITED**DIRECTORS' REPORT**

To
The Members
ADVANCED BIO-AGRO TECH LIMITED

Your directors hereby present the First Annual Report together with the audited statements of Accounts for the year ended 31st March 2006.

1. **FINANCIAL RESULTS** : The company has not carried out any activity during the period and hence all expenses incurred by the company since its incorporation are considered as pre-operative expenses. The company is in process of evaluating a business model for its launch.
2. **DEPOSITS** : The Company has not accepted any deposit under section 58 A of the Companies Act, 1956 hence no information is required to be appended to this report in terms of Non banking Financial Companies (Reserve Bank Of India) Directions.
3. **CONSERVATION OF ENERGY , TECHNOLOGY ABSORPTION, POLLUTION CONTROL & FOREIGN EXCHANGE EARNING & OUTGO.** : The Company does not engage in the business of manufacturing / processing activity and does not have any energy utilization or technology absorption. During the year there was no foreign exchange earnings and outgo.
4. **AUDITORS** : M/s. Shailesh R. Agrawal & Co., Chartered Accountants, retires and are eligible for reappointment. You are requested to consider their appointment to hold the office till the next Annual General Meeting.
5. **PARTICULARS OF EMPLOYEES** : There were no employees during the year under review.
6. **DIRECTORS** : In accordance with the provisions of the Companies Act, 1956, Mr. Surendra Rao, Director, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.
7. **DIRECTORS' RESPONSIBILITY STATEMENT** : In the preparation of the accompanying annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for the year under review. The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The directors have prepared the annual accounts on a going concern basis.

BY ORDER OF THE BOARD,

CHAIRMAN
PLACE : THANE

DATED : 8th April 2006

AUDITORS' REPORT

The Shareholders of
ADVANCED BIO-AGRO TECH LIMITED

1. We have audited the attached balance sheet of **Advanced Bio-Agro Tech Limited** as at 31st March, 2006 and the Cash Flow Statement of the Company for the period ended on that date annexed thereto. Since the company has not commenced its operations during the period, the Profit & Loss Account has not be prepare. 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.
2. We conducted our audit in accordance with the auditing standards generally acceptable 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 report provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report)(Amendment Order), 2004 (together the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books of and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the order.
4. Further to our comments in the Annexure referred to in the paragraph 3 above, we report that;
 - a. 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.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of the books.
 - c. The Balance Sheet dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and the Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956.
 - e. On the basis of the written representations of the directors, taken on the record by the Board of Directors, none of the directors is disqualified as on 31st March, 2006 from being appointed as a director under section 274(1)(g) of the Companies Act,1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us the accounts give the information required by the Companies Act, 1956 in the manner so required and give true and fair view:-
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as as 31st March, 2006 and
 - ii. In the case of the Cash Flow Statement, of the cash flow for the period ended on that date.

For Shailesh R. Agrawal & Co.
Chartered Accountants

Place : Thane.
Date : 8th April, 2006

[Shailesh R. Agrawal]
Proprietor

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of Advanced Bio-Agro Tech Limited on the financial statement for the period ended on 31st March, 2006.

1. The Company does not own any Fixed assets during the period.
2. The Company does not have inventories during the reporting period.
3. The company has neither taken nor granted any loans, secured or unsecured, from / to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or from companies under the same management within the meaning of section 370(1-B) of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase and sale of goods.
5. (a) In our opinion and according to the explanations and informations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to explanations and information given to us, there are no transactions exceeding Rupees Five Lacs in pursuance of the contracts or arrangements referred to in Section 301 of the Act.
6. The Company has not accepted deposits from public attracting the provisions of Section 58-A of the Companies Act, 1956 and rules framed thereunder.
7. The Company is not liable to maintain an internal audit system . Hence, para 4(vii) of the Order is not applicable to the company.
8. The Central Government has not prescribed for maintenance of Cost records U/s 209(1)(d) of the Companies Act, 1956 for the products of the Company.
9. (a) According to the explanation and information given to us, there are no statutory dues of the Company.
(b) There are no undisputed amounts payable in respect of Income Tax, Sales Tax which have remained outstanding as on 31st March, 2006 for a period of more than six months from the date they became payable.
10. The Company has no accumulated losses as at 31st March, 2006 but has pre-operative and preliminary expenses to the tune of Rs. 1,17,594/- which are carried forward to be written off after commencement of commercial activities in the Company. Accordingly there are no cash losses as such.
11. According to the records examined by us, the company does not owe any Sums to any financial institution or bank.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the company.
14. The Company is not dealing or trading in shares, securities, debentures or other investments and hence, the requirements of Para 4(xiv) are not applicable to the company.
15. The Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. The Company has not availed any loans during the period. Accordingly, Para 4(xvi) and 4(xvii) are not applicable to the company.
17. The Company has not made any preferential allotment of shares to the parties covered in the register maintained under section 301 of the Act.
18. No debentures have been issued by the Company and hence, the question of creating securities in respect thereof does not arise.
19. The Company has not raised money by any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
20. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

**For Shailesh R. Agrawal & Co.
Chartered Accountants**

Place : Thane
Date : 8th April, 2006

**[Shailesh R. Agrawal]
Proprietor**

ADVANCED BIO-AGRO TECH LIMITED
BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	(Rupees)	As at 31-Mar-06 (Rupees)
Sources of Funds			
Shareholders' funds			
Share Capital	1	501000	501000
TOTAL			501000
Application of Funds			
Net Current Assets			
Current Assets Loans & Advances	2	385651	
Less : Current Liabilities & Provision	3	2245	383406
Miscellaneous Expenditure (to the extent not written off or adjusted)	4		117594
TOTAL			501000
NOTES TO ACCOUNTS	6		

CASH FLOW FOR THE PERIOD FROM NOVEMBER 9, 2004 TO MARCH 31, 2006

Particulars	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Pre operative Expenses	(79109)	
Preliminary Expenses	(36240)	(115349)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Advance to M/s. Advanced Enzyme Technologies Ltd.	(375866)	(375866)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Equity Shares	501000	501000
Net Increase/(Decrease) in the Cash and Cash Equivalents (A+B+C)		9785
Cash and Cash Equivalents at beginning of period		-
Cash and Cash Equivalents at end of the period		9785

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

	31st March, 2006 (Rupees)	31st March, 2005 (Rupees)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before Tax	(771,052,072)	(217,575,604)
Adjustment for:		
Depreciation	605,119,469	451,600,013
Amortisation of Intangible Assets & Miscellaneous Expenditure	166,063,901	254,324,280
Provisions for Gratuity and Leave Encashment	5,122,511	1,019,040
Provision for Contingencies	172,053	882,524
Provision for Damaged/ Irrecoverable Assets	9,233,255	8,088,277
Finance Expenses	350,761,191	422,182,463
Gain on Sale of Investment in Hexacom India Limited, net	-	(628,544,337)
Provision for Doubtful Debts	24,667,444	29,803,246
Dividend on Current Investments	(3,061)	(762,848)
Profit on Sale of Current Investment	-	(179,696)
Profit on Sale of Fixed Assets	(175,077)	-
Provision Written Back	-	(426,856)
Interest Income	(1,972,528)	(10,089,007)
Operating Profit Before Working Capital Change	387,937,086	310,321,495
Adjustment for:		
Movement in Working Capital		
Decrease/(increase) in Sundry Debtors	(21,626,870)	(91,702,211)
Decrease/(increase) in Inventories	-	5,037,740
Decrease/(increase) in Loans and Advances	11,227,074	(16,034,250)
Decrease/(increase) in Current Liabilities and Provision	(16,761,557)	277,481,128
Cash Generated from Operations	360,775,733	485,103,902
Income Taxes Paid	(9,443,808)	(6,923,783)
Payment for Frindge Benefit Tax	-	-
Net Cash from Operating Activities	351,331,925	478,180,119
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets, Including CWIP	(439,701,319)	(169,715,951)
Purchase of Software	-	(2,165,499)
Purchase of Mutual Funds	-	(245,762,849)
Sale of Mutual Funds	74,311	246,454,424
Proceeds from Sale of Assets	651,000	49,260,074
Sale of Investment in Hexacom India Limited	-	1,649,426,387
Dividend Received on Current Investments	3,061	762,848
Interest Received	1,938,991	11,433,672
Net Cash from/(used) in Investing Activities	(437,033,956)	1,539,693,106
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	-	204,100,000
Repayment of Debenture	-	(500,000,000)
Repayment of Term Loan to Financial Institution	(2,500,000)	(150,000,000)
Repayment of Term Loans to Banks	(436,835,396)	(1,120,000,000)
Repayment of Short Term Loans to Banks	(1,000,000,000)	-
Proceeds of Short Term Loans from Banks and Commercial Papers	1,990,000,000	-
Proceeds from Other Loan	-	1,725,000
Repayment of Other Loans	(547,406)	(1,269,540)
Finance Setup Cost Paid	(25,948,640)	(78,443,998)
Interest Paid	(350,045,997)	(431,669,724)
Net Cash from/(used) in Financing Activities	174,122,561	(2,075,558,262)
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	88,420,530	(57,685,037)
Cash and Cash Equivalents at Beginning of the Year	94,770,457	152,455,494
Cash and Cash Equivalents at the End of the Year	183,190,987	94,770,457

NOTE TO CASH FLOW STATEMENT:

1. Cash and Cash Equivalents Include:		
Cash on Hand	5,553,563	4,055,384
Cheques in Hand	-	529,415
Balances with Scheduled Banks in Current Accounts	81,424,409	-
Balances with Scheduled Banks in Deposit Account:		
As Margin Money	46,339,223	36,000,000
Others	49,873,792	1,503,522
	183,190,987	94,770,457

2. Investment in Hexacom India Limited ('HIL') has been sold to Bharti Televenture Limited for a consideration of Rs Nil (2005 - Rs. 1,649,426,387, net of discounting charges of Rs 102,425,738 [Refer Note 1(d), Schedule 18])

S.R. Batliboi & Associates
Chartered Accountants

Prashant Singh
Partner
Membership No : 93283

Place : New Delhi
Date : July 8, 2006

Rajiv Mehrotra
Chairman and Managing Director

Suneel Vohra
President

Ajay Khanna
Managing Director

Vinay Kumar Dadheech
Company Secretary

Alok Tandon
Managing Director

ADVANCED BIO-AGRO TECH LIMITED

Schedule 6

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON 31st MARCH 2006

1. The company is yet to commence any activity and hence all expenses incurred during the year by the Company are considered as pre-operative expenses and are carried forward pending capitalization.
2. Auditor's Remuneration (for the period upto 31st March, 2006) Rs. 2245/-
3. During the period, there are no timing differences which result into the Deferred tax asset or liability.
4. The accounting period comprises of 16 months and 22 days i.e. 9th November, 2004 from the date of incorporation to 31-03-2006 hence previous year figures are not applicable to the Company and requisite permission has been obtained from the Registrar of Companies, Maharashtra.
5. During the period, as there was no business in the Company, expenses incurred of Rs. 81,354/- which would have been otherwise charged to revenue, are now recognized as the pre-operative expenses and will be written-off after the commencement of the business.
6. Preliminary Expenses will be written off over the period of five years after the commencement of business.
7. Related Party Disclosures as required by Accounting Standard - AS 18 issued by the Institute of Chartered Accountants of India requires following disclosures.

Relationships:

A. Entities where control exists

- i) Advanced Enzyme Technologies Limited (Holding Company)

Transactions with the Related Parties:

Net Advances given to M/s. Advanced Enzyme Technologies Ltd. Rs. 3,75,866/-

For Shailesh R. Agrawal & Co.
Chartered Accountants

ON BEHALF OF THE BOARD OF DIRECTORS

Shailesh R. Agrawal
Proprietor

P.C.Rathi
Director

S.B.Rao
Director

Place : Thane, 8th April 2006

Thane, 8th April 2006

ADVANCED ENZYME TECHNOLOGIES LTD.

: Registered Office :
106, Dhanlaxmi Ind. Estate, Old Agra Road, Thane (W) - 400 601.

ATTENDANCE SLIP

17th ANNUAL GENERAL MEETING 6th JUNE 2006 11.30 a.m.

Reg. Folio No. _____

I Certify that I am a registered shareholder / proxy for the registered shareholder of the Company. I hereby record my presence at Seventeenth ANNUAL GENERAL MEETING of the Company at Sun Magnetica, A-Wing, Accolade Galaxy, 4th Floor, Naupada, Thane - 400 604 on Tuesday, 6th June, 2006.

Member's / Proxy's name in BLOCK Letters

Member's/Proxy's Signature

Note : Please fill the attendance slip and hand it over at the ENTRANCE.

----- (TEAR HERE) -----

ADVANCED ENZYME TECHNOLOGIES LTD.

: Registered Office :
106, Dhanlaxmi Ind. Estate, Old Agra Road, Thane (W) - 400 601.

FORM OF PROXY

I/We
of in the district of
being a member/members of the above-named company hereby appoint
of in the district of
as my/our proxy to vote for me/our behalf at the 17th ANNUAL GENERAL MEETING of the Company
to be held on Tuesday, 6th June, 2006 and at any adjournment there of.

Signed this day 2006

Signature

Reg. Folio No.....

Affix a
1 Rupee
Revenue
Stamp

Note : This form in order to be effective should be duly stamped completed and signed and must be deposited at the Registered office of the Company, 48 hours before the meeting.