

ARIHANT TOURNESOL LIMITED

34-B, Jolly Maker Chambers-2
225, Nariman Point
Mumbai-400 021
Phones: 22024359/22025117
Fax: 22821776
Email: sethigroup@vsnl.com

NOTICE

NOTICE is hereby given that the **FIFTEENTH** Annual General Meeting of the Members of ARIHANT TOURNESOL LIMITED will be held on 30th Sept. 2006 at 11.00 a.m. at 74/1, Mardi Cross, Village Bhogaon, North Solapur, Dist. Solapur, Maharashtra to transact the following business:

1. To receive, consider and adopt the Directors' Report, Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date.
2. To appoint a Director in place of Mr. K.C. Sethi who retires by rotation and being eligible, offer himself for reappointment.
3. To appoint Auditors and to fix their remuneration.

By order of the Board of Directors



K.C. Sethi
Chairman.

Place: Mumbai
Date: 1.9.2006

Registered Office:
74/1, Mardi Cross
Village Bhogaon, North Solapur
Dist. Solapur, Maharashtra.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER SUCH PROXIES SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. To Register of Members and share transfer books of the company will remain closed from 28th to 30th Sept. 2006 (both days inclusive).
3. The Members are requested to intimate to the company at the registered office any change of address.

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DIRECTORS' REPORT

**To
The Members:**

Your Directors have pleasure in presenting the **FIFTEENTH** Annual Report of Arihant Tournesol Ltd., together with the Statement of Accounts for the year ended 31st March, 2006.

1. ECONOMIC SCENARIO:

During the year under review, the company's factory commenced production under Dry Lease Arrangement with M/s. Betul Oils & Flours Pvt. Ltd. M/s. Betul Oils & Flours Pvt. Ltd. were nominated as Lessee by M/s. Vision Millennium Exports Pvt. Ltd. M/s. Vision Millennium Exports Pvt. Ltd. had substituted the First Charge of Allahabad Bank with other consortium banks, viz. Bank of India and Central Bank of India by assignment of mortgage in their favour. The said mortgage was assigned on consideration of finance made available by them for repayment of one time settlement liabilities of the above mentioned consortium banks.

Under lease arrangement the factory commenced production in second quarter of 2004, after carrying out necessary expenditure for repairs and maintenance and re-commissioning of the plant.

Due to good monsoon but the competition from imports, the operations of the company were just on the marginal economic levels.

Due to dry lease arrangement, the turnover and the profits under lease have not been taken into account.

The company's management will have to continue under lease the operations until other liabilities are settled with other bankers and prepare the revival scheme after such settlement. The company hopes to prepare and get the proper revival scheme settled in the near future.

2. FINANCIAL PERFORMANCE:

Since the factory was given on lease the management tried to do other business and generated an income of Rs.37.73 lakhs as other income.

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3. **FUTURE PROSPECTS:**

The management of the company engaged in discussions and restructuring the management and the capital structure of the company after the revival scheme is settled satisfactorily.

4. **DIVIDEND:**

No dividend has been declared during the year.

5. **DIRECTORS:**

Mr. K.C.Sethi, Director of the company, retires by rotation and being eligible offer himself for reappointment.

6. **PARTICULARS OF EMPLOYEES:**

There are no employees of the company who are drawing such salary as is required to be disclosed under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975.

7. **DIRECTORS' RESPONSIBILITY STATEMENT:**

- (i) in the preparation of the annual accounts for the financial year ended on 31st March, 2006, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (ii) the Directors have selected appropriate accounting policies and applied them consistently, and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2006 and of the profit of the company for the said period.
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities, and
- (iv) the Directors have prepared the accounts for the financial year ended on 31st March, 2006 on a "going concern" basis.

8. **AUDIT COMMITTEE:** As per requirement for compliance of Companies Act 1956, u/s.292A, the company has constituted Audit Committee comprising of all the three directors viz. Shri J.S.Khambay, Miss Sharmishta Jadhav and Shri D.N.Jha.

9. **AUDITORS' REPORT:**

The Auditors' Report referred certain points which are clarified as under:

- (a) The claim filed against the company of ex-directors u/s. 138 has been dismissed in the Solapur Court.
- (b) The company has made lot of efforts to appoint a Company Secretary and is hopeful of appointing one very soon. However, the company has full-fledged secretarial department to handle all the matters on regular basis and it also seeks professional advises from time to time from practicing Company Secretary.

10. **AUDITORS:**

The company's Auditors, M/s. R.B. Pandya & Co., Chartered Accounts are eligible for re-appointment.

11. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

There has been no foreign exchange earnings or outgo. There has been no technology absorption in the current year. The energy consumption has been rationalised and economised.

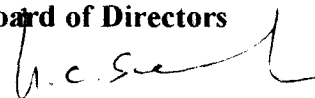
12. **INDUSTRIAL RELATIONS:**

The Management has been successful in maintaining industrial peace and enjoys cordial relations with all its workers and staff.

13. **ACKNOWLEDGEMENT:**

Yours Directors would also like to place on record their appreciation to the Banks, Institutions, Staff and Shareholders for their co-operation in the operation of the company.

For and on behalf of the Board of Directors



K.C. Sethi
Director.

Place: Mumbai

Date : 1.9.2006

R.B. Pandya & Co.,
Chartered Accountants

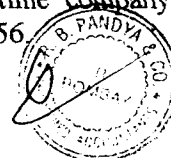
308, Venkatesh Chambers,
Ghanshyam Talwatkar Marg,
Fort, Mumbai - 400 001.
Phone : 2207 0840 / 2207 6799

AUDITOR'S REPORT

To,
The Members of,
Arihant Tournesol Limited

1. We have audited the attached Balance Sheet of Arihant Tournesol Limited as at 31ST March, 2006 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto. The 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 Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
 - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for purpose of our Audit ;
 - ii. In our opinion proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books ;
 - iii. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the Books of Accounts ;
 - iv. In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ;
 - v. On the basis of written representations received from directors and taken on record by the board of directors, we report that none of the directors is disqualified as on 31ST 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.
 - vi. In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with and subject to the following :
 1. Non provision in the accounts for an amount of Rs. 152.54 Lacs (Previous Year Rs.156.54 lacs) on account of claims filed against the company, not acknowledged as debts, the matter being under dispute (Refer Note On Accounts Point No. 9).
 2. The company doesn't have a whole time company secretary as required by Section 383A of the Companies Act, 1956.

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AUDITOR'S REPORT

3. The company has not executed any documents to secure its advance purported towards purchase of office premises and godown of Rs. Rs.15.27 Lakhs (previous year 25.08 Lakhs) to Omega Investment & Properties Ltd. and therefore the said advance is unsecured and we are unable to form an opinion on its recoverability.
4. Refer Notes On Accounts Point No.6 regarding non-confirmation of balances and Notes On Accounts Point No. 2 regarding Non provision of Interest on Inter corporate deposit and Notes On Accounts Point No. 4 regarding non provision of Bank interest.

And other notes thereon give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006 and
- b. in the case of Profit & Loss Account, of the Loss for the year ended on that date.

For R. B. Pandya & Co.,
Chartered Accountants



Rajesh B. Pandya
Proprietor



Place : Mumbai

Date : 1st September, 2006

**Annexure referred to in paragraph 3 of our report of even date on the Balance Sheet of
ARIHANT TOURNESOL LIMITED at 31st March, 2006 and Profit & Loss Account
for the year ended on that date**

- I. a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- II. The company has no inventory during the year under the review and hence question of maintenance of proper records and physical verification of stocks does not arise.
- III. The company has neither granted nor taken any loans secured / unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- IV. In our opinion and according to the information and explanations given to us internal control procedures are adequate to commensurate with the size of the Company and nature of business with regard to cash transactions and cash management, plant and machinery, equipment and other assets.
- V. a) According to the information and explanations given to us, we are of the opinion that the transaction that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
b) In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained Under section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- (Rupees Five Lacs only) or more in respect of any party.
- VI. The Company has not accepted any deposits from public.
- VII. In our opinion the internal audit system of the Company is commensurate with its size and nature of its business
- VIII. Since maintenance of cost records is not applicable to the Company under section 209(1)(d) of the Companies Act, 1956, clause 4 (viii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company
- IX. a) The Company does not have any liability towards employees during the year, under the Provident Fund Act and Employees State Insurance Act, hence the question of timely deposit of the Provident Fund dues and Employees State Insurance Scheme, does not arise.
b) According to the information and explanation given to us, there are no undisputed amount payable in respect of income tax, wealth tax, customs duty, excise duty, cess, Service Tax and any other statutory dues as at 31st March, 2006 for a period of more than six months from the date they became payable except an amount of Rs. 38,873/- towards Fringe Benefit Tax (including interest Rs.5070/-) which was outstanding on the Balance Sheet date.



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Annexure referred to in paragraph 3 of our report of even date on the Balance Sheet of
ARIHANT TOURNESOL LIMITED at 31st March, 2006 and Profit & Loss Account
for the year ended on that date

- X. In our opinion the accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred any cash losses during the financial year covered by our audit but not in the immediately preceeding financial year.
- XI. The Company has defaulted in repayment of dues to the Bankers .(See Notes On Accounts Point No. 4)
- XII. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- XIV. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investment. According the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- XV. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from bank or financial institutions.
- XVI. The Company has not raised any Term Loan during the Year.
- XVII. According to the information and explanation 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 investment by the Company.
- XVIII. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 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. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For R. B. Pandya & Co.,
Chartered Accountants

R. B. Pandya



Rajesh B. Pandya
Proprietor

Place : Mumbai
Date : 1st September, 2006

(8)

Arihant Tournesol Ltd.Balance Sheet As At 31.03.2006

Particulars	Sch. No.	As On 31.03.2006		As On 31.03.2005	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
Sources Of Funds					
Share Capital	01		98,989,000.00		98,989,000.00
Reserves & Surplus	02		2,461,500.00		2,461,500.00
Deferred Tax Liability	03		2,244,852.00		2,609,552.00
Secured Loans	04		24,575,004.00		25,700,004.00
Unsecured Loans	05		26,140,144.02		29,734,670.95
TOTAL			154,410,500.02		159,494,726.95
Application Of Funds					
Fixed Assets	06		30,512,251.43		27,842,125.66
Investments	07		23,700.00		23,700.00
Current Assets, Loans & Advances					
Sundry Debtors	08	242,873.91		557,260.03	
Cash & Bank Balance	09	329,125.93		5,501,720.57	
Loans & Advances	10	1,956,297.00		2,428,032.00	
		2,528,296.84		8,487,012.60	
Less: Current Liabilities & Provisions	11	1,300,134.11		3,277,948.44	
Net Current Assets			1,228,162.73		5,209,064.16
Profit And Loss Account			122,646,385.86		126,419,837.13
Total			154,410,500.02		159,494,726.95
Notes On Accounts	19		-		-

As Per Our Report On Even Date

For R.B. Pandya & Co.

Chartered Accountants

Rajesh B. Pandya

Proprietor

Mumbai, 1st September, 2006



For Arihant Tournesol Ltd.

K.C. Sethi

Director

Mumbai, 1st September, 2006

D.N. Jha


Director

Arihant Tournesol Ltd.

Profit & Loss Account For The Period Ended 31st March, 2006

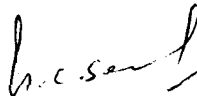
Particulars	Sch. No.	As On 31.03.2006		As On 31.03.2005	
		Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
<u>Income</u>					
Sales			-		3,768,744.75
Other Income	12		635,433.20		25,834,719.30
TOTAL A			<u>635,433.20</u>		<u>29,603,464.05</u>
<u>Expenditure</u>					
Purchases	13		-		3,659,238.00
Direct expenses	14		63,875.00		1,350.00
Personnel cost	15		989,545.00		948,492.00
Administrative Expenses	16		1,295,832.78		2,944,874.61
Selling & Distribution Exp.	17		133,673.86		560,494.56
Financial exp.	18		9,618.52		70,341.31
TOTAL B			<u>2,492,545.16</u>		<u>8,184,790.48</u>
Net Profit Before Dep. & Tax (A-B)			(1,857,111.96)		21,418,673.57
Less : Depreciation			2,938,474.50		2,748,396.70
Profit / (Loss) Before Tax			(4,795,586.46)		18,670,276.87
Less : Provision For Current Tax (incl.Fringe Benefit)			38,873.07		-
Less : Provision For Deferred Tax Liability			(364,700.00)		558,139.00
Profit / (Loss) After Tax			(4,469,759.53)		18,112,137.87
Add : Sundry Credit Balance W/Back			8,243,210.80		-
			<u>3,773,451.27</u>		<u>18,112,137.87</u>
Add : Balance B/F. from previous year			(126,419,837.13)		(144,531,975.00)
Balance C/f. to Balance Sheet			<u>(122,646,385.86)</u>		<u>(126,419,837.13)</u>
Earning Per Share			(0.045)		0.183

Notes On Accounts 19
For R.B. Pandya & Co.
Chartered Accountants

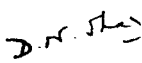

Rajesh B. Pandya
Proprietor

Mumbai, 1st September, 2006

For Arihant Tournesol Ltd.


K.C. Sethi
Director

Mumbai, 1st September, 2006



D.N. Jha
Director