

V. Sankar Aiyar & Co.

Chartered Accountants

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AUDITORS' REPORT TO THE SHAREHOLDERS OF ZUARI SEEDS LIMITED

1. We have audited the attached Balance Sheet of Zuari Seeds Limited as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date and the cash flow of the Company thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.
2. We conducted the audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance 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.
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 the purposes of our Audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of these books;
 - iii. The Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of Account;
 - iv. In our opinion, the Balance Sheet and Profit and 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 to the extent applicable;
 - v. On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;



V. Sankar Aiyar & Co., Chartered Accountants, Chennai.

vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 2008,
- (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.

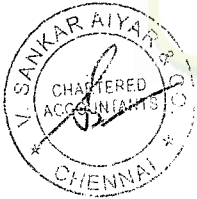
For V. Sankar Aiyar & Co.,
Chartered Accountants

Place: Chennai

Date: 8th May 2008



S. Venkataraman
Partner
M. No. 23116



V. Sankar Aiyar & Co. Chartered Accountants, Chennai.

ANNEXURE REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE.

1. (a) The Company has maintained Fixed Assets Register showing full particulars including quantitative details.

(b) We are informed by the Management that the physical verification of fixed assets of the Company will be conducted in a phased manner in order to cover all the assets and to complete the verification once in two years. Accordingly, the management has informed that during the year they have completed the verification of assets at their Hyderabad factory and Corporate Office at Bangalore by appointing a firm of Chartered Accountants and there were no variances. In our opinion, the frequency of verification is reasonable, compared to the size and operations of the Company.

(c) Since there is no disposal of a substantial part of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.
2. (a) The Company has carried out physical verification of their inventories at their Hyderabad and Chillmathur factories during the year. The inventories lying with C & F Agents were verified and confirmed by the C & F Agents in 6 cases and in rest of 3 cases the verification was carried out by appointing an external agencies, during the year. In our opinion, the frequency of verification is reasonable, compared to the size and operations of the company.

(b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

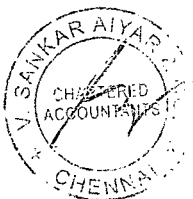
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification as compared to record of inventories.
3. (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore, reporting under sub clauses (a) to (d) of clause 4 (iii) does not arise.

(b) The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Therefore, reporting under sub clauses (e) to (g) of clause 4 (iii) does not arise.



V. Sankar Aiyar & Co. Chartered Accountants, Chennai.

4. In our opinion and according to the information and explanations given to us, having regard to the explanation that many of the items are of a special nature and their prices cannot be compared with alternative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchases of inventory, fixed assets and with regard to the sale of goods. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. According to the information and explanations to us, there are no contractors or arrangements relating to the financial year, which is required to be entered into the register in pursuance of section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for the products of the Company.
9. (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities, undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax (VAT), Wealth Tax, Service Tax, Customs duty, Cess and other Statutory dues. We are informed that there are no liability towards Excise Duty and Investor Education Protection Fund. We are informed that there is no undisputed statutory dues were in arrears at 31.3.08 for a period of more than six months from the date it becomes payable.
- (b) According to the information and explanation given to us, there are no dues of income tax, sales tax (VAT), wealth tax, service tax, customs duty which have not been deposited on account of any dispute.
10. The Company's accumulated losses at the end of the financial year exceed fifty percent of its networth. Further, the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to Banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of clause 4 (xiii) of the Order are not applicable to the Company.
14. The provisions of clause 4 (xiv) of the Order are not applicable to the Company.



V. Sankar Aiyar & Co. Chartered Accountants, Chennai.

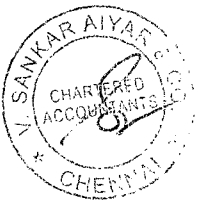
15. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from any bank or financial institution.
16. The company has not received any loan during the year.
17. According to the information and explanations given to us and on overall examination of the financial statements of the Company and after placing reliance on the reasonable assumptions made by the Company for classification of long term and short term usages of funds, we report that the funds raised on short-term basis have not been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in register maintained under section 301 of the Companies Act, 1956, during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not made any public issue of any securities during the year and therefore the question of disclosing the end-use of money raised by any public issue does not arise.
21. Based on the audit procedures performed and the representation obtained from the management, we report that no fraud on or by the Company, having a material misstatement on the financial statements has been noticed or reported during the year under audit.

For V. Sankar Aiyar & Co.,
Chartered Accountants

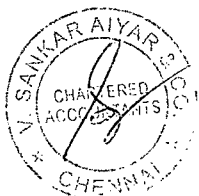
Place: Chennai
Date: 8th May 2008



S.Venkataraman
Partner
M. No. 23116



ZUARI SEEDS LIMITED BALANCE SHEET AS AT 31st MARCH, 2008			
	Schedule Number	As at 31st March, 2008 Rs.'000	As at 31st March, 2007 Rs.'000
I SOURCES OF FUNDS			
1 Shareholders' funds :			
a) Share capital	1	141,741.62	141,741.62
2 Reserves and Surplus	2	-	-
3 Loan Funds:			
a) Secured loans	3	98,254.12	100,998.43
b) Unsecured loans	4	-	159.10
Total		239,995.74	242,899.16
II APPLICATION OF FUNDS			
1 <u>Fixed assets :</u>			
a) Gross block	5	111,346.30	109,839.67
Less: Depreciation		26,524.47	20,641.75
Net Block		84,821.83	89,197.92
b) Capital WIP including capital advances		1,359.36	979.28
<u>c) Intangible Assets</u>			
Gross Carrying Amount	5.1	18,949.55	9,582.64
Less:- Amortisation		2,384.22	107.47
Net Carrying Amount		16,565.33	9,475.17
		102,746.51	99,652.37
2 Investments:	6	24.00	24.00
3 Current assets, loans and advances :			
a) Inventories	7	128,183.62	105,972.69
b) Sundry debtors	8	88,670.70	73,550.23
c) Cash and bank balances	9	3,988.43	2,631.03
d) Loans and advances	10	10,821.85	14,173.09
		231,664.61	196,327.04
Less: Current Liabilities and Provisions	11		
a) Current liabilities		190,093.08	158,898.38
b) Provisions		5,984.87	2,570.45
		196,077.95	161,468.82
Net current assets		35,586.66	34,858.21
<u>Misc Expenses</u>			
Debit balance in profit and loss account		101,638.57	108,364.58
Total		239,995.74	242,899.16
Significant Accounting Policies and Notes forming part of Balance Sheet and Profit and Loss Account	16		
Per our report attached For V Sankar Aiyar and Co. Chartered Accountants		FOR AND BEHALF OF THE BOARD OF DIRECTORS	
<i>S. Venkataraman</i>		<i>H.S. Bawa</i>	
S. Venkataraman M.No. 23116 Partner		C V Venkataramaiah Chief Operating Officer & Director	
Place: Chennai		Chairman	
Date: 0.5.08			



ZUARI SEEDS LIMITED

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st MARCH, 2008

	Schedule Number	For the year ended 31st March, 2008 Rs.'000	For the year ended 31st March, 2007 Rs.'000
INCOME			
Sales		316,499.80	242,915.68
Other Income	12	16,582.74	10,915.49
		<u>333,082.53</u>	<u>253,831.17</u>
EXPENDITURE			
Production and other expenses	13	311,627.70	236,641.49
(Increase)/Decrease in stocks	14	(6,718.86)	(3,490.53)
Amortisation of Intangible Assets (BT Cotton)		2,276.75	107.47
Goodwill written off (refer note no.5 of Sch 16)		2,882.87	2,882.87
Interest	15	12,040.49	13,665.42
Depreciation	5	3,068.82	3,019.09
		<u>325,177.77</u>	<u>252,825.80</u>
Profit/(Loss) before taxation		7,904.77	1,005.37
Fringe Benefit Tax		1,150.97	776.46
Wealth Tax		27.78	15.00
Profit/(Loss) after tax		6,726.01	213.90
Balance of profit/(loss) account brought forward		(108,364.58)	(108,578.48)
Add:- Profit / (Loss) for the Year		6,726.01	213.90
Balance of Profit / (Loss) carried to Balance Sheet		(101,638.57)	(108,364.58)
Basic and Diluted Earning/(loss) Per Share (in rupees) (not annualised)		0.47	0.02
Face value per share		10.00	10.00
(refer note no. 19 of Schedule 16)			

Significant Accounting Policies and Notes forming part of Balance Sheet and Profit and Loss Account

16

Per our report attached
For V Sankar Aiyar and Co.
Chartered Accountants

FOR AND BEHALF OF THE BOARD OF DIRECTORS



S. Venkataraman

Partner

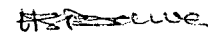
M No. 23116

Place: Chennai

Date: 8th May 08



C V Venkataramaiah

Chief Operating Officer
& Director


H.S. Bawa

Chairman

