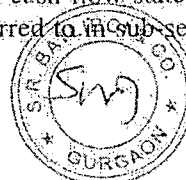


**Auditors' Report**

To  
The Members of Zuari Seeds Limited

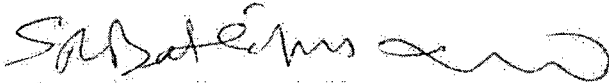
1. We have audited the attached Balance Sheet of Zuari Seeds Limited ('the Company') as at March 31, 2010 and also the Profit and Loss account and the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 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 (as amended) 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. Without qualifying our opinion, we draw attention to note 4 of Schedule 14 to the financial statement. As at March 31, 2010, the Company's accumulated losses of Rs. 190,335 thousands exceed its net worth of Rs. 141,742 thousands. The Company has incurred losses of Rs. 4,318 thousands during the year. These matters raise substantial doubts regarding the Company's ability to continue as going concern, which is dependent on establishing profitable operations, obtaining continuing financial support from its Holding Company and releasing of new products. The mitigating factors have been more fully discussed in note 4 of Schedule 14 to the accompanying financial statements, in view of which the accompanying financial statements have been prepared under the going concern assumption, and consequently, no adjustments have been made to the carrying values of balance sheet accounts.
5. 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 appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;



# S.R. BATLIBOI & CO.

Chartered Accountants

- v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
- in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
  - in the case of the profit and loss account, of the loss for the year ended on that date; and
  - in the case of cash flow statement, of the cash flows for the year ended on that date.



For S.R. BATLIBOI & CO.

Firm registration number: 301003E

Chartered Accountants

per Anil Gupta  
Partner

Membership No.: 87921



Place : Gurgaon

Date : 28th May, 2010.

**Annexure referred to in paragraph 3 of our report of even date**

Re: Zuari Seeds Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory 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.
- (iii) (a) As informed, 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 provisions of clauses 4(iii)(b), (c) and (d) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.
- (c) As informed, 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 provisions of clauses 4(iii)(f) and 4(iii)(g) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.
- (iv) Company's inventory includes seeds. Seeds are of unique and specialized nature, and hence as informed, in case of purchase, it is not possible to make comparison of prices with the market rates or with purchases from other parties. Read with above, in our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. As informed, the Company does not provide any services, accordingly, the provisions to clause 4(iv) of the Companies (Auditor's Report) Order 2003 (as amended), to this extent is not applicable to the Company. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.



- (v) (a) According to the information and explanations provided by the management, we are of the opinion that there are no particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (vi) The Company has not accepted any deposits from the public.
- (vii) *No internal audit was conducted during the current year.*
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) 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 and cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases.*  
Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other statutory dues which were outstanding, at the year end for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash loss during the year. In the immediately preceding financial year the Company had incurred cash loss.*
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The company did not have any outstanding loans from any financial institutions and debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances 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, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.



Zuari Seeds Limited  
 Balance Sheet as at 31st March, 2010  
 (All Amounts are in Thousands except as otherwise stated)

	Schedule	As at 31st March, 2010 Rs.'000	As at 31st March, 2009 Rs.'000
<b>I SOURCES OF FUNDS</b>			
1 Shareholders' funds :			
Share capital	1	141,742	141,742
2 Loan funds:			
Secured loans	2	169,438	95,704
<b>Total</b>		<b>311,180</b>	<b>237,446</b>
<b>II APPLICATION OF FUNDS</b>			
1. <b>Fixed assets:</b>			
a) Gross block	3	52,813	54,709
Less: Depreciation/ Amortisation		21,031	20,497
Net Block		31,782	34,212
b) Intangible Assets	3.1	60,647	63,610
c) Capital advances		3,500	-
		95,929	97,822
3 Current assets, loans and advances :			
a) Inventories	4	145,799	141,055
b) Sundry debtors	5	100,713	70,335
c) Cash and bank balances	6	15,046	7,452
d) Interest Accrued on deposits		42	16
e) Loans and advances	7	24,499	14,656
	(A)	286,099	233,514
Less: Current Liabilities and Provisions	8		
a) Current liabilities		256,229	276,149
b) Provisions		4,954	3,758
	(B)	261,183	279,907
Net current assets / (liabilities) (A-B)		24,916	(46,393)
Profit & Loss Account		190,335	186,017
<b>Total</b>		<b>311,180</b>	<b>237,446</b>
Notes to Accounts	14		

The schedules referred to above and notes to the accounts form an integral part of the Balance Sheet

As per Our report of even date

For S.R. Batliboi & Co.  
 Firm Registration No. 301003W  
 Chartered Accountants

per Anil Gupta  
 Partner  
 Membership No.: 87921

Place: Gurgaon  
 Date:



Manager

For and on behalf of the Board of Directors of  
 Zuari Seeds Limited

Director

Director

28/3/10

Zuari Seeds Limited  
 Profit and Loss account for the year-ended 31st March, 2010  
 (All Amounts are in Thousands except as otherwise stated)

	Schedule	For the year ended 31st March, 2010 Rs. '000	For the year ended 31st March, 2009 Rs. '000
<b>INCOME</b>			
Gross Sales		355,957	335,172
Less: Discounts and rebates		49,815	52,618
Net Sales		306,142	282,554
Other Income	9	11,079	7,564
		<b>317,221</b>	<b>290,118</b>
<b>EXPENDITURE</b>			
Increase in stocks	10	(13,033)	(5,916)
Production and other expenses	11	306,319	358,947
Finance Charges	12	18,259	14,178
Amortisation of Intangibles	3.1	2,963	2,963
Depreciation	3	3,394	3,347
Prior Period Items	13	3,361	-
		<b>321,263</b>	<b>373,519</b>
Loss before taxation		(4,042)	(83,401)
Fringe Benefit Tax		-	935
Wealth Tax		-	39
Taxes of earlier years		276	-
Total Tax expenses		(276)	(974)
Loss after tax		(4,318)	(84,375)
Deficit brought forward		(186,017)	(101,642)
Balance of Loss carried to Balance Sheet		(190,335)	(186,017)
Earnings per share			
Basic and Diluted (Rs.)		(0.30)	(5.95)
Nominal Value per share (Rs.)		10.00	10.00
Notes to Accounts	14		

The schedules referred to above and notes to the accounts

As per Our report of even date

*S.R. Batliboi*  
 For S.R. Batliboi & Co.  
 Firm Registration No. 301003W  
 Chartered Accountants

*Anil Gupta*  
 per Anil Gupta  
 Partner  
 Membership No.: 83921



*Anil Gupta*  
 Manager

For and on behalf of the Board of Directors of  
 Zuari Seeds Limited.

*H.S. ...*  
 Director

*...*  
 Director

Place: Gurgaon  
 Date:

*18/07/10*