

**PRASAD & KUMAR**  
**CHARTERED ACCOUNTANTS**

315, 6th Main Road, HAL II Stage, Indiranagar  
Bangalore 560 038



Partners:

B.N. Govinda Prasad, B.Com, FCA, ISA

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**AUDITORS REPORT TO THE MEMBERS OF  
JKM RESEARCH FARM LIMITED**

1. We have audited the attached Balance Sheet of **JKM RESEARCH FARM LIMITED** as at **March 31, 2011**, related Profit and Loss account for the year ended on that date and the Cash Flow statement for the year ended on that date annexed hereto, all of which we have signed under reference to this report. 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 have 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 by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the Order), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out 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 in paragraph 3 above, we report that:

4.1 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;

4.2 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;

4.3 The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;

4.4 In our opinion, the Balance Sheet, Profit and Loss account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.



4.5 On the basis of written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

4.6 In our opinion and to the best of our information and according to the explanation given to us, the said financial statements together with notes thereon and attached thereto, give, in the prescribed manner, the information required by the Companies Act, 1956 and also 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 Company's State of Affairs of the Company as at March 31, 2011; and
- In the case of the Profit and Loss account, of the PROFIT for the year ended on that date.



**B.N. Govinda Prasad**  
**Partner**  
Membership No. 23521  
For & on behalf of  
**M/s. Prasad & Kumar**  
**Chartered Accountants**  
Firm Regn No. 005837S

Place : Bangalore  
Date : 28<sup>th</sup> May '11

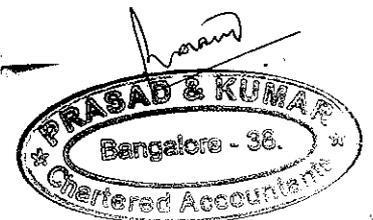


**Annexure to the Auditors' Report for the year ending 31<sup>st</sup> March 2011 referred to in paragraph 3 of our report of even date**

- (i) a) The Company is maintaining proper records to show full particulars including quantitative details and situation of it's fixed assets.
- b) The fixed assets are physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of it's assets. No material discrepancies have been noticed between the book records and the physical inventory.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- (ii) a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedure 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 it's business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) a) The Company has not taken loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Sec.301 of the Companies Act, 1956.
- (iv) 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 it's business with regard to purchase of inventory, fixed assets and for sale of goods and services.
- (v) In our opinion and according to the information and explanations given to us, there were no transactions of purchase of goods, materials / services and for sale of goods, materials / services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, which are not reasonable having regard to the prevailing market prices for such goods, materials or services at the relevant time.



- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company does not have a formal internal audit system. However, as per the explanations given to us, there are adequate internal checks at appropriate levels commensurate with the size and nature of the Company's business.
- (viii) As per the information and explanations furnished, the Central Government has not prescribed maintenance of cost records as required under Section 209(1) (d) of the Companies Act, 1956, in respect of the Company's activities.
- (ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues as applicable to it.
- b) According to the information and explanations given to us and the books and records examined by us, there were no undisputed tax liabilities outstanding as at March 31, 2011 for over six months from the date they became payable.
- (x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net-worth. The Company has not incurred cash losses during the financial year covered by our audit.
- (xi) During the year, the Company did not have any outstanding dues to a financial institution, bank or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society and clause 4(xiii) of the Order is not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order is not applicable.
- (xv) On the basis of the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) There were no term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short – term basis have been used for long term investment.



- (xviii) According to the information and explanations given to us, 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 did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues 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 by the management during the course of our audit.



**B.N.Govinda Prasad**  
**Partner**  
Membership No. 23521  
For & on behalf of  
**M/s. Prasad & Kumar**  
**Chartered Accountants**  
Firm Regn No. 005837S



**Place : Bangalore**  
**Date : 28<sup>th</sup> May '11**

**JKM RESEARCH FARM LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2011**

AS AT  
**31-Mar-11**  
 Rs.

AS AT  
**31-Mar-10**  
 Rs.

**SOURCES OF FUNDS:**

**SCHEDULE**

**1) Shareholders Fund**

(a) Capital	I	50,000,000	36,000,000
(b) Reserves & Surplus	II	2,500,000	2,500,000

**2) Deferred Tax Liability (Net)**

2,043,900      2,043,900

**54,543,900      40,543,900**

**APPLICATION OF FUNDS:**

**1) Fixed Assets**

**III**

(a) Gross Block		48,783,085	17,837,594
(b) Less: Depreciation to date		11,297,855	10,556,617
(c) Net Block		37,485,230	7,280,977

**(d) Advances on Capital Account**

13,716,875      20,969,088

**2) Current Assets, Loans and Advances:**

(a) Inventories	IV	8,614,498	9,910,501
(b) Sundry Debtors	V	-	-
(c) Cash & Bank Balances	VI	60,711	336,918
(d) Loans & Advances	VII	3,237,640	3,547,390
		11,912,849	13,794,809

**Less: Current Liabilities and Provisions:**

(a) Liabilities	VIII	12,134,243	11,172,916
(b) Provisions	IX	2,500,000	2,755,000
		14,634,243	13,927,916

**Net Current Assets**

(2,721,394)      (133,107)

**3) Profit and Loss Account**

6,063,189      12,426,942

**54,543,900      40,543,900**

**Significant Accounting Policies & Notes on Accounts**

**X**

This is the Balance Sheet referred to in our report of even date.

*Handwritten signature of B.N. Govinda Prasad*

**B.N. Govinda Prasad**  
 Partner  
 Membership No. 23521  
 For M/s Prasad & Kumar  
 Chartered Accountants  
 Firm Regn No. 005837S



*Handwritten signature of Udayant Malhoutra*  
**Udayant Malhoutra**  
 Director

*Handwritten signature of V. Sunder*  
**V. Sunder**  
 Director

Place : Bangalore  
 Date : 28 May 2011

**JKM RESEARCH FARM LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

	SCHEDULE	For the Year ended	For the Year ended
		31-Mar-11	31-Mar-10
		Rs.	Rs.
<b>INCOME:</b>			
<b>Operational Income</b>			
Income from letting out facilities		10,800,000	9,150,000
Miscellaneous Income		974,579	-
		<u>11,774,579</u>	<u>9,150,000</u>
<b>EXPENDITURE:</b>			
Operating and Other Expenses	XI	2,019,893	3,437,791
<b>OPERATING PROFIT (EBITDA)</b>		<b>9,754,686</b>	<b>5,712,210</b>
Depreciation		741,238	758,717
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>9,013,448</b>	<b>4,953,493</b>
Provision for tax - for the year		2,500,000	2,755,000
(Excess) / Short provision of taxation of earlier years		149,694	19,878
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>6,363,754</b>	<b>2,178,615</b>
<b>BROUGHT FORWARD</b>		<b>(12,426,942)</b>	<b>(14,605,557)</b>
<b>CARRIED FORWARD</b>		<b>(6,063,189)</b>	<b>(12,426,942)</b>

**Significant Accounting Policies &  
Notes on Accounts**

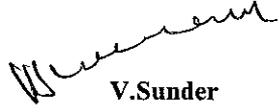
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This is the Profit & Loss Account referred  
to in our report of even date

  
**B.N. Govinda Prasad**  
**Partner**  
 Membership No. 23521  
 For M/s Prasad & Kumar  
**Chartered Accountants**  
 Firm Regn No. 005837S



  
**Udayant Malhoutra**  
**Director**

  
**V. Sunder**  
**Director**

Place : Bangalore  
 Date : 28 May 2011

**JKM RESEARCH FARM LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011**

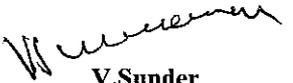
	31st March 2011	31st March 2010
	Rs.	Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (Loss) before tax	9,013,448	4,953,493
Adjustments for:		
Inventories Written Off	1,296,003	-
Depreciation	741,238	758,717
<b>Operating Profit before working capital changes</b>	<b>11,050,689</b>	<b>5,712,210</b>
(Increase) / Decrease in Trade receivables, Loans and Advances	309,750	1,965,358
(Decrease) / Increase in Trade Payables	961,327	5,882,910
<b>Cash generated from Operations</b>	<b>12,321,766</b>	<b>13,560,478</b>
Direct Taxes paid	(2,904,694)	(1,262,059)
<b>Cash flow from Operating activities</b>	<b>9,417,072</b>	<b>12,298,419</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Equity Capital	14,000,000	-
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in Fixed Assets	(30,945,492)	-
Advances on Capital account	7,252,213	(12,277,348)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(276,207)</b>	<b>21,071</b>
<b>Cash and cash equivalents as at March 31, 2010</b>	<b>336,918</b>	<b>315,847</b>
<b>Cash and cash equivalents as at March 31, 2011</b>	<b>60,711</b>	<b>336,918</b>
	<b>(276,207)</b>	<b>21,071</b>

This is the Cash Flow Statement referred to in our report of even date

  
**B.N. Govinda Prasad**  
 Partner  
 Membership No. 23521  
 For M/s Prasad & Kumar  
 Chartered Accountants  
 Firm Regn No. 005837S



  
**Udayant Malhoutra**  
 Director

  
**V. Sunder**  
 Director

Place : Bangalore  
 Date : 28 May 2011

**JKM RESEARCH FARM LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET**

AS AT 31-Mar-11 Rs.	AS AT 31-Mar-10 Rs.
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**SCHEDULE I - SHARE CAPITAL:**

**Authorised:**

60,00,000 (40,00,000) Equity Shares of Rs.10 each

<u>60,000,000</u>	<u>40,000,000</u>
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**Issued, Subscribed and Paid-up:**

50,00,000 (36,00,000) Equity Shares of Rs.10 each,  
fully Paid-up

<u>50,000,000</u>	<u>36,000,000</u>
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**SCHEDULE II - RESERVES & SURPLUS:**

**Capital Reserve:**

Subsidy Received from National Horticulture  
Board under Back Ended Subsidy Scheme

<u>2,500,000</u>	<u>2,500,000</u>
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**SCHEDULE IV - INVENTORIES:**

(As taken, Valued and Certified by the Management)

Rose Plants - At cost

<u>8,614,498</u>	<u>9,910,501</u>
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**SCHEDULE V - SUNDRY DEBTORS:**

(Unsecured; Considered Good)

Debts outstanding for  
a period exceeding six months

- Considered doubtful

4,733,640	4,733,640
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Less: Provision for doubtful debts

<u>4,733,640</u>	<u>4,733,640</u>
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-

-

**SCHEDULE VI - CASH AND BANK BALANCES:**

Cash on hand

13,617	8,900
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Balance with Scheduled Banks:

In Current Accounts

47,094	328,018
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<u>60,711</u>	<u>336,918</u>
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**SCHEDULE VII - LOANS AND ADVANCES:**

Unsecured, considered good

Advances

2,100,000	2,100,000
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Income Tax and TDS

1,080,000	1,389,750
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Deposits

57,640	57,640
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<u>3,237,640</u>	<u>3,547,390</u>
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**SCHEDULE VIII - CURRENT LIABILITIES:**

Sundry Creditors

Dues to Small Scale Industries

-

-

Others

221,487	1,901,135
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Other Current Liabilities

<u>11,912,756</u>	<u>9,271,781</u>
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<u>12,134,243</u>	<u>11,172,916</u>
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**SCHEDULE IX - PROVISIONS:**

Provision for Tax

<u>2,500,000</u>	<u>2,755,000</u>
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**JKM RESEARCH FARM LIMITED**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET**  
**SCHEDULE - III FIXED ASSETS AS AT 31ST MARCH 2011**

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK		
	As at 01.04.2010 Rs.	Additions/ (Deletions) Rs.	As at 31.03.2011 Rs.	As at 01.04.2010 Rs.	For the year Rs.	Deletions Rs.	As at 31.3.2011 Rs.	As at 31.3.2011 Rs.	As at 31.03.2010 Rs.
a) Let out (See Note 1 below)									
Land	289,594	30,945,492	31,235,086	-	-	-	-	31,235,086	289,594
Building	4,946,169	-	4,946,169	2,161,177	165,202	-	2,326,379	2,619,790	2,784,992
Plant and Machinery	10,440,159	-	10,440,159	6,826,506	495,908	-	7,322,414	3,117,745	3,613,653
Electrical Installations	1,601,353	-	1,601,353	1,013,501	75,243	-	1,088,744	512,609	587,852
Sub total (a)	17,277,274	30,945,492	48,222,767	10,001,184	736,353	-	10,737,537	37,485,230	7,276,090
b) Other Assets									
Furniture & Fixtures	101,823	-	101,823	96,939	4,884	-	101,823	-	4,884
Vehicles	458,495	-	458,495	458,495	-	-	458,495	-	-
Sub total (b)	560,318	-	560,318	555,434	4,884	-	560,318	0	4,884
Total	17,837,594	30,945,492	48,783,085	10,556,617	741,237	-	11,297,855	37,485,230	7,280,977
Previous Year	17,681,282	156,313	17,837,594	9,797,900	758,717	-	10,556,617	7,280,977	-

Notes: -  
1. Let out to M/s.Dynamatic Technologies Limited, the holding Company

**JKM RESEARCH FARM LIMITED****SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

	YEAR ENDED 31-Mar-11 Rs.	YEAR ENDED 31-Mar-10 Rs.
<b>SCHEDULE XI - OPERATING AND OTHER EXPENSES:</b>		
Inventories written off	1,296,003	-
Insurance	16,281	17,957
Watch and Ward	-	702,055
Other Establishment Expenses	657,609	370,157
Doubtful Debts	-	2,286,592
Audit Fee - for audit	50,000	61,030
	<b>2,019,893</b>	<b>3,437,791</b>

**Schedule X****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011****A. ACCOUNTING POLICIES**

- 1 The financial statements have been prepared under the historical cost convention.
- 2 All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.
- 3 Fixed Assets are stated at cost of acquisition including the relatable direct costs incurred till the assets are ready to be put to use.
- 4 Depreciation on Straight Line method has been provided on the fixed assets at the rates prescribed under Schedule XIV of the Companies Act, 1956.
- 5 Rose plants forming part of inventory are self-generating in nature and therefore are valued at cost and not amortised. Work in Progress is valued at cost.

**B. NOTES TO ACCOUNTS**

- 1 Subsidy of Rs.25 Lakhs (Rs.25 Lakhs) received from National Horticulture Board, under their Back Ended Subsidy Scheme has been shown under Capital Reserves in Schedule II.
- 2 Other Current Liabilities under Schedule VIII includes Rs.119.12 Lakhs payable to M/s.Dynamatic Technologies Limited, the holding company. (Previous Year - Rs.Receivable - Rs.92.72 Lakhs).
- 3 Out of the total land of 64 Acres & 29.5 Guntas contracted for by the Company for acquisition and being in possession, land to the extent of 52 Acres & 18 Guntas have been registered in the name of the Company, by virtue of Absolute Sale Deeds executed by the owners in favour of the Company. In respect of the remaining 12 Acres & 11.5 Guntas, the Company has entered into agreements with the respective owners & power of attorney holders, to sell the land in favour of the Company.
- 4 There were no employees in receipt of remuneration in excess of limits set under Section 217 (2A) of the Companies Act, 1956.
- 5 (a) The Company has let out some of its facilities to M/s Dyanamatic Technologies Limited, the holding company, and earned Rs.108.00 Lakhs (Rs.91.50 Lakhs) as rental income arising out of this transaction. This transaction is not in the nature of leases contemplated in Accounting Standard No.19 issued by the Institute of Chartered Accountants of India.

**6 Capacity, Production, Turnover and Stocks:****a) Capacities**

- Licenced Capacity
- Installed Capacity

2 Million Stems  
Not Ascertainable

**b) Production**

Not Ascertainable

**c) Sales**

Rs.Nil (Rs.Nil)

**d) Opening Stock**

- Rose (Mother) Plants Rs.99.10 Lakhs (Rs.99.10 Lakhs)

**e) Closing Stock**

- Rose (Mother) Plants Rs.86.14 Lakhs (Rs.99.10 Lakhs)

Inventories, being self generating in nature and having an inherent mortality factor, it is not possible to ascertain the quantitative particulars of the same.

- 7 Previous year's figures have been re-grouped and re-classified wherever necessary to conform to current year's classifications.
- 8 Figures in brackets relate to that of the previous year.
- 9 Information as required under part IV of the Schedule VI of the Companies Act, 1956:-

**I. Company's Registration Details:**

- Registration No. 16696  
 - State Code 08  
 - Balance Sheet Date 31.03.2011

**II. Capital raised during the year 14,000****III. Details of mobilisation and deployment of funds Rs. ' 000**

- Total Liabilities 40,544  
 - Total Assets 40,544

**Sources of Funds:**

- Paid-up Capital 50,000  
 - Reserves and Surplus 2,500  
 - Deferred Tax Liability 2,044  
**54,544**

**Application of Funds:**

- Net Fixed Assets 37,485  
 - Advances on Capital Account 13,717  
 - Net Current Assets (2,721)  
 - Profit and Loss account 6,063  
**54,544**

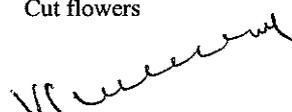
**IV. Performance of the Company:**

- Turnover 11,775  
 - Total Expenditure 2,761  
 - Profit/(Loss) before tax 9,013  
 - Profit/(Loss) after tax 6,513  
 - Earnings per Share 1.24  
 - Dividend Nil

**V. Generic names of three principal products**

Item Code	Description
060210.00	Unrooted cuttings and slips
060240.00	Rose, grafted or not
06.03	Cut flowers

  
 Udayant Malhoutra  
 Director

  
 V.Sunder  
 Director