

**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, 2010**, 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, 2010, and taken on record by the Board of Directors, 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.

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, 2010; 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

Place : Bangalore
Date : 22nd Jun 2010

Annexure to the Auditors' Report for the year ending 31st March 2010 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 its 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 its 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 its 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 its 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, 2010 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.



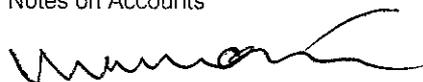
B.N.Govinda Prasad
Partner
MembershipNo.23521
For & on behalf of
M/s. Prasad & Kumar
Chartered Accountants

Place : Bangalore
Date : 22nd Jun 2010

JKM RESEARCH FARM LIMITED
BALANCE SHEET AS AT 31ST MARCH 2010

		2010 Rs.	2009 Rs.
SOURCES OF FUNDS:			
1) Shareholders Fund			
(a) Capital	I	36,000,000	36,000,000
(b) Reserves & Surplus	II	2,500,000	2,500,000
2) Deferred Tax Liability (Net)		2,043,900	2,043,900
		40,543,900	40,543,900
APPLICATION OF FUNDS:			
1) Fixed Assets			
(a) Gross Block	IV	17,837,594	17,681,282
(b) Less: Depreciation		10,556,617	9,797,900
(c) Net Block		7,280,977	7,883,382
(d) Advances on Capital Account		20,969,088	8,847,872
2) Current Assets, Loans and Advances:			
(a) Inventories	V	9,910,501	9,910,501
(b) Sundry Debtors	VI	-	2,286,592
(c) Cash & Bank Balances	VII	336,918	315,847
(d) Loans & Advances	VIII	3,547,390	3,226,156
		13,794,809	15,739,096
Less: Current Liabilities and Provisions:			
(a) Liabilities	IX	11,172,916	5,280,006
(b) Provisions	X	2,755,000	1,252,000
		13,927,916	6,532,006
Net Current Assets		(133,107)	9,207,090
3) Profit and Loss Account		12,426,942	14,605,557
		40,543,900	40,543,900

Significant Accounting Policies &
Notes on Accounts



Udayant Malhoutra
Director



V. Sunder
Director

XI

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



B.N. Govinda Prasad
Partner
Membership No. 23521
For M/s Prasad & Kumar
Chartered Accountants

Place : Bangalore
Date : 22nd Jun 2010

JKM RESEARCH FARM LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

		2010 Rs.	2009 Rs.
INCOME:			
Operational Income			
Income from letting out facilities		9,150,000	4,200,000
Miscellaneous Income		-	73,520
		<u>9,150,000</u>	<u>4,273,520</u>
EXPENDITURE:			
Operating and Other Expenses	XII	3,437,791	12,259,737
OPERATING PROFIT (EBITDA)		5,712,210	(7,986,217)
Depreciation		758,717	739,912
PROFIT/(LOSS) BEFORE TAX		4,953,493	(8,726,129)
Provision for tax - for the year		2,755,000	1,220,000
- Deferred Tax		-	-
- Fringe Benefit Tax		-	32,000
PROFIT/(LOSS) AFTER TAX		2,198,493	(9,978,129)
Excess(Short) provision of taxation of earlier years		19,878	(22,694)
BROUGHT FORWARD		(14,605,557)	(4,604,733)
CARRIED FORWARD		<u>(12,426,942)</u>	<u>(14,605,557)</u>

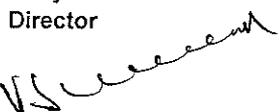
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XI

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


Udayant Malhoutra
Director


B.N. Govinda Prasad
Partner
Membership No. 23521
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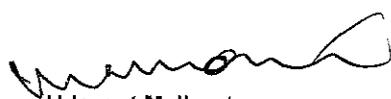

V. Sunder
Director

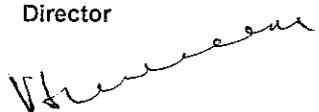
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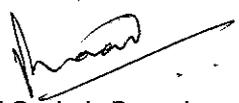
JKM RESEARCH FARM LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	2010	2009
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) before tax	4,953,493	(8,726,129)
Adjustments for:		
Depreciation	758,717	739,912
Operating Profit before working capital changes	<u>5,712,210</u>	<u>(7,986,217)</u>
(Increase) / Decrease in Trade receivables, Loans and Advances	1,965,358	6,140,811
(Decrease) / Increase in Trade Payables	5,882,910	4,292,129
Cash generated from Operations	<u>13,560,478</u>	<u>2,446,723</u>
Direct Taxes paid	(1,262,059)	(1,234,696)
Cash flow from Operating activities	<u>12,298,419</u>	<u>1,212,027</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Advances on Capital account	(12,277,348)	(957,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>21,071</u>	<u>255,027</u>
Cash and cash equivalents as at March 31, 2009	315,847	60,820
Cash and cash equivalents as at March 31, 2010	<u>336,918</u>	<u>315,847</u>
	<u>21,071</u>	<u>255,027</u>

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


Udayant Malhoutra
 Director


V.Sunder
 Director


B.N.Govinda Prasad
 Partner
 Membership No. 23521
 For M/s Prasad & Kumar
 Chartered Accountants

Place : Bangalore
 Date : 22nd Jun 2010

JKM RESEARCH FARM LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31-Mar-10 Rs.	AS AT 31-Mar-09 Rs.
SCHEDULE I - SHARE CAPITAL:		
Authorised:		
40,00,000 (40,00,000) Equity Shares of Rs. 10 each	40,000,000	40,000,000
Issued, Subscribed and Paid-up:		
36,00,000 (36,00,000) Equity Shares of Rs. 10 each, fully Paid-up	36,000,000	36,000,000
SCHEDULE II - RESERVES & SURPLUS:		
Capital Reserve:		
Subsidy Received from National Horticulture Board under Back Ended Subsidy Scheme	2,500,000	2,500,000
SCHEDULE V - INVENTORIES: (As taken, Valued and Certified by the Management)		
Rose Plants - At cost	9,910,501	9,910,501
SCHEDULE VI - SUNDRY DEBTORS: (Unsecured; Considered Good)		
Debts outstanding for a period exceeding six months - Considered doubtful	4,733,640	4,733,640
Less: Provision for doubtful debts	4,733,640	2,447,048
	-	2,286,592
SCHEDULE VII - CASH AND BANK BALANCES:		
Cash on hand	8,900	36,575
Balance with Scheduled Banks: In Current Accounts	328,018	279,272
	336,918	315,847
SCHEDULE VIII - LOANS AND ADVANCES: Unsecured, considered good		
Advances	2,100,000	2,120,400
Income Tax and TDS	1,389,750	1,048,116
Deposits	57,640	57,640
	3,547,390	3,226,156
SCHEDULE IX - CURRENT LIABILITIES:		
Sundry Creditors		
Dues to Small Scale Industries	-	-
Others	1,901,135	967,091
Other Current Liabilities	9,271,781	4,312,915
	11,172,916	5,280,006
SCHEDULE X - PROVISIONS:		
Provision for Tax	2,755,000	1,252,000

SCHEDULE - IV FIXED ASSETS AS AT 31st MARCH 2010

DESCRIPTION	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK	
	As at 01.04.2009 Rs.	Additions/ (Deletions) Rs.	As at 31.03.2010 Rs.	As at 01.04.2009 Rs.	For the year Rs.	Deletions Rs.	As at 31.3.2010 Rs.	As at 31.03.2009 Rs.
a) Let out (See Note 1 below)								
Land	289,594	-	289,594	-	-	-	-	289,594
Building	4,789,857	156,312	4,946,169	1,995,975	165,202	-	2,161,177	2,793,882
Plant and Machinery	10,440,159	-	10,440,159	6,330,598	495,908	-	6,826,506	4,109,561
Electrical Installations	1,601,353	-	1,601,353	938,258	75,243	-	1,013,501	663,095
Sub total (a)	17,120,963	156,313	17,277,275	9,264,831	736,353	-	10,001,184	7,856,132
b) Other Assets								
Furniture & Fixtures	101,823	-	101,823	90,494	6,445	-	96,939	11,329
Vehicles	458,495	-	458,495	442,575	15,919	-	458,494	15,920
Sub total (b)	560,318	-	560,318	533,069	22,364	-	555,433	27,249
Total	17,681,282	156,313	17,837,594	9,797,900	788,717	-	10,556,617	7,883,383
Previous Year	17,681,282	-	17,681,282	9,797,900	739,912	-	9,797,900	7,883,382

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 31.03.2010

	YEAR ENDED 31-Mar-10 Rs.	YEAR ENDED 31-Mar-09 Rs.
SCHEDULE XI - OPERATING AND OTHER EXPENSES:		
Inventories written off	-	2,552,952
Insurance	17,957	17,335
Watch and Ward	702,055	3,469,381
Legal Expenses	-	117,217
Legal & Professional Charges	-	2,831,600
Other Establishment Expenses	370,157	780,084
Doubtful Debts	2,286,592	2,447,048
Audit Fee - for audit	61,030	44,120
	3,437,791	12,259,737

Schedule XII

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

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 IX includes Rs.92.47 Lakhs payable to M/s.Dynamatic Technologies Limited, the holding company. (Previous Year - Receivable - Rs. 42.61 Lakhs).
- 3 Advances on capital account amounting to Rs.209.69 Lakhs (Rs.88.48 Lakhs) expended for land and it's developmental expenses, is in relation to 49 Acres 4 Guntas the transfer of which is pending before the Civil Judge (Senior Division) at Doddaballapur in a suit for specific performance as on the Balance Sheet date. Subsequently, the company has concluded an out of court settlement of the disputes and consequently has obtained the right, title and interest in the property.
- 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.91.50 Lakhs (Rs.42.00 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
 - b) **Production**
 - c) **Sales**
 - d) **Opening Stock**
 - Rose (Mother) Plants
 - e) **Closing Stock**
 - Rose (Mother) Plants

2 Million Stems
Not Ascertainable
Not Ascertainable
Rs.Nil (Rs.Nil)
Rs.99.10 Lakhs (Rs.124.63 Lakhs)
Rs.99.10 Lakhs (Rs.99.10 Lakhs)

In view of the nature of the commodity and the mortality factor, it is not able to ascertain the quantitative particulars in respect of the above.

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	31.3.2010

II. Capital raised during the year

Nil

III. Details of mobilisation and deployment of funds

Rs. ' 000

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

Sources of Funds:

- Paid-up Capital	36,000
- Reserves and Surplus	2,500
- Deferred Tax Liability	2,044
	<u>40,544</u>

Application of Funds:

- Net Fixed Assets	7,281
- Advances on Capital Account	20,969
- Net Current Assets	(133)
- Profit and Loss account	12,427
	<u>40,544</u>

IV. Performance of the Company:

- Turnover	9,150
- Total Expenditure	4,197
- Profit/(Loss) before tax	4,953
- Profit/(Loss) after tax	2,218
- Earnings per Share	Nil
- 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

Place : Bangalore
Date : 22nd Jun 2010