

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
9, SCINDIA HOUSE,
KASTURBA GANDHI MARG,
NEW DELHI - 110001.

AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS OF
MAWANA SUGARS LIMITED**

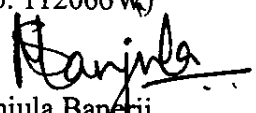
1. We have reviewed the accompanying statement of Unaudited Financial Results of **MAWANA SUGARS LIMITED** ("the Company") for the quarter and fifteen months ended December 31, 2010 ("the Statement"). This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an opinion.
3.
 - a) The sugar off-season expenditure amounting to Rs. 3643 lacs for the fifteen months ended December 31, 2010 (after absorption of Rs. 1294 lacs during the quarter) has been deferred for inclusion in the cost of sugar to be produced in the remaining part of the financial year as indicated in note 5. Had the Company charged expenditure so incurred to the accounting period in which such expenses were incurred, the decrease in stock in trade and work in progress would have been lower by Rs. 623 lacs for the quarter ended December 31, 2010 and increase in stock in trade and work in progress would have been lower by Rs. 3227 lacs for the fifteen months ended December 31, 2010 and profit after tax would have been higher by Rs. 623 lacs for the quarter ended December 31, 2010 and loss after tax would have been higher by Rs. 3227 lacs for the fifteen months ended December 31, 2010 respectively.
 - b) Our observation in our audit report dated December 23, 2009 on the accounts of the Company for the year ended September 30, 2009, although not disclosed in the Statement (refer note 7 of the Statement) is summarized below :

Various matters arisen/arising out of the reorganization arrangement of DCM Limited will be settled and accounted for as and when the liabilities/benefits are finally determined. The effect of these on the results has not been determined by the Company.



4. Attention is invited to note 4 relating to accounting for sugar cane purchase liability for the sugar season 2007-08 at Rs. 110 per quintal instead of State Advised Price of Rs. 125 per quintal fixed by the Uttar Pradesh State Government. Pending completion of legal proceedings in the matter, the effect thereof on these results cannot be determined at this stage.
5. Based on our review conducted as stated above, except for the matter referred to in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 and other recognised accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the stock exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement.
6. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements and the particulars relating to undisputed investor complaints from the details furnished by the Management/Registrars.

For A.F. Ferguson & Co.
Chartered Accountants
(Registration No. 112066W)


Manjula Banerji
Partner

(Membership No. 086423)

NEW DELHI, 11 FEB 2011

