



SCANET EXPORTS LIMITED

13th Annual Report

SCANET EXPORTS LIMITED

THIRTEEN ANNUAL REPORT 2006 - 2007

BOARD OF DIRECTORS

Dr. M. SAKTHIVEL
Sri. YERABHAGHA MEERA REDDY
MANAGING DIRECTOR
Sri. U. SUBRAMANIAN
Smt. Y.M.R. PRASOONA

BANKERS

BANK OF INDIA
Chennai

AUDITORS

GANESH VENKAT & CO
Chartered Accountants
New No. 2, (Old No. 25), Chengalvayan Street,
1st Floor, Shenoy Nagar,
Chennai – 600 030.

SHARES LISTED AT

The Stock Exchange Mumbai
Madras Stock Exchange Limited
Bangalore Stock Exchange Limited

REGISTERED OFFICE

No. 4, Jayalakshmipuram
1st Street, Nungambakkam
Chennai – 600 034

SCANET EXPORTS LIMITED

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the members of the Company will be held on Friday, the 28th day of September 2007 at the registered office of the Company situated at No-4, Jayalakshmipuram, 1st Street, Nungambakkam, Chennai – 600 034 at 10.00 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and Profit and Loss Account for the year ended 31st March 2007 and the reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of, Mr.U.Subramanian, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of, Mrs.Y.M.R.Prasoon, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors of the Company who shall hold office from the conclusion of this Meeting to till the conclusion of the next Annual General Meeting and to fix their remuneration. M/s.Ganesh Venkat & Co, Chartered Accountants, Chennai, being the retiring auditors are eligible for re-appointment.

for & on behalf of the Board

Place: Chennai

Date : 24.08.2007

Sd/-

Y.Meera Reddy
Managing Director

Note:

1. *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy or proxies so appointed need not be a member or members as the case may be of the company. The instrument appointing the proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the company not later than 48 hours before the time fixed for holding the meeting.*

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2. The Register of members and share transfer books of the company will be closed from 26th September 2007 to 28th September 2007 (both days Inclusive)
3. The Equity shares of the company are mandated for trading in compulsory demat mode. The ISIN No. Allotted for the Company's shares is INE332F01018.
4. Members are requested to notify the Company/Depository Participant (DP) immediately change of address, if any, and also write to Company/Depository Participant (DP) immediately about corrections, if any, in name, address and pin code.
5. As a measure of economy, copies of the annual report will not be distributed at the annual general meeting. Members are therefore requested to bring their copies of the annual report to the meeting.
6. Members are requested to affix their signature at the space provided on the attendance sheet annexed to the proxy form and hand over the slip at the entrance of the meeting hall.
7. No gifts/refreshments will be provided at the venue of the meeting.
8. Statement pursuant to Clause 49 of the Listing Agreement in respect of particulars of Directors who are retiring by rotation and seeking re-appointment are detailed in Corporate Governance Report.

SCANET EXPORTS LIMITED

DIRECTORS REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

The Director's are pleased to present the 13th Annual Report of the Company together with the Audited accounts for the year-ended 31.03.2007.

Financial Highlights

The highlights of the financial performance of the company are as follows:

Particulars	31.03.2007 (Rs. In lakhs)	31.3.2006 (Rs. In lakhs)
Total Income	1235.02	1226.21
Total Expenditure	1096.21	1288.30
Profit/ (Loss) before Tax	138.81	(62.08)
Provision for deferred tax	8.93	8.70
Profit/(Loss) after tax	114.90	(71.41)
Balance in P&L A/c. brought forward	(52.74)	18.66
Surplus Carried forward to Balance Sheet	62.16	(52.75)

Dividend

Due to insufficient profits during the financial year your Directors do not recommend any dividend for the financial year 2006 – 2007.

Operations

The Operations of the Company during the year under review was satisfactory. We are glad to inform you that the Company has maintained the same trend and during the current year it has yielded marginal operational profits. The Company however during the year had sold its Land situated at Semmancheri Village, Chengalpet Taluk, MGR District admeasuring to 5.07 acres for a consideration of Rs.270 Lacs by which the Company has settled its dues with the Bank which has reduced the high interest cost burden and also written off the accumulated loss which has resulted in surplus being carried to Balance sheet of Rs.62.16 Lacs.

Your Company is hopeful of better performance and reasonable profits in future. It is proposed to restructure the activities carried on by the Company keeping in view the current market trends and demand, and in this regard your Company proposes to enter into diversified business opportunities in the field of development of infrastructure projects. In view of this Your Company has applied for change of its name to YKM Industries Limited in order to have significant presence and build a Brand name for its business.

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Audit Committee

The Company has constituted an Audit Committee comprising of Dr.M.Sakthivel, Mr. U.Subramanian, Mr.A.H.Kishore and Mr.Y.Meera Reddy as its members. The role, terms of reference, authority and powers of Audit Committee are in conformity with the provisions of the Companies Act, 1956 inserted by Companies Amendment Act, 2000. The Audit committee has had their meetings as per statutory requirements and has made no adverse comments.

Industry Structure And Development

The Industry is going through lots of change due to condition laid down by the government in the importing countries. The Industry has started seeing things in its reality, which is of good sign.

Opportunities And Threats

New rules and new regulations from various countries might bring about far reaching changes in the pricing structure. The Company has very sound control systems with each and every kilogram being accounted from the time of purchase to the time of export.

Out Look

As the Company is mainly engaged in the business of processing, sale and exports of marine products to various parts of the world, the Company's has been cautious in complying with exports norms and considering the regulations of the country to which it supplies its products and the Company's approach during this year has helped to consolidate the working results and if this trend continues the Company should have better years to come.

Internal Control Systems & Adequacy

Suitable control measure has been put in place and periodic checks are done to ensure norms are followed. The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business.

Human Resources

Much emphasis has given to the quality of work and keeping this in view staff are systematically trained to do all round jobs. The Company has maintained cordial relationship with its employees throughout the year.

SCANET EXPORTS LIMITED

Directors

Mr.U.Subramanian, & Mrs.Y.M.R.Prasoona, Directors liable to retire by rotation being eligible offer themselves for re-appointment. Mr.A.H.Kishore, Director resigned from the Board on 01.05.2007 and the Board wishes to place sincere appreciation for the valuable services rendered by him.

Auditors

The Auditors of the Company M/s. Ganesh Venkat & Co, Chartered Accountants, retire at the conclusion of this meeting and being eligible offer themselves for re-appointment to hold office till the conclusion of the next Annual General Meeting.

PARTICULARS OF EMPLOYEES AS PER SECTION 217 (2A) & 217 (2AA) OF THE COMPANIES ACT, 1956 AND COMPANIES (AMENDMENT) ACT, 2000.

There are no employees drawing remuneration in excess of the limits specified under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975.

None of the Directors of the company are disqualified U/s. 274(1)(g) of the Companies Act, 1956.

Directors Responsibility Statement U/s.217(2AA) of the (Companies Amendment) Act, 2000, indicating therein;

- i. That in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the directors had prepared the annual accounts on a going concern basis.

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Public Deposits

The Company has not accepted any Public Deposits during the year.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

As required under Section 217(1)(e) of The Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the report of the Board of Directors) Rule 1988, the particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are furnished below:

- | | |
|---|---|
| A. Conservation of Energy | - The Company is making sustained efforts continuously to minimise the consumption of Electricity and Fuel wherever used. |
| B. Technology Absorption | - Not Applicable |
| C. Foreign Exchange Earnings | - Rs.87316541 /- (Previous year Rs.94016687/-) |
| D. Foreign Exchange Outgo | - Purchase of Lobster & |
| - Transhipment charges | - Rs. 11127204 /- |
| | (Previous year Rs. 17704383/-) |
| - CIF Value of Imports on Capital Account | - Nil |
| - Foreign Travel Expense | - Nil (Previous year Nil) |

Depository System

Pursuant to the Directions of the Securities and Exchange Board of India, the Company's Securities has been dematerialised and also admitted into National Securities Depository Limited and has been allotted with ISIN – INE332F01018. The Company's Shares are listed with Madras Stock Exchange, The Stock Exchange Mumbai and The Bangalore Stock Exchange. Your company has paid the Annual listing Fees up-to-date and there are no arrears.

Corporate Governance

The Corporate Governance report as set out in Annexure hereto form an integral part of this report. A Certificate from the auditors of the Company certifying compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges is also annexed to the report on Corporate Governance.

SCANET EXPORTS LIMITED

Directors

Mr.A.H.Kishore, Director ceased to be a Director w.e.f 01.05.2007.The Board places on record its appreciation for the valuable contribution rendered by him during their tenure as Director. Mr. U. Subramanian, Y.M.R.Prasoon, the retiring directors, offer themselves for re-appointment.

Acknowledgement

Your Directors place on record their appreciation for the valuable services rendered by the Company's Shareholders, employees, Bankers and other agencies associated with the Company. The Board expects much more continuous support and co-operation in the future years to come.

for & on behalf of the Board

Place: Chennai

Date : 24.08.2007

Sd/-

Y. Meera Reddy
Managing Director

Y.M.R.Prasoon
Director

CAUTION

This Report is based on the current situation, past experience and information available to the Company about its various businesses and assumptions regarding economic and industrial scenario, Governmental and other regulatory policies. The Performance of the Company is, to a great extent, dependent on these factors. The future performance may be materially influenced by the changes in any of these factors, which are beyond the control of the Company and may affect the views expressed in or perceived from this Report. Therefore the investors are requested to make their own independent judgments by taking into account all relevant factors before any investment decision.

SCANET EXPORTS LIMITED

CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF SCANET EXPORTS LIMITED

I have examined the Compliance conditions of Corporate Governance by Scanet Exports Limited, for the year ended 31st March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit for an expression of opinion of the financial statements of the Company.

In my opinion and to the best of my information and according to the explanation given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

The Company has maintained the register in which the investor(s) grievances are recorded with the date of disposal. On the basis of such register I note that no investor grievance is pending for a period exceeding one month against the Company.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place: Chennai
Date : 24.08.2007

Sd/-
I.B.HARIKRISHNA
Practising Company Secretary
C.P.No. : 5302

ANNEXURE TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

1. A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The main aim of the concept of Corporate Governance is to create a balance which would result in long term value additions to the Investments of Shareholders while catering to the interests of employees, customers, suppliers, Government and public at large, which covers in its ambit the concept of Social responsibility of Corporates also.

The Company's philosophy/objective on Corporate Governance is to comply with the laws of the land, enhance the earnings per share and ensure discipline, transparency and accountability. The Management of the Company believes that the corporate performance in the long run is co-related to Corporate Governance and that well governed Companies mitigate 'Non –business risks' better. The Company endeavours to adopt the best practices in Corporate Governance and thereby aims to increase the value for all its stakeholders.

2. BOARD OF DIRECTORS:

A. Composition of Board

The Present strength of the Board is 5. The Board comprises of 4 Non Executive Directors and a Managing Director. The Board of Directors of the Company is as follows:

Dr.M.Sakthivel	- Chairman – Non Executive Director
Mr.Y.Meera Reddy	- Managing Director – Executive Director
U.Subramanian	- Non Executive Director
A.H.Kishore	- Non Executive Director*
Y.M.R.Prasoon	- Non Executive Director

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The attendance particulars at the Board meetings and Annual General Meeting are as follows:

Name	Category	No of BM (A)	AGM (A)	No of Directorships & Committee member in other Public Limited Companies	
				Directorships	Committee member
Dr.M.Sakthivel	NE I	9	Y	-	-
Y. Meera Reddy	NI E	9	Y	2	-
U.Subramanian	I NE	9	Y	--	--
A.H.Kishore*	NE NI	9	Y	--	--
Y.M.R.Prasoona	NI NE	9	Y	2	--

***Resigned w.e.f 01.05.2007**

BM (A) – Board Meeting Attendance during the 2006 - 2007, Y-Yes, N-No, AGM (A) – Whether Attended Annual General Meeting held on 30.09.2006, E- Executive, NE- Non executive, I- Independent, NI- Non Independent.

9(Nine) Board Meetings were held during the year 2006 – 2007 and the dates on which the Board meetings were held were as follows: 29.04.2006, 30.06.2006, 31.07.2006, 23.08.2006, 23.09.2006, 31.10.2006, 29.12.2006, 31.12.2006, 31.01.2007.

The information as required under Annexure I to Clause 49 is being made available to the Board. None of the Non-executive Directors of the Company has any pecuniary relationship or transaction with the Company.

B. BOARD PROCEDURE

The Company has convened 9 (Nine) Board Meetings during the Financial Year 2006-07. The Notices of the Board meeting were sent a week in advance to all the Directors to enable them to make themselves convenient to attend the Meeting. The detailed Agenda for the meeting along with notes if any, were sent to the Directors about one week to ten days before the Meeting. The Managing Director would give a overview of the performance of the Industry, in general and the Company, in particular. The Board of Directors generally reviewed the following:

- Annual operating plans
- Compliance with statutory and legal requirements.
- Adoption of quarterly un-audited financial results.
- Funding requirements and patterns of the Company.
- Transaction of Capital nature.
- Proceedings of the Committee Meetings.

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C. Bio – Data of Directors proposed to be appointed/re-appointed:

Name of the Director	U.Subramanian
Date of Birth	06-04-1961
Qualification	B.E., M.B.A
Nature of Expertise	Professional Management & Investment Consultant
Date of First Appointment	01-10-1994
Name of the other Companies in which he holds Directorship	Nil

Name of the Director	Y.M.R.Prasoon
Date of Birth	17.10.1970
Qualification	B Com
Nature of Expertise	Financial Adviser
Date of First Appointment	29.01.1998
Name of the other Companies in which she holds Directorship	

3. REMUNERATION COMMITTEE

Remuneration committee as contemplated under the listing agreement is presently non-mandatory and hence not constituted.

4. REMUNERATION TO DIRECTORS

Remuneration to Mr.Y.Meera Reddy, Managing Director not exceeding Rs.100000/- per month was paid for the period from April to June 2006 and thereafter it has been stopped due to insufficient profits.

5. AUDIT COMMITTEE

The Company had constituted an Audit Committee to confirm to the requirements of Companies Act, 1956 and Clause 49 of the Listing Agreement. The Committee had held Four Meetings during the financial year 2006-07 on 29.04.2006, 31.07.2006, 31.10.2006 & 31.01.2007 and the details of Compositions of the Audit Committee and the meetings attended by the Directors are given below:

Name of Members	No of Meetings attended during the year 2006 – 2007
Dr.M.Sakthivel	4
Mr.A.H.Kishore	4
Mr.U.Subramanian	4
Mrs.Y.Meera Reddy	4

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The necessary quorum was present at the meeting. Mr.U.Subramanian is Chairman of Audit Committee. The Audit Committee acts in accordance with the terms of reference specified by the Board. The representatives of the Statutory Auditors attended the audit committee meetings. The Terms of reference of the Audit committee broadly are as under:

- To review the quarterly, half yearly and Annual financial results of the Company before submission to the Board
- To make recommendations to the Board on any matter relating to the financial management of the Company including the Audit Report.
- To review the accounting and financial policies and practices.
- To review the internal control mechanism and monitor risk management policies adopted by the Company and ensure compliance with regulatory guidelines.
- To review reports furnished by the Internal and Statutory Auditors and ensure that suitable follow – up action is taken.
- To examine the accountancy, taxation and disclosure aspects of all the significant transactions.

6. SHAREHOLDERS COMMITTEE.

The Company is already having a Share Transfer Committee consisting of three Directors Viz. Sri M.Sakthivel, Smt Y.M.R.Prasoon, and Sri Y.Meera Reddy, as its members. Smt Y.M.R.Prasoon, Director is the Chairman of the Committee.

This Committee is also performing the functions of catering to the Shareholder grievances. The Company has not received any Complaints during the financial year 2006-07. There were no Share Transfers pending as on 31/03/2007.

Name, Designation and Address of Compliance Officer:

Mr.Y.Meera Reddy, Managing Director

No – 4, Jayalakshmipuram, 1st Street, Nungambakkam, Chennai – 600 034

No of Complaints received from Shareholders

from 01.04.2006 – 31.03.2007 - Nil

No. Not solved to the satisfaction of shareholders

as on 31.03.2007 - Nil

No of Pending Share Transfers as on 31.03.2007 - Nil

7. GENERAL BODY MEETINGS

The Date, location and time of the General Meetings of the Company held during last three years are given below:

SCANET EXPORTS LIMITED

Year	Date & Time	Place
2004	30.09.2004 10.00.a.m	No-4, Jayalakshmipuram 1 st Street, Nungambakkam, Chennai – 600 034.
2005	30.09.2005 10.00.a.m	No-4, Jayalakshmipuram 1 st Street, Nungambakkam, Chennai – 600 034.
2006	30.09.2006 10.00.a.m	No-4, Jayalakshmipuram 1 st Street, Nungambakkam, Chennai – 600 034.

POSTAL BALLOT

During the year under review Company conducted Postal Ballot on 23.09.2006 for the sale of Company's land situated at Survey No.84/1 and 349, Semmancheri Village, Chengalpet Taluk, MGR District admeasuring to 5.07 acres. Another Postal Ballot was conducted 13.07.2007 for change of name of the Company. The Resolutions were passed by the requisite majority. The results of the postal ballot were announced on 30.10.2006 and 24.08.2007.

The Company has complied with the procedures for the Postal Ballot in terms of Companies (Passing of Resolution by Postal Ballot) Rules, 2001. The Board does not recommend any Special Resolution for approval of members at the ensuing Annual General Meeting.

8. DISCLOSURES.

- a) There are no transactions of material nature with the Promoters, Directors or the management or their subsidiaries or relatives, etc., potentially conflicting with Company's interest at large, during the year. Transactions with related parties during the year are disclosed in Note No-(h) of the Notes forming part of the Accounts in the Annual Report.
- b) There were no instances of non-compliances or imposition of any penalty/strictures on the Company by the SEBI / Stock Exchange / any Statutory Authority, on any matter relating to capital markets, during the last three years.

9. MEANS OF COMMUNICATION

- a) Half-yearly report is not being sent to each household of shareholders as shareholders are intimated through the press.
- b) The Company's quarterly un-audited financial results are Generally published in News Today (English language) and Makkal Kural (Tamil language). The quarterly results are not displayed on the web site.

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- c) No official news releases are made and also no presentations have been made to institutional investors or to the analysts.
- d) The Management discussion and Analysis report is enclosed and forms part of Directors report.

10. GENERAL SHAREHOLDER INFORMATION

a) Date, time and venue of the Annual General Meeting.	Date : 28.09.2007 Time : 10.00 A.M Venue : No – 4, Jayalakshmiipuram, 1 st Street, Nungambakkam, Chennai – 600 034
b) Financial Calendar	Financial year – 1 st April to 31 st March Unaudited Financial Results: Quarter ending 30 th June'07 – Before end July'07 Quarter ending 30 th Sept'07 – Before end Oct.'07 Quarter ending 31 st Dec'07 – Before end Jan.'08 *Quarter ending 31 st Mar'08 – Before end April '08 * In case Audited results are to be considered for the Financial Year 2007-08, the same will be published before end June'08.
c) Date of Book closure	26 th September 2007 to 28 th September 2007
d) Dividend payment date	No Dividend has been recommended.
e) Listing on Stock Exchange	Madras Stock Exchange Ltd., Chennai. The Stock Exchange Mumbai The Bangalore Stock Exchange
f) Stock Code	BSE Scrip Code – 531260 Scrip Name – SCANET EXPOR
g) Market price Data :	There has been no trading in the shares on any of the stock exchanges during the year under review and hence this data has not been provided.
h) Registrars and Transfer Agents.	M/s Knack Corporate Services Private Limited, No – 97,(Old No 43) 1st Floor, Veeraperumal Kovil Street, Mylapore, Chennai 600 004.
i) Share Transfer System	The Company has constituted a Share Transfer Committee, which considers and approves the transfer and transmission etc., of shares in Physical mode. The Committee meets once in every 15 days and approves all the pending share transfers, transmission etc., received during the intervening period which is in order.

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j) Distribution of Share - - holding as on 31.03.2007	i) On the basis of quantum of Shares held		
	No. of Shares held	Share holders	Shares
		Number	Number %
	Upto 5000	448	373750 8.32
	5001 to 10000	25	179600 4.01
	10001 to 20000	7	106100 2.36
	20001 to 30000	1	24000 0.54
	30001 to 40000	2	68600 1.52
	40001 to 50000	0	0 0
	50001 to 100000	3	193200 4.30
	100001 & above	6	3544650 78.95
	TOTAL	492	4489900 100
	ii) On the basis of category of Shareholders		
	Category	No.of Shares	%
	Promoters and Relatives	2776980	61.85
	Financial Institutions		
	Foreign Holdings (FII / NRI / OCB)		
	Corporate Bodies	638000	14.21
	Mutual Funds/Banks		
	Indian Public	1074920	23.94
	TOTAL	4489900	100
k) Dematerialisation of shares and liquidity	The Shares of the Company are in compulsory demat system. The Company's securities are in Demat mode with ISIN INE332F01018.		
l) Outstanding Warrants or any convertible Instruments, conversion date and likely impact on Equity.	The Company has not issued any GDR/ ADR and the Company does not have any outstanding warrants or other convertible instruments.		
m) Address for correspondence	Secretarial Department Scanet Exports Limited No – 4, Jayalakshmiapuram, 1 st Street, Nungambakkam, Chennai – 600 034 Phone : 044 - 42113810 Fax: 044 28212494		

for & on behalf of the Board

Place: Chennai
Date : 24.08.2007

Sd/-
Y. Meera Reddy
Managing Director

Y.M.R.Prasoona
Director

SCANET EXPORTS LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SCANET EXPORTS LIMITED

1. We have audited the attached Balance Sheet of **SCANET EXPORTS LIMITED**, as at 31st March 2007 and the Profit and Loss Account and also 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 the 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 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 to the extent applicable.
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 purpose 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 [3-C] of Section 211 of the Companies Act, 1956;

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- v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 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;
 - a) in the case of the Balance Sheet, " of the state of affairs" of the Company as at 31st March 2007;
 - b) in the case of 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 flow for the year ended on that date.

For Ganesh Venkat & Co.,
Chartered Accountants,

Place : Chennai.
Date : August 24, 2007.

L.S.Venkataramanan
Partner.
Membership No.24965.

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ANNEXURE TO AUDITORS' REPORT

RE : SCANET EXPORTS LIMITED
(Referred to in paragraph 3 of our report of even date)

1. (a). The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) All the assets have been physically verified by the management during the year, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) During the year, the Company has disposed off some of the old fixed assets including land. However this does not affect the going concern status of the Company.
2. (a) As explained to us, inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, 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 has maintained proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The Company has granted unsecured loans during the year to a Company listed in the register maintained under section 301 of the Companies Act, 1956 amounting to Rs. 1,52,50,000 and the maximum amount outstanding at any time during the year was Rs.4,30,00,000 and the year end balance was Rs.Nil.

(b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted by the Company are prima facie, not prejudicial to the interest of the Company.

(c) In our opinion, interest on the above said loan was regularly provided and the loan was fully repaid by the said Company during the year.

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- (d) As explained to us, the above said loan was repayable on demand and therefore the question of overdue did not arise.
 - (e) 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, the provisions of sub-clauses (e), (f) and (g) of clause 4(iii) of the order are not applicable to the Company.
4. 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 purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal controls.
5. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rs.5,00,000 in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We are informed that Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
9. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Educational Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it.

SCANET EXPORTS LIMITED

(b) According to the information and explanation given to us, no undisputed amounts payable in respect of aforesaid statutory dues were in arrears, as at 31st March 2007 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, and as per the verification of the records of the Company, the following disputed amounts of tax have not been deposited with appropriate authorities as at 31st March 2007:

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to Which Dispute Relates	Forum where Dispute is Pending
Tamilnadu General Sales Tax Act, 1959	Sales-Tax	49,330	1999-2000	Commercial Tax Appellate Authority
Income-tax Act, 1961	Income-Tax	735,190	1996-1997	Income-tax Appellate Authority

10. The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash losses in the financial year covered by our audit report and has incurred cash losses in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
12. According to the information and explanation given 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.
13. 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 are not applicable to the Company.
14. 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 Companies (Auditor's Report) Order 2003 are not applicable to the Company.

SCANET EXPORTS LIMITED

15. According to the information and explanation given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. No term loans were raised during the year.
17. 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.
18. According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act.
19. There were no issues of debentures during the period covered by our audit report.
20. There were no public issues during the period under review.
21. According to the information given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Ganesh Venkat & Co.,
Chartered Accountants,

Place : Chennai.
Date : August 24, 2007.

L.S.Venkataramanan
Partner.
Membership No.24965.

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	Schedule No.	Year Ended 31.03.2007	Year Ended 31.03.2006
INCOME		Rs.	Rs.
Income from Operations	13	103,478,185	119,083,369
Other Income	14	2,587,569	3,538,546
Profit on Sale of Assets	-	17,436,881	-
		123,503,635	122,621,915
EXPENDITURE			
Direct Expenses	15	83,668,419	101,603,406
Administrative Expenses	16	14,797,250	6,596,546
Selling Expenses	17	9,211,804	9,721,307
Financial Charges	18	874,755	1,697,138
Loss on Sale of Assets	-	43,100	7,956,252
Depreciation	4	713,565	917,648
Miscellaneous Expenditure Written-off	19	312,147	338,532
		109,621,040	128,830,829
Profit/(Loss) Before Taxation	-	13,881,595	(6,208,914)
Less: Provision for Taxation			
- Current Tax	-	1,439,000	-
- Fringe Benefit Tax	-	54,405	62,056
- Deferred Tax	-	893,414	870,670
Less: Earlier Year Taxes Written-off	-	4,362	-
Profit/(Loss) After Taxation	-	11,490,414	(7,141,640)
		(5,274,701)	1,866,939
Add: Surplus/(Deficit) B/fd from Previous Year			
Surplus/(Deficit) Carried to Balance Sheet	-	6,215,713	(5,274,701)
Earning per Equity Share of Rs.10/- each			
Basic and Diluted	-	2.56	(1.59)
Significant Accounting Policies and Notes on Accounts	20		

The Schedules referred to above and Notes thereon form part of the Profit & Loss Account

As per our report attached
For **Ganesh Venkat & Co.,**
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
L.S.Venkataramanan
Partner
Membership No.24965

Sd/-
Yerabhabha Meera Reddy
Managing Director

Sd/-
Y.M.R.Prasoona
Director

Place : Chennai.
Date : August 24, 2007

Sd/-
U. Subramanian
Director

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED BALANCE SHEET AS AT 31ST MARCH 2007

	Schedule No.	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	47,449,500	47,449,500
Reserves & Surplus	2	6,215,713	-
Loan Funds			
Secured Loans	3	-	13,278,414
Deferred Tax Liability (Net)	-	779,533	-
		54,444,746	60,727,914
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	9,113,258	19,250,281
Less : Depreciation		4,000,016	4,576,716
Net Block		5,113,242	14,673,565
Investments	5	1,285,000	-
Deferred Tax Assets (Net)	-	-	113,881
Current Assets, Loans & Advances			
Inventories	6	716,758	576,910
Sundry Debtors	7	3,150,980	3,525,369
Cash & Bank Balances	8	1,582,846	4,468,715
Loans & Advances	9	45,575,669	39,959,435
		51,026,252	48,530,428
Less : Current Liabilities and Provisions			
Current Liabilities	10	2,925,344	8,114,753
Provisions	11	54,405	62,056
Net Current Assets		48,046,504	40,353,619
Miscellaneous Expenditure	12	-	312,147
(to the extent not written-off or adjusted)			
Profit and Loss Account	-	-	5,274,701
		54,444,746	60,727,914
Significant Accounting Policies and Notes on Accounts	20		

The Schedules referred to above and Notes thereon form part of the Balance Sheet

As per our report attached
For Ganesh Venkat & Co.,
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
L.S.Venkataramanan
Partner
Membership No.24965

Sd/-
Yerabhagha Meera Reddy
Managing Director

Sd/-
Y.M.R.Prasoon
Director

Place : Chennai.
Date : August 24, 2007

Sd/-
U. Subramanian
Director

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 1

Share Capital

Authorised

7000000 Equity Shares of Rs.10 each

Issued,Subscribed and Paid-up

4489900 Equity Shares of Rs.10/- each

(Of the above 154000 Equity Shares have been issued as fully paid for consideration other than cash.)

Add: Shares Forfeiture A/c

As at

31/03/2007

Rs.

31/03/2006

Rs.

70,000,000

70,000,000

44,899,000

44,899,000

2,550,500

2,550,500

47,449,500

47,449,500

Schedule- 2

Reserves and Surplus

Surplus Transferred from Profit and Loss A/c.

6,215,713

-

Schedule- 3

Secured Loans

Packing Credit Facility from Bank of India

(Secured by Hypothecation of Stock-in-Trade, deposit of title deeds of land at Kovalam, Housing Sites of Director at Nellore and Personal Guarantees of Directors)

-

13,278,414

Schedule- 5

Investments

Long Term Investments (At Cost)

Quoted (Trade)

100,000 Fully Paid Equity Shares of Rs.10/- each in R.G.N.Securities and Holdings Ltd.

Less: Provision for Diminution in Value of Investment

9,862,627

-

8,577,627

-

1,285,000

-

Schedule- 6

Inventories

Lobster

336,525

172,352

Sting Ray Skin

164,052

306,458

Dry Skin

77,767

-

Packing Materials

138,414

98,100

716,758

576,910

SCANET EXPORTS LIMITED
SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule-4**Fixed Assets**

Particulars	Gross Block				Depreciation				Net Block	
	As at 01/04/2006	Additions	Deletions	As at 31/03/2007	As at 31/03/2006	For the year	Deletions	Upto 31/03/2007	As at 31/03/2007	As at 31/03/2006
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	8,748,561	770,000	9,421,400	97,161	-	-	-	-	97,161	8,748,561
Buildings	1,310,960	-	-	1,310,960	393,001	43,786	-	436,787	874,173	917,959
Plant & Machinery	1,930,729	75,236	-	2,005,965	578,790	105,180	-	683,970	1,321,995	1,351,939
Electrical Equipments	234,177	-	-	234,177	98,090	11,123	-	109,212	124,965	136,087
Electrical Fitting	220,085	-	-	220,085	111,637	10,454	-	122,091	97,994	108,448
Air-conditioners	514,657	-	118,120	396,537	208,939	23,044	20,693	211,290	185,247	305,718
Office Equipments	290,478	9,494	-	299,972	101,995	14,211	-	116,206	183,766	188,483
Vehicles	2,895,510	188,410	132,103	2,951,817	851,230	278,428	46,753	1,082,907	1,868,910	2,044,280
Computers	2,320,126	21,500	1,417,010	924,616	1,863,362	181,275	1,138,907	905,730	18,886	456,764
Furniture & Fixtures	604,412	-	145,530	458,882	325,380	35,956	83,913	277,423	181,459	279,032
Generator	180,586	32,500	-	213,086	44,292	10,107	-	54,399	158,687	136,294
Total	19,250,281	1,097,140	11,234,163	9,113,258	4,576,717	713,565	1,290,266	4,000,016	5,113,242	14,673,565
Previous year	29,941,381	729,196	11,420,295	19,250,281	4,053,112	917,648	394,043	4,576,716	14,673,565	25,888,269

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

	As at	
	31/03/2007 Rs.	31/03/2006 Rs.
<u>Schedule- 7</u>		
<u>Sundry Debtors</u>		
(Unsecured, Considered Good)		
Over Six Months	-	39,971
Other Debts	3,150,980	3,485,398
	3,150,980	3,525,369
<u>Schedule- 8</u>		
<u>Cash and Bank Balances</u>		
Cash on Hand	669,813	776,431
Balance with Scheduled Banks		
- in Current Accounts	913,033	3,692,284
	1,582,846	4,468,715
<u>Schedule- 9</u>		
<u>Loans and Advances</u>		
(Unsecured, Considered Good)		
Inter Corporate Loans	-	26,798,189
Advances Recoverable in Cash or in Kind or for Value to be Received	45,149,170	11,729,530
Tax Deducted at Sources (Net of Provision for Current Year's Income-tax)	293,481	1,290,309
Deposits	133,018	141,407
	45,575,669	39,959,435
<u>Schedule- 10</u>		
<u>Current Liabilities</u>		
Sundry Creditors for Goods/Services Other Than Small Scale Industrial Undertakings	2,865,106	8,058,776
Other Liabilities	60,238	55,977
	2,925,344	8,114,753
<u>Schedule- 11</u>		
<u>Provisions</u>		
For Income Tax	-	-
For Fringe Benefit Tax	54,405	62,056
	54,405	62,056
<u>Schedule- 12</u>		
<u>Miscellaneous Expenditure</u>		
(to the extent not written off or adjusted)		
Interior Decoration Expenses	-	312,147
	-	312,147

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 13	Year Ended	
	31/03/2007 Rs.	31/03/2006 Rs.
<u>Income from Operations</u>		
<u>(a).Export Sales & Incentives</u>		
Live Lobster	89,359,478	100,828,576
Live Snail	2,879,637	-
Sting Ray Skin	2,849,771	1,571,983
Dry Skin	194,158	-
Export Incentive	608,238	521,407
	95,891,282	102,921,966
<u>(b).Local Sales</u>		
Dead Lobster	4,129,749	5,438,986
Live Lobster	2,180,074	7,384,627
Dry Skin	403,750	-
Crab	640	-
Live Snail	12,250	-
	6,726,463	12,823,613
<u>(c).Fees Receipt from Software Training</u>	860,440	3,337,790
Total-(a)+(b)+(c)	103,478,185	119,083,369
<u>Schedule- 14</u>		
<u>Other Income</u>		
Interest Income (TDS Rs.435,148 Pre.Year Rs.554,534)	1,972,029	2,471,186
Freight Incentive	116,138	114,233
Furniture Rental	12,000	48,000
Car Lease Rental	17,000	204,000
Computer Rental	36,000	144,000
Dividend	47,754	2,356
Compensation	330,890	554,771
Foreign Exchange Gain	19,758	-
Miscellaneous Income	36,000	-
	2,587,569	3,538,546
<u>Schedule- 15</u>		
<u>Direct Expenses</u>		
<u>1.Cost of Goods Sold</u>		
<u>(a).Live Lobster</u>		
Opening Stock	172,352	1,925,509
Add: Purchases	76,568,486	94,664,067
	76,740,838	96,589,576
Less:Closing Stock	336,525	172,352
Cost of Live Lobster Sold	76,404,313	96,417,224

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

<u>Schedule- 15</u>	Year Ended	
	31/03/2007 Rs.	31/03/2006 Rs.
<u>Direct Expenses (Contd.)</u>		
<u>(b).Dead Lobster</u>		
Opening Stock	-	-
Add: Purchases	587,514	778,196
	587,514	778,196
Less: Closing Stock	-	-
Cost of Dead Lobster Sold	587,514	778,196
<u>(c).Sting Ray Skin</u>		
Opening Stock	306,458	-
Add: Purchases	1,714,610	1,647,620
	2,021,068	1,647,620
Less: Closing Stock	164,052	306,458
Cost of Sting Ray Skin Sold	1,857,016	1,341,162
<u>(d).Dry Skin</u>		
Opening Stock	-	-
Add: Purchases	535,568	1,647,620
	535,568	1,647,620
Less: Closing Stock	77,767	306,458
Cost of Dry Skin Sold	457,801	1,341,162
<u>(e).Crab</u>		
Opening Stock	-	-
Add: Purchases	480	-
	480	-
Less: Closing Stock	-	-
Cost of Crab Sold	480	-
<u>(f).Ornamental Fish</u>		
Opening Stock	-	-
Add: Purchases	17,365	-
	17,365	-
Less: Closing Stock	-	-
Cost of Ornamental Fish Sold	17,365	-
<u>(g).Live Snail</u>		
Opening Stock	-	-
Add: Purchases	1,064,679	-
	1,064,679	-
Less: Closing Stock	-	-
Cost of Snail Sold	1,064,679	-
Total Cost of Goods Sold (a)+(b)+(c)+(d)+(e)+(f)+(g)	80,389,168	98,536,582

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 15 (Contd.)

2.Other Direct Expenses

	Year Ended	
	31/03/2007 Rs.	31/03/2006 Rs.
Sea Water	82,815	95,015
Ice Purchase	102,441	141,072
Transport Charges	1,293,177	1,327,992
Farm Maintenance	1,160,524	1,042,047
Freight Charges-Local	720	30,560
Labour Charges	639,574	430,138
Total Other Direct Expenses	3,279,251	3,066,824
Total Direct Expenses 13(1)+(2)	83,668,419	101,603,406

Schedule- 16

Administrative Expenses

Salaries and Other Benefits to Employees	2,969,608	2,726,234
Staff Welfare Expenses	109,396	92,280
Rent	890,500	962,923
Travelling and Conveyance	232,139	165,582
Electricity Charges	198,436	205,684
Communication Expense	413,897	374,961
Office Maintenance	158,465	143,382
Books and Periodicals	10,582	14,467
Rates and Taxes	232,503	178,362
Professional Charges	100,980	102,494
Printing and Stationery	84,393	93,272
Course Materials	193,575	398,392
Lisiting Fee	27,100	28,100
Membership Fee	-	21,000
Repairs and Maintenance	406,869	493,293
Provision for Diminution in Value of Investments	8,577,627	-
Managerial Remuneration	135,000	540,000
Auditors' Remuneration	56,180	56,120
	14,797,250	6,596,546

Schedule- 17

Selling Expenses

Export Freight & Other Related Charges	8,082,641	8,498,105
Packing Expenses	882,471	1,057,312
Advertisement	44,395	37,442
Sample Purchase	3,927	4,829
Bad Debts/Non-Refundable Deposit W/off	169,907	100,000
Business Promotion Expenses	28,463	23,619
	9,211,804	9,721,307

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 18

Finance Expenses

Interest on Bank Loans
Bank Charges

Year Ended	
31/03/2007 Rs.	31/03/2006 Rs.
401,818	1,252,624
472,937	444,514
874,755	1,697,138
-	182,958
312,147	116,557
-	39,017
312,147	338,532

Schedule- 19

Miscellaneous Expenses written-off

Public Issue Expenses
Interior Decoration Expenses
Lobster Market Development Expenses

Schedule- 20

Significant Accounting Policies and Notes on Accounts

(1).Significant Accounting Policies

(a).Basis for preparing of financial statements:

The Company maintains its accounts on accrual basis following the historical cost convention in compliance with the accounting standards specified to be mandatory by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

(b).Revenue Recognition:

Revenue in respect of sale of goods is recognised on despatch of goods from the Company and is recorded at invoice value and revenue in respect of export incentives is accounted on accrual basis. Fee receipt from software training is accounted on accrual basis.

(c).Fixed Assets:

Fixed Assets are stated at cost less depreciation, cost comprises of purchase price and any directly attributable cost of bringing the assets to working condition for its intended use.

(d).Depreciation:

Depreciation on Fixed Assets is provided on straight line method as per the rates prescribed under schedule XIV to the Companies Act, 1956.

(e).Inventory:

Inventories are valued at lower of cost or net realisable value.

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 20

(1).Significant Accounting Policies (Contd.)

(f).Amortisation of Expenses:

Interior decoration expenses are fully written-off during the year.

(g).Foreign Currency Transaction:

Transactions in foreign currencies in respect of export sales are recorded at the exchange rates prevailing on the date of each transaction and variance arising therefrom is dealt within the export sales account itself. Foreign currency current assets and current liabilities are translated at year end rates and resulting gains/losses are recognised in Profit and Loss Account.

(h).Investments:

Long Term Investments are stated at cost unless there is a permanent fall in the value. A Provision for diminution is made to recognise a decline other than temporary, in the value of Long Term Investments.

(i).Employee Benefits:

(i).The Company's liability towards Gratuity to the eligible employees is covered by a Group Policy with the Life Insurance Corporation of India and the liability has been accounted on LIC's actuarial basis.

(ii).Liability in respect of Providend Fund is made on accrual basis.

(iii).Liability in respect of Leave Encashment is made on the basis of actual caculation as per Company's policy.

(i).Taxes on Income:

The income-tax provision comprises of minimum alternate tax (MAT), fringe benefit tax and deferred tax. Minimum Alternate Tax is the amount of tax payable in respect of income for the year. In accordance with the Accounting Standard-22 Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, the deferred tax on timing difference between book profit and tax profit for the year is accounted based on the rates and laws that have been enacted or substantially enacted as on the Balance Sheet date.However deferred tax assets arising from timing difference are recognised to the extent of virtual/reasonable certainty about its realisability in future.The break-up of net Deferred Tax Assets/Liability is as given under:

Particulars	31/03/2007		31/03/2006	
	D.T.Asset	D.T.Liability	D.T,Asset	D.T. Liability
Timing Difference on account of:				
- Book&Income-tax Depreciation	-	779,533	-	910,396
- Unabsorbed Depreciation	-	-	1,024,277	
Total	-	779,533	1,024,277	910,396
Net Deferred Tax Asset/Liability	-	779,533	113,881	-

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 20

(1).Significant Accounting Policies (Contd.)

(k).Segment Report:

During the current financial year the company has reviewed the segmental reporting. The Company's operations are focussed on Marine Products and Software Training. Accordingly These two divisions comprise the primary basis of the segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of geographical location of the customers.

(Rs. Lakhs)

- Business Segment:

	Marine Products	Software Training	Total	
			31/03/2007	31/03/2006
Revenue from External Customers	1,197.42	11.73	1,209.15	1,190.83
Segment Result Profit/(Loss)	128.69	(7.01)	121.68	(80.50)
Finance Charges	-	-	(8.75)	(16.97)
Other Income	-	-	25.88	3,539.00
Profit/(Loss) Before Taxes	-	-	138.81	(6,209.00)
Provision for Income-tax	-	-	(14.39)	-
Provision for Fringe Benefit Tax	-	-	(0.54)	(0.62)
Deferred Tax(Expense) / Revenue	-	-	(8.93)	(8.71)
Earlier Years Taxes Written-off	-	-	(0.04)	-
Profit/(Loss) After Taxes	-	-	114.90	(71.42)

Segment Assets	573.60	0.64	574.24	632.93
Segment Liabilities	29.80	-	29.80	215.45
Capital Expenditure	10.97	-	10.97	7.29
Depreciation & Amortisation	5.90	4.35	10.26	12.56

- Geographical Segment:

- Revenues

India	67.26	8.60	75.87	161.62
Hongkong	917.85	-	917.85	1,013.50
Thailand	41.06	-	41.06	15.72
Rest of the World	-	-	-	-

- Carrying Amount of Segment Assets

India	573.60	0.64	574.24	638.93
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- Addition to Fixed Assets

India	10.97	-	10.97	7.29
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SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 20

(1).Significant Accounting Policies (Contd.)

(I).Related Party Disclosures:

- (i).Particulars of Associates:

<u>Name of the Related Party</u>	<u>Nature of Relationship</u>
Sri Kausalya Constructions Limited	Associate Company

- (ii) Key Management Personnel and their Relatives

Mr.Y.Meera Reddy	Managing Director
------------------	-------------------

- (iii).The nature and volume of transactions of the Company during the year, with the above related parties are as follows:

Particulars	Associate Company	Key Mgt. Personnal	Total 2006-07	Total 2005-06
Remuneration	-	135,000	135,000	540,000
Office Rent	-	360,000	360,000	360,000
Interest Receipt	1,911,850	-	1,911,850	2,471,186
Hire Charges Receipt	65,000	-	65,000	396,000
Re-imbursement of Exps	-	-	-	1,029,250
Payables	-	23,790	23,790	
Advances	43,000,000	-	43,000,000	26,911,586

(m).Earning Per Share (EPS)

(a).Calculation of weighted average number of equity shares of Rs.10 each

Number of shares at the beginning of the year

Shares issued during the year

Total equity shares outstanding at the end of the Year

Weighted average number of equity shares

outstanding during the year

(b).Net Profit/(Loss)Rs.

(c).Earning per share Rs.

31/03/2007	31/03/2006
4,489,900	4,489,900
-	-
4,489,900	4,489,900
4,489,900	4,489,900
11,490,414	(7,141,640)
2.56	(1.59)

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 20

2.Notes on Accounts

(a).Contingent Liability:

Bank guarantee given to Commercial Taxes Department Rs.32,886 (Pre.year Rs.Nil)

Disputed Demand for Income-tax Rs.735,190 (Previous Year Rs.735,190)

Disputed Demand for Commercial-tax Rs.65,774 (Previous Year Rs.Nil)

(b).Earnings in Foreign Currency:

	2006-07	2005-06
FOB Value of Exports	87,316,541	94,016,687

(c).Expenditure in Foreign Currency:

(i).Purchase of Lobster & Transhipment Charges	11,127,204	17,704,383
(ii).Advance for Purchase of Lobster	816,490	169,907

(d).Auditors' Remuneration:

For Statutory Audit	35,000	35,000
For Tax Audit	15,000	15,000
Service Tax	6,180	6,120

(e).Quantitative Details:

(e).Quantitative Details:		2006-07		2005-06	
		Qty.	Value Rs.	Qty.	Value Rs.
<u>- (i).Opening Stock:</u>					
Live Lobster	(Kgs)	223	172,352	3,042	1,925,509
Sting Ray Skin	(Pcs.)	3,528	306,458	-	-
<u>-(ii).Purchases</u>					
Live Lobster	(Kgs.)	83,399	76,568,486	123,009	94,664,067
Dead Lobster	(Kgs.)	1,528	587,514	2,171	778,196
Live Snail	(Kgs.)	14,534	1,064,679	-	-
Dry Skin	(Kgs.)	2,947	535,568	-	-
Ornamental Fish	(Pcs.)	565	17,365	-	-
Crab	(Kgs.)	17	480	-	-
Sting Ray Skin	(Pcs.)	21,901	1,714,610	21,674	1,647,620

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule- 20

2. Notes on Accounts (contd.)

- (iii). Sales

Live Lobster	(Kgs.)	72,283	91,539,552	103,804	108,213,203
Dead Lobster	(Kgs.)	10,504	4,129,749	18,209	5,438,986
Live Snail	(Kgs.)	14,534	2,891,887	-	-
Dry Skin	(Kgs.)	2,552	597,908	-	-
Crab	(Kgs.)	2	640	-	-
Sting Ray Skin	(Pcs.)	23,004	2,849,771	17,535	1,571,983

- (iv). Closing Stock

Live Lobster	(Kgs)	350	336,525	223	172,352
Sting Ray Skin	(Pcs.)	1,827	164,052	3,528	306,458
Dry Skin	(Kgs)	395	77,767	-	-

Note:-

* Difference in quantity represents wastages, damages, trade samples etc.,

(f). There are no amounts due to micro, small and medium enterprises (previous Year Rs. Nil).

(g). Figures for previous year are re-grouped, re-classified and re-arranged wherever necessary to conform to current year's classifications.

As per our report attached
For **Ganesh Venkat & Co.,**
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
L.S.Venkataramanan
Partner
Membership No.24965

Sd/-
Yerabhagha Meera Reddy
Managing Director

Sd/-
Y.M.R.Prasoona
Director

Place : Chennai.
Date : August 24, 2007

Sq/-
U. Subramanian
Director

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED

Balance Sheet abstract & Company's General Business Profile

| Registration Details

Registration No. U05001TN1994PLC028263
Balance Sheet Date 31st March 2007
State Code 18

| Capital raised during the year (Amount in Rs. Thousands)

--- Nil ---

Position of Mobilisation & Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	57,424	Total Assets	57,424
-------------------	--------	--------------	--------

Source of Funds

Paid-up capital	47,450
Reserves & Surplus	6,216
Deferred Tax Liability	780

Application of Funds

Net Fixed Assets	5113
Investments	1285
Net Current Assets	48,047

| Performance of Company (Amount in Rs. Thousands)

Gross Revenue	123,503	Total Expenditure	109,621
Profit/(Loss) Before Tax	13877	Profit/(Loss) After Tax	11490
Earnings per Share in Rs.	2.56	Dividend Rate %	Nil

| Generic name of principal product / service of Company (as per monetary terms)

ITC Code

Product Description Export of Sea Food & Software Training

For and on behalf of the Board

Sd/-

Y.Meera Reddy

Director

Sd/-

Y.M.R.Prasoona

Director

Place : Chennai.

Date : August 24, 2007

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	Year Ended 31.03.2007	Year Ended 31.03.2006
	Rs.	Rs.
Cash Flow from Operating Activities:		
Net Profit/(Loss) Before Tax	13,881,595	(6,208,914)
<u>Adjustments for:</u>		
Depreciation	713,565	917,648
Interest & Other Receipts	(2,587,569)	(3,538,546)
Profit/Loss on Sale of Assets	(17,393,781)	7,956,252
Provisions	(1,493,405)	(62,056)
Interest Paid	874,755	1,697,138
Earlier Years' Taxes Written-off	(4,362)	-
Miscellaneous Expenses Written-off	312,147	338,532
Operating Profit Before Working Capital Changes	(5,697,055)	1,100,054
Increase/Decrease in Inventory	(139,848)	1,473,887
Increase/Decrease in Sundry Debtors	374,389	(1,978,610)
Increase/Decrease in Loans & Advances	(5,616,234)	1,211,661
Increase/Decrease in Current Liabilities & Provisions	(5,197,060)	4,042,207
Increase/Decrease in Miscellaneous Expenditure		
Net Cash from Operating Activities	(16,275,808)	5,849,198
Cash Flow from Investing Activities :		
Increase in Investments	(1,285,000)	-
Purchase of Fixed Assets	(1,097,140)	(729,196)
Sale of Fixed Assets	27,337,678	3,070,000
Other Income	2,587,569	3,538,546
Net Cash Flow from Investing Activities	27,543,107	5,879,350
Cash Flow from Financing Activities :		
Increase/Decrease in Bank Loans	(13,278,414)	(6,383,170)
Increase/Decrease in Unsecured Loans		
Interest Paid	(874,755)	(1,697,138)
Net Cash Used in Financing Activities	(14,153,168)	(8,080,308)
Net Increase/Decrease in Cash & Cash Equivalents:	(2,885,869)	3,648,240
Cash & Cash Equivalents at the beginning of the Year	4,468,714	820,474
Cash & Cash Equivalents at the End of the Year	1,582,846	4,468,714

Notes:

1. All figures in brackets are outflow.
2. Previous year's figures have been regrouped wherever necessary.
3. Cash and cash equivalent is cash and bank balance as per balance sheet.

As per our report attached
For **Ganesh Venkat & Co.,**
Chartered Accountants

For and on behalf of the Board of Directors

Sd/-
L.S.Venkataramanan

Sd/-
Yerabhagha Meera Reddy
Managing Director

Sd/-
Y.M.R.Prasoona
Director

Partner
Membership No.24965

Place : Chennai.
Date : August 24, 2007

Sd/-
U. Subramanian
Director

SCANET EXPORTS LIMITED

AUDITOR'S CERTIFICATE

We have examined the attached cash flow statement of Scanet Exports Limited for the year ended March 31st, 2007. Which is based on and in agreement with the audited accounts for the relevant financial year. According to the information and explanations given us, the aforesaid Cash flow Statement, prepared by the company is in accordance with the requirements of Clause 32 of the Listing Agreement with the stock Exchanges.

For **GANESH VENKAT & CO.**

Chartered Accounts

Place: Chennai

Date : 24.08.2007

Sd/-

L.S.VENKATARAMAN

Partner

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMITED PART IV BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration
No

2 8 2 6 3

State Code

1 8

Balance Sheet

3 1

0 3

Date

Month

2 0 0 7

Year

II CAPITAL RAISE DURING THE YEAR (AMOUNT IN THOUSANDS)

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Issue

N I L

III POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities

5 4 4 4 5

Total Assets

5 4 4 4 5

Sources of funds (paid up
capital)

4 7 4 4 9

Reserves & Surplus

N I L

Secured Loans

N I L

Unsecured

N I L

Application of funds (Net fixed
assets)

5 1 1 3

Investments

1 2 8 5

Net Current Assets

4 8 0 4 7

Misc. Expenditure

N I L

Accumulated Losses

N I L

SCANET EXPORTS LIMITED

PERFORMANCE OF COMPANY (AMOUNT IN Rs. IV THOUSANDS)

Turnover	Total Expenditure
<input type="text"/> <input type="text"/> 1 2 3 5 0 3	<input type="text"/> <input type="text"/> 1 2 8 8 3 1
Profit Loss Before Tax	Profit/Loss after tax
<input type="text"/> <input type="text"/> <input type="text"/> 1 3 8 8 2	<input type="text"/> <input type="text"/> <input type="text"/> 1 1 4 9 0
Earnings per share in Rs	Dividend Share %
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> 2 . 5 6	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

IV GENERIC NAMES OF THREE PRINCIPLE PRODUCTS / SERVICES (AS PER MONETARY TERMS)

Terms Code not (ITC
Code)

1 6 0 5

Product
Description

L O B S T E R A N D O T H E R

A Q U A C U L T U R E

P R O D U C T S

As per our reported of even date.

Sd/-
GANESH VENKAT & CO
Chartered Accountant

Sd/-
YERABHAGHA MEERA REDDY
Managing Director

Sd/-
Y.M.R. PRASOONA
Director

Sd/-
U. SUBRAMANIAN
Director

Place : Chennai
Date : 24.08.2007

SCANET EXPORTS LIMITED

SCANET EXPORTS LIMTIED

No.4, Jayalakshmipuram 1st Street,
Nungambakkam, Channai – 600 034

PROXY FORM ANNUAL GENERAL MEETING

I/We of
of the District of being a member/members of the above named
Company hereby appoint in the District of of
falling him as my/our proxy to attend and vote for me/us
on my/our behalf at the 13th Annual General Meeting of the Company to be held
on Friday 28th September 2007 at 10.00 a.m and at any adjournment thereof

Signed this Day of2007
Signature

Affix
Revenue
Stamp

Note : The proxy form duly completed must be deposited at the Registered
Office of the company not less than 48 Hours before the time for holding the
meeting.

A Proxy need not be a member

SCANET EXPORTS LIMTIED

No.4, Jayalakshmipuram 1st Street,
Nungambakkam, Channai – 600 034

ATTENDANCE SLIP

I hereby record my presence at the 13th Annual General Meeting of the
Company at Regd. Off. No.4, Jayalakshmipuram 1st Street,
Nungambakkam, Channai – 600 034 at 10.00 a.m. on Friday of 28th
September 2007

.....
Full Name of the Shareholder
(In Block Letters)

.....
(Signature)

Folio No.
Full Name of the Proxy
(In Block Letters)

.....
(Signature)

Note: Share holders attending the Meeting in person or by proxy are
requested to Complete the attendance slip and hand it over at the entrance of
the meeting hall.

Members /proxies are requested to bring their copy of the Annual Report
along with Them to the Annual General Meeting as copies of the Report will
not be distributed again at the meeting in view of the increasing cost of
Annual Report.