

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

REGD OFFICE : 185, Chennimalai Road, Erode - 638 001

| | | |
|--|---|---|
| BOARD OF DIRECTORS | : | Shri. SKM. MAEILANANDHAN |
| | : | Shri. SKM. SHREE SHIVKUMAR |
| | : | Shri.B.RAMAKRISHNAN (TIDCO Nominee) |
| | : | Shri.S.M.VENKATACHALAPATHY |
| | : | Dr.L.M.RAMAKRISHNAN |
| | : | Shri.M.CHINNAYAN |
| | : | Shri.P.KUMARASAMY |
| EXECUTIVE CHAIRMAN | : | Shri.SK.M.MAEILANANDHAN |
| MANAGING DIRECTOR | : | Shri.SK.M.SHREE SHIVKUMAR |
| MANAGEMENT EXECUTIVE | | |
| GENERAL MANAGER-FINANCE & COMPANY SECRETARY | : | Shri.S.RAGHURAMAN, B.A., F.C.A., F.C.S. |
| AUDITORS | : | N.C.RAJAGOPAL & CO., Chartered Accountants, 199, Agraharam Street, ERODE – 638 001. |
| BANKERS | : | STATE BANK OF INDIA Commercial Branch, ERODE - 638 003. |
| REGISTERED OFFICE | : | 185, Chennimalai Road, Erode - 638 001. ERODE DISTRICT. |
| FACTORY | : | Erode to Karur Main Road, Cholangapalayam, Punjai Kilambadi Village, ERODE DISTRICT - 638 154. |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

REGD OFFICE : 185, Chennimalai Road, Erode - 638 001

NOTICE TO MEMBERS

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on 30th, September, 2010 at 4.00 p.m at Kongu Kalaiaragam, E.V.K.Sampath Nagar, Erode – 638011 to transact the following business:

AGENDA

ORDINARY BUSINESS:

1. To receive, consider and adopt :
 - a. The audited Profit and Loss Account for the year ended 31st March 2010.
 - b. The audited Balance Sheet as at 31st March 2010.
 - c. The Directors' and Auditors' Report thereon.
2. To appoint a Director in the place of **Dr.L.M.Ramkrishnan**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of **Sri. M.Chinnayan**, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring Auditors **M/s. N.C.Rajagopal & Co., Chartered Accountants** are eligible for re-appointment and confirmed their willingness to accept the office, if re-appointed.

Place : Erode

Date : 30.07.2010

By order of the Board

SKM. SHREE SHIVKUMAR
Managing Director

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Notes :

1. A Member entitled to attend and vote at this Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. The instrument appointing the proxy duly completed shall be deposited at the Registered Office at 185 – Chennimalai Road, Erode – 638 001 not later than 48 hours before the scheduled time of the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business as set out above is annexed hereto.
3. The Register of Members, Share Transfer Books will remain closed from 25.09.2010 to 30.09.2010 (both days inclusive) for the purpose of payment of dividend, if any, approved by the Members.
4. Consequent upon introduction of Sec 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them. Shareholders desirous of making nominations are requested to send their request in FORM 2B to the Registrar and Transfer Agents, M/s.S.K.D.C. Consultant Ltd., Ganapathy towers, IIIrd floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 012.
5. Members holding shares in DEMAT form are requested to incorporate Client ID Number and DPID Number in the attendance slip/proxy form for easy identification.
6. All documents referred to in the accompanying Notice Explanatory Statement are available for inspection at the Registered Office of the Company all working days between 11.00 a.m. and 2.00 p.m up to the date of the Annual General Meeting.
7. Pursuant to the provisions of Section 205A read with Section 205C of the Companies Act, 1956, as amended, any dividend which remains unpaid/unclaimed for a period 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed dividend warrant(s) so far for the financial year ended 31st March 2004, 31st March 2005, 31st March 2006, 31st March 2007, and 31st March, 2008, 31st March, 2009 are requested to approach the company for obtaining payments thereof.
8. **Members are requested to notify any change in their address, mandate etc to:**
 - i. The Company's Registrar and Transfer Agents, M/s.S.K.D.C. Consultants Ltd., Ganapathy towers, IIIrd floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 012, in respect of shares held in physical form.
 - ii. Their depository Participants (DPs) in respect of shares hold in dematerialized form.
9. Brief particulars of Direct proposed for re-appointment of Directors are given in **Report on Corporate Governance**

By order of the Board

Place : Erode

Date : 30.07.2010

SKM. SHREE SHIVKUMAR
Managing Director

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

SHAREHOLDERS' INFORMATION

Date and Venue of Annual General Meeting

On 30th September 2010 at Kongu Kalaiarangam, E.V.K.Sampath Nagar, Erode - 638 011.

Tentative Financial Calender :

| | |
|---|----------------------------------|
| Fourth quarter and unaudited results 2009-2010 | : April 29 2010. |
| First quarter results for 2010-11 and audited Results for 2009-2010 | : 30.07.2010. |
| Fifteenth Annual General Meeting | : 30.09.2010 |
| Second quarter results for 2010-2011 | : On or before October 31, 2010. |
| Third quarter results for 2010-2011 | : On or before January 31, 2011. |
| Date of book closure | : 25.09.2010 to 30.09.2010 |

Listing on Company's Equity Shares

The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor
Bandra – Kurla Complex
Bandra (E)
Mumbai – 400 051.

In the **Eleventh Annual General Meeting** of the company, special resolution was passed for delisting the shares of the company from Madras and Coimbatore Stock Exchanges. The company informed the decision of the shareholders to the above two stock exchanges and the stock exchanges are yet to inform the company about their formalities for delisting.

Annual listing fees has been paid to all Stock Exchanges for the year 2010-11 except to Coimbatore Stock Exchange and Madras Stock Exchange in view of the decision of the share holders to delist shares of the company.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Share Price Movements

The high and low prices of the Company's share on the Bombay Stock Exchange Limited and the National Stock Exchange between **April, 2009 and March, 2010** are as under:

| Month | Bombay Stock Exchange Limited | | | National Stock Exchange Limited | | |
|----------|-------------------------------|-------|-----------|---------------------------------|-------|-----------|
| | High | Low | Quantity | High | Low | Quantity |
| Apr-2009 | 16.28 | 13.50 | 69,778 | 16.50 | 12.15 | 1,11,858 |
| May-2009 | 26.54 | 13.35 | 6,99,336 | 26.25 | 13.00 | 14,34,456 |
| Jun-2009 | 32.05 | 16.85 | 4,20,791 | 31.80 | 16.80 | 9,29,930 |
| Jul-2009 | 18.80 | 15.25 | 55,391 | 18.90 | 15.15 | 1,28,887 |
| Aug-2009 | 19.70 | 15.40 | 1,11,387 | 19.70 | 15.80 | 1,90,979 |
| Sep-2009 | 19.45 | 17.40 | 1,32,223 | 19.30 | 17.25 | 1,89,481 |
| Oct-2009 | 18.40 | 15.85 | 70,345 | 19.00 | 15.75 | 1,31,950 |
| Nov-2009 | 21.40 | 14.90 | 1,63,237 | 20.50 | 14.30 | 4,29,113 |
| Dec-2009 | 29.75 | 17.80 | 30,30,193 | 29.65 | 17.50 | 26,21,802 |
| Jan-2010 | 25.45 | 17.70 | 3,02,813 | 24.90 | 18.15 | 7,90,062 |
| Feb-2010 | 20.65 | 17.10 | 85,432 | 20.40 | 16.45 | 2,33,003 |
| Mar-2010 | 22.80 | 17.90 | 3,33,197 | 22.80 | 17.60 | 9,17,952 |

Stock Code :

| | |
|--|-----------------------|
| National Stock Exchange of India (NSE) | SKMEGGPROD |
| The Bombay Stock Exchange Ltd | 532143 |
| NSDL & CSDL | INE 411 D 1015 |

The Equity Shares of the company are under the process of delisting from the Madras Stock Exchange Ltd and the Coimbatore Stock Exchange Ltd.

Share Transfer System :

The Board delegated its authority to transfer shares to Committee of Directors called as Share Transfer Committee. The details of share transferred are being placed before the Board of Directors and duly ratified. The Committee oversees transfers, transmissions, dematerialization, and rematerialisation of shares and issue of duplicate share certificates.

Compliance Officer :

S.Raghuraman, B.A. FCA. FCS.

General Manager Finance & Company Secretary,
M/s.SKM Egg Products Export (India) Limited,
185, Chennimalai Road,
Erode – 638 001.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Distribution of shareholding as on :

| No. of Equity Shares held | 31.03.2010 | | | | 31.03.2009 | | | |
|---------------------------|----------------------|---------------|--------------------|--------------------|----------------------|---------------|--------------------|--------------------|
| | No. of Share holders | % | No. of Shares held | % of Share holding | No. of Share Holders | % | No. of Shares held | % of Share holding |
| 1 - 500 | 6,786 | 69.24 | 20,647,370 | 7.84 | 6,656 | 68.48 | 20,79,369 | 7.90 |
| 501 - 1000 | 1,539 | 15.70 | 13,202,660 | 5.01 | 1,557 | 16.02 | 13,31,732 | 5.06 |
| 1001 - 2000 | 403 | 4.11 | 6,155,790 | 2.34 | 429 | 4.41 | 6,58,977 | 2.50 |
| 2001 - 3000 | 694 | 7.10 | 17,262,180 | 6.56 | 724 | 7.45 | 17,96,718 | 6.82 |
| 3001 - 4000 | 61 | 0.62 | 2,211,940 | 0.84 | 51 | 0.52 | 1,85,729 | 0.71 |
| 4001 - 5000 | 152 | 1.55 | 7,392,230 | 2.81 | 144 | 1.48 | 7,00,196 | 2.66 |
| 5001 - 10000 | 100 | 1.02 | 7,846,610 | 2.98 | 87 | 0.90 | 6,97,008 | 2.65 |
| 10001 and above | 65 | 0.66 | 188,581,220 | 71.62 | 72 | 0.74 | 18,880,271 | 71.70 |
| Total | 9,800 | 100.00 | 2,63,30,000 | 100.00 | 9,720 | 100.00 | 2,63,30,000 | 100.00 |

Registrar and Transfer Agent

M/s.S.K.D.C.Consultants Limited, Ganapathy towers, IIIrd floor, 1391/A-1, Sathy Road, Ganapathy, Coimbatore – 641 006, Phone: 0422-6549995, 2539835 2539836 , Fax:0422-2539837 is the Share Transfer Agent for Physical and Electronic transfer of Company's Shares.

Categories of shareholding as on:

| Category | 31.03.2010 | | | | 31.03.2009 | | | |
|---------------|----------------------|---------------|--------------------|--------------------|----------------------|---------------|--------------------|--------------------|
| | No. of Share holders | % | No. of Shares held | % of Share holding | No. of Share holders | % | No. of Shares held | % of Share holding |
| Promoters | 10 | 0.10 | 16,461,793 | 62.52 | 9 | 0.09 | 16,428,993 | 62.40 |
| Corporate | 206 | 2.10 | 5,66,371 | 2.16 | 208 | 2.14 | 469,133 | 1.78 |
| Individuals | 9,545 | 97.40 | 80,44,887 | 30.55 | 9,468 | 97.41 | 8,163,238 | 31.00 |
| NRI's / OCB's | 39 | 0.40 | 12,56,949 | 4.77 | 35 | 0.36 | 1,268,636 | 4.82 |
| Total | 9,800 | 100.00 | 26,330,000 | 100.00 | 9,720 | 100.00 | 26,330,000 | 100.00 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Dematerialisation of shares:

As per SEBI's instruction the Company's Equity Shares can be sold through Stock Exchanges only in Dematerialised form.

Extent of Dematerialisation as on 31.03.2010

| Name of the Depository | No.of Shares | % |
|---|---------------------|----------------|
| National Securities Depository Ltd | 13,456,702 | 51.108 |
| Central Depository Services (India) Ltd | 7,047,586 | 26.766 |
| Physical | 5,825,712 | 22.126 |
| Total | 26,330,000 | 100.000 |

Plant location:

Cholangapalayam
Erode – Karur Main Road
Pasur Post
Erode District
Pin: 638 154

Registered Office and Address for Correspondence:

Due to Administrative reasons the company shifted the Registered Office at 156, Gandhiji Road, Erode - 638 001 to the following new address.

185 Chennimalai Road,
Erode - 638 001.
Phone : (0424) 2262963
Fax: (0424) 2258419
e-mail : finance@skmegg.com

Place : Erode
Date : 30.07.2010

SKM. MAEILANANDHAN
EXECUTIVE CHAIRMAN

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

DIRECTORS' REPORT AND MANAGEMENT ANALYSIS

Your directors are pleased to present the **FIFTEENTH ANNUAL REPORT** and the audited accounts of the company for the year ended **March 31, 2010**.

FINANCIAL HIGHLIGHTS

Rs. in lacs

| DESCRIPTION | 2009-2010 | 2008-2009 |
|--|-----------|-----------|
| Net Sales | 11361.34 | 12222.21 |
| Profit Before Interest and Depreciation | 1373.30 | 2153.42 |
| Less : Interest | 811.84 | 540.33 |
| Depreciation | 531.89 | 418.09 |
| Profit before tax | 29.57 | 1194.99 |
| Add: Earlier Year Mat Provision credit entitlement | 239.25 | |
| Less: Provision for Deferred Tax | 174.30 | 550.83 |
| Profit after tax and available for appropriation | 94.51 | 644.16 |
| APPROPRIATIONS: | | |
| Proposed dividend | 0 | 131.65 |
| Corporate dividend tax | 0 | 22.37 |
| Balance carried to Balance Sheet | 94.51 | 490.13 |

DIVIDEND :

Since the company has earned a meager net profit of **Rs.94.51 lakhs**, the Board has not recommended the dividend during the year **2009-10**.

REVIEW OF PERFORMANCE

Your directors wish to state that during the year recorded a turnover of Rs.113.62 crores as against Rs. 122.22 crores in the previous ended 31st March 2009. The profit before tax has gone down to Rs.0.30 crores, compared to Rs.11.95 crores during the corresponding previous year .PAT stood at Rs. 0.95 crores as on 31.03.2010 as against Rs. 6.44 crores in the previous fiscal.

During the current year under review, the average egg price stood at Rs.2.28/egg when compared to Rs.1.92/egg during the previous year ended 31st March, 2009. The average realization of egg powder had also shown decline from Rs 316.23/kg during the corresponding previous year 2008-09 to Rs.258.70/kg during the current year under review. Despite worldwide recession, the quantity sold during the current year stood at 4391.67 MT, when compared to 3865.01 MT during the previous year. The Interest & Finance charges increased to Rs.8.12 crores due to expansion of Feed Mill and Egg Powder unit and increase in average borrowings.

CAPITAL EXPENDITURE AND FUNDING

The Capital Expenditure incurred and funded for the year is Rs.4573.10 lakhs of which Rs.1096.70 lakhs pertain to plant and machinery.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

INDUSTRY OVERVIEW

The steep recession continuing in the countries where the company is predominantly exporting its products, is restricting the increase in sales volume and reducing the price realization. Therefore, the sales outlook for the year 2010-2011 will remain the same as that of the previous year. The shell egg price in Europe is low and there is no increasing trend, as expected. But the egg prices in US after the financial crisis has fall in drastically. Hence due to low cost eggs in US, we are facing stiff competition on price front in Japan and Europe. In order to sustain our volume of business, our company has also reduced the selling price. However, there are signs of recovery of shell egg price in the future. The company is evolving strategies, in such a way, to retain at least the present price levels and volume. Because of this, the margin continues to be under pressure, as we do not want to lose the customers. The customers are happy with our quality and strict adherence to time schedule.

Egg processing industry is a raw material intensive industry and hence fluctuation in egg price widely influences cash position and operating margin of this industry. The egg price was ruling at high throughout the year and this factor had a substantial adverse effect on the bottom line of the company for this year also. Indian egg processing industries do not have any domestic market for processed eggs and therefore the performance of the company is having a direct correlation to the performance of the global economy, The slow down in the performance of the US economy resulted in appreciation of Indian Rupee against US dollar and as a consequence the operating profit of the company during this year was lower as against the previous year.

The company has been working very hard on value added products to get a premium prices from the market price. The company has identified Russia as an important destination for Egg yolk powder. It is in the process of establishing the branch office in Moscow.

With our standing experience in overseas for over years, we had indentified few sources who will be able to help us in our operations at Russia. We believe that our direct contact with end users will give us better realization and relationship. We plan to make use of different agents in Russia to service our customers and pay a commission to them on the business provided by them. With our experience in Europe Union and other markets, we are confident of establishing a market share in Russia, taking advantage of better unilateral relationship our Country had developed over these years.

During the recent visits, we have started opening dialogue with the prosperous buyers there and we have received encourage response. Our credibility can be easily established with the fact that our products exported to Europe are further value added and exported to Russia. The biggest step now is to further value add our product to suit the Russian Market, which needs a lot of time and effort technically and commercially. These measures are absolutely required, if we want to retain our position in the overseas market. We are confident that our efforts will bear results in about a year or so.

We are also closely monitoring the political situation in that country and the payment terms of the customers also. Since the market is booming and the realization is better than any other overseas country, we are serious about this market. As the entire situation is in a fluid state, we will be able to firm up our assumptions with solid figures over a period of time.

In addition to our efforts in Russia, our exclusive offices SKM Europe and SKM Japan are continuously working to expand our market with better realization.

We are confident of increasing our volume and realization in the coming years with the help of the economic recovery in the US and the EU.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

POULTRY PROJECT:

We are taking about 450000 eggs from our farm on daily basis. It is expected that this project would make a significant contribution to the bottom line of the company in the ensuing years. In addition to the monetary benefits, this project will enable the company's tracking system to extent upto the stage of feed ingredients level. The advantage of poultry farm is that we can purchase good quality salmonella free chicks from known source which is pre requisite for food safety. The company has a very good bio security control in our premises and strict monitoring of health of birds. We can also produce good quality residue free eggs by giving good quality feed & water to birds. Traceability is much easier in our own production.

Poultry, in fact, is one of the fastest growing segments of the Agricultural sector in India. A significant feature of India's poultry has been its transformation from a backward activity into a major commercial activity in just four decades. This transformation has evolved sizable private sector investments in breeding, hatching, rearing and processing.

Particularly the investments in Layer farming is expected to be much better and we can visualize it at the rate of 7.5% increase every year and this increase is directly proportional to the population and the per capita consumption. National Eggs Coordination Committee has already projected a poultry plan for the year 2015 based on the target of achieving 180 eggs as per capita consumption. This will have a thrust on developing the rural consumption which is the focal point at the pace of 20% per annum.

The Indian Egg price has been historically very close to the American prices of around 0.4 Euro per Kg. but from 2006-07 onwards it has gradually increased to 0.55 Euro per Kg. in 2008-09. In the last year the egg prices are dramatically increased to reach a level of 0.75 Euro per Kg.

FEED MILL :

The company started production on 04/06/09 and the capacity of the plant is 200 mt/day. Feed cost constitutes a major component in the cost of producing eggs and the benefits out of the poultry farm can be improved. Also the cost of feed ingredients fluctuate widely and the company is not able to take advantage of the price movements of feed ingredients which can be achieved by implementing efficient purchasing system and the company hopes that it would make a considerable savings in the feed ingredients and processing cost. In addition the company is receiving enquiries for supply of various kinds of egg powders which can be possible if eggs are produced in the farm by changing feed composition mix on trial basis. The purpose of extending its tracking system from present system up to feed ingredients stage is possible. In view of the reasons cited, the company established a feed mill at Ayyempalayam village at Aravakkurichi Taluk, Karur District.

For utilizing the maximum capacity from the present level, we have adopted a new strategy by which the feed mill is given for lease to the prospective customers, for use of specific hours only, without compromising use for our own consumption, which will improve the revenue generation of the company in the long run. We have got offers from local farmers and other sources also.

SUBSIDIARY COMPANY :

During this year under review the company's marketing subsidiary SKM Europe BV, Netherlands earned a profit of Rs. 2.31 lakhs. The subsidiary helps the company in a big way in identifying new customers in Europe and improved the confidence level of customers through timely and qualitative services. The subsidiary is also taking initiatives to explore into markets which are untapped by the company till now. The Annual Accounts of the subsidiary company for the financial year under review are attached with this report.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

HUMAN RESOURCES :

Your company continues to lay great stress on its most valuable resources – people. Continuous training, both on the job and in an academic setting, is a critical input to ensure that employees at all levels are fully equipped to deliver a wide variety of products and services to the rapidly growing customer base of your company. In spite of the difficult business environment, your company has undertaken a number of training initiatives during the year and a special enabling programme on “ Born to Win “ was organized during the year. The department heads & Section heads and the official second in position of every department were given opportunity to undergo this programme. This programme has given much emphasize on achieving Company's goal through individuals growth. It also gave the employees an immense opportunity to mingle with other department heads for better understanding their roles for the growth of the Company.

INTERNAL AUDIT :

As part of the effort to evaluate the effectiveness of the internal control systems, your company has set up internal audit department which would review all the control measures on a periodic basis and commends improvements, wherever appropriate. The internal audit department would report directly to Audit Committee of the Board. The Audit Committee regularly review the audit findings as well as the adequacy and effectiveness of the internal control measures. Additionally, your company has proposal to avail information assurance services from independent professionals. Based on their recommendations, your company would implement control measures both in operational and accounting related areas, apart from security related measures.

DIRECTORS :

The directors, Dr.L.M.Ramakrishnan and Sri.P.Kumarasamy retire by rotation in the forthcoming Annual General Meeting. The retiring directors, being eligible, offer themselves for re-appointment. Necessary resolutions are being moved to seek your approval at the ensuing Annual General Meeting of the company.

FIXED DEPOSITS :

The company has not accepted deposits from the public during year under review.

CEO / CFO CERTIFICATION :

In compliance with the requirements of Clause 49,(V) of the listing agreement entered into with the Stock Exchanges, the Managing Director has submitted to the Board a certificate relating to financial statements and other matters as envisaged in the said clause.

DELISTING OF COMPANY'S EQUITY SHARES :

The status of delisting the equity shares of the company remains the same on the strength of the decision taken by the share holders at the Eleventh Annual General Meeting of the company from the Madras Stock Exchange Limited and from Coimbatore Stock Exchange Limited remain same and unchanged. The request of the Madras Stock Exchange to continue listing of the company's equity shares with it was turndown by the company and their confirmation is yet to be received. However, no response received from the Coimbatore Stock Exchange on the decision of the members to delist its equity shares from their exchange.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

1. In the preparation of Annual Accounts the applicable Accounting Standards have been followed and there were no material departures;
2. The Accounting policies selected are being applied consistently and judgements and estimates made are reasonable and prudent and gives a true and fair view of the state of affairs of the Company at the end of the financial year ended **31st March 2010** and of the Profit and Loss of the Company for that period;
3. Proper and sufficient care had been taken for the maintenance of adequate Accounting Records in accordance with provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts prepared on a going concern basis;

CORPORATE GOVERNANCE:

Your company reaffirms its commitment to the good corporate governance practices. Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report is annexed to Directors' Report and Auditors' Certificate regarding compliance of the Corporate Governance is made a part of this Annual Report. The Certificate from the Auditors of the Company, M/s.N.C.Rajagopal & Co, confirming compliance of conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

AUDITORS:

The Statutory Auditors, M/s.N.C.Rajagopal & Co, Chartered Accountants, holds office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The retiring auditors M/s.N.C.Rajagopal & Co, Chartered Accountants informed the Company that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and they offer themselves for reappointment.

SECRETARIAL AUDIT :

A qualified Practicing Company Secretary carries out a secretarial audit on a yearly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

SHAREHOLDER INITIATIVES :

Your company adheres strictly to all the statutory and other legal compliances. Your Company has been one of the first to implement any initiatives for shareholder benefit directed from SEBI. On occurrence of any event, which has a bearing on the share price or otherwise, your company intimates the stock exchanges, within the stipulated period. Your company has in place regulations for preventing and regulating insider trading and has adhered to a code of conduct and business ethics by which the shareholder is treated at par with an employee on availability of information about the company.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Your company has been prompt and regular in its replies to your queries. Your company also replies within the stipulated time to all legal and statutory authorities. The total numbers of shares dematted as on 31st March 2010 are Shares which represent 77.87% of the shares of the Company.

DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS :

The Company strives to maintain healthy and harmonious relationships with all its employees. Efforts better ideas for a better plan are ongoing to build and renew the relationship with the workforce.

CONSERVATION OF ENERGY :

The company continues to put its effort to adopt various energy saving measures for conservation of energy even though it is not a power intensive industry.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

STATUTORY INFORMATION :

Particulars of employee's remuneration u/s 217 (2A) of the Companies Act.1956.

| NAME | AGE | DESIG-NATION | GROSS REMUNE-RATION (Rs) | QUALIFI-CATION | EXPERI-ENCE IN YEARS | DATE OF EMPLOY-MENT | PREVIOUS EMPLOYMENT |
|-------------------------|-----|--------------------|---------------------------|----------------|----------------------|---------------------|---|
| Shri.SKM. Maeilanandhan | 66 | Executive Chairman | 33,64,001 | S.S.L.C. | 24 Years | 26.06.96 | Managing Director, SKM Animal Feeds and Foods (India) Ltd., |

The information required as per Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

As required by Section 212 of the Companies Act, 1956, a statement showing the Company's interest in the subsidiary is enclosed to the Balance Sheet of the Company.

CORPORATE SOCIAL OBJECTIVES

Corporate Social Responsibility continues to assume an important role in the activities of the Company. Afforestation, Water Management, Waste water recycling, Literacy and Health continue to be the chosen areas of work by the Company and its employees.

ACKNOWLEDGEMENT:

Your Directors wish to express their appreciation of the continued co-operation of the Central and State Governments, bankers, customers, agents and suppliers and also the valuable assistance and advice received from shareholders. The Directors also wish to thank all the employees for their contribution, support and continued co-operation throughout the year.

Place : Erode

Date : 30.07.2010

By order of the Board

SKM. MAEILANANDHAN
EXECUTIVE CHAIRMAN

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**ANNEXURE TO THE DIRECTOR'S REPORT**

Information under Section 217(1) (e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

FORM - A

| PARTICULARS | 2009-2010 | 2008-2009 |
|--|------------------|------------------|
| (I) POWER AND FUEL CONSUMPTION | | |
| (1) Electricity | | |
| a. Purchased units (Kwh) | 29,15,280 | 4,055,064 |
| Total Amount (Rs.) | 12,36,28,36 | 19,307,614 |
| Rate / Unit (Rs.) | 4.24 | 4.76 |
| b. Own Generation through Diesel Generator | | |
| Units (Kwh) | 28,24,146 | 2,047,624 |
| Total Amount | 27,74,28,24 | 17,966,433 |
| Units per litre of Diesel Oil | 2.84 | 3.24 |
| Cost/Unit (Rs.) | 9.82 | 8.77 |
| (2) Furnace Oil | | |
| Quantity (Litres) | 2,27,100 | 190,600 |
| Total Cost (Rs.) | 54,64,575 | 39,59,427 |
| Average rate (Rs.) | 24.06 | 20.77 |
| (3) Fire Wood | | |
| Quantity (Metric Tonnes) | 9,340 | 11,720 |
| Total Cost (Rs.) | 23,22,10,90 | 25,574,455 |
| Average Rate (Rs.) | 2,486.20 | 2,182.20 |
| (II) CONSUMPTION PER UNIT OF PRODUCTION | | |
| Product - Egg Powder (Metric Tonnes) | 4,248 | 4,156 |
| Electricity (Rs. Per Metric Tonne) | 9,441 | 8.969 |
| Fuel (Rs. Per Metric Tonne) | 6,753 | 7,107 |
| FOREIGN EXCHANGE EARNINGS AND OUTGO : (Rs. in lacs) | | |
| Earnings : | 10,173.92 | 11,435.20 |
| Outgo : | 769.83 | 858.96 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

CONSERVATION OF ENERGY :

Various energy saving measures are under consideration and the same would be implemented in the ensuing years. During this year under review the company has adopted energy saving techniques for improving power factors. The outcomes of the initiatives taken by the company is the improvement in power factor.

TECHNOLOGY ABSORPTION :

The company is using the technology acquired from BELOVO, Belgium. Over the years the company's personnel have acquired thorough knowledge and make required modification for producing various kind of new products to meet the market demands.

RESEARCH AND DEVELOPMENT :

Research and Development wing of the company developing new enzyme for manufacturing heat stable yolk powder which involves process reengineering and refixation of production parameteres. In tune with the customers requirement of egg powders with a changed free fatty acid pattern and with a better lipid profile, the company is doing trials in its poultry farm to produce different quality of eggs by making changes in feed formulation to meet the above requirements.

Place : Erode

Date : 30.07.2010

SKM. MAEILANANDHAN
EXECUTIVE CHAIRMAN

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

CAUTIONARY STATEMENT:

Management Discussion and Analysis forming part of this Report is in compliance with Corporate Governance Standards incorporated in the listing agreement with Stock Exchanges and such statements may be “forward-looking” within the meaning of applicable securities laws and regulations. Actual results could differ laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

COMPANY PROFILE:

The company is engaged in processing of shell eggs for export markets. The company already started a poultry farm for captive use of the egg processing plant situated at Cholangapalayam village in Erode District. As the business of the company is export oriented, movements in local currency against major currencies have a severe bearing on the performance of the company.

India is one of the leading players in egg production and the cost of producing egg in India is also cheap. India ranks fifth in the world. India is exporting egg powder, frozen egg yolk and albumen powder to Europe, Japan and other countries. Table eggs are mostly exported to middle east. The company uses predominantly local inputs and exporting its final products, changes in economies both locally and at international level affect the growth and performance of the company. The abnormal increase in the cost of ingredients used in the manufacture of poultry feeds put a tremendous pressure on the cost of producing eggs which will in turn have a direct bearing on the profitability of the company.

INDUSTRY PERFORMANCE:

As only few companies in India are engaged in processed eggs business, data relating to performance of this industry are not available. The company operated its plant and produced 4549 MTs of egg powder as against the installed capacity of the plant 6300 Mts. As rupee strengthened against US dollar unexpectedly, the operating margin during this year is not commensurate with the increased volume of sale of 4391.67 MTs. However in the current financial year the situation of INR v US dollar took a reversed trend and it is expected that the company’s operating margin would be improved to a significant level.

BUSINESS OUTLOOK:

Pronouncements by several leading economists and Central Bankers across the world would suggest that the worst is over for the global economy, There are early, if feeble, signs of recovery in the US economy, which as a significant bearing on the other major economies including India. Even though headline inflation has been brought under control, the projected increase in government borrowing is likely to have a adverse impact on market liquidity and consequently, on interest rate. Your company, as in the past, will continue to pursue its objective of grow with quality; Your Company also continues to focus on new opportunities to improve profitability.

The year under review faced with the problem of unprecedented increase in egg prices in this current financial year also the trend of increase in raw material price continued as there is a spurt in feed ingredients cost.

As the increase in feed ingredients cost experienced through out the world there is a corresponding upward movement in the final product price which neutralized the thread posed due to raw material price movements.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

The outlook of this industry appears to be bright by considering the present trend in movements in the end product price and raw material cost.

STRENGTH OF THE COMPANY:

The entire production process of the company is well documented which helps the company to track causes for product complaints up to raw material sources level. The company has started poultry farm for captive consumption and the tracker system of the company will be extended up to the feed ingredients level. The company also made significant investment in process related and residue labs to be at par with international standards and now the company is resourced with facilities to make sample analysis in its lab and thereby obviating the need to get the sample analysis done in outside laboratories. The company's marketing subsidiary at Netherlands helps the company in servicing its customers and also provides required vital inputs for price negotiation and finalization of new contracts. The company's supply chain management is so effective which made the company to register itself as one of the preferred suppliers of renowned customers.

FUTURE PROSPECTS:

The steadily increasing oil price remained the overriding concern of the company. In order to overcome this, the company is taking initiatives to shift to some other cheap fuels.

The recovery in international prices will happen in tandem with the economic recovery in the US and the EU. The economic recovery will lead to higher demand for eggs pushing the price of eggs in these markets. Consequently the egg product prices will go up. On the other hand the egg producers are losing money which will affect the production capability, resulting in lower supply which will also lead to increase in egg prices. But the most important factor will be the economic recovery. Based on the past experience the industry will correct itself in the supply side in 6 months to 1 year time period to have better realization. Considering the economic situation we expect normal price situation in two years.

India exported around 1500 reefer containers of table eggs in the year 2004 mostly to the gulf market. Much of these Exports are made from Andhra Pradesh and Tamil Nadu. Every Year there was an increase of 100 containers. We hope trend will continue and from our side we have to develop markets in South East Asian and remaining Arab countries like Saudi Arabia and Egypt where the consumption is also quite high. The local usage of egg powder in Bakery products, baby food and defense supplies will substantially increase the production.

The overall development of the Layer poultry sector is continuing its pace and heading for a very bright future.

OPPORTUNITIES:

Indian economy has been, more or less, able to withstand tremors of global financial melt down. Even though the rate of GDP growth has slowed down considerably it is expected to be around 6% The Company has plans to penetrate into new markets which are untapped. Vast market for processed egg products is in existence in Russia and the company is taking efforts to enter in to such markets. The company is in the process of taking strategic action for tapping Russian markets.

The company's consistent quality in products and services was very much appreciated by our customers and we achieved good capacity utilization. We realized that we could get a better price from the customers directly instead of invoicing through the collaborator Belovo. We had established our own subsidiary company, SKM Europe in the Netherlands to cater to the EU Market. Simultaneously an exclusive distributor was also appointed in the name of SKM Japan to cater to our Japanese customers. The rest of the market was serviced through several distributors and agents.

With the efforts of our partners in Europe and Japan the company was able to realize better prices and service the customers more precisely.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

THREATS:

The company recognizes that threats are inevitable in business and believe in identifying and reviving risks on an on going basis. Un-intercepted supply of raw materials at a competitive price is one of the threats that will pose risk on the profitability of the company. As the raw material cost is having direct correlation with feed cost, which predominantly uses agricultural commodities, climatic changes will affect the availability of feed ingredients. Supply of raw material will be affected during the period of monsoon failure and the company by making investment in its own farm resulted in de-risking the threat to a greater extent. It is forcing companies to plant operations effectively and produce quality products at lower costs.

EXCHANGE RISK

The change in exchange rate plays a major role in determining the realization in Rupee. The cross currency between Dollar and Euro also has an impact on the competitiveness of US offers in Europe and the exchange rate between Euro and Dollar to the Japanese Yen also plays an important role in deciding the competitiveness.

The price realized in Rupee has not increased proportionately to the price increase Euro and Dollars terms.

Despite of all these risks, overall prospects for the Indian poultry industry in general appears positive, considering government stimulus packages and the Indian economy recovering faster.

The impact of risks will be reduced through continuous monitoring, timely action and control measures by the company.

RISK MANAGEMENT:

Risk is an integral part of the business process.

To enhance the risk management process, the company has mapped the risks. A system has been formulated based on Balanced Score Card with various appropriate measures and accountabilities to identify, assess, prioritise and mitigate the risks. Reports generated from the system are monitored regularly to ensure that appropriate corrective actions are taken.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

The company has proper and adequate systems of internal control to ensure protection of assets, proper financial & operating functions and compliance with the policies, procedures, applicable Acts and Rules. The company's internal controls are supplemented by sound internal audit practices. The Audit Committee at their meetings regularly reviews the financial, operating, internal audit & compliance reports to improve performance. The heads of various monitoring / operating cells are present for the Audit Committee meetings to answer queries raised by the Audit Committee.

INDUSTRIAL RELATION:

The relationship between the management and employees are continued to be cordial. The company is in the process of developing system for identification of contribution made by individual employees for rewarding them commensurate with their performance. Restructuring salaries and wages are also under taken for remunerating employees linked to the performance of the company.

Place : Erode

Date : 30.07.2010

SKM. MAEILANANDHAN
EXECUTIVE CHAIRMAN

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

REPORT ON CORPORATE GOVERNANCE

1. COMPANIES PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

The Company is committed to high standard of Corporate Governance in all its activities and processes. Through its Corporate Governance measures, the company aims to maintain transparency in its financial reporting and keep all its shareholders informed about its policies performance and developments. The key elements of Corporate Governance viz transparency, internal controls, risk management and communications are being scrupulously followed and being practiced.

The company formed various committees to oversee the functions of the management. The committees meet regularly and transact the business assigned to it.

2. BOARD OF DIRECTORS

The details of composition of the Board, attendance of each Director at the Board meeting held during the year under review as well as last Annual General Meeting and the number of other Directorship / Committee Membership held by them are as follows.

| S.No. | Name of Directors | Chairman/ Director | Promoter/ Independent/ Nominee Director | No. of other Companies in which he is a Director | Committee in which he is a member / Chairman |
|-------|-----------------------------|-----------------------|--|--|--|
| 1 | Shri.SKM. Maeilanandhan | Chairman | Promoter | 3 | Nil |
| 2 | Shri.SKM. Shree Shivkumar | Director | Promoter | 3 | Nil |
| 3 | Shri.B. Ramakrishnan | Director | TIDCO–Nominee | 9 | 5 |
| 4 | Shri.S.M. Venkatachalapathy | Director | Promoter | Nil | Nil |
| 5 | Dr.L.M. Ramakrishnan | Director | Independent | 3 | Nil |
| 6 | Shri.M. Chinnayan | Director | Independent | Nil | Nil |
| 7 | Shri.P. Kumarasamy | Director | Independent | Nil | Nil |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

BOARD MEETINGS AND ANNUAL GENERAL MEETING - DIRECTORS' ATTENDANCE

| S.No. | Name of Directors | Board Meeting | | Last Annual General Meeting | |
|-------|----------------------------|---------------|----------|-----------------------------|--------------|
| | | Held | Attended | Attended | Not Attended |
| 1 | Shri.SKM.Maeilanandhan | 5 | 5 | Yes | - |
| 2 | Shri.SKM.Shree Shivkumar | 5 | 5 | Yes | - |
| 3 | Shri.B.Ramakrishnan | 5 | 3 | Yes | - |
| 4 | Shri.S.M.Venkatachalapathy | 5 | 5 | Yes | - |
| 5 | Dr.L.M.Ramakrishnan | 5 | 4 | Yes | - |
| 6 | Shri.M.Chinnayan | 5 | 3 | Yes | - |
| 7 | Shri.P.Kumarasamy | 5 | 5 | Yes | - |

DIRECTOR RETIRING BY ROTATION BEING RE – APPOINTED:

Dr.L.M.Ramakrishnan M.B.B.S. aged 68 years is a member of the Board of the Company since 28.02.1997. Dr.L.M.Ramakrishnan's indepth knowledge & past experience helps the company in solving many issues. He is the Chairman of the Remuneration committee and a member in the shareholders and Investor's Grievance Committee.

Shri M.Chinnayan, B.com., FCA, aged 70 years is a practicing Chartered Accountant. He holds directorships in this Company since 28.02.1997 and he is co-opting as Chairman of Audit Committee. Shri M.Chinnayan's tax knowledge & audit experience helps the company in solving many issues.

AUDIT COMMITTEE:

All the three member of the Audit committee are Non-Executive and Independent Directors. The Chairman of the Committee is a Chartered Accountant. The Committee met four times on 29.04.09, 30.07.09,27.10.09 and on 30.01.10 during this year. The name and the attendance of members are given below.

| S.No. | Name of Members | Category | Audit Committee Meetings | |
|-------|---------------------|----------|--------------------------|----------|
| | | | Held | Attended |
| 1 | Shri.M.Chinnayan | Chairman | 4 | 2 |
| 2 | Shri.B.Ramakrishnan | Member | 4 | 2 |
| 3 | Shri.P.Kumarasamy | Member | 4 | 4 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

TERMS OF REFERENCE:

The Audit Committee periodically reviews the adequacy of the internal control system of the company and reviews the reports of the Statutory Auditors and discussed their findings. The terms of reference made by the Board to the Audit Committee are in accordance with the items listed in clause 49(II)(D) of the Listing Agreement, inter alia, including

- a. Review of financial statement before submission to the Board of Directors.
- b. To initiate steps for implementing effective internal control systems to safeguard the assets of the company.
- c. To investigate in to any matter, either in relation to the terms specified in section 292A of the Companies Act, 1956 or referred to it by the Board.
- d. Review the company's financial and risk management policies.

The Statutory Auditors of the company were invited to attend the meeting.

REMUNERATION COMMITTEE:

The Board of directors constituted this committee on 29.04.2002, which comprises of 3, Non-Executive Directors and the composition of the Board is given below:

| Name of Members | Chairman / Member |
|------------------------------|-------------------|
| Dr. L.M. Ramakrishnan | Chairman |
| Shri. S.M. Venkatachalapathy | Member |
| Shri. P. Kumarasamy | Member |

OBJECTIVES

The Committee reviews and determines the company's policy on remuneration of Executive Chairman and Managing Director so as to ensure that they are fairly rewarded for their individual contribution to the company's overall performance and their remuneration is in line with industry standards.

BRIEF DESCRIPTION OF TERMS OF REFERENCE

The broad terms of reference to the Remuneration Committee are to recommend to the Board regarding salary (including annual increments), Perquisites, commission/incentives to be paid to the company's Executive Chairman, Managing Director / Whole Time Director.

Details of remuneration paid to Executive and Non-Executive Director for the year 2009-2010 are given below

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

| Name of Directors | Salary | Perquisites and allowances | Sitting Fees | Total |
|----------------------------|--------------|----------------------------|--------------|--------------|
| Shri.SKM.Maeilanandhan | 22,80,000.00 | 10,84,001.00 | — | 33,64,001.00 |
| Shri.SKM.Shree Shivkumar | 21,60,000.00 | 10,96,539.00 | — | 32,56,539.00 |
| Shri.B.Ramakrishnan(TIDCO) | Nil | Nil | 2000.00 | 2000.00 |
| Shri.S.M.Venkatachalapathy | Nil | Nil | 4000.00 | 4000.00 |
| Dr.L.M.Ramakrishnan | Nil | Nil | 2000.00 | 2000.00 |
| Shri.M.Chinnayan | Nil | Nil | 1000.00 | 1000.00 |
| Shri.P.Kumarasamy | Nil | Nil | 4000.00 | 4000.00 |

SHAREHOLDERS' AND INVESTOR'S GRIEVANCE COMMITTEE

The shareholder and investor Grievances committee specifically looks into redressing of shareholders and investors complaints such as transfer of shares, non-receipt of share certificates, non-receipt of dividends and to ensure expeditious share transfer process. The committee endeavors to settle all shareholders complaints in the minimum possible time.

The committee consists of the following independent directors:

| S.No. | Name of Members | Chairman / Member |
|-------|------------------------------|-------------------|
| 1. | Shri. P . Kumarasamy | Chairman |
| 2. | Shri. S.M. Venkatachalapathy | Member |
| 3. | Dr. L.M. Ramakrishnan | Member |

GENERAL BODY MEETING

a. Location and time, where last three Annual General Meeting were held:

| AGM | Location | Date | Time | Details of Special Resolution, if any, passed |
|-----------------------------|--|------------|-----------|---|
| 2007 - 12 th AGM | Kongu Kalaiaragam E.V.K. Sampath Nagar Erode - 638 011 | 11.09.2007 | 4.00 p.m. | No Special Resolution was passed |
| 2008 - 13 th AGM | Kongu Kalaiaragam E.V.K. Sampath Nagar Erode - 638 011 | 09.09.2008 | 4.00 p.m. | No Special Resolution was passed |
| 2009 - 14 th AGM | Kongu Kalaiaragam E.V.K. Sampath Nagar Erode - 638 011 | 25.09.2009 | 4.00 p.m. | No Special Resolution was passed |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

- b. Whether special resolutions were put through postal ballot last year? : No
- i. If Yes, details of voting pattern : Not applicable
- ii. Persons who conducted the postal ballot exercise : Not applicable
- iii. Procedure for postal ballot : Not applicable

Details of non-compliance by the company, penalties, stcritures imposed on the Company by Stock Exchange or SEBI or any authority on any matter related to capital markets, during last 3 years : Nil

MEANS OF COMMUNICATIONS :

| | | |
|----|---|---|
| 1. | Half yearly report sent to each household of Shareholders | No |
| 2. | In which newspaper quarterly results normally published in (English) | Daily Thanthi (Tamil)Business Line |
| 3. | Any website where displayed | Electronic Data information filing and retrieval (EDIFAR) |
| 4. | Whether it also displays official news releases | Nil |
| 5. | Presentation made to institutional investors or to the analysts | Nil |
| 6. | Whether Management Discussions and Analysis is part of annual report or not | Yes, it is part of the annual report |

Place : Erode
Date : 30.07.2010

SKM. MAEILANANDHAN
EXECUTIVE CHAIRMAN

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

CERTIFICATE OF THE AUDITORS TO THE SHAREHOLDERS OF M/S. SKM EGG PRODUCTS EXPORT (INDIA) LIMITED ON CORPORATE GOVERNANCE

To the members of SKM Egg Products Export (India) Limited,

We have reviewed the implementation of Corporate Governance by SKM Egg Products Export (India) Limited, during the year ended 31st March 2010, with the relevant records and documents maintained by the company, furnished to us for our review and report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We have conducted our review on the basis of relevant records and documents maintained by the company and furnished to us for review and the information and explanation given to us by the company.

Based on such a review, in our opinion, the company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency of effectiveness with which the management has conducted the affairs of the company.

For **N.C.RAJAGOPAL & CO.**,
Chartered Accountants

N.C. SAMPATH
Membership No.009592.
Partner

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

We have audited the attached Balance Sheet of SKM EGG PRODUCTS EXPORT (INDIA) LIMITED, 185, Chennimalai Road, Erode – 638001 as at 31st March 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto and cash flow statement for the period ended on that date. 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.

We conducted our audit in accordance with audit 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 (As Amended) issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a Statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief where necessary for the purpose of our audit.
 - b. In our opinion, proper books of accounts as required by law have been kept by the company, so far as it appears from our examination of the books.
 - c. The Balance sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
 - d. On the basis of Written confirmation received from the directors as on 31.03.2010 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31.03.2010 from being appointed as a director in terms of clause (g) of sub section (i) of section 274 of the Companies Act 1956.
 - e. In our opinion and to the best of our information and according to the explanations given to us, the said profit & loss account and the balance sheet read together with the notes thereon give the information required by the companies Act 1956 in the manner as required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
 - i. In the case of the Profit and Loss Account, of the Profit for the period ended 31st March 2010
 - ii. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010 and
 - iii. In the case of cash flow statement, of the cash flows for the year ended on that date.

Place : Erode

Date : 30.07.2010

For **N.C. RAJAGOPAL & CO.,**
Chartered Accountants,

N.C. SAMPATH
(PARTNER)
Membership No.009592.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

ANNEXURE

As required by the Companies (Auditors' report) Order, 2003, made by the central Government under section 227 (4 A) of the Companies Act, 1956, we state that:

1. a. The Company has maintained proper records showing full particulars including quantities details and situation of fixed assets.
- b. The fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies were noticed on such verifications
- c. Fixed assets of a substantial part, affecting the going concern, have not been disposed off during the year.
2. a. The Management has carried out physical verification of inventory at reasonable intervals.
- b. The procedure of verification of inventory followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. a. The Company has not granted any secured or unsecured loans to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies act, 1956.
- b. The Company has taken Unsecured loan of Rs. 4.30 crores from Managing Director and Rs.2.49 Crores from SKM Universal Marketing Company (India) Limited. The interest paid on the loans being Rs.25.85 lacs/- to the Managing Director and Rs.5.46 Lacs to the SKM Universal Marketing Company (India) Limited. The Balance outstanding as on 31.3.2010 is Rs.90.89 Lacs in respect of the Managing Director and Rs.2.49 Crores in respect of SKM Universal Marketing Company (India) Limited.
- c. The rate of Interest and other terms and conditions of the above loan taken by the company are prima-facie not prejudicial to the interest of the company.
4. There is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services and there is no continuing failure to correct major weaknesses in internal control system.
5. a. The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register maintained under that section.
- b. Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable, having regard to the prevailing marker prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. The company has an internal audit system commensurate with its size and nature of its business.
8. We have been informed that the Central Government has not prescribed maintenance of Cost Records under section 209(1)(d) of the Companies Act, 1956.
9. a. According to the records of the company, Undisputed Statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues, to the extent applicable, have been generally regularly deposited with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2010 for a period of more than six months from the date they became payable.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

- b. According to the information and explanation given to us, there are no undisputed amounts payable, in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs duty and Cess, were in arrears as at March 2010, for a period of more than six months from the date they become payable except the following payments, the details for which are given below:

| Particulars | Period to which it Relates | Amount Due to be paid | Forum where the appeal is preferred |
|-------------|-------------------------------|---|--|
| Excise Duty | 1.8.2002 to 30.4.2003 | Duty-Rs.23,156/- Interest – Rs.2,605/- | CESTAT, Chennai against the order of the Commissioner of Central Excise, Salem |
| Excise Duty | May 2004 to March 2005 | Rs.49,650/- | Commissioner of Central Excise, Salem |
| Excise Duty | June 2006 to Feb 2007 | Rs.54,245/- | Commissioner of Appeal, Salem |
| Excise Duty | March 2006 to December 2007 | Rs. 73,874/- | Commissioner of Appeal, Salem |
| Service Tax | April 2006 to September 2006 | Rs. 1,97,293/- | High Court of Madras |
| Service Tax | October 2006 to December 2006 | Rs. 3,63,898/- | High Court of Madras |
| Service Tax | January 2007 to March 2007 | Rs. 4,36,775/- | High Court of Madras |
| Service Tax | April 2007 to September 2007 | Rs. 4,89,366/- | High Court of Madras |
| Service Tax | July 2005 to December 2005 | Rs.3,10,489/- | High Court of Madras |
| Service Tax | July 2005 to December 2005 | Rs.1,01,786/- | High Court of Madras |
| Service Tax | January 2006 to March 2006 | Rs.4,82,328/- | High Court of Madras |
| Excise Duty | June 2005 to May 2005 | Rs.29,230/- | Commissioner of Central Excise Appeals, Salem |
| Excise Duty | Jan 2008 to June 2008 | Rs.45,034/- | Commissioner of Central Excise Appeals, Salem |
| Service Tax | Oct 2007 to Jan 2008 | Rs.4,33,443/- | Proceedings stayed by the Madras High Court Vide WP No.26418 of 2008 |
| Excise Duty | April 2009 to November 2009 | Rs. 83,904/- | Commissioner of Central Excise Appeals, Salem |
| Service Tax | February 2008 to March 2008 | Rs.6,05,640/- | Proceedings stayed by the Madras High Court Vide WP No.17194/2009 |
| Excise Duty | July 2008 to March 2009 | Rs.58,364/- | Commissioner of Central Excise Appeals, Salem. |
| Income Tax | Asst. Year 2004-2005 | Rs. 31,33,992/- | Commissioner of Income Tax Appeals (I), Coimbatore. |
| Income Tax | Asst. Year 2007-2008 | Rs. 12,42,210/- | Commissioner of Income Tax Appeals (I), Coimbatore. |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

10. The Company has not defaulted in repayment of dues to Financial Institution or banks.
11. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence maintenance of adequate documents and records for such cases does not arise.
12. The Company does not have any Accumulated losses. The Company has not incurred cash losses during the year covered by our audit and the immediately preceding financial year.
13. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
14. The company is not a chit fund, Nidhi or Mutual benefit Society. Hence the requirements of item (xiii) of paragraph 4 of the Order is not applicable to the company.
15. 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.
16. As per the information and explanations given to us, Term Loans borrowed by the company were applied for the purposes for which the loans were obtained.
17. As per the information and explanations given to us, funds raised on short Term basis have not been used for Long Term Investments.
18. On the basis of the information and explanations furnished by the company no fraud on or by the Company has been noticed or reported during the year.
19. According to the information and explanations given to us no preferential allotment of shares has been made by the company to companies, firms, or parties listed in the register maintained under section 301 of the Companies Act 1956.
20. The company has not issued any debentures. Hence the requirement of clause (xix) of paragraph 4 of the Order is not applicable to the company.
21. During the period covered by our audit report, the company has not raised any money by public issue.

For **N.C. RAJAGOPAL & CO.,**
Chartered Accountants,

Place : Erode

Date : 30.07.2010

N.C. SAMPATH
(PARTNER)
Membership No. 009592.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

BALANCE SHEET AS AT 31st MARCH, 2010

(Amount in Rs.)

| Particulars | Schedule | 2009- 10 | | 2008- 09 | |
|---|----------|-------------------|----------------------|---------------|----------------------|
| <u>SOURCE OF FUNDS</u> | | | | | |
| Share Capital | A | | 263,300,000 | | 263,300,000 |
| Reserves & Surplus | B | | 318,031,800 | | 308,580,183 |
| Deferred Tax Liability | | | 108,870,853 | | 91,440,418 |
| Loans | | | | | |
| Secured | C | | 829,997,305 | | 466,891,659 |
| Unsecured | | | 33,978,604 | | 33,889,357 |
| | | | 1,554,178,562 | | 1,164,101,617 |
| <u>APPLICATION OF FUNDS</u> | | | | | |
| <u>Fixed Assets</u> | | | | | |
| Gross Block | D | 1,375,751,269 | | 1,097,920,266 | |
| Less: Accumulated Depreciation | | 310,017,793 | | 256,934,460 | |
| Net Block | | | 1,065,733,476 | | 840,985,806 |
| Investment | E | | 832,779 | | 832,779 |
| <u>Current Assets, Loans and Advances:</u> | | | | | |
| Inventories | F | 301,126,316 | | | 184,834,566 |
| Sundry Debtors | G | 73,772,496 | | | 37,172,709 |
| Cash & Bank Balance | H | 29,592,968 | | | 26,763,781 |
| Loans & Advances | I | 173,972,952 | | | 188,203,931 |
| | | | 578,464,732 | | 436,974,987 |
| Less: Current Liabilities and Provisions | | | | | |
| Current Liabilities | J | 90,110,425 | | | 67,005,577 |
| Provisions | K | 742,000 | | | 47,686,378 |
| | | 90,852,425 | | | 114,691,955 |
| Net Current Assets | | | 487,612,307 | | 322,283,032 |
| Notes on Accounts | S | | 1,554,178,562 | | 1,164,101,617 |

1. Significant Accounting Policies 17(a) to 17 (t).
2. Notes to the Accounts (Schedule S) Form part of this Balancesheet
3. This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board

For **N.C.RAJAGOPAL & CO.,**
Chartered Accountants

SKM. MAEILANANDHAN
Executive Chairman

SKM. SHREE SHIVKUMAR
Managing Director

N.C. SAMPATH
Partner
Membership No. 009592

S. RAGHURAMAN
General Manager - Finance &
Company Secretary

Place : Erode
Date : 30.07.2010

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

(Amount in Rs.)

| Particulars | Schedule | 2009-10 | 2008-09 |
|--|----------|----------------------|----------------------|
| INCOME | | | |
| Sales | L | 1,136,134,879 | 1,222,220,726 |
| Other Income | L | 56,384,259 | 65,189,836 |
| Increase in Stock | M | 106,986,011 | 54,223,000 |
| Total | | 1,299,505,149 | 1,341,633,562 |
| EXPENDITURE | | | |
| Purchases and Manufacturing Expenses | N | 984,464,125 | 815,839,281 |
| Employees' Cost | O | 66,469,146 | 59,268,318 |
| Administration & Other Expenses | P | 105,113,952 | 234,619,658 |
| Marketing Expenses | Q | 6,127,843 | 16,564,500 |
| Sub total | | 1,162,175,066 | 1,126,291,757 |
| Profit / (Loss) Before Interest & Depreciation | | 137,330,083 | 215,341,805 |
| Interest & Financial charges | R | 81,184,408 | 54,033,321 |
| Profit / (Loss) After Interest | | 56,145,675 | 161,308,484 |
| Depreciation | D | 53,188,669 | 41,809,352 |
| Profit / (Loss) after Interest & Depreciation | | 2,957,006 | 119,499,132 |
| Provision for Income Tax | | | 15,000,000 |
| Current Year | | 742000 | |
| Less : MAT Credit Entitlement | | 742000 | |
| Provision for Fringe Benefit Tax | | | 574,925 |
| Provision for Deferred Tax | | 17,430,435 | 39,508,541 |
| Add: Earlier years MAT Provision Trd. To MAT Credit Entitlement | | 23,925,044 | |
| Profit / (Loss) after income Tax and available for appropriations | | 9,451,615 | 64,415,666 |
| Less : Appropriations | | | |
| a. Provision for Proposed Dividend | | -- | 13,165,000 |
| b. Provision for Corporate Dividend Tax | | -- | 2,237,392 |
| | | | 15,402,392 |
| Balance Carried to Balance Sheet | | 9,451,615 | 49,013,274 |
| Earnings Per Share - Basic | | 0.36 | 2.45 |
| Earnings Per Share - Diluted | | 0.36 | 2.45 |
| Notes on Accounts | S | | |

1. Significant Accounting Policies 17(a) to 17 (t).
2. Notes to the Accounts (Schedule S) Form part of this Balancesheet
3. This is the Balance Sheet referred to in our report of even date.

For **N.C.RAJAGOPAL & CO.,**
Chartered Accountants

SKM. MAEILANANDHAN
Executive Chairman

For and on behalf of the Board

SKM. SHREE SHIVKUMAR
Managing Director

N.C. SAMPATH
Partner
Membership No. 009592

S. RAGHURAMAN
General Manager - Finance &
Company Secretary

Place : Erode
Date : 30.07.2010

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--|--------------------|--------------------|
| Schedule- A - Share Capital | | |
| <u>Authorised Capital:</u> | | |
| 3,00,00,000 Equity Shares of Rs. 10/- Each | 300,000,000 | 300,000,000 |
| <u>Issued, Subscribed & Paid-up:</u> | | |
| 263,30,000 Equity Shares of Rs.10/- each fully paid-up | 263,300,000 | 263,300,000 |
| | 263,300,000 | 263,300,000 |
| Schedule - B - Reserves & Surplus | | |
| Share Premium Account | 400,692 | 400,692 |
| <u>General Reserve:</u> | | |
| Revenue Reserve | 115,124 | 115,124 |
| <u>Profit & Loss Account:</u> | | |
| Opening Balance | 308,064,369 | 259,051,093 |
| Less: Provision for Grauity for earlier years | | |
| Less: Deferred Tax Liability for Earlier Years | | |
| Add: Current Year Balance after appropriation | 9,451,615 | 49,013,274 |
| Closing Balance | 317,515,984 | 308,064,367 |
| | 318,031,800 | 308,580,183 |
| Schedule - C - Loans | | |
| a. Secured | | |
| i) Working Capital Finance From | | |
| a. State Bank of India Commercial Branch, Erode | 306,089,614 | 203,173,944 |
| b. ICICI bank Ltd * | 100,000,000 | |
| Corporate Foreign Currency Term Loan | - | 2,786,850 |
| ii) ICICI Bank, Term Loan | - | 1,049,951 |
| iii) SBI Bank, Term Loan | 421,641,786 | 256,821,794 |
| iv) Kotak Mahindra (Vehicle Loan) | 259,579 | 482,083 |
| v) Corporation Bank (Vehicle Loan) | 1,631,326 | 1,897,870 |
| vi) Reliance | 375,000 | 679,167 |
| b. Un Secured | | |
| Loan from Managing Director | 9,089,357 | 33,889,357 |
| SKM Universal Marketing Company (I) Ltd | 24,889,247 | |
| | 863,975,909 | 500,781,016 |

WORKING CAPITAL FINANCE AND CORPORATE LOAN ARE SECURED BY :

- a. Hypothecation of stocks consisting of raw materials, semi-finished goods, finished goods and stores and spares and other current assets of the Company.
- b. First charge on the entire fixed assets of the Company.
- c. Personal guarantees of Executive Chairman and Managing Director
- d. Pledge of shares of the company held by the Managing Director.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED, ERODE.
DEPRECIATION FOR 2009-2010 (A.Y. 2010-11)
SCHEDULE-D FIXED ASSETS

| Description | Gross Block | | | | | Depreciation | | | Net Block | |
|--------------------------|----------------------|---------------------------|--|----------------------|-------------------------------|------------------------------|---|------------------------------------|----------------------|--------------------|
| | As at 31.03.2009 | Additions During the year | Adjustment/ Deductions During the Year | As on 31.03.2010 | Depreciation up to 31.03.2009 | Depreciation During the Year | Adjustment / Deductions During the Year | Total Depreciation Upto March 2010 | As on 31.03.2010 | As at 31.03.2009 |
| Land | 54,457,149 | 4,543,592 | 3,510,306 | 55,490,435 | - | - | - | - | 55,490,435 | 54,457,149 |
| Building | 276,418,310 | 93,408,342 | - | 369,826,652 | 33,924,867 | 11,358,034 | 90,562 | 45,192,339 | 324,634,313 | 242,493,443 |
| Plant & Machinery | 537,508,337 | 109,670,426 | 1,022,378 | 646,156,385 | 200,437,103 | 35,458,693 | - | 235,895,796 | 410,260,589 | 337,133,855 |
| Office & Other Equipment | 40,796,867 | 777,583 | - | 41,574,450 | 11,250,758 | 2,524,060 | - | 13,774,818 | 27,799,632 | 29,546,109 |
| Computers | 8,079,305 | 1,980,916 | - | 10,060,221 | 5,062,614 | 1,454,082 | - | 6,516,695 | 3,543,526 | 3,016,691 |
| Furniture & Fixtures | 5,416,698 | 22,635 | - | 5,439,333 | 2,815,422 | 347,813 | - | 3,163,235 | 2,276,098 | 2,601,276 |
| Motor Vehicles | 20,415,753 | 761,952 | 373,075 | 20,804,630 | 3,443,699 | 2,045,987 | 14,774 | 5,474,912 | 15,329,718 | 16,973,771 |
| Work In Progress | 147,434,242 | 246,144,711 | 175,060,150 | 218,518,803 | - | - | - | - | 218,518,803 | 147,369,905 |
| GROSS TOTAL | 1,090,526,661 | 457,310,157 | 179,965,909 | 1,367,870,909 | 256,934,462 | 53,188,668 | 105,336 | 310,017,794 | 10,57,853,115 | 833,592,200 |
| PREVIOUS YEAR | 771,414,503 | 352,230,012 | (33,117,855) | 1,090,526,661 | 215,078,291 | 41,809,352 | 81,856 | 256,934,460 | 833,592,200 | 556,336,212 |

| Description | Value of Live Stock as on 1.04.2009 | Accretions to the cost | Cost Amortised | Cost Unamortised | Value of Live Stock as on 31.03.2010 |
|----------------------|-------------------------------------|------------------------|--------------------|-------------------|--------------------------------------|
| Live Stock | 7,393,605 | 96,309,720 | 48,579,533 | 47,243,432 | 7,880,360 |
| GROSS TOTAL | 7,393,605 | 96,309,720 | 48,579,533 | 47,243,432 | 7,880,360 |
| PREVIOUS YEAR | 3,337,566 | 197,880,079 | 172,785,326 | 21,038,714 | 7,393,605 |

Notes :-

Figures in adjustment / deductions column for "working in progress" represents assets capitalised during the year.

Figures in adjustment / deductions column for "Land" includes inter head adjustments and land sold during the year.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|--------------------|--------------------|
| Schedule - E - Investments | | |
| <u>Unquoted:</u> | | |
| SKM Europe BV , The Netharlands - Subsidiary Company | 832,779 | 832,779 |
| | 832,779 | 832,779 |
| Current Assests,Loans and Advances | | |
| Schedule F -Inventories | | |
| (As Valued & Certified By the Management) | | |
| Raw Material | 19,106,760 | 14,831,448 |
| Additives, Stores, Spares and Consumables | 33,187,759 | 30,928,291 |
| Finished Goods | 242,080,713 | 136,261,000 |
| Feed & Medicines | 2,045,166 | 316,488 |
| Egg Trays | 1,783,402 | 1,478,003 |
| Plastic Crates Stock | 1,495,240 | 476,229 |
| Display Stand | 381,911 | 363,235 |
| Shrink | - | 126,268 |
| Packing & Display Stand Sticker | 1,045,365 | 53,604 |
| | 301,126,316 | 184,834,566 |
| Schedule G - Sundry Debtors | | |
| Unsecured & Considered Good | | |
| Sundry Debtors - Considered Good | | |
| a) More Than Six Months | | |
| b) Others | 73,772,496 | 37,172,709 |
| | 73,772,496 | 37,172,709 |
| Schedule - H Cash and Bank Balances | | |
| i. Cash on hand | 1,335,452 | 243,143 |
| ii. In Current Account with Scheduled Banks | 20,832,678 | 15,134,877 |
| III.Fixed Deposit with SBI, Commercial Branch Erode. | 7,424,838 | 11,385,761 |
| | 29,592,968 | 26,763,781 |
| Schedule - I Current Assets and Loans and Advances | | |
| <u>Loans and Advances</u> | | |
| i. Advances Recoverable in Cash or in kind for value to be received - Unsecured and Considered Good | 81,526,090 | 101,172,666 |
| ii. Deposits - Considered Good | 11,620,281 | 5,037,848 |
| iii. MAT Credit Entitlement | 25,999,771 | 21,239,623 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|----------------------|----------------------|
| Other Current Asset : | | |
| i. Unamortised Value of Chicks | 47,243,432 | 21,038,714 |
| ii.VKUY Licence | - | 27,797,246 |
| iii.Pre-Operative Expenses | - | 11,917,834 |
| iv.Licence - Focus Products Scheme Receivable | 2,300,000 | |
| v. Duty Drawback (Eggs) Receivables | 5,283,378 | |
| | 173,972,952 | 188,203,931 |
| Schedule J-Current Liabilities | | |
| i) Trade Creditors * (Refer note 3 in Schedule S) | 61,937,235 | 43,163,985 |
| ii)Creditors For Expenses & Others | 10,610,229 | 3,650,921 |
| iii) Unpaid Dividend | 2,959,434 | 2,312,842 |
| iv) Advance from debtors | 1,597,052 | |
| iv. Liability for Expenses | | |
| Earned Leave Encashment Payable | 1,768,122 | 1,951,935 |
| Sales Commission Payable | 1,956,839 | 2,694,104 |
| Other Expenses Payable | 6,032,848 | 9,305,394 |
| Bonus Payable | 2,555,000 | 2,000,000 |
| Egg Yolk Powder Short Supply Payable | - | 1,156,490 |
| Net Gratuity obligation | 693,666 | 769,906 |
| | 90,110,425 | 67,005,577 |
| Schedule - K | | |
| Provisions | | |
| 1. Provision for Income tax - Minimum Alternative Tax | 742,000 | 28,597,038 |
| 2. Provision for Proposed Dividend | - | 13,165,000 |
| 3. Provision for Corporate Dividend Tax | - | 2,237,392 |
| 4. Provision for Fringe Benefit Tax | - | 1,958,948 |
| 5. Provision for Genshed Tax | - | 1,728,000 |
| | 742,000 | 47,686,378 |
| SCHEDULE -L—Sales & Other Income | | |
| Export Sales | 1,032,182,210 | 1,143,520,038 |
| Domestic Sales | 103,952,669 | 78,700,688 |
| | 1,136,134,879 | 1,222,220,726 |
| Sale of Shell Egg & Scrap | 4,764,095 | 989,928 |
| Interest Receipts | 3,001,801 | 4,126,986 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT 2009-2010

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--|--------------------|--------------------|
| Vishesh Krishi Upaj Yojana - Subsidy | 18,294,529 | 47,901,224 |
| Egg Drawback | 27,962,791 | |
| Miscellaneous Income | 61,043 | 58,003 |
| Focus Products Scheme | 2,300,000 | |
| Prior Period Item | - | 12,113,695 |
| Other Income | 56,384,259 | 65,189,836 |
| SCHEDULE M (Increase) /Decrease in Stock | | |
| Opening Stock - Finished goods | 136,261,000 | 82,038,000 |
| Semi Finished Goods | | |
| Add:Egg Powder Purchase | | |
| Closing Stock - Finished goods & Semi Finished Goods | 243,247,011 | 136,261,000 |
| Increase / (Decrease) in Stock | 106,986,011 | 54,223,000 |
| SCHEDULE -N -PURCHASES AND MANUFACTURING EXPENSES | | |
| Raw Material- Eggs Consumed | 774,655,953 | 358,575,814 |
| Other Purchases | 1,257,639 | |
| Egg Purchases | 14,955,982 | 162,087,522 |
| Amortised Value of Birds | 48,579,533 | 172,785,326 |
| Feed & Maize Consumption | 47,959 | 162,505 |
| Vaccine & Medicine Consumption | 776,700 | |
| Packing Material - Consumed | 23,833,987 | 18,876,710 |
| Power & Fuel | 70,158,637 | 68,501,608 |
| Transport Hire & Cooli | 1,504,992 | 1,304,463 |
| Additives & Consumables | 45,441,041 | 33,132,826 |
| Egg Stand | 2,622,649 | 335,017 |
| Egg Paper Tray | 629,053 | 77,490 |
| | 984,464,125 | 815,839,281 |
| SCHEDULE - O - EMPLOYEES' COST | | |
| Salaries & Wages | 40,290,086 | 38,957,386 |
| PF Contribution | 2,115,647 | 1,952,078 |
| Contractors' Payment | 20,928,552 | 15,980,886 |
| Grauity Expenses | 391,427 | 202,582 |
| Welfare Expenses | 2,743,434 | 2,175,386 |
| | 66,469,146 | 59,268,318 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--|-------------------|--------------------|
| SCHEDULE - P- Administration & Other Expenses | | |
| Repairs & Maintenance | | |
| a) Building | 5,272,748 | 4,525,879 |
| b) Plant & Machinery | 9,194,693 | 12,053,730 |
| d) Fly Control Expenses | 1,684,955 | 13,603,040 |
| c) Others | 7,448,496 | 6,670,093 |
| d) Vehicle | 8,418,627 | 7,356,315 |
| | 32,019,519 | 44,209,057 |
| Stores & Spares Consumption | 9,260,683 | 21,819,810 |
| Analysing Charges | 3,630,236 | 6,520,841 |
| Rent, Rates and Taxes | 2,369,522 | 2,080,978 |
| Postage, Courier & Telephone Charges | 2,899,834 | 2,829,585 |
| Printing & Stationery | 1,422,508 | 1,006,007 |
| Insurance Premium | 1,769,830 | 1,838,716 |
| Advertisement and Publicity | 3,639,318 | 7,609,272 |
| Travelling Expenses | 4,036,465 | 5,402,576 |
| Freight, Insurance and Forwarding Charges | 27,079,575 | 28,510,936 |
| Professional Charges | 2,331,887 | 3,102,325 |
| ISO / HACCP-expenses. | 250,435 | 158,726 |
| Stock Exchange Listing Fee | 219,335 | 169,042 |
| Miscellaneous Expenses | 3,149,495 | 798,260 |
| Audit Fees | 603,500 | 417,500 |
| Donation | 2,939,605 | 2,829,539 |
| Foreign Exchange Fluctuation | 5,684,817 | 79,907,805 |
| Loss on Sale of Assets | 580,122 | 134,507 |
| Loss on sale of Import Licence | - | 4,156,274 |
| Registration and Renewal | 404,453 | 168,522 |
| Annual General Meeting Expenses | 394,277 | 366,320 |
| Directors' Sitting Fee | 13,000 | 27,000 |
| Subscription | 132,646 | 110,632 |
| Inauguration - Best Eggs | 282,890 | 504,428 |
| Extra Ordinary Item | - | 19,941,000 |
| | 73,094,433 | 190,410,601 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--|-------------------|-------------------|
| SCHEDULE - Q -MARKETING EXPENSES | | |
| Foreign Trip Expenses | 1,979,559 | 3,463,515 |
| Sales Commission to Foreign Collaborator & Others | 1,671,282 | 10,905,502 |
| Foreign Exhibition Expenses | 1,009,515 | 495,016 |
| Sales Promotional Expenses | 1,267,718 | 1,562,152 |
| Foreign Delegates Expenses | 199,769 | 138,315 |
| | 6,127,843 | 16,564,500 |
| SCHEDULE - R - Interest & Financial Charges | | |
| Working Capital Loan Interest | 12,666,095 | 14,967,969 |
| Bank Charges & ECGC Charges | 10,174,007 | 6,819,996 |
| Export Bills Discount Interest | 3,197,617 | 4,456,322 |
| Export Bills Overdue Interest | 1,130,989 | 1,507,167 |
| Interest Paid - Others | 138,776 | 543,652 |
| Bill Discount & Collection Charges | 747,398 | 2,083,985 |
| SBI- Term Loan Interest | 30,382,760 | 15,862,096 |
| Interest paid Preshipment | 9,601,572 | 5,143,948 |
| Interest paid on ICICI Working capital Loan | 10,559,578 | 2,589,878 |
| Interest paid to Managing Director | 2,585,616 | 16,301 |
| Interest Paid Centurian Bank | - | 42,007 |
| | 81,184,408 | 54,033,321 |

SCHEDULE - S

NOTES ON ACCOUNTS

- Previous year figures are regrouped, rearranged and reclassified wherever necessary to facilitate comparison with current year's figures and figures have been rounded off to nearest rupee.
- Contingent Liability :
 - Export Bills discounted with the State Bank of India, Commercial Branch, Erode Rs. 2,093.31Lacs. (Previous year Rs. 1,477.44Lacs).
 - Income Tax Liability Rs.43.76 Lacs
 - Service Tax Liability Rs.34.21 Lacs
 - Excise Duty Liability Rs.4.20 Lacs
- Balances of Sundry creditors and Sundry debtors are subject to confirmation.

The company has not received any intimation from the suppliers regarding status under the Micro, Small and Medium enterprises development Act, 2006 (The Act) and hence disclosure regarding:

 - Amount due and Outstanding to suppliers as at the end of the accounting year.
 - Interest paid during the year.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

- c) Interest payable at the end of the accounting year.
d) Interest accrued and unpaid at the end of the accounting year, have not been provided.

The company is making efforts to get the confirmations from the suppliers as regards their status under the Act.

4. Additional Information pursuant to the provisions of paragraph (4D) of part – II of schedule VI to Companies Act, 1956 :

- I. Details of Licensed Capacity, installed capacity.
a. Licensed Capacity not applicable.
b. Installed Capacity 6,300 Metric Tonnes per annum.

II. Quantitative particulars of sales : (in Metric Tonnes)

| | <u>2009-2010</u> | <u>2008-2009</u> |
|------------------|------------------|------------------|
| Egg powder sales | 4391.67 | 3,865.01 |

III. Stock and Production (in Metric Tonnes)

| | | |
|--------------------------|-------|-------|
| a. Opening stock | 750 | 459 |
| b. Production & Purchase | 4,549 | 4,156 |
| c. Closing stock | 908 | 750 |

IV. Consumption of Raw materials.

| | | |
|------------------------|---------|----------|
| a. Egg (Nos. in lakhs) | 3781.35 | 3,629.21 |
|------------------------|---------|----------|

| Particulars | 2009 - 2010 Rs. in lacs | % | 2008 - 2009 Rs. in lacs | % |
|--------------------------------------|----------------------------|-------|----------------------------|--------|
| <u>Raw Material</u> | | | | |
| Indigenous | 8552.85 | 100 | 6760.00 | 100.00 |
| Imported | Nil | Nil | Nil | Nil |
| <u>Packing Material</u> | | | | |
| Indigenous | 252.06 | 97.82 | 186.22 | 100.00 |
| Imported | 05.62 | 2.18 | 0.00 | Nil |
| <u>Consumable, Stores and Spares</u> | | | | |
| Indigenous | 508.48 | 57.95 | 143.05 | 48.14 |
| Imported | 369.04 | 42.05 | 154.06 | 51.86 |
| <u>Fuel</u> | | | | |
| Indigenous | 586.42 | 100 | 480.26 | 100.00 |
| Imported | Nil | Nil | Nil | Nil |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

VI. Expenditure in Foreign Currency : (Rs in Lacs)

| Particulars | 2009 - 2010 | 2008 - 2009 |
|---------------------------------|---------------|---------------|
| A. Packing Material & Additives | 175.95 | 173.83 |
| B. Stores and Spares | 539.30 | 458.27 |
| C. Foreign Travel Expenses | 5.04 | 11.14 |
| D. Analysing Charges | 14.32 | 36.23 |
| E. Sales Commission | 35.17 | 109.05 |
| F. Others | 0.07 | 1.43 |
| Total | 769.85 | 789.95 |

VII. FOB Value of goods exported 10,148.16 11,269.04

VIII. NRI Dividend 5,56,600 5,56,600

5. Remuneration to Executive Chairman and Directors: (in Rs.)

| Salary, Allowances and Perquisites: | 2009-2010 | 2008-2009 |
|-------------------------------------|-----------|-----------|
| Executive Chairman | 33,64,001 | 29,99,761 |
| Managing Director | 32,56,539 | 27,57,761 |
| Commission: | 2009-2010 | 2008-2009 |
| Executive Chairman | NIL | 36,39,000 |
| Managing Director | NIL | 38,81,897 |

(i) The Executive Chairman and Managing Director's remuneration is covered under part II of Schedule XIII of the Companies Act, 1956.

| 6. Details of Statutory Audit Fee: (in Rs.) | 2009-2010 | 2008-2009 |
|---|-----------|-----------|
| (i) For Statutory Audit Fee | 2,50,000 | 2,50,000 |
| (ii) For Taxation Matter | 1,00,000 | 1,00,000 |
| (iii) For Certification Services | 53,500 | 57,500 |
| (iv) Appeal, Representation | 2,00,000 | NIL |
| (v) Sales Tax Matters | NIL | 10,000 |

7. Related Party Disclosures:

- i. Sale of Egg Shell grits to SKM Animal Fees and Foods (India) Limited – Rs.10.15 lacs. (Tonnage 1,083.815 Tons)
- ii. Loan received from SKM Universal Marketing co.(India) Ltd., Rs.2.49 crores (Balance payable as on 31.03.2010, Rs. 2.49 crores)
- iii. Loan received from Managing Director during the year Rs.4.30 crores (Opening Balance Rs.3.39 crores) and repayment made during the year Rs.6.78 Crores (Balance payable as on 31.03.2010, Rs.90.89 lacs)
- iv. Interest paid to Universal Marketing, Rs.5.46 lacs for the year 2009-2010
- v. Interest paid to Managing Director, Rs.25.03 lacs.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

- vi. Energy Consumed (Electricity) from SKM Siddha & Ayurvedic Medicines India Pvt. Limited - Rs.6.36 lacs and Honey purchased Rs.44,554/- (200gms 504 bottle, 100gms 504 bottle, 50gms 504 bottle).
- vii. Purchase of Feeds from SKM Animal Feeds and Foods (India) Limited during the year amounting to Rs. 05.10 Crores (Tonnage: 3,891 Tonnes) and Purchased DOB for Rs.19,580/- (3.04 Tonnes).

Description of the Relationship Between the Parties – Presumption of significant influence

8. Loans and Advances includes advance of Rs. 1.86/- Crores (Last Year - Rs.1.69 Crores) to subsidiary company of SKM Europe BV, the Netherlands.
9. Provision for Income Tax, Fringe Benefit Tax and Deferred Tax Liability:

Income Tax:

Provision has been made in respect of Income Tax Liability under the Provisions of Section 115 JB (Minimum Alternate Tax) of the Income Tax Act 1961, since there is no Tax liability under the normal provisions of the Income Tax Act 1961, in view of the fact that the company's income when computed in accordance with the normal provisions of the Income Tax Act 1961 is less than 10% of the Book Profits of the Company because of the higher rate of Depreciation provided at rates specified in the Income Tax Act 1961. The Provision thus made for MAT Liability for the current year as well as for the earlier years have been transferred to MAT Credit Entitlement Account shown under the Current Assets in the Balance sheet, since the company is entitled to adjust the asset against the future Tax Liability.

Deferred Tax Liability recognised in the Profit and Loss Account:

| | 2009-2010 | 2008-2009 |
|--|------------------|------------------|
| Depreciation(DTL) | Rs.1,51,61,882/- | Rs. 84,41,903/- |
| Carried Forward Depreciation Losses(DTL) | Rs. 21,69,150/- | Rs.3,11,35,495/- |
| Gratuity Liability/(DTA) | Rs. NIL | Rs. (68,858)/- |
| Gratuity Liability (DTL) | Rs. 99,403/- | Rs. NIL |
| Total | Rs.1,74,30,435/- | Rs.3,95,08,541/- |

10. No provision has been made in respect of demand of Excise Duties of Rs.4.20 Lacs and Service Tax of Rs.34.21 Lacs, for which the company has filed appeals with various Higher Appellate Forums, against the orders of the Lower Authorities and the company is confident of coming out successful in the Appeals. Similarly no provision has been made in respect of Income Tax Liability of Rs.43.76/- for the Assessment years 2004-2005 and 2007-2008 since appeals have been filed against the order of the Assessing Officer with the Honourable Commissioner of Income Tax, Appeals – II, Coimbatore and the company is confident that the appeals would be decided in favour of the company.
11. The Cess specified under Sub-Section (2) of Section 441A of the Companies Act 1956, has not been provided for nor paid, in view of the rate and manner of payment having not yet been notified by the Central Government.
12. There are no impairment of assets in terms of Accounting Standard No.28 issued by The Institute of Chartered Accountants of India.
13. Financial and Derivative Instruments:
- a. Nominal amount of Derivative contracts entered into by the Company for hedging currency and outstanding as on 31st March 2010 amounts to Rs.28,97,03,790/- (Previous Year – 7,14,18,666/-)

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Particulars As at 31st March 2010 As at 31st March 2009

Forward Contracts 28,97,03,790/- 7,14,18,666/-

- b. Financial and Derivative contracts entered into by the company during the year are for only for hedging purposes.
- c. Foreign Currency exposure that are not hedged by derivative or forward contracts as on 31st March 2010 amounts to Rs.Nil (Previous Year Rs.27,86,850/-)
- d. During the year company not entered in any contract for Speculation.

14. During the year the company has recognized the following amounts in the Profit and Loss Account:

| | Group Gratuity Scheme(Funded) 2010 | Group Gratuity Scheme(Funded)2009 |
|--|------------------------------------|-----------------------------------|
| a) Reconciliation of Opening and Closing Balances of Defined Benefit Obligations | | |
| Present Value of obligation as at 1 st April 2009 | 26,51,244 | 22,95,392 |
| Current Service Cost | 5,10,036 | 4,14,537 |
| Interest Cost | 2,12,100 | 1,58,331 |
| Actuarial (gain) / loss | (1,53,663) | 99,239 |
| Benefits paid | (6,83,677) | NIL |
| Present Value of obligation as at 31 st March 2010 | 25,36,040 | 26,51,244 |
| b) Reconciliation of Opening and Closing Balances of Fair Value of Plan Assets: | | |
| Fair Value of plan assets as at 1 st April 2009 | 18,81,338 | 13,61,994 |
| Expected return on plan assets | 1,77,046 | 1,53,270 |
| Contribution made | 4,67,667 | 3,66,074 |
| Benefits Paid | (6,83,677) | NIL |
| Actuarial gain / (loss) on the plan assets | NIL | NIL |
| Fair Value of plan assets as at 31 st March 2010 | 18,42,374 | 18,81,338 |
| c) Reconciliation of Fair Value of Assets and Obligations as at 31st March 2010: | | |
| Present value of the obligation | 25,36,040 | 26,51,244 |
| Fair Value of plan assets | 18,42,374 | 18,81,338 |
| Funded Status (Surplus / (Deficit)) | (6,93,666) | (7,69,906) |
| Net asset / (liability) recognized in the balance sheet | (6,93,666) | (7,69,906) |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

| | | |
|---|-----------------|-----------------|
| d) Expenses recognized during the year (Under the head “Employees Cost – Refer Schedule “O”) | | |
| Current Service Cost | 5,10,036 | 4,14,537 |
| Interest Cost | 2,12,100 | 1,58,331 |
| Expected return on plan assets | (1,76,046) | (1,53,270) |
| Actuarial (gain) / loss | (1,53,663) | 99,239 |
| Net Cost (*) | 3,91,427 | 2,02,582 |
| e) Actual return on the plan assets: | | |
| Expected return on plan assets | 1,77,046 | -1,53,270 |
| Actuarial gain / loss on plan assets | NIL | NIL |
| Actual return on plan assets | 1,77,046 | -1,53,270 |
| f) Actuarial Assumptions: | | |
| Discount rate (Per annum) | 8.0% | 8.0% |
| Rate of escalation in salary (Per annum) | 6.0% | 6.5% |

The Company made annual Contributions to the LIC of an amount advised by the LIC. The Company has not informed by LIC of the investments made by the LIC or the Break-down of plan assets by investment type.

15. Poultry Division:

All the Consumption of Feeds, Drugs and Vaccines and Medicines up to the Grower Stage were added with the cost of Birds and shown as “Value of Live Stock” under the Fixed Assets in the Balance Sheet.

The Cost of Birds thus arrived at is being amortised over remaining life time of the Birds and is recognized in the Profit and loss account.

The remaining unamortized value of the Birds is shown as “Unamortised Value of Live Stock” under the Current Assets in the Balance Sheet.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

16. Segment Information

| PARTICULARS | 31.03.2010 | 31.03.2009 |
|--|------------|------------|
| Segment Revenue | | |
| Net Sales / Income from | | |
| a. Egg Processing Division | 12,094.38 | 13,094.10 |
| b. Poultry Division | 3,738.22 | 1,892.50 |
| c. Branded Egg Division | 242.38 | 28.45 |
| d. Feed Mill Division | 2,452.61 | - |
| Total | 18,527.59 | 15,015.05 |
| Less: Inter Segment Revenue | 5,532.54 | 159.86 |
| Net Revenue from Operations | 12,995.05 | 14,855.19 |
| Segment Expenses | | |
| a. Egg Processing Division | 11,856.71 | 11,148.54 |
| b. Poultry Division | 3,758.35 | 2,392.79 |
| c. Branded Egg Division | 396.57 | 128.73 |
| d. Feed Mill Division | 2,331.39 | - |
| Total | 18,343.02 | 13,670.06 |
| Less: (i) Inter Segment Expenses | 5,532.54 | 159.86 |
| (ii) Interest | - | - |
| (iii) Other Unallocable Expenditure | 155.00 | 150.00 |
| Total Profit before Tax | 29.57 | 1,194.99 |
| Capital Employed (Segment Asset - Segment Liabilities) | | |
| a. Egg Processing Division | 6,632.90 | 1,342.21 |
| b. Poultry Division | (686.35) | 2,737.60 |
| c. Branded Egg Division | (254.45) | (43.37) |
| d. Feed Mill Division | 121.23 | 702.05 |
| Total | 5,813.33 | 4,738.49 |

17. Significant Accounting Policies:

(a) Accounting Convention:

The Financial statements have been prepared under historical cost convention. The Financial Statements materially comply with the Accounting Standards issued by the Institute of Chartered Accountants of India.

(b). Estimates and Assumptions:

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the Balance sheet and the reported

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

amounts of income and expenses during the reporting period. Examples include bad debts written off, useful life of the assets, etc. Actual results may differ from these estimates.

(c). Inventories:

Inventories are valued as under:

Egg Products Division:

- | | | |
|------------------------|---|--------------------------------|
| 1. Raw materials | : | At cost following FIFO method. |
| 2. Packing Materials | : | At weighted average cost. |
| 3. Additives | : | At weighted average cost. |
| 4. Stores & Spares | | |
| Imported | : | At weighted average cost. |
| Indigenous | : | At weighted average cost. |
| 5. Semi-finished goods | : | At weighted average cost. |
| 6. Finished goods | : | At weighted average cost. |

Poultry Farm Division:

- | | | |
|----------|---|--|
| 1. Eggs | : | At Cost following FIFO Method |
| 2. Feeds | : | At cost or market price whichever is lower |
| 3. Drugs | : | At cost or market price whichever is lower |

(d). Cash Flow Statements

Cash Flow Statement has been prepared under "Indirect Method", Cash and Cash Equivalents Comprise Cash in Hand, Current and Other accounts (Including Fixed Deposit) held with bank.

(e). Events Occurring after the Balance Sheet Date

- i. Assets and Liabilities are adjusted for events occurring after the balance sheet date that provide additional evidence to assist the estimation of amounts relating to conditions existing at the balance sheet date.
- ii. Dividends, Which are proposed / declared by the company after the balance sheet date but before the approval of the financial statements are adjusted.

(f). Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Polices:

- i. Net Profit for the Period:
All the items of income and expenses in the period are included in the determination of net profit for the period, unless specifically mentioned elsewhere in the financial statements or is required by the Accounting Standard.
- ii. Prior Period Items:
Income / Expenditure are disclosed in Prior period adjustments, only when considered by the management to be material to impact the financial statement significantly.
- iii. Extra - ordinary items:
Extra - ordinary items are accounted in accordance with the Accounting Standard – 5
- iv. Wherever there is a change in the method of accounting followed by the company, the same is dealt with and disclosed in accordance with the accounting standard - 5

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(g). **Depreciation Accounting**

Depreciation is provided on straight line method as per the rates provided in schedule XIV of the Companies Act 1956, except for imported plant & machinery for which the rate has been taken as 3.80%, based upon the technical evaluation by the expert committee on the useful life of the assets. In respect of assets added/adjusted during the year, depreciation is provided on pro-rata basis.

(h). **Revenue Recognition:**

Egg Products Division:

Sales are recognised on accrual basis and are accounted for in the books of accounts on the dates on which the goods are actually despatched from the factory.

Poultry Division:

Sales of Eggs and Birds are recognised on accrual basis and are accounted for in the books of accounts on the dates on which the goods/Birds are actually despatched from the farms or Sold respectively.

(i). **Accounting for Fixed Assets:**

Fixed Assets:

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and incidental expenses related to acquisition. In respect of major projects involving construction, related preoperational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing costs.

Capital Work-in-progress:

Advances paid towards the acquisition of fixed assets and the cost of assets under installation / construction / not put to use before the year end are disclosed under capital Work-in-Progress.

(j). **Foreign Currency Transactions and Forward Contracts in Foreign Currencies:**

Foreign Currency Transactions:

Transaction in Foreign Exchange are accounted at the monthly average rates.

Foreign currency Liabilities / Assets at the close of the year are restated, adopting the contracted/ year and rates, as applicable. The resultant difference, if any, is suitably dealt with in the accounts.

Forward Exchange Contracts covered under AS 11, "The Effects of Changes in Foreign Exchange Rates":

The Company uses foreign exchange contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange contracts reduces the risk or cost to the company. Wherever the company uses the forwards to mitigate the business loss on account of foreign currency fluctuations, the company records the gain or loss on effective hedges in foreign currency fluctuation reserve until the transactions are complete. On Completion, the gain or loss is transferred to the profit and loss account of that period. To designate a forward contract as an effective hedge the management objectively evaluate and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, the gain or loss is recognized in the profit and loss account.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Forward Exchange Contracts not in the nature of AS 11, “The Effects of Changes in Foreign Exchange Rates”:

The company also uses foreign exchange forward contract for trading or speculation purpose. Though the Accounting standard No.30 issued by the institute of Chartered Accountants of India dealing with “Financial Instruments and Derivatives – Recognition and Measurement “ becomes mandatory only with effect from 1.4.2011 and is recommendatory for the current financial year, the company as adopted the accounting Standard and has recognized the losses in the financial statements.

(k). Accounting for Government Grants:

Grants and Subsidies in the nature of revenue are treated as revenue income and credited to the respective expenses accounts and subsidies in the nature of capital are adjusted to the value of assets.

(l). Accounting for Investments:

- i. Long Term investments are valued at cost. Provisions, if any, is made to recognize a decline other than a temporary decline, in the value of long-term investments.
- ii. Current Investments are stated at lower of cost and fair market value.

(m). Accounting for Retirement Benefits:

a. Defined Contribution Plans:

The company makes Provident Fund to defined contribution retirement benefit plans for qualifying employees. Under the Schemes, the company is required to contribute a specific percentage of the of the payroll costs to fund the benefits.

The company recognized Rs. 21.16/- Lacs (Previous Year Rs. 19.52 lacs) for provident fund Contribution in the Profit and Loss Account. The Contributions payable to these plans by the company are at rates specified in the rules of the Schemes.

b. Defined benefit plans:

The present value of the obligation is determined based on actuarial valuation using the Projected Unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. This being the first year of implementation, previous year figures have not been given.

c. Accounting for Employment Benefits:

- i. Short term employee benefit are charged off at the undiscounted amount in the year in which the related service is rendered.
- ii. Post employment and other long term employee benefits are charges off in the year in which the employee has rendered services. The amount charges off is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gain and losses in respect of post employment and other long term benefits are charged to Profit and Loss Account.

(n) Borrowing Cost:

Borrowing costs attributable to acquisition and construction of assets are capitalised as part of the cost of such asset up to the date when such asset is ready for its intended use. Other Borrowing Costs are treated as revenue expenditure.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(o) Segment Reporting:

The Segment reporting is being done in accordance with the disclosure requirement as required by the Accounting Standard 17 issued by the Institute of Chartered Accountants of India, Primary format being Business segment (On the basis of nature of Business activities carried out by the Company).

(p) Earning per Share:

- i. Basic earning per share is being computed with reference to Weighted Average number of Shares based on monthly rests.
- ii. Diluted Earnings per shares is being computed based on the fully paid-up value of the shares issued.

(q) Accounting for Taxes on Income:

Provision for Current Tax is made after taking into Consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from Timing Differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or Substantially enacted as on the balance sheet date. The Deferred Tax asset is recognized and carried forward only to the extent that there is a reasonable \ virtual certainty that the asset will be realized in future.

(r) Provisions, Contingent Liabilities and Contingent Assets:

- i. A present obligation, which could be reliably estimated, is provided for in the accounts, if it is probable that an outflow of resources embodying economic benefits will be required for its settlement.
- ii. All the liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated value by way of notes in the Balance Sheet.
- iii. Contingent Assets are neither recognised nor disclosed.

(s) Sundry Debtors / Loans and Advances:

Sundry Debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

(t) Expenditure:

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

For **N.C.RAJAGOPAL & CO.,**
Chartered Accountants

SKM. MAEILANANDHAN
Executive Chairman

SKM. SHREE SHIVKUMAR
Managing Director

N.C. SAMPATH
Membership No.009592.
Partner

S. RAGHURAMAN
General Manager - Finance
Company Secretary

Place : Erode

Date : 30.07.2010

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT RELATING TO SUBSIDIARY COMPANY

1. Name of the Subsidiary Company : SKM Europe B.V.

2. Statement of holding Company's
Interest in subsidiary company : As on March,31,2010
As on 31.03. 10
15,300 shares of Euro 1 each : Rs. 8,32,779/-

3. Financial year of the Subsidiary company : Period ended March 31, 2010

4. Net aggregate amount of Profit/ Loss
of the subsidiary as far as it concerns
the holding company

(a) Dealt with the accounts of SKM Egg
Products Export (India) Limited by way
of dividend on the shares held in the : Nil
Subsidiary for the period ending
March,31,2009

(b) Not dealt within the accounts of SKM
Egg Products Export (India) Limited

For the period ended March 31, 2010 : Profit of Rs. 2.31 lakhs

For the previous financial years : Loss of Rs. 26.02 lakhs

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Additional Information as per part IV, Schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Rs.in Thousands)

| | | |
|------|---|------------|
| I. | Registration Details | |
| | Registration No. | 181-6025 |
| | State Code No. | 18 |
| | Balance Sheet Date | 31.03.2010 |
| II. | Capital Raised during the year | |
| | Public Issue | Nil |
| | Rights Issue | Nil |
| | Bonus Issue | Nil |
| | Private Placement | Nil |
| III. | Position of Mobilisation and Deployment of Funds | |
| | Total Liabilities | 15,54,178 |
| | Total Assets | 15,54,178 |
| | Source of Funds | |
| | Paid up Capital | 2,63,300 |
| | Reserves and Surplus | 3,18,032 |
| | Share application money | — |
| | Secured Loans | 8,29,997 |
| | Unsecured Loans | 33,979 |
| | Deferred Tax Liability | 1,08,870 |
| | Application of Funds | |
| | Net Fixed Assets | 10,65,733 |
| | Investments | 833 |
| | Current Assets | 4,87,612 |
| | Misc.Expenditure (not written off) | — |
| | Accumulated Loss | — |
| IV. | Performance of the Company | |
| | Turnover including Other Income | 12,99,505 |
| | Total Expenditure | 12,96,548 |
| | Profit Before Tax | 2,957 |
| | Profit After Tax | 9,452 |
| | Earning Per Share (in Rupees) | 0.04 |
| | Dividend Rate % | — |
| V. | Generic names of three Principal Products of the Company | |
| | Item Code No. | 4081100 |
| | Product Description | Egg Powder |

For and on behalf of the Board

SKM. MAEILANANDHAN
Executive Chairman

SKM. SHREE SHIVKUMAR
Managing Director

Place : Erode
Date : 30.07.2010

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 01.04.2009 TO 31.03.2010

(Rs. in Lacs)

| Particulars | 2009-10 | | 2008-09 | |
|---|-----------|-------------------|----------|-------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD) | | | | |
| Profit Before Tax | | 29.57 | | 1,194.99 |
| Adjustments for : | | -- | | -- |
| Depreciation | 531.88 | | 418.09 | |
| (Profit) / Loss on Sale of Fixed Assets | 5.80 | | 1.35 | |
| Loss on sale of Import Licence | -- | | 41.56 | |
| Interest Expenses | 435.27 | | 184.68 | |
| Interest and Dividend | (30.01) | 942.94 | (41.27) | 604.41 |
| Operating Profit before Working Capital Changes | | 972.51 | | 1,799.41 |
| Adjustments for : | | | | |
| Increase / (Decrease) in Trade and other Receivable | (226.67) | | (454.60) | |
| Increase / (Decrease) in Inventories | (1162.92) | | (682.72) | |
| (Increase) / Decrease in Trade and other payables | (230.87) | (1158.72) | 459.34 | (677.97) |
| Cash generated from operations | -- | (186.21) | -- | 1,121.43 |
| Interest paid | -- | -- | -- | -- |
| Gratuity Liability | | -- | | -- |
| Direct Taxes paid | | (79.85) | | (83.57) |
| Cash Flow before Extra-ordinary Items | | (266.06) | | 1037.84 |
| Extraordinary items - Reversal of Duty Draw Back Provision | | -- | | 199.41 |
| Net Cash Flow from Operating Activities | | (266.06) | | 1237.25 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Increase in fixed assets | | (2,779.24) | | (3,233.17) |
| Proceeds from realisation of Investments | | 39.60 | | 200.00 |
| Sale of Fixed Assets and subsidy received | | 0.93 | | 0.61 |
| Interest and Dividend received | | 30.01 | | 41.27 |
| Net Cash (used in) received from Investing Activities | | (2,708.70) | | (2,991.29) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Interest paid for Term Loan | | (435.27) | | (184.68) |
| Increase in Bank Borrowings | | 3,631.94 | | 2,021.80 |
| Dividend paid | | (154.02) | | (154.02) |
| Net cash (used in) received from Financing Activities | | 3,042.65 | | 1,683.10 |
| Net increase / (Decrease) in cash and cash equivalents | | 67.89 | | (70.94) |
| Opening Cash and Cash equivalents | | 153.78 | | 224.72 |
| Closing Cash and Cash equivalents | | 221.67 | | 153.78 |

For and on behalf of the Board

SKM.MAEILANANDHAN
Executive Chairman

SKM. SHREE SHIVKUMAR
Managing Director

S. RAGHURAMAN
General Manager Finance & Company Secretary

AUDITORS' CERTIFICATE

We have examined the Cash Flow Statement of M/s. SKM Egg Products Export (India) Limited for the year ended 31st March 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 30.07.2010 to the Members of the Company.

For N.C.RAJAGOPAL & CO.,
Chartered Accountants

Place : Erode

Date : 30.07.2010

N.C.SAMPATH
Partner
Membership No. 009592

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENT OF SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

We have audited the attached Consolidated Balance Sheet of SKM EGG PRODUCTS EXPORT (INDIA) LIMITED (the Company) and its Subsidiary SKM Europe BV of the Netherlands, (Collectively called SKM Group) as at 31st March 2010, and the consolidated Profit and Loss Account and the consolidated 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary whose financial statements and other financial information has been compiled by other auditors whose report has been furnished to us and our opinion is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India :-

- i. In the case of the consolidated Profit and Loss Account, of the Profit of the SKM Group for the year ended on the date.
- ii. In the case of the consolidated Balance Sheet, of the state of affairs of the SKM Group as at 31st March 2010.
- iii. In the case of consolidated cash flow statement, of the cash flows of the SKM Group for the year ended on that date.

For **N.C. RAJAGOPAL & CO.,**
Chartered Accountants,

N.C. SAMPATH,
(PARTNER)
Membership No.009592.

Place : Erode

Date : 30.07.2010

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2010

(Amount in Rs.)

| Particulars | Schedule | 2009-2010 | 2008-2009 |
|---|----------|----------------------|----------------------|
| <u>SOURCE OF FUNDS</u> | | | |
| Share Capital | A | 263,300,000 | 263,300,000 |
| Reserves & Surplus | B | 317,888,149 | 308,205,444 |
| Deferred Tax Liability | | 108,870,853 | 91,440,418 |
| Loans | C | | |
| Secured | | 829,997,305 | 466,891,659 |
| Unsecured | | 33,978,604 | 33,889,357 |
| Translation Reserve | | 2,776,889 | 1,773,912 |
| Minority Interest | D | 1,21,612 | 80,831 |
| | | 1,556,933,412 | 1,165,581,621 |
| <u>APPLICATION OF FUNDS</u> | | | |
| <u>Fixed Assets</u> | | | |
| Gross Block | E | 1,375,785,281 | 1,097,954,278 |
| Less : Accumulated Depreciation | | 310,023,583 | 256,938,634 |
| Net Block | | 1,065,761,698 | 841,015,644 |
| <u>Investment</u> | | | |
| <u>Current Assets, Loans and Advances:</u> | | | |
| Inventories | F | 333,872,258 | 207,076,375 |
| Sundry Debtors | G | 167,113,117 | 94,019,996 |
| Cash & Bank Balance | H | 35,656,107 | 33,360,370 |
| Loans & Advances | I | 157,441,317 | 177,824,308 |
| | | 694,082,799 | 512,281,048 |
| Less: Current Liabilities and Provisions | | | |
| Current Liabilities | J | 202,169,085 | 187,715,071 |
| Provisions | K | 7,42,000 | |
| | | 202,911,085 | 187,715,071 |
| Net Current Assets | | 491,171,714 | 324,565,977 |
| Notes on Accounts | S | 1,556,933,412 | 1,165,581,621 |

1. Significant Accounting Policies S1 to S3.
2. Notes to the Accounts (Schedule S) Form part of this Consolidated Balance Sheet.
3. This is the Consolidated Balance Sheet referred to in our report of even date.

For **N.C.RAJAGOPAL & CO.**,
Chartered Accountants
N.C. SAMPATH
Partner
Membership No. 009592

SKM. MAEILANANDHAN
Executive Chairman

For and on behalf of the Board
SKM. SHREE SHIVKUMAR
Managing Director

S. RAGHURAMAN
General Manager-Finance &
Company Secretary

Place : Erode
Date : 30.07.2010

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH,2010

(Amount in Rs.)

| Particulars | Schedule | As at 31.03.10 | As at 31.03.09 |
|--|----------|----------------------|----------------------|
| INCOME | | | |
| Sales | L | 1,189,067,064 | 1,295,975,063 |
| Other Income | L | 62,815,825 | 66,602,856 |
| Increase in Stock | M | 116,250,546 | 61,991,435 |
| Total | | 1,368,133,435 | 1,424,569,354 |
| EXPENDITURE | | | |
| Purchases and Manufacturing Expenses | N | 1,037,546,619 | 888,873,964 |
| Employees' Cost | O | 66,469,146 | 59,784,031 |
| Administration & Other Expenses | P | 108,098,243 | 236,131,436 |
| Marketing Expenses | Q | 18,203,403 | 27,319,338 |
| Sub total | | 1,230,317,411 | 1,212,108,769 |
| Profit / (Loss) Before Interest & Depreciation | | 137,816,024 | 212,460,585 |
| Interest & Financial charges | R | 81,396,863 | 54,213,380 |
| Profit / (Loss) After Interest | | 56,419,161 | 158,247,205 |
| Depreciation | E | 53,190,285 | 41,810,968 |
| Profit / (Loss) after Interest & Depreciation | | 3,228,877 | 116,436,238 |
| Provision for Income Tax | | -- | 15,000,000 |
| Current Year | | 7,42,000 | |
| Less : MAT Credit Entitlement | | 7,42,000 | |
| Provision for FBT | | -- | 574,925 |
| Provision for Deferred Tax | | 17,430,435 | 39,508,541 |
| Add : Earlier years MAT Provision Trd.to MAT Credit Entitlement | | 23,925,044 | -- |
| Profit / (Loss) after income Tax and available for appropriations | | 9,723,486 | 61,352,772 |
| Add (+) / Less (-) Minority Interest | | (40,781) | 459,434 |
| Less : Appropriations | | | |
| a. Provision for Proposed Dividend | | -- | 13,165,000 |
| b. Provision for Corporate Dividend Tax | | -- | 2,237,392 |
| | | -- | 15,402,392 |
| Balance Carried to Balance Sheet | | 9,682,705 | 46,409,814 |
| Earnings Per Share - Basic | | 0.37 | 2.33 |
| Earnings Per Share - Diluted | | 0.37 | 2.33 |
| Notes on Accounts | S | | |

1. Significant Accounting Policies S1 to S3.
2. Notes to the Accounts (Schedule S) Form part of this Consolidated Profit and Loss Account.
3. This is the Consolidated Profit and Loss Account referred to in our report of even date.

For **N.C.RAJAGOPAL & CO.,**
Chartered Accountants

N.C. SAMPATH

Partner

Membership No. 009592

Place : Erode

Date : 30.07.2010

SKM. MAEILANANDHAN
Executive Chairman

For and on behalf of the Board
SKM. SHREE SHIVKUMAR
Managing Director

S. RAGHURAMAN
General Manager-Finance &
Company Secretary

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET 2009-10

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|---------------------|---------------------|
| SCHEDULE - A - SHARE CAPITAL | | |
| Authorised Capital: | | |
| 3,00,00,000 Equity Shares of Rs. 10/- Each | 30,00,00,000 | 30,00,00,000 |
| Issued, Subscribed & Paid-up: | | |
| 263,30,000 Equity Shares of Rs.10/- each fully paid-up | 26,33,00,000 | 26,33,00,000 |
| | 26,33,00,000 | 26,33,00,000 |
| SCHEDULE - B - Reserves & Surplus | | |
| Share Premium Account | 400,692 | 400,692 |
| General Reserve: | | |
| Revenue Reserve | 115,124 | 115,124 |
| Profit & Loss Account: | | |
| Opening Balance | 307,689,628 | 261,279,814 |
| Less: Provision for Grauity for earlier years | - | |
| Less: Deferred Tax Liability for Earlier Years | | |
| Add: Current Year Balance after appropriation | 9,682,705 | 46,409,814 |
| Closing Balance | 317,372,333 | 307,689,628 |
| | 317,888,149 | 308,205,444 |
| SCHEDULE - C - LOANS | | |
| a. Secured | | |
| i) Working Capital Finance From | | |
| a. State Bank of India Commercial Branch, Erode | 306,089,614 | 203,173,944 |
| b. ICICI bank Ltd * | 100,000,000 | |
| Corporate Foreign Currency Term Loan | - | 2,786,850 |
| ii) ICICI Bank, Term Loan | - | 1,049,951 |
| iii) SBI Bank, Term Loan | 4,21,641,786 | 256,821,794 |
| iv) Kotak Mahindra (Vehicle Loan) | 259,579 | 482,083 |
| v) Corporation Bank (Vehicle Loan) | 1,631,326 | 1,897,870 |
| vi) Reliance | 375,000 | 679,167 |
| b. Unsecured | | |
| Loan from Managing Director | 9,089,357 | 33,889,357 |
| SKM Universal Marketing Company (I) Ltd | 24,889,247 | - |
| | 863,975,909 | 500,781,016 |
| WORKING CAPITAL FINANCE AND CORPORATE LOAN ARE SECURED BY : | | |
| a) Hypothecation of stocks consisting of Rawmaterials, semi finished goods, finished goods and stores and spares and other current assets of the company. | | |
| b) First charge on the entire fixed assets of the company. | | |
| c) Personal guarantees of Executive chairman and Managing director. | | |
| *d) Pledge of shares of the company held by the Managing Director. | | |
| SCHEDULE - D - MINORITY INTEREST | | |
| Share Capital | 146,961 | 146,961 |
| Profit | (25,349) | (66,130) |
| | 121,612 | 80,831 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED, ERODE.

DEPRECIATION FOR 2009-2010 (A.Y. 2010-11)

SCHEDULE - E FIXED ASSETS

| Description | Gross Block | | | | Depreciation | | | | Net Block | |
|--------------------------|----------------------|---------------------------|--|----------------------|-------------------------------|------------------------------|---|------------------------------------|----------------------|--------------------|
| | As at 31.03.2009 | Additions During the year | Adjustment/ Deductions During the Year | As on 31.03.2010 | Depreciation up to 31.03.2009 | Depreciation During the Year | Adjustment / Deductions During the Year | Total Depreciation Upto March 2010 | As at 31.03.2010 | As on 31.03.2009 |
| Land | 54,457,149 | 4,543,592 | 3,510,306 | 55,490,435 | - | - | - | - | 55,490,435 | 54,457,149 |
| Building | 276,418,310 | 93,408,342 | - | 369,826,652 | 33,924,867 | 11,358,034 | 90,562 | 45,192,339 | 324,634,313 | 242,493,443 |
| Plant & Machinery | 537,508,337 | 109,670,426 | 1,022,378 | 646,156,385 | 200,437,103 | 35,458,693 | - | 235,895,796 | 410,260,589 | 337,133,855 |
| Office & Other Equipment | 40,830,879 | 777,583 | - | 41,608,462 | 11,254,932 | 2,525,676 | - | 13,780,608 | 27,827,854 | 29,575,947 |
| Computers | 8,079,305 | 1,980,916 | - | 10,060,221 | 5,062,614 | 1,454,081 | - | 6,516,695 | 3,543,526 | 3,016,691 |
| Furniture & Fixtures | 5,416,698 | 22,635 | - | 5,439,333 | 2,815,422 | 347,813 | - | 3,163,235 | 2,276,098 | 2,601,276 |
| Motor Vehicles | 20,415,753 | 761,952 | 373,075 | 20,804,630 | 3,443,699 | 2,045,987 | 14,774 | 5,474,912 | 15,329,718 | 16,973,771 |
| Work In Progress | 147,434,242 | 246,144,711 | 175,060,150 | 218,518,803 | - | - | - | - | 218,518,803 | 147,369,905 |
| GROSS TOTAL | 1,090,560,673 | 457,310,157 | 179,965,909 | 1,367,904,921 | 256,938,636 | 53,190,284 | 105,336 | 310,023,584 | 1,057,881,337 | 833,622,038 |
| PREVIOUS YEAR | 771,448,516 | 352,230,012 | (33,117,855) | 1,090,560,673 | 215,080,848 | 41,810,968 | 81,856 | 256,938,634 | 833,622,039 | 556,367,668 |

| Description | Value of Live Stock as on 1.04.2009 | Accretions to the cost | Cost Amortised | Cost Unamortised | Value of Live Stock as on 31.03.2010 |
|----------------------|-------------------------------------|------------------------|--------------------|-------------------|--------------------------------------|
| Live Stock | 7,393,605 | 96,309,720 | 48,579,533 | 47,243,432 | 7,880,360 |
| GROSS TOTAL | 7,393,605 | 96,309,720 | 48,579,533 | 47,243,432 | 7,880,360 |
| PREVIOUS YEAR | 3,337,566 | 197,880,079 | 172,785,326 | 21,038,714 | 7,393,605 |

Notes :-

Figures in adjustment / deductions column for "working in progress" represents assets capitalised during the year.

Figures in adjustment / deductions column for "Land" includes inter head adjustments and land sold during the year.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|--------------------|--------------------|
| Current Assests,Loans and Advances | | |
| Schedule F -Inventories | | |
| (As Valued & Certified By the Management) | | |
| Raw Material | 19,106,760 | 14,831,448 |
| Additives, Stores, Spares and Consumables | 33,187,759 | 30,928,291 |
| Finished Goods | 242,080,713 | 136,261,000 |
| Feed & Medicines | 2,045,166 | 316,488 |
| Egg Trays | 1,783,402 | 1,478,003 |
| Plastic Crates Stock | 1,495,240 | 476,229 |
| Display Stand | 381,911 | 363,235 |
| Shrink | -- | 126,268 |
| Packing & Display Stand Sticker | 1,045,365 | 53,604 |
| Goods in Transist (Outside Europe) | -- | -- |
| Goods in Transist (within Europe) | 1,239,542 | -- |
| Egg Powder at Netherlands | 31,506,401 | 22,241,809 |
| | 333,872,258 | 207,076,375 |
| Schedule G - Sundry Debtors | | |
| Unsecured & Considered Good | | |
| Sundry Debtors - Considered Good | | |
| a) More Than Six Months | | |
| b) Others | 167,113,117 | 94,019,996 |
| | 167,113,117 | 94,019,996 |
| Schedule - H Cash and Bank Balances | | |
| i. Cash on hand | 1,335,452 | 243,143 |
| ii. In current Account with Scheduled Banks | 26,895,817 | 21,731,466 |
| III.Fixed Deposit with SBI, Commercial Branch Erode. | 7,424,838 | 11,385,761 |
| | 35,656,107 | 33,360,370 |
| Schedule - I Current Assets,Loans and Advances | | |
| i. Advances Recoverable in Cash or in kind for value to be received - unsecured and Considered Good | 64,613,533 | 90,083,898 |
| ii. Deposits - Considered Good | 11,620,281 | 5,037,848 |
| iii. MAT Credit Entitlement | 26,380,693 | 21,948,768 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|--------------------|--------------------|
| Other Current Asset : | | |
| i. Unamortised Value of Chicks | 47,243,432 | 21,038,714 |
| ii. VKUY subsidy received | - | 27,797,246 |
| iii. Pre-Operative Expenses | - | 11,917,834 |
| iv. Licence - Focus Products Scheme Receivable | 2,300,000 | |
| v. Duty Drawback (Eggs) Receivables | 5,283,378 | |
| | 157,441,317 | 177,824,308 |
| Schedule J-Current Liabilities and Provisions | | |
| i) Trade Creditors * | 4,463,872 | 93,881,229 |
| (Refer note 3 in Schedule S) | - | - |
| ii) Creditors For Expenses & Others | 180,142,252 | 4,689,827 |
| iii) Unpaid Dividend | 2,959,434 | 2,312,842 |
| iv) Advance from debtors | 1,597,052 | |
| Goods in Transit (Outside Europe) | - | 820,466 |
| Goods in Transit (within Europe) | - | 10,843,782 |
| iv. Liability for Expenses | | |
| Earned Leave Encashment Payable | 1,768,122 | 1,951,935 |
| Sales Commission Payable | 1,956,839 | 8,340,110 |
| Other Expenses Payable | 6,032,848 | 13,262,108 |
| Bonus Payable | 2,555,000 | 2,000,000 |
| Egg Yolk Powder Short Supply Payable | - | 1,156,490 |
| Net Gratuity obligation | 693,666 | 769,906 |
| | 202,169,085 | 140,028,694 |
| Provisions | | |
| 1. Provision for Income tax - Minimum Alternative Tax | 742,000 | 28,597,038 |
| 2. Provision for Proposed Dividend | - | 13,165,000 |
| 3. Provision for Corporate Dividend Tax | - | 2,237,392 |
| 4. Provision for Fringe Benefit Tax | - | 1,958,948 |
| 5. Provision for Genshed Tax | - | 1,728,000 |
| | 742,000 | 47,686,378 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED
SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|----------------------|----------------------|
| SCHEDULE -L—Sales & Other Income | | |
| Export Sales | 1,085,114,395 | 1,217,274,375 |
| Domestic Sales | 103,952,669 | 78,700,688 |
| Sales | 1,189,067,064 | 1,295,975,063 |
| Sale of Shell Egg & Scrap | 4,764,095 | 989,928 |
| Interest Receipts | 1,790,687 | 3,014,526 |
| Vishesh Krishi Upaj Yojana - Subsidy | 18,294,529 | 47,901,224 |
| Egg Drawback | 27,962,791 | |
| Miscellaneous Income | 7,703,723 | 58,003 |
| Focus Products Scheme | 2,300,000 | |
| Prior Period Item | - | 14,639,175 |
| Other Income | 62,815,825 | 66,602,856 |
| SCHEDULE M (Increase)/Decrease in Stock | | |
| Opening Stock - Finished goods | 136,261,000 | 131,866,634 |
| Semi Finished Goods | | |
| Add:Egg Powder Purchase | | |
| Closing Stock - Finished goods | 252,511,546 | 193,858,069 |
| Semi Finished Goods | | |
| Increase / (Decrease) in Stock | 116,250,546 | 61,991,435 |
| SCHEDULE - N -PURCHASES AND MANUFACTURING EXPENSES | | |
| Raw Material- Eggs Consumed | 774,655,953 | 358,575,814 |
| Other Purchases | 1,257,639 | 569,569 |
| Egg Powder Purchases | 29,762,764 | 47,029,750 |
| Import Duty | 7,763,341 | 9,887,323 |
| Customs Clearance & Other Expenses | -- | 14,562,225 |
| Egg Purchases | 14,955,982 | 162,087,522 |
| Transport Charges | 5,020,206 | 985,815 |
| Amortised Value of Birds | 48,579,533 | 172,785,326 |
| Feed & Maize Consumption | 47,959 | 162,505 |
| Vaccine & Medicine Consumption | 776,700 | -- |
| Packing Material - Consumed | 23,833,987 | 18,876,710 |
| Power & Fuel | 70,158,637 | 68,501,608 |
| Transport Hire & Cooli | 1,504,992 | 1,304,463 |
| Additives & Consumables | 45,441,041 | 33,132,826 |
| Egg Stand | 2,622,649 | 335,017 |
| Charged Cost & Other Cost | 10,536,182 | -- |
| Egg Paper Tray | 629,053 | 77,490 |
| | 1,037,546,619 | 888,873,964 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|---|-------------------|-------------------|
| SCHEDULE - O - EMPLOYEES' COST | | |
| Salaries & Wages | 40,290,086 | 39,473,099 |
| PF Contribution | 2,115,647 | 1,952,078 |
| Contractors' Payment | 20,928,552 | 15,980,886 |
| Grauity Expenses | 391,427 | 202,582 |
| Welfare Expenses | 2,743,434 | 2,175,386 |
| | 66,469,146 | 59,784,031 |
| SCHEDULE - P- Other Expenses | | |
| Repairs & Maintenance | | |
| a) Building | 5,272,748 | 4,525,879 |
| b) Plant & Machinery | 9,194,693 | 12,053,730 |
| d) Fly Control Expenses | 1,684,955 | 13,603,040 |
| c) Others | 7,448,496 | 6,670,093 |
| d) Vehicle | 8,418,627 | 7,356,315 |
| | 32,019,519 | 44,209,057 |
| Stores & Spares Consumption | 9,260,683 | 21,819,810 |
| Analysing Charges | 3,630,236 | 6,520,841 |
| Rent, Rates and Taxes | 3,617,408 | 2,729,196 |
| Postage, Courier & Telephone Charges | 3,428,742 | 3,054,638 |
| Printing & Stationery | 1,422,508 | 1,006,007 |
| Insurance Premium | 2,033,850 | 1,910,250 |
| Advertisement and Publicity | 3,639,318 | 7,609,272 |
| Travelling Expenses | 4,057,868 | 5,480,928 |
| Freight, Insurance and Forwarding Charges | 27,296,430 | 28,510,936 |
| Professional Charges | 2,821,855 | 3,102,325 |
| ISO / HACCP-expenses. | 250,435 | 158,726 |
| Stock Exchange Listing Fee | 219,335 | 169,042 |
| Miscellaneous Expenses | 2,967,611 | 798,759 |
| Audit Fees | 891,882 | 737,074 |
| Donation | 2,939,605 | 2,829,539 |
| Foreign Exchange Fluctuation | 5,684,817 | 79,977,926 |
| Loss on Sale of Assets | 580,122 | 134,507 |
| Loss on sale of Import Licence | - | 4,156,274 |
| Registration and Renewal | 404,453 | 168,522 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--|--------------------|--------------------|
| Annual General Meeting Expenses | 394,277 | 366,320 |
| Directors' Sitting Fee | 13,000 | 27,000 |
| Subscription | 241,399 | 209,060 |
| Inauguration - Best Eggs | 282,890 | 504,428 |
| Extra Ordinary Item | - | 19,941,000 |
| | 76,078,724 | 191,922,380 |
| | 108,098,243 | 236,131,436 |
| SCHEDULE - Q -MARKETING EXPENSES | | |
| Foreign Trip Expenses | 1,979,559 | 3,463,515 |
| Sales Commission to Foreign Collaborator & Others | 13,594,829 | 21,660,340 |
| Foreign Exhibition Expenses | 1,145,430 | 495,016 |
| Sales Promotional Expenses | 1,283,816 | 1,562,152 |
| Foreign Delegates Expenses | 199,769 | 138,315 |
| | 18,203,403 | 27,319,338 |
| SCHEDULE - R - Interest & Financial Charges | | |
| Working Capital Loan Interest | 12,666,095 | 14,967,969 |
| Bank Charges & ECGC Charges | 10,305,746 | 7,000,055 |
| Export Bills Discount Interest | 3,197,617 | 4,456,322 |
| Export Bills Overdue Interest | 1,130,989 | 1,507,167 |
| Interest Paid - Others | 219,492 | 543,652 |
| Bill Discount & Collection Charges | 747,398 | 2,083,985 |
| SBI- Term Loan Interest | 30,382,760 | 15,862,096 |
| Interest paid Preshipment | 9,601,572 | 5,143,948 |
| Interest paid on ICICI Loan | 10,559,578 | 2,589,878 |
| Interest paid to Managing Director | 2,585,616 | 16,301 |
| Interest Paid Centurian Bank | - | 42,007 |
| | 81,396,863 | 54,213,380 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

Schedule T

NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENT

1. The consolidated statement has been prepared to include the results of "SKM Europe BV", Utrecht, The Netherlands, the Subsidiary of the company in which the company holds 85% of the Share Capital of the Subsidiary Company.
2. **Contingent Liabilities:**
 - a. Export Bills discounted with the State Bank of India, Commercial Branch, Erode Rs. 732.54 Lacs (Excluding the bills of the Subsidiary company) (Previous year Rs. 733.95 Lacs).
 - b. Income Tax Liability Rs.43.76
 - c. Service Tax Liability Rs.34.21 Lacs
 - d. Excise Duty Liability Rs.4.20 Lacs

Significant Accounting Policies:

1. Basis of Preparation:

The Consolidated Financial statements of SKM Egg Products Export (India) Limited and its Subsidiary are prepared under the historical cost convention and in accordance with the according standards issued by the "The Institute of Chartered Accountants of India".
2. Principles of Consolidation:
 - a. The Financial Statements of the Subsidiary Company used in the Consolidation are drawn up to the same reporting date as on the company.
 - b. The Consolidated financial statement have been prepared on the following basis:
 - i. The financial statement of the present company and its majority owned and controlled subsidiary company have been combined on the line basis by adding together the book value of all items of Assets, Liabilities, Income and Expenses after eliminating inter – company balances / transactions and unrealized gain / loss.
 - ii. Interest in a jointly control entity is reported using proportionate consolidation.
 - iii. The consolidated financial statements are prepared using uniform accounting polices for similar transactions and other events in similar circumstances.
 - iv. Minority interest in the net assets of the consolidated subsidiary, consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the company in the subsidiary company and further movements in their share in the equity, subsequent to the date of the investments.

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

3. Use of Estimates:

Preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosures of the Contingent assets and liabilities on the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Other accounting policies applicable for the holding company are equally applicable for the consolidated financial statements wherever relevant.

Earning Per Share:

| Particulars | 2009 – 10 | 2008 - 09 |
|---------------------------------|----------------|-----------------|
| 1. Profit after Tax | Rs. 96.83 Lacs | Rs. 618.12 Lacs |
| 2. Weight Average No. of Shares | 2,63,30,000 | 2,63,30,000 |
| 3. Earning Per Share | Rs. 0.37 | Rs. 2.35 |

For **N.C.RAJAGOPAL & CO.,**
Chartered Accountants

Place : Erode

Date : 30.07.2010

N.C. SAMPATH,
(PARTNER)
Membership No. 009592

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 01.04.2009 TO 31.03.2010

(Rs. in Lacs)

| Particulars | 2009-10 | | 2008-09 | |
|---|-----------|-------------------|-----------|-------------------|
| | | | | |
| A. CASH FLOW FROM OPERATING ACTIVITIES (INDIRECT METHOD) | | | | |
| Profit Before Tax | | 32.28 | | 1,164.36 |
| Adjustments for : | | -- | | -- |
| Depreciation | 531.90 | | 418.11 | |
| (Profit) / Loss on Sale of Fixed Assets | 5.80 | | 1.35 | |
| Loss on sale of Import Licence | -- | | 41.56 | |
| Interest Expenses | 435.27 | | 184.68 | |
| Interest and Dividend Income | (30.01) | 1002.98 | (30.15) | 615.55 |
| Operating Profit before Working Capital Changes | | 1035.26 | | 1,779.91 |
| Adjustments for : | | | | |
| Increase / (Decrease) in Trade and other Receivable | (521.16) | | (1319.68) | |
| Increase / (Decrease) in Inventories | (1267.96) | | (406.85) | |
| (Increase) / Decrease in Trade and other payables | 621.40 | (1167.72) | 1065.44 | (661.09) |
| Cash generated from operations | -- | (132.46) | -- | 1,118.82 |
| Interest paid | -- | -- | -- | -- |
| Gratuity Liability | | -- | | -- |
| Direct Taxes provided | | (79.85) | | (86.11) |
| Cash Flow before Extra-ordinary Items | | (212.31) | | 1032.71 |
| Extraordinary items - Reversal of Duty Draw Back Provision | | -- | | 199.41 |
| Net Cash Flow from Operating Activities | | 212.31 | | 1232.12 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Increase in fixed assets | | (2,778.31) | | (3,233.17) |
| Proceeds from realisation of Investments | | 39.60 | | 200.00 |
| Sale of Fixed Assets and subsidy received | | 0.93 | | 0.61 |
| Interest and Dividend received | | (30.01) | | 30.15 |
| Net Cash (used in) received from Investing Activities | | (2,767.79) | | (3,002.41) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Interest paid for Term Loan | | (435.27) | | (186.68) |
| Increase in Bank Borrowings | | 3,631.94 | | 2,023.80 |
| Dividend paid | | (154.02) | | (154.02) |
| Net cash (used in) received from Financing Activities | | 3,042.65 | | 1,683.10 |
| Net increase / (Decrease) in cash and cash equivalents | | 62.55 | | (87.19) |
| Opening Cash and Cash equivalents | | 219.75 | | 306.94 |
| Closing Cash and Cash equivalents | | 282.30 | | 219.75 |

For and on behalf of the Board

SKM.MAEILANANDHAN
Executive Chairman

SKM. SHREE SHIVKUMAR
Managing Director

S. RAGHURAMAN
General Manager Finance & Company Secretary

AUDITORS' CERTIFICATE

We have examined the Cash Flow Statement of M/s. SKM Egg Products Export (India) Limited for the year ended 31st March 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and is based on and is in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated 30.07.2010 to the Members of the Company.

For N.C.RAJAGOPAL & CO.,
Chartered Accountants

Place : Erode

Date : 30.07.2010

N.C.SAMPATH
Partner
Membership No. 009592

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED

SKM EUROPE BV - UTRECHT
Balance Sheet As at 31st. March,2010

(Amount in Rs.)

| Particulars | Schedule | As at 31.03.2010 | | As at 31.03.2009 | |
|--|----------|------------------|--------------------|------------------|-------------------|
| <u>SOURCE OF FUNDS</u> | | | | | |
| Authorised Capital 90,000 shares of Euro 1 Each | A | Euro 90000 | | Euro 90000 | |
| Paidup Share Capital 18,000 shares of Euro 1 Each | | | 9,79,740 | | 9,79,740 |
| Reserves & Surplus | B | | (168,999) | | (440,870) |
| Secured Loans (From the Holding Company) | C | | 16,912,558 | | 16,912,558 |
| Translation Reserve | | | 2,776,889 | | 1,773,912 |
| | | | 20,500,187 | | 19,225,340 |
| <u>APPLICATION OF FUNDS</u> | | | | | |
| <u>Fixed Assets</u> | | | | | |
| Gross Block | | 34,012 | | 34,012 | |
| Less: Accumulated Depreciation | | 5,790 | | 4,174 | |
| Net Block | | | 28,222 | | 29,838 |
| <u>Current Assets, Loans and Advances</u> | | | | | |
| Inventories | D | | 31,506,401 | | 22,241,809 |
| Sundry Debtors | E | | 92,793,764 | | 56,847,287 |
| Cash and Bank Balances | F | | 6,063,139 | | 6,596,589 |
| Loans and Advances | G | | 59,640,684 | | 29,372,384 |
| Total Current Assets | | | 190,003,987 | | 115,058,068 |
| Less: Current Liabilities and Provisions | H | | 169,532,023 | | 95,862,566 |
| Net Current Assets | | | 20,471,964 | | 19,195,502 |
| | | | 20,500,187 | | 19,225,340 |

SKM. SHREE SHIVKUMAR
 Director

For and on behalf of the Board
B.KLAWER
 Director

Place : Erode

Date : 30.07.2010

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED**SKM EUROPE BV - UTRECHT****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st. MARCH, 2010**

(Amount in Rs.)

| Particulars | Schedule | Year ended 31.03.2010 | Year ended 31.03.2009 |
|---|----------|--------------------------|--------------------------|
| <u>INCOME</u> | | | |
| Sales | I | 548,050,152 | 598,013,316 |
| Other Income | I | 7,851,843 | 2,525,480 |
| Increase & Decrease in Stock | J | 9,264,536 | 7,768,435 |
| Total Income | | 565,166,531 | 608,307,231 |
| <u>EXPENDITURE</u> | | | |
| Purchases and other Expenses | K | 548,200,460 | 597,293,662 |
| Employees Cost | | - | 515,713 |
| Administrive Expenses | L | 3,193,454 | 1,511,718 |
| Marketing Expenses | M | 12,075,560 | 10,754,838 |
| Sub total | | 563,469,474 | 610,075,991 |
| Profit / (Loss) Before Interest & Depreciation | | 1,697,057 | (17,68,760) |
| Interest & Financial charges | N | 1,423,569 | 12,92,519 |
| Profit / (Loss) After Interest | | 273,488 | (3,061,279) |
| Depreciation | | 1,616 | 1,616 |
| Net Profit | | 271,872 | (3,062,895) |

For and on behalf of the Board

SKM.SHREE SHIVKUAMR
Director**B.KLAWER**
Director

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED
**CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET
AND PROFIT AND LOSS ACCOUNT**

(Amount in Rs.)

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--|--------------------|-------------------|
| Schedule - A - Share Capital | | |
| 90,000 Shares of Euro 1 each | 4,898,700 | 4,898,700 |
| Paid up Share capital | | |
| 18000 Shares of Euro 1 each | 979,740 | 979,740 |
| | 5,878,440 | 5,878,440 |
| Schedule - B - Reserves and Surplus | | |
| Profit & Loss Account | (440,870) | 2,622,024 |
| Add Current year Balance After appropriation | 271,871 | (3,062,894) |
| | (168,999) | (440,870) |
| Schedule - C : Secured Loans | | |
| Term Loan from SKM Egg Products Export (India) Limited | 16,912,558 | 16,912,558 |
| Current Assets, Loans and Advances | | |
| Schedule - D : Inventories (As Valued & Certified by the Management) | | |
| Egg Powder | 31,506,401 | 22,241,809 |
| Schedule - E - Sundry Debtors | | |
| Unsecured and Considered Good | | |
| a) More than Six Months | 92,793,764 | 56,847,287 |
| b) Others | | |
| Schedule - F - Cash and Bank Balances | | |
| Cash Balances | - | - |
| in Current Account with Banks | 6,063,139 | 6,596,589 |
| | 6,063,139 | 6,596,589 |
| Schedule - G - Current Assets, Loans and Advances : | | |
| Advance recoverable in Cash or in Kind for Value to be received - Unsecured and Considered Good | 546,857 | 5,823,790 |
| Corporate Tax | 380,922 | 253,950 |
| Goods in Transit | 58,712,905 | 22,839,449 |
| VAT to be received back | - | 455,195 |
| | 59,640,684 | 29,372,384 |
| Schedule - H - Current Liabilities and Provisions : | | |
| i) Trade Creditors | 154,536,226 | 85,220,940 |
| ii) Creditors For Expenses & Others | 972,351 | 1,038,906 |
| VAT Payable | 359,060 | - |
| Others | 4,031,454 | - |
| Provisions : | | |
| Provisions for Expenses | 3,858,162 | 3,956,714 |
| Provisions for Commission | 5,774,770 | 5,646,006 |
| | 169,532,023 | 95,862,566 |

SKM EGG PRODUCTS EXPORT (INDIA) LIMITED
SKM EUROPE BV- SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

| Particulars | As at 31.03.2010 | As at 31.03.2009 |
|--|--------------------|--------------------|
| Schedule - I - Sales & Other Income | | |
| Egg Powder Sales | 548,050,152 | 598,013,316 |
| | 548,050,152 | 598,013,316 |
| Other Income | | |
| Prior Period Items | - | 2,525,480 |
| Reimbursement of Expenses | 6,736,886 | - |
| Fluctuation Income | 209,163 | - |
| Insurance Claim Received | 905,794 | - |
| | 7,851,843 | 2,525,480 |
| Schedule - J - Increase / (Decrease) in Stock | | |
| Opening Stock - Finished Goods | 57,597,069 | 49,828,634 |
| Closing Stock - Finished Goods | 66,861,605 | 57,597,069 |
| | 9,264,536 | 7,768,435 |
| Schedule - K - Purchase and other Expenses: | | |
| Purchase of Egg Powder | 524,880,731 | 571,288,729 |
| Import Duty | 7,763,341 | 9,887,323 |
| Transport Costs to Customer | 3,196,095 | 9,85,815 |
| Custom Clearing Charges | 11,001,686 | 14,562,225 |
| Other Purchases | 1,358,608 | 569,569 |
| | 548,200,460 | 597,293,662 |
| Schedule - L - Administration and Other Expenses: | | |
| Postage | 528,908 | 225,053 |
| Subscriptions | 108,753 | 98,428 |
| Travel and Accommodation | 21,403 | 78,352 |
| Auditors Fee | 288,382 | 319,574 |
| Lawyer and Advice costs | 26,772 | - |
| Bookkeeping | 401,080 | - |
| Insurances | 264,020 | 71,534 |
| Other General Costs | 89,445 | - |
| Godown Rent | 1,247,886 | 648,218 |
| Plastic Pallets GC Hahn | 216,855 | - |
| Fluctuation Difference | - | 70,121 |
| Miscellaneous Expenses | - | 499 |
| | 3,193,454 | 1,511,779 |
| Schedule - M - Marketing Expenses: | | |
| Exhibition Costs | 135,915 | - |
| Advertising and Publicity | 16,098 | - |
| Sales Commission | 11,923,547 | 10,754,838 |
| | 12,075,560 | 10,754,838 |
| Schedule - N - Interest and Financial Expenses: | | |
| Bank Charges | 131,739 | 180,059 |
| Other Interests | 80,716 | - |
| Interest Paid | 1,211,114 | 1,112,460 |
| | 1,423,569 | 1,292,519 |