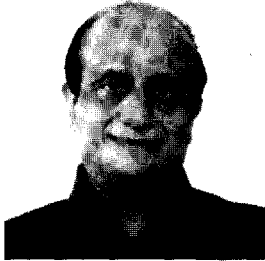


One more year of satisfying results.



ADF FOODS LTD

15TH ANNUAL REPORT 2004 - 2005



Dear Shareholders,

It has been another eventful year for your company. We have continued our exploration of new markets and opportunities. Despite ever present challenges and some unforeseen circumstances, we have managed to stay true to our business strategy and we have continued to work to our business plans. I'm happy to present another satisfying year's results. And I'm pleased to announce that this year too the board of your company has recommended a 10% dividend to the shareholders.

The unforeseen circumstances that I mentioned earlier concern our trademarks. There has been a dispute over ownership of the brand names 'Aeroplane', 'Camel', 'Ashoka' and 'Classic Ashoka' among the family members of American Dry Fruit Stores (a partnership firm), and the rights over the usage of the trademarks by your company have been contested.

This has made it necessary for your company to introduce its own brands in all its markets. Your company moved quickly to effect the changes and we have chosen the names 'Des', 'Truly Indian' and 'ADF' to replace the old brands.

We accelerated the process of producing the new packaging, and the entire product range of ADF reached shops and supermarkets in all our markets in record time. The new brands will inherit the quality and authenticity that your company has always stood for.

I believe that the new brands represent a great opportunity for your company. They are evocative and unequivocally communicate their Indian heritage. They cue authenticity and are memorable.

We are backing 'Des', 'Truly Indian' and 'ADF' with advertising and promotional support and we will ensure that they come to stand for superior Indian processed food. Our objective is to make these brands leaders in the Ethnic Indian Foods category.

There were other developments too; we added some more products in the Frozen Breads category to our already vast portfolio of products. And there are other product lines that will be introduced shortly. I'm confident that these new products will help us win more customers' hearts.

The processed foods industry is growing, and your company is ready with the products and the marketing strength to make the most of the opportunity that this growth presents.

Best Wishes,

Ramesh Thakkar

Chairman and Managing Director

**BOARD OF DIRECTORS****BOARD OF DIRECTORS**

Shri Ramesh H. Thakkar
Shri Kishore H. Thakkar

Shri Ashok H. Thakkar
Shri D. E. Udwadia
Shri Nipun C. Shah
Shri Yasir J. Varawala
Shri Vikram S. Munshi
Shri Jay M. Mehta

Shri Viren A. Merchant
Shri Bimal R. Thakkar

SENIOR MANAGEMENT

Bhavesh R. Thakkar
Nagin C. Patel

A.J. Shankar
Dilip S. Golwala

**COMPANY SECRETARY
COUNTRY MANAGER**

Shalaka Ovalekar
Steve Pezzack for UK
Vimal Bhalla for North America

AUDITORS

M/s. D. P. Ghevaria & Co.
Chartered Accountants
M/s. K. D. Godbole

SOLICITORS

Chartered Accountants
M/s. Udwadia & Udeshi
M/s. Hariani & Company

BANKERS

State Bank of Hyderabad
Bank of Baroda

REGISTERED OFFICE

State Bank of India
83/86 GIDC Industrial Estate,
Nadiad - 387 001
Gujarat.

**REGISTRAR AND SHARE
TRANSFER AGENTS**

INTIME SPECTRUM REGISTRY LIMITED
C-13 Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W)
Mumbai - 400 078

Chairman and Managing Director

Director (was designated as the Joint Managing Director
till 30th September, 2005)

Executive Director

Director

Director

Director

Director

Director

Additional Director

Executive Director

President

Vice President (Works)

Factory Manager

Finance & Accounts Manager

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15th Annual General Meeting

On Thursday, 3rd November, 2005 at 1.00 p.m.

at Sheth Khushaldas Gokaldas Patel Municipal town Hall, Nadiad - 387 001, Gujarat

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.

Shareholders are requested to kindly bring their copies to the Meeting.

ADF FOODS LTD

NOTICE OF THE 15TH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of ADF Foods Limited will be held at Sheth Khushaldas Gokaldas Patel Municipal Town Hall, Nadiad – 387 001, Gujarat on Thursday, 3rd November, 2005 at 1.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005, the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2005.
3. To appoint a director in place of Shri. Kishore Thakkar who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a director in place of Shri. Yasir Varawala who retires by rotation and being eligible offers himself for reappointment.
5. To appoint a director in place of Shri. Vikram Munshi who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Shri. Viren A. Merchant who was appointed as Additional Director of the Company by the Board of Directors at their meeting held on 9th November, 2004 and who holds office upto the commencement of this Annual General Meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a Member signifying his intention to propose him as a candidate for the office of Director of the Company, be and is hereby appointed as Director of the Company."
8. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Shri. Ramesh H Thakkar as the Managing Director of the Company for a period of three years from 1st October 2005 at the remuneration including perquisites set out in the draft Agreement to be entered into between the Company and Shri. Ramesh H Thakkar placed before this meeting and initialed by Shri Ashok H. Thakkar, a Director of the Company for purposes of identification, with authority to the Board of Directors to alter or vary the said remuneration and/or perquisites as it may deem fit and as may be acceptable to Shri. Ramesh H Thakkar within the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT where in any financial year during Shri Ramesh H Thakkar's term of office as Managing Director, the Company makes no profits or the profits made are inadequate, the Company may pay Shri Ramesh H Thakkar remuneration by way of salary and perquisites not exceeding the limits laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof as may be agreed to by the Board of Directors and Shri. Ramesh H Thakkar.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary or expedient to give effect to this resolution."

9. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :
 "RESOLVED THAT pursuant to Sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Shri. Ashok H Thakkar as Executive Director of the Company for a period of three years from 1st October 2005 at the remuneration including perquisites set out in the draft Agreement to be entered into between the Company and Shri. Ashok H Thakkar placed before this meeting and initialed by Shri Ramesh H. Thakkar, a Director of the Company for purposes of identification, with authority to the Board of Directors to alter or vary the said remuneration and/or perquisites as it may deem fit and as may be acceptable to Shri. Ashok H Thakkar within the limits specified in Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT where in any financial year during Shri. Ashok H Thakkar's term of office as Executive Director, the Company makes no profits or the profits made are inadequate, the Company may pay Shri. Ashok H Thakkar remuneration by way of salary and perquisites not exceeding the limits laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment thereof as may be agreed to by the Board of Directors and Shri. Ashok H Thakkar.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary or expedient to give effect to this resolution."

**NOTICE OF THE 15TH ANNUAL GENERAL MEETING**

10. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :
- "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner and to the extent set out hereunder :
- (i) The definition of 'Dividend' in Article 2 be amended to read "Dividend includes interim dividend".
 - (ii) The words 'ten years' in the penultimate line of Article 6 be replaced by the words "twenty years".
 - (iii) The words 'Company's Share Premium Account' in Article 7(c) be replaced by the words "the Company's Securities Premium Account", and the words 'the Share Premium Account' in Article 31 be replaced by the words "Securities Premium Account".
 - (iv) The present Article 15 be replaced by the following new Article 15:-
 "15. The Company shall be entitled to issue equity shares with voting rights or with differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed by or pursuant to the Act."
 - (v) The following sentence in Article 21(b) be deleted :-
 'For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee one.'
 - (vi) The second sentence of Article 22(a) be replaced by the following:-
 "No fee shall be charged for any certificate issued on splitting or consolidation of share certificates or for any replacement of share certificates that are defaced or torn."
 - (vii) The present Article 22(c) be replaced by the following new Article 22(c):
 "22.(c) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on such terms, if any, as to evidence and indemnity and as to payment of out-of-pocket expenses that may be incurred by the Company in investigating evidence as the Board thinks fit."
 - (viii) The words 'except that the proposed transferee is already a Member' in Article 56 be deleted.
 - (ix) The words 'or any other senior' in the second sentence of Article 85 be deleted.
 - (x) The present Article 138 be replaced by the following new Article 138 :-
 "138. Subject as hereinafter provided, a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation in accordance with Article 126. If he ceases to hold the office of Director he shall ipso facto and immediately cease to be a Managing Director/Whole time Director Provided that if at any one time the number of Managing Directors together with other non-retiring Directors shall exceed one-third of the total number of the Directors for the time being then such number of the Managing Directors as shall be in excess of such one-third shall be liable to retirement by rotation in accordance with Article 126."
 - (xi) The words 'forty two days' in Article 159 be replaced by "thirty days".

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXIES NEED NOT BE MEMBERS. In order to be valid, proxy forms duly complete in all respects, should be lodged with the Company at its Registered Office not later than forty-eight hours before the commencement of the meeting.
2. An Explanatory Statement as required under Section 173 of the Companies Act, 1956, in respect of business under Item Nos. 7, 8, 9 and 10 of the Notice, is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 27th October, 2005 to Thursday, 03rd November, 2005 (both days inclusive).
4. The dividend, if any, that may be declared at the meeting shall be payable on or before 10th November, 2005 to those Members of the Company whose names appear:-
 - a) as Beneficial Owners as at the close of business hours on 3rd November, 2005 as per the list to be furnished by National Securities Depository Ltd., and Central Depository Services (India) Ltd., in respect of the shares held in electronic form; and
 - b) as Members in the Register of Members of the Company as on 3rd November, 2005.
5. The Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) have advised all listed companies to mandatorily use the Electronic Clearing Services (ECS) facility wherever possible for dividend payment to the Members. In view of this stipulation the

ADF FOODS LTD

NOTES

Company proposes to implement the ECS facility. Members are requested to provide the Company with ECS mandate for crediting the future dividend payments directly to their respective bank accounts. The Company shall be able to coordinate with the bankers only on receipt of the necessary information. The necessary information required therein is the type of account, name of the bank and the account number. It should be signed by all the Members as per the specimen signature recorded with the Company.

6. Members are hereby informed that dividends for the Financial Year 2003- 2004 remaining unpaid or unclaimed over a period of seven years from the date of transfer of such dividends to the Unpaid Dividend Account of the Company have to be transferred by the Company to the Investor Education and Protection Fund pursuant to Sections 205 A and 205 C of the Companies Act, 1956.
7. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios and send the relevant share certificates to the Company's Registrar & Transfer Agents, M/s. Intime Spectrum Registry Ltd. at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai: 400 078.
8. Members holding shares in physical segment are requested to immediately notify change in their address/status, if any, immediately to the Company's Registrar & Transfer Agents, M/s. Intime Spectrum Registry Ltd., at the address mentioned at Item No.7 above.
9. Members who would like to ask any questions on the accounts are requested to send their questions to the Registered Office of the Company atleast 10 days before the Annual General Meeting to enable the Company to answer their queries satisfactorily.
10. Members are requested to bring their copies of the Annual Report to the Annual General Meeting.
11. The Members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.
12. **INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49.IV(G) OF THE LISTING AGREEMENT.**

The particulars of Directors who are proposed to be appointed / re-appointed at this Annual General Meeting are given below as required pursuant to Clause 49.IV(G) of the Listing Agreement:

1. Shri Kishore Thakkar

Shri Kishore Thakkar is one of the promoters of the Company. Shri Kishore Thakkar has a vast experience of over 40 years in Food Industry. He was appointed as an ordinary director of the Company on 10th January, 1992. Subsequently he was appointed as the Joint Managing Director of the Company with effect from 15th January, 1992. The tenure of his appointment as the Joint Managing Director of the Company was renewed from time to time, the latest being for a period of three years with effect from 1st October, 2002.

The details of the companies in which Shri. Kishore Thakkar holds directorships and Committee memberships are as follows :

Name of the Company

Directorships

Lustre Investments Pvt. Limited

Yaan Industrial Services Pvt. Ltd.

Committee Memberships

ADF Foods Ltd.- Share Transfer Committee

ADF Foods Ltd.- Administrative Committee

As on date Shri. Kishore Thakkar holds 198200 equity shares in the Company.

2. Shri. Yasir Varawala

Shri Yasir Varawala is a fellow of Institute of Chartered Accounts of India and is a rank holder on all India level. Shri. Varawala has been working as a Practicing Chartered Accountant over past 16 years and has an expertise in field of Taxation and Auditing.

The details of the companies in which Shri. Yasir Varawala holds directorships and Committee memberships are as follows :

Name of the Company

Directorships

Abacus Investment Advisors Pvt. Ltd.

**NOTES****Committee Memberships**

ADF Foods Ltd.- Audit Committee

ADF Foods Ltd.- Remuneration Committee

ADF Foods Ltd.- Shareholders /Investors Grievance Committee

As on date, Shri. Varawala has no shareholding in the Company.

3. Shri. Vikram Munshi

Shri. Vikram Munshi is Managing Director of Shamvik Glasstech Pvt. Ltd. , pioneer in the packaging industry. Shri. Munshi has been successful in promoting his company's products in Latin America, Middle East and C.I.S. countries. Shri Vikram Munshi has an overall experience over 15 years and has an expertise in the field of Business Management.

The details of the Companies in which Shri. Vikram Munshi holds directorships and Committee memberships are as follows :

Name of the Company**Directorships**

Shamvik Glasstech Pvt. Ltd.

New Millenium Hospitality Ltd

Committee Memberships

ADF Foods Ltd.- Audit Committee

ADF Foods Ltd.- Remuneration Committee

As on date, Shri. Munshi has no shareholding in the Company.

4. Shri. Viren A. Merchant

Shri. Viren A. Merchant is a Bachelor of Science from Kent State University, U.S.A. He has an experience over 15 years and has an expertise in Business Management .Shri. Merchant is the Vice Chairman & C.E.O. of ZYG Pharma Pvt. Ltd., a leading manufacturer of dermatological creams, ointments, lotions and solutions manufactured in technical collaboration with Schering Plough Corporation, U.S.A. He is also the Vice Chairman & C.E.O. of Encore Healthcare Pvt. Ltd., a leading manufacturer of tablets, capsules and syrups.

The details of the companies in which Shri. Viren Merchant holds directorships and Committee memberships are as follows :

Name of the Company**Directorships**

Encore Natural polymers Pvt. Ltd.

ZYG Pharma Pvt. Ltd.

Saidarshan Business Centres Pvt. Ltd.

Encore Healthcare Pvt. Ltd.

Alpex International Limited

Nidus Fincom Pvt. Co. Ltd.

Caaval Fininvest Pvt. Ltd.

Committee Memberships

Nil

As on date, Shri. Merchant has no shareholding in the Company.

ADF FOODS LTD

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956

Item No. 7

At a meeting of the Board of Directors held on 9th November, 2004, Shri. Viren A. Merchant was appointed an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956, Shri. Viren A. Merchant holds office upto the date of the Annual General Meeting of the Company.

A notice in writing, has been received from a Member under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs.500/- (Rupees Five Hundred Only), signifying his intention to propose Shri. Viren A. Merchant as a candidate for appointment as a Director.

Shri. Viren A. Merchant is a Bachelor of Science from Kent State University, U.S.A. He has over 15 years experience in Business Management. The Directors consider that the services of Shri. Viren A. Merchant will be beneficial to the Company having regard to his knowledge and experience and accordingly recommend that he be appointed as a Director of the Company.

Shri. Viren A. Merchant is interested in the Resolution at Item No. 7 of the Notice since it relates to his appointment.

Item No. 8

Shri. Ramesh Thakkar was appointed as the Managing Director of the Company for a period of three years from 1st October, 2002 to 30th September, 2005. The appointment of Shri. Thakkar, as also the remuneration payable to him as the Managing Director, were approved by the Members at the thirteenth Annual General Meeting held on 29th August, 2003.

The Board of Directors of the Company at its meeting held on 5th October, 2005 have, subject to the approval of the Members in the Annual General Meeting, re-appointed Shri. Ramesh Thakkar as Managing Director of the Company for a further period of three years from 1st October, 2005 to 30th September, 2008 (both days inclusive) upon the remuneration and perquisites set out in the draft Agreement referred to in the Resolution at Item No.8 of the Notice.

The remuneration and perquisites payable to Shri. Thakkar upon his re-appointment as Managing Director are in conformity with the requirements of Schedule XIII to the Companies Act, 1956. Consequently, no approval from the Central Government is required to his re-appointment as Managing Director.

The material provisions of the said draft Agreement relating to Shri. Ramesh Thakkar's re-appointment referred to in the Resolution at Item No.8 of the Notice are as under :

1. Shri. Ramesh Thakkar to be re-appointed as Managing Director for a period of three years from 1st October, 2005 to 30th September, 2008 (both days inclusive).
2. As Managing Director, Shri Ramesh Thakkar to faithfully and diligently manage and conduct the business and affairs of the Company and do all such acts for the purpose as may be assigned or entrusted to him by the Board or as may be vested in him under the Company's Articles of Association and to comply with all lawful directions issued by the Board and to use his best endeavours to promote the Company's interests.
3. As Managing Director, Shri Ramesh Thakkar to have power to sign all contracts and other documents to be executed by the Company, to represent the Company in dealings with others and to sign all papers required to be filed in any court proceedings by or against the Company.
4. As Managing Director, Shri. Ramesh Thakkar to have power to appoint, dismiss or remove employees as per the rules of the Company; the appointment or removal of any officer of the Company, however, to be subject to approval of the Board.
5. Shri. Ramesh Thakkar to be entitled to –
 - (a) salary in the range of Rs.52,500/- (Rupees Fifty Two Thousand Five Hundred Only) – Rs.7,500/- (Rupees Seven Thousand Five Hundred Only) – Rs.75,000/- (Rupees Seventy Five Thousand Only);
 - (b) house rent allowance at 40% of basic salary;
 - (c) reimbursement of medical expenses incurred by him and his family subject to a ceiling of one month's basic salary in a year, or three months' basic salary over a period of three years;
 - (d) leave travel allowance for himself and his family once in a year in accordance with the rules of the Company, and in case of leave not availed of, encashment of the same at the end of his tenure under the Agreement;
 - (e) fees of not more than two clubs excluding admission and life membership fees;
 - (f) benefit of a Personal Accident Insurance Policy to be effected by the Company provided that the premium of such policy to not exceed Rs. 20,000/- (Rupees Twenty Thousand Only) per annum;
 - (g) contribution to the Company's Provident Fund, Superannuation Fund and Annuity Fund in accordance with the rules of the Funds;
 - (h) gratuity at half month's salary for each completed year of service;

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956**

- (i) provision of one car with driver for use on Company's business and a telephone at his residence; use of car with driver and telephone at residence not to be considered as a perquisite;
 - (j) reimbursement of expenses actually and properly incurred by him for the business of the Company.
6. As Managing Director, Shri Ramesh Thakkar to be paid remuneration by way of salary, allowances and perquisites within the limits prescribed under Schedule XIII to the Companies Act, 1956 if, in any financial year during his tenure as Managing Director, the Company has no profits or the profits made are inadequate.
 7. Salary and perquisites payable to the Managing Director may be revised by the Board from time to time within the limits specified in Schedule XIII to the Companies Act, 1956.
 8. The Managing Director to devote his full time and attention to the business of the Company.
 9. The Agreement may be terminated by the Company or the Managing Director by six months prior notice in writing to the other.

The material terms of the draft Agreement set out above may be treated as an abstract pursuant to and in accordance with Section 302 of the Companies Act, 1956.

Authority is also being sought to be conferred on the Board to make such alterations or variations in the perquisites of Shri. Ramesh Thakkar during his tenure as Managing Director as is deemed fit and as acceptable to him but within the limits specified in Schedule XIII to the Companies Act, 1956.

Authority is also being sought to the payment by the Company to Shri. Thakkar of remuneration by way of salary and perquisites not exceeding the limits stated in Section II of Part II of Schedule XIII to the Companies Act, 1956, if, in any financial year during his term of office as Managing Director, the Company makes no profits or the profits made are inadequate.

The Board of Directors considers that the remuneration and perquisites proposed to be paid to Shri. Ramesh Thakkar are commensurate with his duties and responsibilities as the Managing Director and, therefore, recommend the Resolution at Item No.8 of the Notice. The approval of the Members is necessary in view of the provisions of Schedule XIII to the Companies Act, 1956.

A copy of the said draft Agreement will be available for inspection by the Members at the registered office of the Company between 11 a.m. and 1 p.m. on any working day except Saturday.

Shri. Ramesh Thakkar is interested in the Resolution at Item No.8 in the Notice since it relates to his re-appointment as Managing Director and to the remuneration proposed to be paid to him.

Shri. Kishore Thakkar, Shri. Ashok Thakkar, being brothers of, and Shri. Bimal Thakkar being the son of Shri. Ramesh Thakkar, may also be deemed to be interested in the Resolution at Item No.8 of the Notice.

Item No. 9

Shri. Ashok Thakkar was appointed as Executive Director of the Company for a period of three years from 1st October, 2002 to 30th September, 2005. The appointment of Shri. Thakkar, as also the remuneration payable to him as Executive Director, were approved by the Members at the thirteenth Annual General Meeting held on 29th August, 2003.

The Board of Directors of the Company at its meeting held on 5th October, 2005 have, subject to the approval of the Members in the Annual General Meeting, re-appointed Shri. Ashok Thakkar as Executive Director of the Company for a further period of three years from 1st October, 2005 to 30th September, 2008 (both days inclusive) upon the remuneration and perquisites set out in the draft Agreement referred to in the Resolution at Item No.9 in the Notice.

The remuneration and perquisites payable to Shri. Thakkar upon his re-appointment as Executive Director are in conformity with the requirements of Schedule XIII to the Companies Act, 1956.

The material provisions of the said draft Agreement relating to Shri. Ashok Thakkar's re-appointment referred to in the Resolution at Item No.9 of the Notice are as under :

1. Shri. Ashok Thakkar to be re-appointed as Executive Director for a period of three years from 1st October, 2005 to 30th September, 2008 (both days inclusive).
2. As Executive Director, Shri. Ashok Thakkar to faithfully and diligently manage and conduct the business and affairs of the Company and do all such acts for the purpose as may be assigned or entrusted to him by the Board or as may be vested in him under the Company's Articles of Association and to comply with all lawful directions issued by the Board and to use his best endeavours to promote the Company's interests.

ADF FOODS LTD**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956**

3. As Executive Director, Shri. Ashok Thakkar to have power to sign all contracts and other documents to be executed by the Company, to represent the Company in dealings with others and to sign all papers required to be filed in any court proceedings by or against the Company.
4. As Executive Director, Shri. Ashok Thakkar to have power to appoint, dismiss or remove employees as per the rules of the Company; the appointment or removal of any officer of the Company to, however, be subject to approval of the Board.
5. Shri. Ashok Thakkar to be entitled to –
 - (a) salary in the range of Rs.52,500/- (Rupees Fifty Two Thousand Five Hundred Only) – Rs.7,500/- (Rupees Seven Thousand Five Hundred Only) – Rs.75,000/- (Rupees Seventy Five Thousand Only);
 - (b) house rent allowance at 40% of basic salary;
 - (c) commission of one-third of 0.5% of export sales subject to a ceiling of Rs. 50,000/- (Rupees Fifty Thousand Only) to be reviewed quarterly;
 - (d) reimbursement of medical expenses incurred by him and his family subject to a ceiling of one month's basic salary in a year, or three months' basic salary over a period of three years;
 - (e) leave travel allowance for himself and his family once in a year in accordance with the rules of the Company, and in case of leave not availed of, encashment of the same at the end of his tenure under the Agreement;
 - (f) fees of not more than two clubs excluding admission and life membership fees;
 - (g) benefit of a Personal Accident Insurance and Mediclaim Policy to be effected by the Company provided that the premium of such policy to not exceed Rs. 20,000/- (Rupees Twenty Thousand Only) per annum;
 - (h) contribution to the Company's Provident Fund, Superannuation Fund and Annuity Fund in accordance with the rules of the Funds;
 - (i) gratuity at half month's salary for each completed year of service;
 - (j) provision of one car with driver for use on Company's business and a telephone at his residence; use of car with driver and telephone at residence not to be considered as a perquisite;
 - (k) reimbursement of expenses actually and properly incurred by him for the business of the Company.
6. As Executive Director, Shri Ashok Thakkar to be paid remuneration by way of salary, allowances and perquisites within the limits prescribed under Schedule XIII to the Companies Act, 1956 if, in any financial year during his tenure as Executive Director, the Company has no profits or the profits made are inadequate.
7. Salary and perquisites payable to the Executive Director may be revised by the Board from time to time within the limits specified in Schedule XIII to the Companies Act, 1956.
8. The Executive Director to devote his full time and attention to the business of the Company.
9. The Agreement may be terminated by the Company or the Executive Director by six months prior notice in writing to the other.

The material terms of the draft Agreement set out above may be treated as an abstract pursuant to and in accordance with Section 302 of the Companies Act, 1956.

Authority is also being sought to be conferred on the Board to make such alterations or variations in the perquisites of Shri. Ashok Thakkar during his tenure as Executive Director as is deemed fit and as acceptable to him but within the limits specified in Schedule XIII to the Companies Act, 1956.

Authority is also being sought to the payment by the Company to Shri. Thakkar of remuneration by way of salary and perquisites not exceeding the limits stated in Section II of Part II of Schedule XIII to the Companies Act, 1956, if, in any financial year during his term of office as Executive Director, the Company makes no profits or the profits made are inadequate.

The Board of Directors considers that the remuneration and perquisites proposed to be paid to Shri. Ashok Thakkar are commensurate with his duties and responsibilities as Executive Director and, therefore, recommend the Resolution at Item No. 9 of the Notice. The approval of the Members is necessary in view of the provisions of Schedule XIII to the Companies Act, 1956.

A copy of the said draft Agreement will be available for inspection by the Members at the registered office of the Company between 11 a.m. and 1 p.m. on any working day except Saturday.