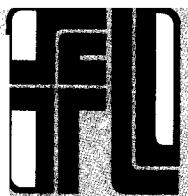


15th Annual Report 2004-2005

Report  Junction.com



FLEX FOODS LIMITED



FLEX FOODS LIMITED

FIFTEENTH ANNUAL REPORT

2004-2005

BOARD OF DIRECTORS

ASHOK CHATURVEDI

Chairman

T.N. PANDEY

G.N. GUPTA

M.G. GUPTA

R.K. JAIN

S.K. KAUSHIK

Whole-time Director (upto 31.07.2005)

COMPANY SECRETARY

RAJESH DHEER

AUDITORS

JAIN SINGHAL & ASSOCIATES

New Delhi

Statutory Auditors

VIJAY SEHGAL & CO.

Delhi

Internal Auditors

BANKERS

CANARA BANK

REGISTERED OFFICE

Lal Tappar Industrial Area,
P. O. Resham Majri,
Haridwar Road,
Dehradun (Uttaranchal)

SHARE DEPARTMENT

110, First Floor, Bhanot Corner,
Pamposh Enclave,
Greater Kailash - I,
NEW DELHI-110 048
Phone Nos. : 26440917, 26440925
Fax No. : 26216922
E-mail : flexsec@vsnl.net

WORKS

Lal Tappar Industrial Area,
P. O. Resham Majri,
Haridwar Road,
Dehradun
UTTARANCHAL

Chidderwala
Dehradun
UTTARANCHAL



FLEX FOODS LIMITED

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of Flex Foods Limited will be held on Saturday, the 17th day of September, 2005 at 3:00 P.M. at the Registered Office of the Company at Lal Tappar Industrial Area, P.O. Resham Majri, Haridwar Road, Dehradun, Uttaranchal to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Shri R.K. Jain, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri M.G. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors. M/s Jain Singhal & Associates, Chartered Accountants, New Delhi retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT the consent of the Company be and is hereby accorded in term of Section 293(1)(a) and other applicable provision, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, to mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable and/or movable properties of the Company situated at Lal Tappar Industrial Area and Chidderwala, Haridwar Road, Dehradun, Uttaranchal by way of first charge as may be agreed between the Company and Canara Bank, I. F. Branch, New Delhi for its term loan of Rs.2225.00 lacs and second charge for additional working capital of Rs.780.00 Lacs sanctioned by Canara Bank to the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary and/or alter the terms and conditions of the securities aforesaid in consultation with the Bank.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to prepare, finalise and execute with the lender documents, deeds, writings and agreements, as may be necessary for creating mortgage and/or charge as aforesaid and to do all such acts, deeds matters and things as may be

necessary and/or expedient for giving effects to the above said resolution."

By Order of the Board ◆

Place : NOIDA
 Dated : 29th June, 2005

RAJESH DHEER
 Company Secretary

Regd. Office :
 Lal Tappar Industrial Area
 P.O. Resham Majri, Haridwar Road
 Dehradun, Uttaranchal

NOTES:

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED, DULY COMPLETED, TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 12.09.2005 to 17.09.2005 (both days inclusive).
4. Members are requested to notify change in address, if any, to the Company at its Registered Office, quoting correct Folio number(s).
5. Members seeking further information about the Accounts are requested to write at least one week before the date of Meeting, so that it may be convenient to get the information ready at the Meeting.
6. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 28.05.2001. The ISIN Number for the shares of the Company is INE 954B01018. Members who desire to have their holding of shares dematerialized are requested to approach the Company through a Depository Participant.
7. Consequent upon the introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Company's Registrar and Share Transfer Agents, M/s. In-time Spectrum Registry Limited.
8. The Company has paid the Annual Listing fees for the year 2005-2006 to the following Stock Exchanges viz., The Delhi Stock Exchange Association Ltd., The Stock Exchange, Mumbai at which the Company's Securities are presently listed. The application of the Company with The Calcutta Stock Exchange Association Ltd. for delisting of its equity shares is still pending.



FLEX FOODS LIMITED

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

ITEM NO. 5

Section 293(1)(a) of the Companies Act, 1956 provides *inter-alia* that the Board of Directors of a public company shall not, without the consent of such company in the General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, the whole or substantially the whole of any such undertaking.

The Company has availed the term loan of Rs.2225.00 lacs and additional working capital facility of Rs.780.00 lacs from Canara Bank, I.F. Branch, New Delhi. The Company has to create the first charge/mortgage for the term loan and second charge/mortgage for the additional working capital on the fixed/immovable properties of the Company situated at Lal Tappar Industrial Area and Chidderwala, Haridwar Road, Dehradun, Uttaranchal for securing the aforesaid facilities sanctioned by the Bank.

Mortgaging/charging by the Company of its immovable and moveable properties in favour of the Lender i.e. Canara Bank as aforesaid may be regarded as disposal of whole or substantially the whole of the said undertaking(s) of the Company and accordingly, the consent of the Members is sought for creation of mortgage or charge as set out in Resolution No.5.

The Board of Directors recommend the Resolution for your approval.

None of the Directors is concerned or interested in the Resolution.

By Order of the Board

Place : NOIDA
Dated : 29th June, 2005

RAJESH DHEER
Company Secretary

Regd. Office :
Lal Tappar Industrial Area
P.O. Resham Majri, Haridwar Road
Dehradun, Uttaranchal

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Shri R.K. Jain	Shri M.G. Gupta
Date of Birth	24.09.1954	02.03.1934
Date of Appointment	11.08.2000	28.01.2003
Experience in specific functional area	A Chartered Accountant having more than 25 years of experience particularly in the field of Finance, Accounts, Taxation & Corporate Matters. Associated with the Flex Group almost since inception and as such is quite familiar with the Company's activities.	He is retired IAAS (Indian Audit & Accounts Services) Officer. He was in the service of Central Government and during his illustrious carrier with the Government, held several important positions in various Ministries/ Departments. He retired in 1992 as Vice Chairman & Member, Finance, Delhi Development Authority.
Qualification	FCA	B.Sc., Retd. IAAS
Directorship in other Public Limited Companies	Flex Engineering Limited FCL Technologies & Products Limited Flex America Inc. Flex Middle-East FZE	Flex Industries Limited FCL Technologies & Products Limited Credit Capital Assets Management Co. Limited B.T.W. Industries Limited
Members of Committee in Public Limited Companies	Audit Committee Flex Foods Limited Flex Engineering Limited FCL Technologies & Products Limited Remuneration Committee Flex Foods Limited Flex Engineering Limited FCL Technologies & Products Limited Shareholders'/ Investors' Grievances Committee Flex Foods Limited Flex Engineering Limited FCL Technologies & Products Limited	Audit Committee Flex Foods Limited Flex Industries Limited FCL Technologies & Products Limited Credit Capital Assets Management Co. Limited Remuneration Committee Flex Foods Limited Flex Industries Limited FCL Technologies & Products Limited Credit Capital Assets Management Co. Limited Shareholders'/ Investors' Grievances Committee Flex Industries Limited FCL Technologies & Products Limited



FLEX FOODS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 15th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS

The summarized financial results for the year ended 31st March, 2005 and for the previous year ended 31st March 2004 are as follows:

	(Rs. In lacs)	
	Year Ended	Year Ended
	<u>31.03.2005</u>	<u>31.03.2004</u>
Sales	2492.80	2503.74
Other Income	167.80	31.60
Profit before Interest, Financial Charges & Depreciation	1091.19	1107.03
Interest & Financial Charges	45.66	65.10
Depreciation	161.78	160.63
Profit before Tax	883.75	881.30
Provision for Taxation	69.30	52.89
Provision for Deferred Tax	12.06	267.46
Profit after Tax	802.39	560.95
Add : (Short)/Excess provision of the earlier year written back	(0.20)	2.48
Profit for the Year	802.19	563.43

During the year under review, despite tough competition in the worldwide market and increased pressure on unit price per kg of product, the Company has performed exceedingly well. In the international market, your Company has improved its performance due to continued stress on quality improvement and broad basing of its product range, which has been achieved by introducing new range of freeze-dried food products in the market.

Your Company achieved a turnover of Rs.2660.60 lacs including other income of Rs.167.80 lacs in comparison to turnover of 2535.34 lacs including other income of Rs.31.60 lacs in the previous year ended 31st March, 2004. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs.1863.19 lacs which is approximately 74.74% of the total sales. Your company earned a profit after tax of Rs.802.39 lacs for the year ended 31st March, 2005 compared to profit of Rs.560.95 lacs for the previous year ended 31st March, 2004 registering thereby an increase of 43.04%. The cost cutting measures and continuous focus on product improvement resulted in better performance by the Company during the year.

No doubt the Company has made profit during the year, yet there are many challenges before the Company to ensure that it is established on firm footings and its profits continue to increase. This requires consolidation of financial resources. Hence after careful consideration of the overall situation and keeping in view the requirement of fund the Board of Director regret their inability to recommend any dividend.

The operational performance of the Company has been covered in the Management Discussion and Analysis separately

attached and the same is deemed to be part of this Directors' Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri R.K. Jain and Shri. M.G. Gupta, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

Brief resume of the Directors seeking re-appointment, nature of their expertise in specific functional areas and the name of the Public Companies in which they hold Directorship and Chairman/ Membership of the Committee of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, are given as annexure to the Notice convening the Annual General Meeting elsewhere in the Annual Report.

FIXED DEPOSITS

During the year under review, your Company did not accept any Fixed Deposits from the Public.

AUDITORS

The Auditors of the Company, M/s Jain Singhal & Associates, Chartered Accountants, New Delhi retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limit under Section 224(1B) of the Companies Act, 1956.

The observation of the Auditors and the relevant notes on the accounts are self-explanatory and therefore do not call for any further clarification.

CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure compliance with the requirements of Corporate Governance as prescribed under the listing agreement with the Stock Exchanges.

A separate report on Corporate Governance along with the Auditors' certificate on its compliance by the Company is enclosed as part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

On the basis of compliance certificates received from the Internal Auditors and Executives of the Company, subject to the disclosures in the Annual Accounts and also on the basis of the discussion with the Statutory Auditors of the Company from time to time, we state as under:-

- 1) that in the preparation of the Annual Account for the Financial Year ended 31st March, 2005, the applicable accounting standards have been followed and there has been no material departure.
- 2) that the Directors have selected such Accounting Policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profits of the Company for the year under review.



FLEX FOODS LIMITED

- 3) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 4) that the Directors have prepared the Annual accounts on a going concern basis.

The Company's Internal Auditors have conducted periodic audit to provide reasonable assurance that the Company's established policies and procedures have been followed. The Audit Committee constituted by the Board reviews the internal control and financial reporting issues with the Internal Auditors.

PARTICULARS OF EMPLOYEES

There has been no employee during the year, whose particulars are required to be given under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'A' forming part of this Report.

PERSONNEL

Relations with the Employees remain cordial and harmonious throughout the year, thereby strengthening the commitment of the Employees at all level to the growth of the Company.

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude the co-operation extended by various agencies of the Central Government, Government of Uttaranchal, National Horticulture Board, Banks and Customers during the year under review. The Board also takes this opportunity to express its deep gratitude for the continuous support received from the Shareholders and wholehearted cooperation given by the employees of the Company working at various levels.

For and on behalf of the Board,

Place : NOIDA

Dated : 29th June, 2005

ASHOK CHATURVEDI

Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT

Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of Directors' Report.

1. CONSERVATION OF ENERGY

a) Energy Conservation Measures Taken

The Company has its Environment, Health and Safety (EHS) policy with a high focus on optimization of energy consumption alongwith other material resources including water. Measures that were initiated/adopted are as follows:

- a. Preventive maintenance of machines to reduce frictional losses and thereby maximizing efficiency.
- b. EHS initiatives amongst all its workers/staff members to conserve power, fuel & water by elimination of wastages.
- c. Reducing wastage of water by recycling & conservation techniques.
- d. Various measures like reduction of cooling loss & monitoring of useful running hours adopted for conservation of energy.

b) Additional Investments & proposals being implemented for reduction of energy consumption

The Company is continuously reviewing wattage & ratings of lighting & power motors to save the energy.

c) Impact of the above measures

The adoption of energy conservation measures have resulted in considerable savings and increased level of awareness amongst the employees. The energy conservation measures have also resulted in improvement of power factor and consequential tariff benefit.

2. TECHNOLOGY ABSORPTION

A) Research & Development (R&D)

1) Specific areas in which R&D carried out by the Company

The Company carries out R&D in the process & product development in various types of herbs & vegetables etc. besides a new product range of healthcare products.

2) Benefits derived as a result of the above R&D

- a. During the year, processing & freeze-drying technology was standardized for new herbs (Lemon Grass, Leek, Spring Onion, Chives) successfully. Commercial samples/trial consignments were sent to the foreign buyers & the same met their quality specifications successfully.
- b. Rosemary crop was grown on pilot scale & a trial consignment of freeze dried Rosemary was exported to M/s. DFD, Denmark. Plans are afoot for expanding the cultivation area at suitable locations.



FLEX FOODS LIMITED

- c. Company has signed MOU with IHBT, Palampur for contract research study on essential oil crops & their commercial feasibility.
- d. Company has developed nutritional supplement products through herbal & other functional ingredients. Plans are underway to assure the high efficiency of the product & tap their market potential.

3) Future plan of action

Steps are continuously being taken for innovation and renovation of products including new products development and enhancement of product quality/profile, to offer better products at relatively affordable prices to the customers.

4) Expenditure on R&D

During the year, the Company spent Rs.22.51 lacs. This is equivalent to 0.85% of the turnover.

B) Technology absorption, adaptation and innovation

Company has focused on procuring the energy efficient & environment friendly technology & successfully assimilated the same in regular operations as under:

- a. Herbs/Vegetable washer for the new project is equipped with water recycling system for conservation of process water.
- b. The refrigeration compressors for the expansion project are highly energy efficient screw compressors from M/s. Aerzen, Germany.
- c. Efficient treatment & filtration technology from M/s. Wapps India will lead to recycling of water and reduced water consumption in manufacturing operations.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports: Initiatives taken to increase exports; development of new export markets for products and services.

The Company is at present exporting its products to USA & Europe. The Company is continuously exploring possibilities of exporting more of its products to different markets.

During the year the Company has exported manufactured goods on FOB basis amounting to Rs.1863.19 lacs. The expenditure incurred in Foreign Exchange during the year amounted to Rs.14.30 lacs.

For and on behalf of the Board,

Place : NOIDA

Dated : 29th June, 2005

ASHOK CHATURVEDI

Chairman

Report  junction.com



FLEX FOODS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Forward Looking Statements

The forward-looking statements of the Company are based on certain assumptions and expectation of future events. The future being uncertain, there cannot be any guarantee that the assumptions and expectations made will be realized. Occasions may arise where the assessments made and expectations worked out may require amendments or modifications consequent to changes in the future scenario. The details in the analysis hereinafter mentioned may be considered keeping in view of this limitation.

Industry Structure and Developments

Food processing industry is of enormous significance for India's development because of the vital linkages and synergies that it promotes between the two pillars of our economy, industry and agriculture. Fast growth in the food processing sector and progressive improvement in the value addition chain are of great importance for achieving favourable terms of trade for Indian agriculture both in the domestic and international markets. Even more important is the crucial contribution that an efficient food processing industry could make in the nation's food tastes security. The simple fact that the post-harvest losses are about 25 to 30 per cent in our country should serve as an eye opener for all. Even marginal reductions consequent to efficient handling in these losses are bound to give great relief on the food security front as well as improve the income level of the farmers.

In the last decade, India moved from an era of scarcity to surplus in regard to Food. The Food Processing Industry in India is on an assured track of growth and profitability over the coming decades.

India is the world's second largest producer of food next to China and has the potential of being the biggest with the food and agricultural sector contributing around 26% of India's GDP. The total food production in India is likely to double in the next ten years and there is an opportunity for large investments in food and food processing technologies, skills and equipment, especially in areas of Canning, Dairy and Food Processing, Speciality Processing, Packaging, Frozen Food/Refrigeration and Thermo Processing. Fruits & Vegetables, Fisheries, Milk & Milk Products, Meat & Poultry, Packaged/Convenience Food, Alcoholic Beverages & Soft Drinks and Grains are important sub-sectors of the food processing industry. Health food and health food supplements are another rapidly rising segment of this industry, which is gaining vast popularity amongst the health conscious people.

The Indian mushroom industry has sufficiently geared itself up for a considerable growth in production over next few years as the export demand escalates. On the other hand domestic demand for mushrooms in India is limited mainly to the cities. It is the spurt in overseas demand that propelled most Indian manufactures to increase capacities. The Middle East, Africa, East European countries etc. are still growing markets for Indian mushrooms and not yet tapped. Proximity to these markets offers advantages for India.

Flex Foods Limited is a major producer of Freeze-dried & Frozen products in the country and it is the industry of its own kind. To compare its performance with other companies within the country is not possible. Such comparison at international levels also is not possible as the companies in the business hardly publish their annual results.

Flex Foods Limited operates in the agri products manufacturing and export sector involving the primary production activity like mushroom/herbs growing and processing, which is highly labour & power intensive as well as the value addition is very significant. As a major step towards balancing the product mix and to become a single point source of supplying Frozen/IQF (Individually Quick Frozen), air dried as well as freeze dried products to the customers as per their requirements, Company has undertaken a major expansion project involving the freezing & cold storage facilities for herbs and fruits/vegetables, which has been successfully commissioned during the year.

Despite tough competition in the international markets and increased pressure on unit price realization per kg of product, Company has performed exceedingly well. Management is conscious of the demanding customer requirements in terms of superior quality systems, hygiene standards and strict adherence to product specifications.

Product-wise performance

Sales of Finished Goods

Description	Current Year		Previous Year	
	Qty. (in kgs.)	Value (Rupees)	Qty. (in kgs.)	Value (Rupees)
Freeze dried Mushroom, Herbs, Vegetables & Fruit	151,843	183,956,575	158,133	179,829,547
Processed Food Viz. Mushroom Fresh & Processed (including Canned)	11,87,623	59,145,935	1,313,162	61,934,700
Frozen/Individually Quick Frozen Fruits, Vegetables, Mushroom & Herbs	47,767	6,177,151	71,191	8,610,004
TOTAL	1,387,233	249,279,661	1,542,486	250,374,251



FLEX FOODS LIMITED

Opportunities and Threats

Suppliers of Freeze Dried Herbs & Vegetables have to compete with fresh produce suppliers providing large quantities during the season and with frozen/air dried products, which are available throughout the year. Therefore, expecting the growth potential of frozen herbs, Company has entered in the frozen herbs market and has been able to sell 48 MTs of frozen herbs during the year.

Freeze dried products market has also become highly competitive with the entry of China, which has managed to gain substantial market share for certain products owing to competitive prices and an acceptable level of quality in many cases. Though competition is fierce, the goodwill and the quality of the products offered by the Company is a great plus factor and because of this, the Company expects to overcome the competition.

Freeze dried products being highly power & labour intensive are facing consistent pressure due to the abundant availability of cheaper substitute products manufactured by the air dehydration process. In order to expand the customer base and cater to the untapped lower end segment of customers, Company has undertaken the expansion project for installing, "state-of-art" facilities for manufacturing air dried as well as frozen/IQF (Individually Quick Frozen) herbs, fruits & vegetables.

Future Outlook

Management is constantly keeping a close watch on the changing market scenario and the business strategy is reviewed regularly for achieving a consistent growth by meeting the tough international competition successfully. The Company has also introduced the new range of frozen and freeze dried culinary herbs for export market, which will improve the companies turnover and profits.

High focus on R&D has resulted in the successful addition of new culinary herbs like Rosemary, Chives & Oregano etc. besides the overall quality improvement in products & processes. Company's new manufacturing facilities for IQF & Air Dried products will give a definite boost to the overall business volumes & profitability.

Risk & Concerns

Every business has certain risks involved in its operation, which may be either external or internal. The external factors are market competition; availability of cheaper substitute products, government policies regarding power tariffs and ongoing political and economic changes in the importing country. The Company may not have much control over such factors; however it is important to address these risks & concerns to mitigate their overall impact on the business. Formal risk assessment and Management approach alongwith the regular monitoring mechanism in the Company ensures that these risks are duly addressed and well managed.

Internal Control System & their adequacy

The Company has an adequate system of internal controls to ensure that all activities are monitored and controlled as well as transactions are authorized, recorded and reported correctly. The Company has effective budgetary control system and the actual performance is reviewed with reference to the budget periodically by the Management. The Company ensures adherence to all internal control policies and procedures as well as compliances with all regulatory guidelines, which are supplemented by internal audit regularly.

The Audit Committee of the Board meets on quarterly basis and reviews the internal control systems as well as financial statements.

Human Resources/Industrial Relations

The Company gives considerable emphasis on sound Human Resource Management practices and cordial employee relations to ensure higher level of productivity and operational efficiency. Adequate efforts are made to strengthen and develop its human resources as a key strength. As on 31st March 2005, the total number of permanent employees in the Company was 468.

ANALYSIS OF FINANCIAL PERFORMANCE AND OPERATIONAL PERFORMANCE

The accompanying financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles and Accounting Standards prevailing in India.

A. FINANCIAL CONDITINS

Fixed Assets

At the end of the year, Company's investment in fixed assets was as under:

Year ended March 31	2002	2003	2004	2005
Gross Block (Rs. in Lacs)	3321	3370	3452	5248

**FLEX FOODS LIMITED**

The composition and growth of assets was as under:

(Rs. in lacs)

Particulars	March 31, 2005	March 31, 2004	Growth%
Land	99.70	58.90	69.27
Buildings	977.78	755.75	29.38
Plant & Machinery	3888.15	2325.32	67.21
Electrical Fittings & Installations	141.12	141.12	—
Equipments	53.32	51.20	4.14
Furniture & Fixtures	6.05	5.94	1.85
Vehicles	81.96	113.31	—
Total	5248.08	3451.54	52.05
Less: Acc. Depreciation	1618.61	1494.87	8.28
Add: CWIP	23.77	—	—
Net Fixed Assets	3653.24	1956.67	86.71

CURRENT ASSETS, LOANS & ADVANCES**Inventories**

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.341.95 lacs, representing 6.52% of the fixed assets.

Sundry Debtors

Sundry debtors were Rs.492.40 lacs as at 31st March, 2005 as against Rs.447.57 lacs as at 31st March, 2004. Debtors as a percentage of total operating revenue were 19.75% for the current year as against 17.88% for the previous year.

Cash and Bank Balances

Cash and bank balances were 14.62% of total assets as on 31st March, 2005 as against 7.12% as on 31st March, 2004.

Loans & Advances

Loans & Advances mainly comprise of loans to staff, advances recoverable in cash or kind, advance taxes and security deposits. Advances recoverable in cash or kind or for value to be received are mainly towards amount paid in advance for value and services to be received in future. Security deposits mainly represents deposit for electricity.

Net Deferred Tax Assets

Deferred tax liabilities of Rs.452.83 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31.03.2005. It has been calculated in accordance with Accounting Standard -22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

CURRENT LIABILITIES & PROVISIONS**Current Liabilities**

Sundry Creditors include amount payable to vendors for supply of goods and services. Advances from customers represent amount for which material has not yet been delivered. Other liabilities include amounts payables to staff/workers for earned leave, bonus, salary and overtime besides taxes.

B. RESULTS OF OPERATIONS

The summary of operating performance for the year is given below:

(Rs. in lacs)

Particulars	Year ended March 31, 2005		Year ended March 31, 2004		Growth %
	Amount	%age	Amount	%age	
INCOME					
Income from Operations	2492.80	93.71	2503.74	96.96	—
Other Income	167.80	6.30	31.60	1.22	431.01
Increase/(Decrease) in Stock	(0.35)	(0.01)	46.92	1.82	—
Total Income	2660.25	100.00	2582.26	100.00	3.02
EXPENDITURE					
Raw Material Consumed	273.87	10.29	301.89	11.69	—
Other Manufacturing Exp.	545.31	20.50	514.12	19.91	6.07
Payment & Benefit to Employees	350.87	13.19	308.49	11.95	13.74
Administrative, Selling & Other Expenses	399.01	15.00	350.73	13.58	13.77
Operating Expenses	1569.06	58.98	1475.23	57.13	6.36
EBDIT	1091.19	41.02	1107.03	42.87	—