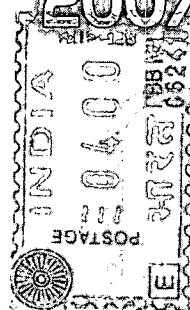


18th ANNUAL REPORT 2007-2008



FLEX FOODS LIMITED



FLEX FOODS LIMITED

EIGHTEENTH ANNUAL REPORT 2007-2008

BOARD OF DIRECTORS

ASHOK CHATURVEDI

Chairman

T. N. PANDEY

G. N. GUPTA

M. G. GUPTA

R. K. JAIN

S. K. KAUSHIK

REGISTERED OFFICE

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

SHARE DEPARTMENT

305, Third Floor, Bhanot Corner,
Pamposh Enclave,
Greater Kailash-I,
NEW DELHI-110048
Phone Nos. : 26440917, 26440925
Fax No. : 26216922
E-mail : flexsec@vsnl.net

COMPANY SECRETARY

RAJESH DHEER

AUDITORS

JAIN SINGHAL & ASSOCIATES

New Delhi

Statutory Auditors

VIJAY SEHGAL & CO.

Delhi

Internal Auditors

BANKERS

CANARA BANK

WORKS

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

Chidderwala

Dehradun

(Uttarakhand)



FLEX FOODS LIMITED

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of Flex Foods Limited will be held on Saturday, the 9th day of August, 2008 at 3:00 P.M. at the Registered Office of the Company at Lal Tappar Industrial Area, P.O. Resham Majri, Haridwar Road, Dehradun, Uttarakhand to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To declare dividend for the financial year 2007-2008 on the Equity Shares of the Company.
3. To appoint a Director in place of Shri R.K. Jain, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri M.G. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
5. 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.

By Order of the Board

RAJESH DHEER
Company Secretary

Place : NOIDA

Dated : 27th June, 2008

Regd. Office:

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

NOTES:

- 1 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
- 2 The Register of Members and Share Transfer Books of the Company will remain closed from 01-08-2008 to 9-08-2008 (both days inclusive).

Dividend, if approved at the meeting, will be paid to those members whose names appear as :

- (a) Beneficial Owner, as at the end of the business hours on 09.08.2008 as per the list to be furnished by NDSL & CDSL in respect of Shares held in electronic form and
 - (b) Members in the Register of the members as on 09.08.2008 after giving effect to valid transfer requests received before the close of business hours on 01.08.2008
- 3 Members holding shares in physical form are requested to notify change in address, if any, to the Company's Registrar & Share Transfer Agent (RTA), Beetal Financial & Computer Services Pvt. Ltd., BEETAL House, 3rd Floor, 99, Madangir, Near Dada Harsukh Dass Mandir, Behind Local Shopping Centre, New Delhi - 110062 quoting correct Folio Number(s) and in case of shares held in dematerialized form to the concerned Depository Participant.
 - 4 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.
 - 5 Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 28th May, 2001. The ISIN No. for the shares of the Company is INE 954B01018. Members who desire to have their holding of shares dematerialized are requested to approach the Registrar through a Depository Participant.
 - 6 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. Beetal Financial & Computer Services Pvt. Ltd.
 - 7 The Company has paid the Annual Listing fees for the year 2008-2009 to the following Stock Exchanges viz., The Delhi Stock Exchange Association Ltd., Bombay Stock Exchange Ltd. at which the Company's Equity shares are presently listed.
 - 8 The Company has transferred all unpaid/unclaimed Third & Final instalment of redemption of Debenture amount due on 11.06.2001 to the Investor Education And Protection Fund (IEPF) established by the Central Government. Debenture holders are requested to note that no claims shall lie against the Company or IEPF in respect of amount which were unclaimed and unpaid for a period of seven years from the date that they first became due for payment and no payment shall be made in respect of any such claims.



FLEX FOODS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 18th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2008.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2008 and for the previous year ended 31st March 2007 are as follows:

	Year Ended 31.03.2008	(Rs. in lacs) Year Ended 31.03.2007
Sales	4006.72	3420.74
Other Income	231.34	196.41
Profit before Interest, Financial Charges & Depreciation	1333.55	1083.89
Interest & Financial Charges	283.64	272.81
Depreciation	321.47	313.65
Profit before Tax	728.44	497.43
Provision for Taxation	73.92	54.77
Provision for Deferred Tax	(61.66)	(27.13)
Wealth Tax	0.24	0.40
Fringe Benefit Tax	5.89	5.00
Profit after Tax	710.06	464.39
Add : (Short)/ Excess provision of the Earlier Year		
- For Bonus A/c	—	(0.05)
- For Fringe Benefit Tax	(3.90)	—
Profit for the Year	706.16	464.34

Your Company achieved a turnover of Rs 4238.06 lacs including other income of Rs.231.34 lacs in comparison to turnover of Rs.3617.15 lacs including other income of Rs.196.41 lacs in the previous year ended 31st March 2007. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs.3072.62 lacs which is approximately 76.69 % of the total sales. Your Company earned a net profit of Rs.706.16 lacs for the year ended 31st March 2008 compared to profit of Rs.464.34 lacs for the previous year ended 31st March 2007.

The operational aspects of the Company's working have been covered in detail in the Management Discussion and Analysis Report and the same is deemed to be part of this Directors' Report.

Dividend

The Board of Directors is pleased to recommend for the approval of the Members a dividend @ Rs.2/- per share for the financial year ended 31st March, 2008. The final dividend if approved by the members will be paid on or after 9th August, 2008.

Delisting of Equity Shares from Delhi Stock Exchange

The equity shares of the Company are presently listed on two Stock Exchanges viz. Bombay Stock Exchange Limited (BSE) and The Delhi Stock Exchange Association Limited (DSE).

Data of trading volumes indicates that the shares of the Company are not traded in material volumes at the DSE.

Accordingly, the Board of Directors of the Company at its meeting held on, 27th June, 2008 recommended for the voluntary delisting of the Company's Shares from The Delhi Stock Exchange Association Limited. The Company's Shares will however continue to remain listed on the Bombay Stock Exchange Limited.

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 elsewhere in the Annual Report.

None of the Directors of the Company is disqualified as per provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made necessary disclosures as required under various provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

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

Corporate Governance

The Securities and Exchange Board of India (SEBI) stipulated Corporate Governance standards for listed companies through Clause 49 of the Listing Agreement of the Stock Exchanges. Accordingly, your Company has already put in place systems and procedures and is fully compliant with Clause 49 of the Listing Agreement entered into with Stock Exchanges. A separate report on Corporate Governance along with the Auditors' Certificate on its compliance by the Company is included as a 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 Accounts for the Financial Year ended 31st March, 2008, the applicable accounting standards have been followed and there has been no material departure.



FLEX FOODS LIMITED

- 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.
- 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 Uttrakhand/ Uttar Pradesh, Banks and all Business Associates 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

R.K. Jain
Director

S.K. Kaushik
Director

Place : NOIDA

Dated : 27th June, 2008

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 28 years of experience particularly in the field of Finance, Taxation and Corporate matters. Associated with the UFLEX group almost since inception and as such is quite familiar with the Company's activities.	He is retired IAAS (Indian Audit & Accounts Services) and during his illustrious carrier with the Central Government, held several important position 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	Nil	- UFLEX Limited - Credit Capital Assets Management Co. Limited.
Members/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	Audit Committee -Flex Foods Limited Remuneration Committee -Flex Foods Limited Shareholders'/Investors' Grievances Committee -Flex Foods Limited	Audit Committee - Flex Foods Limited - UFLEX Limited - Credit Capital Assets Management Co. Limited - (Chairman). Remuneration Committee - Flex Foods Limited - UFLEX Limited (Chairman) - Credit Capital Assets Management Co. Limited. Shareholders'/Investors' Grievances Committee - UFLEX Limited

None of the Non-executive Directors of the Company holds any share/convertible instrument except Shri Ashok Chaturvedi (Non-executive chairman) who holds 10 equity shares of the Company.



FLEX FOODS LIMITED

ANNEXURE 'A' TO DIRECTORS' REPORT

Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo pursuant to Companies (Disclosures 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

Understanding the social accountability for conservation of energy, major innovations were initiated in reducing energy intensity in manufacturing process, reducing the overall energy consumption and emission of pollutants through thermodynamic balancing and control.

Use of optimum material for efficient generation of steam was achieved along with controlled consumption, recycling of condensate, flash recovery, high calorific value fuel selection and technology upgradation in heating arrangement of fuel.

Cost of maintenance and labour were reduced by judicious use of boiler chemicals, fuel utilization of thermal efficiency of hot water, efficient operations of cooling towers and refrigeration systems and proper utilization of compressed air.

B) Additional investments and proposal being implemented for reduction of energy consumption.

Boiler – Automation to save fuel, Air pre heater installation to reduce the heating load of air drying plant and installation of more efficient condensate water recovery tank shall be undertaken to have significant reduction in energy consumption.

C) Impact of the above measures

Preventive and Predictive maintenance; condition monitoring round the clock, frequent inspection and cleaning programs, VFD installation, maintaining unity power factor and electricity conservation through control of load and transmission losses have resulted in increased efficiency and output resulting in significant cost savings and increased level of awareness amongst the employees.

2. TECHNOLOGY ABSORPTION

A) Research & Development (R&D)

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

The company prioritized and carried out R&D work in process and product development of mushrooms and various types of herbs and vegetables, besides a new range of health care products.

ii) Benefits derived as a result of above R&D

- Automation & process line modification during the year resulted in increased productivity of dried & frozen products.
- Mushroom picking procedure at mushroom farm was further standardized to pick clean mushrooms. This coupled with controlled washing & selection of mushrooms in freeze-drying unit has increased

productivity considerably.

- Oregano cultivation practices were successfully standardized and significantly increased volumes were achieved.
- Company has developed nutraceutical products. Plans are underway to ensure high efficacy of the products and tap their market potential.
- IQF baby potatoes & IQF potato cups were developed & exported.

iii) Future Plan of Action

- Steps are continuously being taken for innovation and renovation of products including new product development like IQF coriander root, IQF fried frozen potato, IQF green chilly etc. and enhancement of product quality / profile to offer better products at relatively affordable prices to the customer.
- Automation and process line modifications are being planned to substantially reduce labour costs and to improve productivity and quality.
- Steps are being taken for certification of ISO 2200-2005 & global cap quality management system for mushroom farm & global cap organic farming certification for selected farmers for growing of herbs.
- Steps are being taken for organic certification of processing facilities & fresh herbs for production of organic herbs in future.

iv) Expenditure on R&D

During the year, company spent Rs. 0.09 Lacs. This is very negligible to the percentage of the turnover of the Company

B. Technology absorption, adaptation and innovation

The company progressed and focused on energy efficient, cost effective and world class technology and successfully assimilated the same in regular operations by standardizing and systemizing operations through Quality Management System.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Activities related to Exports: Initiatives were taken to increase exports, development of new export markets for products and services.
The company is at present exporting its products to North America and Europe. The company is continuously exploring possibilities of exporting new and enhanced quantities of existing product mix to existing and new prospective markets.
- During the year the Company has exported manufactured goods on FOB basis amounting to Rs. 3072.62 Lacs. The expenditure incurred in Foreign Exchange (including value of imports) during the year amounted to Rs.134.99 Lacs.

For and on behalf of the Board

R.K. Jain
Director

S.K. Kaushik
Director

Place : NOIDA
Dated : 27th June, 2008



FLEX FOODS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Forward Looking Statements

Forward looking statements are based on certain assumptions of future events over which the Company exercises no control. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those that may be projected or implied by these forward looking statements. Such risks and uncertainties include, but are not limited to: growth, competition, acquisitions, domestic and international economic conditions affecting demand, supply and price conditions in the various business in the Company's portfolio, changes in Government regulations, tax regimes and other statutes, and the ability to attract and retain high quality human resource.

Industry Scenario and Developments

India is one of the major Food producers in the World. The Indian Food Industry both primary and processed is poised for a rapid growth. The Indian Food sector estimated to be worth over \$200 billion is expected to grow to \$310 billion by 2015. The growth of the Food Industry is also going to give a major thrust to the already booming food retail industry, which is currently growing at 9 percent.

The Food Processing Industry in India is one of the largest in terms of production, consumption, export and growth prospects and is of great 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 also 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 security.

The Mushroom Industry has a bright future due to sharp demand for mushroom worldwide. Amongst the major varieties of edible mushrooms produced in the world, most widely cultivated species is the *Agaricus bisporus*, which accounts for almost 38% of the total mushroom production. These varieties are grown in diverse regions of the world. The white-button mushroom is grown in the U.S.A., France and China in addition to India.

The variety gaining maximum importance in India has been the white-button mushroom, which registered the highest growth rate in production.

Only about 45% of mushrooms produced are consumed in the fresh form. The rest of the 55% is processed with 5% in the dehydrated form and 50% in the canned form. This is because their shelf life in the fresh form is very short. Hence mushroom are traded in the world market mostly in the processed form.

Mushroom industry in India is developing fast especially cultivation of white button mushrooms. Mushroom production in the country is likely to go up by at least 10 times in the next five years to touch 5 lakh tones per annum from current estimated production levels of 50,000 tonnes per annum and its exports will touch to over Rs.170 crores by 2010 from Rs 139 crores exports in 2005-06.

Prepared/preserved mushrooms continue to dominate exports. In 2005-06, the segment accounted for a share of 56.96% of India's total exports of mushrooms. Their exports, in 2005-06, however registered a marginal decline of 4.09% over the previous year to Rs.78.88 crores as against Rs 82.24 crores in the previous year. Exports of fresh/chilled mushrooms also registered a steep decline by 39.85%. However it is expected that mushroom production will multiply not only on account of demand but also on account of the fact that States Horticultural Departments under stipulations of new Foreign Trade Policy are required to multiply manifold the growth of variety of mushrooms to enlarge their production with much cheaper labour cost.

The current state which has taken a lead in mushroom production is Tamil Nadu which will multiply its mushroom production from about 10,000 tonnes per annum to at least one lakh tones in the next 5 years followed by Haryana, Uttar Pradesh, Uttarakhand, Punjab, Himanchal Pradesh and the Jammu region.

The production of vegetables, fruits and herbs in India is next only to China. The vegetables, fruits & herbs production contribute significantly to the agriculture GDP. Despite different types of fruits, vegetables and herbs grown, India's export of agriculture and food production was only 1.4% of the total global trade. The sector is constrained by wide spread fragmentation in the supply chain, low productivity levels and huge post harvest losses arising out of inadequate storage, logistics and supply chain management.

Business Overview

Flex Foods offers a wide range of Vacuum Freeze Dried, Air-Dried, Frozen and IQF (Individually Quick Frozen) having product ranges of mushrooms, herbs, spices and fruits/vegetables, meeting strict quality & hygiene standards. As a balance of product mix company is now a single point source of supply of Frozen / IQF (Individually Quick Frozen), Air Dried as well as Freeze Dried products to the customers as per their requirements.

Product-wise performance

Sale of Finished Goods

Description	Current Year		Previous Year	
	Qty. (in kgs)	Value (Rupees)	Qty. (in kgs.)	Value (Rupees)
Freeze dried Mushrooms, Herbs, Vegetables & Fruits	2,01,506	22,96,56,778	1,84,578	21,53,23,710
Processed Food viz. Mushroom Fresh & Processed (including Canned)	12,92,673	7,95,53,604	13,94,315	7,30,88,600
Frozen / Individually Quick Frozen Fruits, Vegetables, Mushroom & Herbs	8,92,863	7,17,92,224	5,41,960	4,31,00,146
Air Dried Fruits, Vegetables, Mushroom & Herbs	1,23,486	1,85,76,261	55,417	1,05,46,170
Others	-	10,92,994	-	15,000
Total	25,10,528	40,06,71,861	21,76,270	34,20,73,626



FLEX FOODS LIMITED

The overall performance of the company for the year ended 31st March, 2008 has shown improvement with a sales of Rs.4007 Lacs and a profit after taxation is Rs.706 Lacs as against Rs. 3421 lacs, Rs.464 Lacs of previous year ended 31st, March, 2007 respectively.

Opportunities and Threats

The Company is dealing with the customers mainly in Europe and USA for export of Mushrooms, Herbs, Fruits & Vegetables etc. The Management envisages major threat in the form of competition from China, who is offering the same products at lower cost. To face the competition, the Company has already taken steps to produce as economically and efficiently as possible the best quality of mushrooms and herbs. It is producing high yielding, visually attractive mushrooms having desired flavor and resistance. Further, it uses most modern compost technology in the Country. Its main focus is to produce white button mushrooms as world demand continues to be centered on the white mushrooms. This mushroom accounts for nearly 40% of the world production, with major growers located in USA, Netherlands and China other than India.

The Company has been accredited with ISO:9001 and HACCP certification for its manufacturing operations as well as the facilities are in compliance with Eurepgap and BRC quality systems. This will further add to the competitive strength of the Company in international market.

The Company is in to cultivation of white button mushroom, which has to be pesticide free, as per the stringent norms of Europe & USA market for which strict good manufacturing practices are adhered for controlling disease. Power tariff is the major concern of the Company, which fluctuates, *inter alia*, with the change in government policies.

Future Outlook

Currently, food-processing industries account for merely 2% of total food production in India, which is very low as compared to the western countries. Taking market forces such as rising income level and changing consumer behaviors due to rapid economy growth into consideration, it is expected to reach a growth rate of 10% in 2010 and 25% in 2020.

Indian mushroom industry has sufficiently geared itself up for a considerable growth in production over next few years as the export demand escalates. The mushroom industry's future is positive due to changing public perceptions of the fungus.

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.

Company's R&D department is continuously working for introducing various health care products.

With improved customer base, experience in varied markets and strong management team; your company feels confident of accelerated growth in all the market segments.

Risks & Concerns

Every business has inherent risks involved in operations, which may be either external or internal. The external factors are market competition, availability of cheaper substitute products, Government policies regarding power tariffs and on-going political and economic changes in the importing countries. 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 along with the regular monitoring mechanism in the Company ensures that these risks are duly addressed and managed. High focus on safety of plant, its premises and people continuity of vital supplies and proactive Management of related business environment are essential for the risk management in the overall supply chain and business in general.

Internal Control System & Their Adequacy

The Company has adequate system of internal control 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 compliance 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 lays due emphasis on sound Human Resource Management practices and appraisal systems with focus on cordial employee relations to ensure higher level of productivity and operational efficiency. Adequate efforts have been made to strengthen and develop its human resources as a key strength through continuous training inputs and focused development plan. As on 31st March 2008, the total number of permanent employees in the Company were 460.

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 CONDITIONS

Fixed Assets

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

Year ended March 31st	2005	2006	2007	2008
Gross Block (Rs. in Lacs)	5248	6494	6634	6757



FLEX FOODS LIMITED

The composition and growth of assets was as under: (Rs. in lacs)

Particulars	March 31, 2008	March 31, 2007	Growth %
Land	99.70	99.70	-
Buildings	1210.27	1195.47	1.24
Plant & Machinery	5154.04	5028.76	2.49
Electrical Fittings & Installations	141.59	141.59	-
Equipments	71.29	67.83	5.10
Furniture & Fixtures	10.06	8.99	11.90
Vehicles	70.46	91.20	(22.74)
Total	6757.41	6633.54	1.87
Less: Acc. Depreciation	2485.88	2176.31	14.22
Add: CWIP	14.60	33.92	-
Net Fixed Assets	4286.13	4491.15	-

CURRENT ASSETS LOANS & ADVANCES

Inventories

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.721.10 lacs, representing 10.67% of the fixed assets as at 31st March, 2008.

Sundry Debtors

Sundry debtors were Rs.865.34 lacs as at 31st March, 2008 as against Rs.798.02 lacs as at 31st March, 2007. Debtors as a percentage of total operating revenue were 21.60 % for the current year as against 23.33 % for the previous year.

Cash and Bank Balances

Cash and bank balances were 20.92 % of total assets as on 31st March, 2008 as against 8.66 % as on 31st March, 2007.

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.328.22 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31.03.2008. 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, 2008		Year ended March 31, 2007		Growth(%)
	Amount	%	Amount	%	
INCOME					
Income from operations	4006.72	95.66	3420.74	94.02	17.13
Other income	231.34	5.52	196.41	5.40	17.78
Increase/(Decrease) in stock	(49.64)	(1.18)	21.15	0.58	(334.70)
Total Income	4188.42	100.00	3638.30	100.00	
EXPENDITURE					
Raw Material Consumed.	645.89	15.42	542.41	14.91	19.08
Other Manufacturing Exp.	981.57	23.44	946.70	26.20	3.68
Payment & Benefit to Employees	491.96	11.75	432.74	11.89	13.68
Administrative, Selling & Other Expenses	735.45	17.55	632.55	17.38	16.27
Operating Expenses	2854.87	68.16	2554.40	70.20	11.76
EBDIT	1333.55	31.84	1083.90	29.80	23.03



REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges the Company submits the Report on the matters mentioned in the said clause and practice followed by the Company.

1. Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance is to ensure the best possible management team with considerable professional experienced people. The Company firmly believes that sound practices adopted in the governance of its affairs based on openness, transparency, capability and accountability is *sine-que-non* for long term success, building the confidence of its stakeholders, its functioning and conduct of business.

2. Board of Directors

(a) Composition of the Board (As on March 31, 2008)

The Board of Directors of the Company comprises of six Directors. All Directors including Chairman of the Company are Non-executive Directors with three Directors being independent Directors. The Board consists of eminent persons with considerable professional experience in business, industry, finance and law. None of the Directors on the Board is a member of more than ten Committees and Chairman of more than five Committees across all the Companies in which they are Directors. All the Directors have made disclosures regarding their directorship and memberships on various Committees across all Committees in which they are directors and/or members.

The composition and category of Directors as on 31.03.2008 is as follows:

Name of Director	Designation	Category
Mr. Ashok Chaturvedi	Chairman	Non-executive
Mr. G.N. Gupta	Director	Independent, Non-executive
Mr. T.N. Pandey	Director	Independent, Non-executive
Mr. M.G. Gupta	Director	Independent, Non-executive
Mr. R.K. Jain	Director	Non-executive
Mr. S.K. Kaushik	Director	Non -executive

None of the Director of the Company has any pecuniary relationship with the Company except to the extent of receipt of sitting fees for meetings of the Board/Committee(s) of Directors attended by them.

No director is related to any other director on the Board in term of definition of 'relative' given under Companies Act, 1956

All the Independent Directors of the Company furnish a disclosure at the time of their appointment and also annually that they qualify the conditions of their being independent as laid down under clause 49. All such declarations are placed before the Board.

As mandated by the revised Clause No.49, all the Independent Directors on the Company's Board are Non-Executive and:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management and associates, which may affect independence of the Directors.
- Are not related to promoters or person occupying management positions at the Board level or at one level below the Board.
- Have not been an executive of the Company in the immediately preceeding three financial years of the Company.
- Are not partner or executive or were not partner or executive of the Statutory Audit Firm or the Internal Audit Firm and Legal Firms, Consulting Firms, which have association with the Company.
- Are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect independence of the Directors.
- Are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

Information supplied to the Board

The Board has complete access to all information with the Company, inter-alia, the information as required under the revised Clause 49 of the listing agreement is regularly provided to the Board as a part of the agenda.

Compliance reports of all applicable laws to the company

The periodical reports submitted by the Internal Auditors and by the concerned executives of the Company with regard to compliance of all laws applicable to the Company including steps taken by the Company to rectify instances of non-compliances, if any, are being reviewed by the Board.

(b) Board Meetings and attendance record of each Director

Five Board Meetings were held during the financial year 2007-2008. The dates on which the meetings were held are, 27th April, 30th July, 13th August, 20th October in the year 2007 and 30th January in the year 2008. The gap between two meetings was not more than four months.