

**19th  
Annual Report  
2007 - 2008**



**UFLEX LIMITED**



**UFLEX LIMITED**  
(FORMERLY KNOWN AS FLEX INDUSTRIES LIMITED)

**NINETEENTH ANNUAL REPORT**  
**2007-2008**

**BOARD OF DIRECTORS**

ASHOK CHATURVEDI  
*Chairman & Managing Director*  
RAVI KATHPALIA  
R.P. AGRAWAL  
M. G. GUPTA  
A. KARATI  
*(Nominee – ICICI BANK)*  
P. ABRAHAM  
*(Nominee – UTI)*  
PARESH NATH SHARMA  
S.K KAUSHIK  
*Whole-time Director*  
JAVED YUNUS  
*(Nominee – IFCI)*

**VICE PRESIDENT (LEGAL) &  
COMPANY SECRETARY**

AJAY KRISHNA

**AUDITORS**

VIJAY SEHGAL & CO.  
Delhi  
*Statutory Auditors*

JAIN SINGHAL & ASSOCIATES  
New Delhi  
*Internal Auditors*

**BANKERS**

CANARA BANK  
BANK OF BARODA  
PUNJAB NATIONAL BANK  
THE JAMMU & KASHMIR BANK LTD.  
ALLAHABAD BANK  
STATE BANK OF INDIA  
ORIENTAL BANK OF COMMERCE  
CORPORATION BANK

**REGISTERED OFFICE**

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

**CORPORATE OFFICE**

A - 107-108, Sector - IV,  
NOIDA-201 301 (U.P.)

**OFFICES**

118-119, Damji Shamji Udyog Bhawan,  
25A, Veera Desai Road,  
Andheri (West), Mumbai - 400 053

A-16, FMC Fortuna,  
234/3A (2nd Floor),  
Acharya Jagdish Chandra Bose Road,  
Kolkata - 700 020

443, 2nd Floor, 7th Block,  
Koramangla,  
Bangalore - 560 095

**WORKS**

A-1, Sector-60, NOIDA (U.P.)  
A-2, Sector-60, NOIDA (U.P.)  
A-2A, Sector-60, NOIDA (U.P.)  
C-3, Sector-57, Phase-III, NOIDA (UP)  
C-5-8. Sector 57, Phase-III, NOIDA (UP)  
D-1-2, 15-16, Sector - 59, NOIDA (U.P.)  
29B, Malanpur Industrial Area, Distt. Bhind (M.P.)  
L-1, Industrial Area, Ghirongi (Malanpur), Distt. Bhind (M.P.)  
Lane No. 3, Phase-I, SIDCO Industrial Complex,  
Bari Brahmana, Jammu  
Ramghat Road, village Ahmedpura, Tehsil Atrauli,  
Dist. Aligarh, (UP)

## NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Members of UFLEX LIMITED will be held on Monday, the 25th day of August, 2008 at 10:00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110010 for transacting the following business:

### ORDINARY BUSINESS

- 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 Reports of Auditors and Directors thereon.
- To declare the dividend for the year 2007-2008 on the equity shares of the Company.
- To appoint a Director in place of Shri S.K. Kaushik, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri R.P. Agrawal, who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors. M/s. Vijay Sehgal & Co., Chartered Accountants, Delhi retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS

- To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and subject to Schedule XIII and all other applicable provisions of the Companies Act, 1956, if any, (including any statutory modification or re-enactment thereof) and such other approvals/sanctions as may be necessary, the Company hereby approves the re-appointment of Shri S.K. Kaushik as Whole-time Director of the Company for a further period of three years w.e.f. 1st August, 2008 on the terms and conditions including as to remuneration, minimum remuneration in case of loss or inadequate profit in any financial year as set out in the explanatory statement which shall be deemed to form part hereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary and/or revise the remuneration of the said Whole-time Director within the permissible limits under the provisions of the Companies Act, 1956 or any statutory modification thereof, from time to time and to settle any question or difficulty in connection therewith or incidental thereto.”

By Order of the Board

**AJAY KRISHNA**  
Vice President (Legal)  
& Company Secretary

Place : NOIDA  
Dated : 1<sup>st</sup> July, 2008

Regd. Office:  
305, 3<sup>rd</sup> Floor, Bhanot Corner  
Pamposh Enclave, Greater Kailash - I  
New Delhi - 110048

### NOTES:

- Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
- 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.**
- Corporate Members intending to send their authorized representative(s) are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
- The Register of Members and Share Transfer Books of the Company shall remain closed from 18.08.2008 to 25.08.2008 (both days inclusive). Dividend, if approved at the meeting, will be paid to those members whose names appear as:**
  - Beneficial Owners, as at the end of business hours on 25.08.2008 as per lists to be furnished by NSDL & CDSL in respect of Shares held in electronic form and;**
  - Members in the Register of Members as on 25.08.2008 after giving effect to valid transfer requests received before the close of business hours on 18.08.2008.**
- Members holding shares in physical form are requested to notify change in address, if any, to the Company's Registrar and Share Transfer Agents (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.
- In the case of joint holders, if more than one holder intend to attend the meeting, they must obtain additional admission slips on request from the Registered Office of the Company. In such circumstances, only such joint holder who is higher in the order of name will be entitled to vote.
- Members seeking further information about the accounts are requested to write to the Company **at least one week before the date of the Annual General Meeting** giving details of the information required.
- Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting along with their copy of the Annual Report. No extra attendance slip and/or Annual Report will be provided at the venue of the Annual General Meeting.
- Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
- 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.
- The Company has paid the Annual Listing fees for the year 2008-2009 to the following Stock Exchanges, viz., Bombay Stock Exchange Limited and National Stock Exchange of India Limited at which the Company's equity shares are presently listed.

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

**ITEM NO.6**

Shri S.K. Kaushik was appointed as a Whole-time Director of the Company for a period of three year w.e.f. 1st August, 2005.

Shri S.K. Kaushik is a Chartered Accountant and has experience of about 43 years in the field of finance, marketing, production & planning and possesses commercial acumen of high caliber. He is associated with the group since last 9 years.

Considering his vast experience in the field of finance, marketing, production, planning & other related areas, the Board of Directors in their Meeting held on 1st July, 2008 approved the re-appointment of Shri S.K. Kaushik as a Whole-time Director of the Company for a further period of three years w.e.f. 1st August, 2008 and approved his remuneration in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 on the following terms and conditions as recommended by the Remuneration Committee of Directors:

**Remuneration**

Salary including allowances of Rs.1,83,700/- (Rupees One Lac Eighty Three Thousand Seven Hundred only) per month with an annual increment upto Rs.40,000/-.

**Perquisites**

**Category 'A'**

**Medical Reimbursement & LTC/LTA:**

In addition to the aforesaid salary, Shri S.K. Kaushik shall be entitled to medical reimbursement incurred for self, wife, dependent children and dependent parents on actuals including premium for Mediclaim and LTA for self, wife, dependent children and dependent parents once in a year to and from any place in India and abroad as per scheme/rules of the Company or

as may be decided by the Chairman & Managing Director of the Company.

**Category 'B'**

He will also be entitled to Company's car with driver & telephone at his residence and a mobile phone. Private use of car and private long distance call would be billed to the Whole-time Director.

**OTHER TERMS**

- (a) The Whole-time Director shall be entitled to Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund.
- (b) Payment of gratuity as per the policy of the Company.
- (c) Encashment of leave at the end of the tenure.
- (d) He will not be entitled to sitting fees for attending meetings of the Board or Committee(s) thereof.
- (e) He will be liable to retire by rotation.
- (f) The above remuneration and perquisites payable to him would be within the limits as prescribed under Schedule-XIII to the Companies Act, 1956.
- (g) The aforesaid appointment may be terminated by either side giving three months notice in advance.

In the event of inadequacy or absence of profits under Section 349 and 350 of the Companies Act, 1956, if the remuneration exceeds the limit prescribed under Schedule XIII, the same shall be subject to the approval of the Central Government.

**Functions**

The Whole-time Director shall discharge such functions as are delegated to him by the Board of Directors and/or Chairman & Managing Director. The Board recommends the Resolution for your approval.

Except Shri S.K. Kaushik, no other Director is in any way concerned or interested in this Resolution.

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

Name of Director	Shri S.K. Kaushik	Shri R.P. Agrawal
Date of Birth	20.11.1939	12.07.1932
Date of Appointment	31.07.2005	19.08.1997
Experience in specific Functional areas	A professional having more than 43 years of experience particularly in the field of Finance, Marketing and Production Planning.	A highly qualified and experienced professional having more than four decades of professional experience to his credit.
Qualification	FCA	FCA, L.L.B
Directorship in other Public Limited Companies	Flex Foods Limited	- Nil
Member/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	Audit Committee -Nil Remuneration Committee -Nil Shareholders'/Investors' Grievance Committee - Flex Foods Limited	Audit Committee - UFLEX Limited Remuneration Committee - UFLEX Limited Shareholders'/Investors' Grievance Committee - UFLEX Limited (Chairman)

**Details of Shareholding/other convertible instruments of Non-executive Directors of the Company (Pursuant to Clause 49 of the Listing Agreement)**

S No.	Name of Director	No. of Equity Shares	Other convertible instruments
1.	Shri Ravi Kathpalia	3,800	Nil
2.	Shri M. G. Gupta	22,561	Nil
3.	Shri P. Abraham (Nominee - UTI)	700	Nil
4.	Shri R. P. Agrawal	29200	Nil
5.	Shri P.N. Sharma	2334	Nil
6.	Shri A. Karati (Nominee - ICICI Bank)	Nil	Nil
7.	Shri S. K. Mandal (Nominee - IFCI) upto 30-04-2008	Nil	Nil
8.	Shri Javed Yunus (Nominee - IFCI) w.e.f. 30-04-2008	Nil	Nil

## DIRECTORS' REPORT

### To the Members,

Your Directors have pleasure in presenting this Nineteenth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2008

### WORKING RESULTS

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

	(Rs. in Lacs)	
	<b>Year ended 31.03.2008</b>	Year ended 31.03.2007
Gross Sales & Job Work	<b>160682.00</b>	170140.11
Net Sales & Job Work	<b>126794.62</b>	119856.32
Other Income	<b>11790.30</b>	10018.68
Profit before Interest, Depreciation, Tax	<b>22571.99</b>	19002.56
Interest & Financial charges	<b>7753.11</b>	4731.16
Depreciation	<b>7677.34</b>	7605.54
<b>Profit before Tax</b>	<b>7141.54</b>	6665.86
(Less) : Provision for Taxation		
- For Income Tax	<b>(759.00)</b>	(750.00)
- For Fringe Benefit Tax	<b>(170.88)</b>	(171.25)
- For Wealth Tax	<b>(18.87)</b>	(26.01)
Less : Provision for Deferred Tax (Charge)	-	(1510.02)
<b>Profit after Tax</b>	<b>6192.79</b>	4208.58

### YEAR IN RETROSPECT

During the year under review, your Company achieved a turnover of Rs.172472.30 lacs including other income of Rs.11790.30 lacs as against turnover of Rs.180158.79 lacs including other income of Rs.10018.68 lacs of the previous financial year ended March, 2007.

The profit after tax for the year ended March, 2008 at Rs.6192.79 lacs was higher than the previous financial year ended March, 2007 at Rs.4208.58 lacs.

The operational performance of the Company has been comprehensively covered in the Management Discussion and Analysis Report.

### DIVIDEND

Your Directors are pleased to recommend a dividend @ Rs.4/- per share for the financial year ended March 31, 2008. The dividend, if approved at the forthcoming Annual General Meeting will be paid to Members whose names appear in the Register of Members as on 25th August, 2008. In respect of shares held in dematerialized form, it will be paid to those Members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owner as on 25th August, 2008.

### ISSUE OF EQUITY SHARES & WARRANTS AND INCREASE IN PAID-UP CAPITAL OF THE COMPANY

In terms of the approval of the Members of the Company through Postal Ballot Process conducted in the month of January-February, 2008, the Company has issued and allotted 87,35,000 equity shares and 87,35,000 warrants, convertible into equivalent number of equity shares within a period of 18 months from the date of issue to Foreign companies on preferential basis.

The issue was made to fund the Company's expansions, modernization, diversification and acquisitions, capital expenditure and direct investments in subsidiary companies, etc.

During the year under review the Company issued and allotted 13376000 equity shares arising out of conversion of Foreign Currency Convertible Bonds, Convertible Warrants and Preferential Issue of equity Shares, details whereof are given below:

Date	Particulars of Issue	No. of Shares Allotted	Total No. of Shares
Total number of equity shares before the issue of shares			51630646
05.04.2007	Conversion of FCCBs	253942	51884588
16.04.2007	Conversion of FCCBs	1015771	52900359
04.05.2007	Conversion of FCCBs	76182	52976541
24.07.2007	Conversion of FCCBs	50788	53027329
26.07.2007	Conversion of FCCBs	177760	53205089
08.08.2007	Conversion of Warrants	2000000	55205089
27.09.2007	Conversion of FCCBs	152365	55357454
09.10.2007	Conversion of FCCBs	177760	55535214
14.12.2007	Conversion of FCCBs	228548	55763762
08.01.2008	Conversion of FCCBs	253942	56017704
09.01.2008	Conversion of FCCBs	253942	56271646
26.02.2008	Preferential Allotment	8735000	65006646

**FIXED DEPOSITS**

No fresh/renewal of deposits were accepted during the financial year 2007-2008. There were unclaimed deposits of Rs. 0.24 lacs as at March 31, 2008. Reminders have been sent to 3 persons, who did not claim repayment of their deposits, which had become due, amounting to Rs.0.24 lacs.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri S.K. Kaushik and Shri R.P. Agrawal, Directors of the Company retire by rotation and being eligible, offer themselves for reappointment.

IFCI Limited withdrew the nomination of Shri S.K. Mandal as their nominee from the Board of Directors of the Company and nominated Shri Javed Yunus as their new nominee w.e.f. 30th April, 2008.

Your Director while welcoming Shri Javed Yunus took the opportunity to place on record their appreciation for the valuable services rendered by Shri S.K. Mandal during his tenure as a Director of the Company.

Further, Mr. S.K. Kaushik has been re-appointed as the Whole-time Director of the Company for a further period of three years with effect from August 1, 2008. The said re-appointment is subject to necessary approval of the Members of the Company at the ensuing Annual General Meeting.

Brief resume of the above Directors, nature of their expertise in specific functional areas and the name of the public companies in which they hold the Directorship and the Chairmanship/membership of the Committees 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.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i) that in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed and that there has been no material departures.
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgement 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 profit of the Company for the year under review.
- iii) 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.
- iv) 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 Internal Auditors.

**AUDITORS & AUDIT**

The Auditors of the Company M/s. Vijay Sehgal & Co., Chartered Accountants, 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.

**SUBSIDIARY COMPANIES**

Pursuant to Section 212 of the Companies Act, 1956, the required information in respect of Subsidiary Companies, i.e. Flex America Inc., USA, Flex Middle East FZE, UAE, Flex Europe Pvt. Ltd., UK, U Tech Developers Limited and Uflex Packaging Inc., America alongwith Balance Sheets and Statement of operations are annexed to the Annual Report.

**CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with the Accounting Standard-21 - Consolidated Financial Statements read with Accounting Standard-23 on accounting for investments in Associates, your Directors have pleasure in attaching the consolidated financial statements, which form part of the Annual Report & Accounts.

**CORPORATE GOVERNANCE**

Your Company has taken adequate steps to ensure compliance with the provisions of Corporate Governance as prescribed under the Listing Agreement with the Stock Exchanges.

A separate Report on Corporate Governance along with Report on Management Discussion and Analysis is enclosed as part of the Annual Report.

**STATUTORY DISCLOSURES**

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

Particulars of employees as required u/s 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'A' forming part of this Report.

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

**PERSONNEL**

Personnel relations with all employees remained cordial and harmonious throughout the year. Your Directors wish to place on record their sincere appreciation for the continued, sincere and devoted services rendered by all the employees of the Company.

**ACKNOWLEDGEMENT**

The Directors express their gratitude and thanks to the Financial Institutions, Banks, Government authorities particularly in the states of Uttar Pradesh & Madhya Pradesh, Jammu & Kashmir, Shareholders, GDR holders, FCCB holders, Debenture holders, Warrant Holders, Fixed Deposit holders, customers, suppliers and other business associates for their continued co-operation and patronage.

For and on behalf of the Board

Place : NOIDA  
Dated : 1<sup>st</sup> July, 2008

**ASHOK CHATURVEDI**  
Chairman & Managing Director

## ANNEXURE 'A' TO DIRECTORS' REPORT

Information as per Section 217(2A)(B)(1) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report.

### A. EMPLOYED FOR THE FULL YEAR

Sl.	Name	Age	Designation	Remuneration (Rs.)	Qualifications	Experience (Yrs.)	Date of Appointment	Last Employment (Position held)
1.	Shri Chaturvedi Ashok	51	Chairman & Managing Director	46436553	B.Sc.	30	01.08.1988	Flex Laminators Ltd. (Chairman & Managing Director)
2	Shri Kaushik S K	69	Whole-time-Director	2301879	F.C.A.	43	01.08.2005	Flex Foods Limited (Whole-time-Director)
3	Shri Tyle Pradeep	47	Sr. President (Films)	15003052	B.E.(Hons) Chem. . P.G.D.B.M	25	01.08.1988	Flex Laminators Ltd. (General Manager (Operations))
4	Shri Jain R.K.	53	President (F&A)	8469007	F.C.A.	28	01.08.1988	Flex Laminators Ltd. (Financial Controller)
5	Shri Ray Amitava	62	President (Packaging Division)	9618977	B.A. (Hons) PGDM	43	06.06.2001	India Foils Limited (Managing Director & CEO)
6	Shri Sirsamkar P.L.	50	President (Films)	7419141	B.E.	27	01.01.1993	Polyplex Corpn. Ltd. (Dy. General Manager)
7	Shri Srivastava Ashok Chandra	60	Jt. President (Export Div.)	3188400	LLB, DIP in Business Administration.	37	13.03.2006	Bharti Health Care Ltd. (CEO)
8	Shri Jain Dinesh	54	Jt. President (HR)	4218554	B.Sc. LLB, LLM, DBA	29	20.07.1990	Usha Shri Ram Ltd (Factory Manager)
9	Shri Mital Vipin	63	Exe. Vice-President	2781528	B.Sc., B.Tech., M.B.A.	40	04.12.2006	Flex Engineering Limited (Chief Executive)
10	Shri Agarwal P.K.	50	Exe. Vice President (Cylinder Division)	4425948	M.Sc. (Chem.)	27	01.08.1988	Flex Laminators Ltd. (Manager - Production)
11	Shri Anand Arun	56	Sr. Vice President (Marketing)	3802154	B.A.	31	02.05.1996	Sharp Industries Ltd (Director - Marketing)
12	Shri Sachdeva Anup	44	Exe. Vice President (Export Marketing)	4361061	B.A.	22	10.11.1997	Sharp Industries Ltd (Sr. General Manager)
13	Shri Mongia J.M.	52	Exe. Vice President (Domestic Marketing)	3927946	B.Com	30	08.08.1994	Garware Paints Ltd (Divisional Manager)
14	Shri Tandon Ajay	52	Exe. Vice President (Operations)	4508691	B.E. (Mechanical Engineering)	30	04.12.2006	FCL Technologies & Products Limited (Exe. Vice President)
15	Shri Raje H M	52	Vice President (Technology)	3442895	M.Chem.Engg.	28	04.12.2006	FCL Technologies & Products Limited ( Vice President)
16	Shri Parmar S S	54	Vice President (Energy)	2939400	Marine Engineering MOT 2nd, NBCD & Fire Fighting	33	12.08.2002	Rolls Royce Energy Systems India Pvt Limited (D.G.M.)
17	Shri Pillai J G	47	Vice President (Operations)	2953246	BE (Mech), MBA	23	18.11.1996	Lippi Systems Limited (Director)
18	Shri Kapoor Devender	46	Vice President (Marketing)	3351877	BA (Hons)	25	18.10.1999	Raviraj Foils Limited (Vice President (Sales & Marketing))
19	Shri Singh A P	61	Exe. Vice President	3296274	B.Pharma.	37	24.02.1996	Burroughs Welcome India Ltd. (Marketing Incharge)
20	Shri Gupta Piyush	38	Asst. Vice President (Export Marketing)	2703194	M.S.(Mech. Engineering)	17	19.04.1999	Petheco Pharmaceuticals Limited (Manager - Export & International Marketing)
21	Shri Sharma Ravi	50	Vice President	2949171	B.E. (Mech.)	28	04.12.2006	Flex Engineering Limited
22	Shri Dang S K	57	Vice President	2999908	M.Tech. (IITD)	33	04.12.2006	FCL Technologies & Products Limited (Vice President)
23	Shri Shah P K	48	Vice President	2776488	B.Tech. (Chem.), PGDBM	28	01.12.2006	FCL Technologies & Products Limited (Vice President)
24	Shri Krishna Ajay	52	Vice President (Legal) & Company Secretary	2503933	ACS, LLB	28	27.09.2004	Jubilant Organosys Limited (Company Secretary)

### B. EMPLOYED FOR PART OF THE YEAR

1	Shri Karandikar S M	45	Vice President	3305030	BE (Electrical)	23	28.07.1993	SL Industries Ltd.
2	Shri Tomar S S	49	Exe. Vice President (Operations)	1957000	DIME, IEP	23	05.09.2007	Simbhaoli Sugars Limited (Vice President)
3	Shri Dosi Dilip Kumar	52	Jt. President (Films)	1637097	BE (Hons), MBA	31	12.10.2007	Ester Industries Limited (Executive Director)
4	Shri Joshi Dinesh	53	Sr. General Manager (Corporate - HR)	1144672	BE (Mechanical) MPM&IR	27	15.10.2007	Field Fresh Foods Pvt. Limited (Head - HR & A)
5	Shri Agarwal G K	51	Vice President	822918	FCA, FCS, ICWA	28	07.12.2007	Arti Securities & Services Limited (Managing Director)

1. Remuneration includes Salary, Bonus, Contribution to Provident Fund and all other perquisites taxable or non-taxable.
2. All appointments are contractual.
3. Information about qualification and last employment is based on particulars furnished by the concerned employee.
4. None of the above employees holds by himself or alongwith his spouse and dependent children 2% or more of equity shares of the Company.
5. None of the above employees is relative of any Director of the Company.

## ANNEXURE 'B' TO DIRECTORS' REPORT

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

### A. CONSERVATION OF ENERGY

Energy has always been a vital resource in the development of any Industry or Nation. The prosperity of a nation is measured in terms of per capita energy consumption besides GDP, GNP, etc. While the world has seen hectic industrial activity in the past century, it has also come face to face with serious problems arising out of haphazard utilization of the world energy resources. Even the high fuel costs did not encourage efficient utilization of energy. During the intensive process of industrialization, the world observed consumption of majority stock of its energy resources and deterioration of the global environment. Now the world is facing with the formidable task of meeting the increasing demand for Energy. The efforts would be three pronged - to enhance supply, use resources available in an optimal and economical manner and on the demand side look at ways to save energy. Technological advances can contribute in large measures to conserve energy. Energy efficient equipments should be manufactured both for industrial and domestic use. Similarly, the process of manufacturing should be such that it cuts down on energy consumption at every stage. Accordingly, energy conservation has been recognized as a national priority. The need of the hour is to conserve energy and maximize output.

Our company's development plans put lot of emphasis on energy conservation & enhancement of machinery efficiency. In general, the conservation of energy in any form is very important for the existence of any Industry today. Accordingly, we have undertaken various steps to reduce the power generation cost as well as power consumption.

#### (a) Energy conservation measures taken

The below mentioned are some of the steps which have been undertaken during 2007-08.

##### 1) 550 TR Vapour Absorption Machine (Chiller)

The Hot water generated from Heat Recovery Unit installed on 6.24 M.W. D.G. Set is used for operating a Vapour Absorption machine of 550 TR capacity for the air conditioning and process cooling purposes. There is no energy cost to operate this machine.

##### 2) Incinerator

In order to incinerate laminate waste generated from the production machines & to utilize its heat, we have installed Incinerator of capacity 9 Lacs Kcal/Hr. The energy recovered from this Incinerator is used for heating the Thermic Fluid for the process use. This unit has resulted into saving of about 340 M.T. of Furnace Oil yearly.

##### 3) Heat Recovery Unit

Waste heat recovery unit has been installed at the exhaust gas side of 1.70 M.W. D.G. Set. The purpose of this unit is to extract heat energy from the exhaust gases of D.G. Set & use this energy into heating the

water, which is used as heat input in the Vapour Absorption Chiller of 270 TR.

- 4) Electric choke of tube lights replaced by electronic chokes. Also more efficient unbreakable tube lights have been installed.
- 5) Power savers will be installed to supply the low voltage to lighting system of plant.
- 6) Power loads have been redistributed to improve power factor resulting in more efficient use of energy.
- 7) Preventive maintenance for machines to reduce frictional losses and thereby improving efficiency.
- 8) Creating awareness amongst all workers/staff members to make maximum use of natural light and sensible use electrical appliances like fans, air conditioners etc.
- 9) Reducing wastage of water by using better methods of distribution and use.

#### (b) Future Proposals for Energy Conservation

The Company will take necessary measures as may be required from time to time for conservation of energy.

#### (c) Impact of measures at (a) & (b) above for reduction of energy consumption

The above measures will result in energy saving and consequent decrease in cost of production.

### B. TECHNOLOGY ABSORPTION

The following efforts are being made in technology absorption:

#### Research & Development (R&D)

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

The Company has carried out R&D in multiple products, processes and technologies.

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

Products improvements in quality and quantity, conversion cost reduction, import substitution, widening the product range. The capability to develop new products boosts the morale and the culture of the organization. Further, several new products have been developed by the Company to respond to the needs of its customers both in the domestic and international markets, with concurrent commitment to improve quality and productivity.

3. Future plan of action

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

4. Expenditure on R&D

During the year, the Company spent Rs. 10.43 lacs. This is equivalent to 0.01% of the turnover.



**Technology absorption, adaptation & innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

The Company as a matter of policy exposes its technical staff to latest technological developments by encouraging them to participate in domestic as well as global technical seminars and expositions; this helps them to further improve their knowledge and skills, which in turn results in better quality products and increased productivity.

2. Benefits derived as a result of the above efforts

Product innovation and renovation, improvement in yield, product quality, input substitution, cost effectiveness and energy conservation are the major benefits.

The Company has also developed some new products during the year.

3. Imported Technology

The Company has imported new machineries during the year under review.

countries. The Company is continuously exploring possibilities of exporting more of its products to different markets.

2. During the period under review:

**(Rs. in lacs)**

a) Earnings in Foreign Exchange	
i) F.O.B. value of export of manufactured/Traded Goods	29761.14
ii) Design & Art work Recovery	230.42
iii) Technical Services	2243.27
iv) Dividend	2005.45
b) Expenditure	
i) CIF Value of Imports	23107.52
ii) Expenditure in Foreign Currency	1889.48

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

1. Activities relating to exports:

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

The Company is at present exporting its products to USA, Europe, Asia Pacific, Middle East, Africa & other

For and on behalf of the Board

Place : NOIDA  
Dated : 1<sup>st</sup> July, 2008

**ASHOK CHATURVEDI**  
Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS

### FORWARD-LOOKING STATEMENTS

Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

#### 1. Overview – Industry Structure & Developments

##### **Flexible Packaging**

It may be recalled that the year 2007-2008 was an eventful year both nationally and internationally. The sub-prime crisis, rise in the prices of oil and commodities impacted all business sectors globally. Inflation continues to be a source of worry for Governments all over the world. As per advance estimates released by the Central Statistical Organization (CSO), in February, 2008 the real Gross Domestic Product (GDP) growth of the Indian Economy has moderated to 8.7% in 2007-08 from 9.6% in 2006-07. The moderation in growth occurred in all the three sectors, viz. agriculture & allied activities, industry and services. Despite slower growth rate during 2007-08 in comparison to the year before, India continued to be one of the fastest growing economies of the world.

Flexible packaging and printing are the fastest growing segment of the packaging industry worldwide. The growth rate of flexible packaging in the global market, more particularly in developed markets such as USA and Europe has been around 5–6 % per annum, which is expected to grow at least at the same rate in future.

Historically, the Indian packaging market is growing year on year between 14 per cent to 20 per cent but it is predicted to grow at a higher rate of 20-25% annually. Changing consumer tastes in every field is placing new demands on the packing industry, laminated products including form-fill-seal pouches, laminated tubes and tetra packs. The large growing middle class, liberalization and organized retail sector are the catalysts to growth in packaging products/materials. Fast-changing food habits are also likely to give boost to the flexible packaging market, especially the pouch and microwave friendly products.

Flexible packaging consists of multi-layer laminated sheets of plastics (PVC, LDPE, HDPE, BOPP, BOPET), paper cloth or metal foils, used separately or in combination of various packaging applications. Flexible packaging has a unique set of properties to ensure toughness, moisture, aroma retention, low odour, taste etc. Flexible packaging laminates are used for packaging of processed food (e.g. Biscuits, snacks, confectionery, spices, wheat flour, rice, pulses etc.), personal products (e.g. shampoo soaps, detergents, hair dye etc.), beverages (e.g. tea, coffee, milk products, baby food etc.), other items like lubricants, pesticides, pharmaceuticals etc.

Flexible packaging materials offer certain special advantages

in terms of their intrinsic properties viz.

- Strength properties such as puncture, tensile and tear strength.
- Water vapour permeability.
- Gas permeability
- Freedom for odour and toxicity.
- Aroma retention
- Shelf life.

The demand for flexible packaging is mainly derived from the demand of the user industries like processed food, personal products, beverages, lubricants, pesticides and pharmaceuticals etc. as also from the changes in the packaging pattern for the products of these industries. In order to achieve deep penetration into the market and to reach masses, more and more companies are shifting to smaller quantity packs using flexible packaging. Besides, flexible packaging also offers many other advantages over the conventional packaging in terms of greater flexibility cost reduction, aesthetic looks, handling, shelf life etc. prompting more and more industries to shift their preference to flexible packaging.

##### **Packaging Raw Materials – Poly Condensation (PET Chips)**

PET chips are mainly classified as polyester chips of film grade, yarn grade and bottle grade. These chips are used as raw material for manufacturing of polyester films, polyester yarn and PET bottles. The film grade chips is used as one of the basic raw material for manufacturing polyester films.

The market for polyester and other films primarily used by the flexible packaging industry is on an upswing. The demand both in the domestic as well as international market has been growing steadily. However exceptional increase in prices of petrochemical products especially that of PTA & MEG has resulted in strain on profit margins but the position is expected to improve in the current financial year.

The market for yarn and bottle grade chips in India are very competitive with exceptionally low margin. The Company has therefore, strategically decided to mainly concentrate on production of film grade polyester chips.

##### **Packaging Raw Materials – Inks & Adhesives**

Printing ink is used for printing on a substrate and then dried. Depending on the process and end use, inks are classified into letterpress, lithographic, flexographic, rotogravure and others.

The growth of the printing ink sector including that of rotogravure and flexographic inks has been rapid. Many new and innovative products are being introduced on a regular basis to meet the specific requirements of customers. The requirements of the end users of the printing inks in coming times is expected to be high gloss, instant setting, high speed, quick drying etc. To keep pace with the growing requirements of end users, Research and Development work towards modification of resins, structural vehicles, water-based inks,

enviro-friendly inks and introduction of innovative product range needs to be undertaken.

Further, the future of the Indian ink industry is bright, however, the industry is reeling under adverse impact of the higher material cost and requires substantial investment in Research & Development.

Your Company has confined itself to the production and marketing of flexographic inks primarily used by flexible packaging industry. With increase in demand of flexible packaging material, due to shift in customer preference and opening up of organized retail, the demand for flexographic inks is increasing. Further, the Company has indigenously produced the new generation cost effective polyether base solventless adhesive system for flexipack, new ink system for PVC profile and special coating for producing matt effect in laminates. These products are now well established in the market against competitions.

### **Packaging Machinery**

The Indian Capital Goods Industry has to play key role in achieving the industrial growth rate. The development of a strong and vibrant engineering and capital goods sector in India needs to have a strong engineering and capital goods base that supplies the most sophisticated and state-of-the-art machinery and equipment to the various sectors of the economy.

The profit margins in the industry are by and large, driven by access to technology and global markets, the ability to identify niche areas, efficient inventory and debt management, good after sales services, ability to offer solutions rather than products and product innovation and range.

## **2. Business Review**

### **Plastic Film Business**

The main products of this business are Polyester Films, BOPP Films, CPP Films Metalised & Specialty films and Polyester Chips etc.

BOPP film is primarily used for applications in packaging food products such as confectionery, biscuits, bakery, pasta, dried foods, meats etc. It is used in the form of over-wraps, crimp seal packs and pouches. BOPP film is also widely used in wrapping cigarette cartons and tobacco-related products, bags for ready-made garments, adhesive tapes and print lamination. The film has high gloss and transparency and provides a strong moisture barrier, making it suitable for packing many types of consumer products.

The Company's BOPP films are highly cost effective and functionally efficient products. The technologically superior and highly dependable BOPP film produced by the Company in its state-of-the-art ISO 9001-2000 certified plants can be structured in up to three layers and tailored for almost any machine requirements and is capable of meeting both rotogravure and flexographic printing standards.

BOPET film is used in a wide range of applications, its barrier properties, high tensile and dielectric strength, thermal and chemical stability and toughness make it suitable for diversified applications. The film provides a strong barrier to aroma retention and odour, which makes it especially suitable for

use in food packaging. The other applications are electric insulation, office supplies, graphic arts, imaging and industrial. Its dimensional stability and high tensile strength makes this film suitable for critical applications such as audio, video and other magnetic tape applications. BOPET film, one of the initial products of the Company, has not only succeeded in retaining its market share but has also expanded its markets in today's dynamic & rapidly changing packaging scenario. Produced in state-of-the-art ISO 9001-2000 certified plants in different range of microns, the BOPET films have the capacity to sustain the high fidelity graphics and to meet the requirements of both rotogravure as well as flexographic printing standards.

While the Company's facilities are capable to produce polyester chips of film grade, yarn grade and bottle grade but it mainly concentrates on production of film grade pet chips. The film grade chips are used as raw material for the manufacturing of polyester films. The unit has made use of its state-of-the-art batch processing manufacturing facilities for largely meeting its captive demand.

### **Flexible Packaging Business**

The main products of this business are laminates made with various combinations of Polyester, Metalized Polyester, Aluminum Foil, Paper, BOPP, Poly and others and supplied in roll form and in preformed pouches, manufacture of rotogravure cylinders for various types of rotogravure printing, Anilox/Coating, Rollers for flexo printing and Shims for holographic embossing and holograms and printing ink and adhesives. The Company is market leader in this sector in India.

The company has successfully developed several new packaging methods for various applications suitable for Food Industry, the Bakery and Confectionery Industry, Beverage Industry and the Personal Care products Industry. The Company's strategy for product innovation together with cost leadership and enhancing quality has led to the significant growth in sales and has become a major supplier of packaging materials for various multinational corporations in the FMCG sector.

The cylinder manufacturing facilities at the Company is a key strategic initiative towards completing the process of integration. The Company has capabilities to provide complete solution starting from art work/mock up stage to producing final printing cylinders. The Company has capacity to produce over 47,000 printing cylinders annually. The rotogravure cylinders are used for both its own needs as well as meeting the requirements of the customers both in domestic as well as international markets. The Company's Cylinders are accepted globally and have provided new opportunities and challenges across the world.

The Company is one of the leading manufacturer of holographic films. It provides its global customers with many value added products. Top niche gift wrappers in holographic design in vogue and top of the line label stocks are part of an attractive product range. The Hologram produced by the Company has been well accepted in the domestic and international market. Hologram being low cost with better margin is adding to the profitability

The Company offers for its customers a wide range of food storage Zipouch bags with unique and innovative features for home and commercial purposes. Zipouch bags are for ultimate convenience and diverse utility and are available through a range of different sizes catering to the needs of an Indian household at an international standard. Zipouch bags are well accepted internationally.

**Other Business**

The core activity in this business amongst others relate to manufacturing of packaging, printing and allied machines.

The state-of-the-art manufacturing facilities of the Company at NOIDA (Uttar Pradesh) have the capacity to manufacture both tailor made machines as well as machines of specific design to suit the need and requirements of various customers both in India and abroad. Its in house expertise and years of experience has placed it in an advantageous position to access market demands/needs and accordingly supply different machines of various grade, design and specification to the customers to provide them a complete packaging solution.

**3. Financial and Operational Performance - Overview**

Your Company faced an extremely challenging environment during the year 2007-2008 on account of relentless increase in the raw material prices and heightened supply chain demands posed by customers in the developed markets. Whilst strategically addressing these key challenges, your Company's immediate priority was to sustain the healthy growth momentum of the last few years. Consequently, the consolidated sales revenue grew by 4.00%.

Despite the above facts, your company has achieved good results. The High lights of global results are given hereunder:-

**Summary of global results:**

	(Rs. in Lacs)	
	2007	2008
Gross Sales including Other Income	199758.05	207704.48
EBITDA	23320.18	29540.68
Profit Before tax	10278.37	12696.82
Profit after tax	7726.97	11133.91

**4. Expansion Projects**

**At Dubai**

M/s. Flex Middle East FZE, Dubai (Wholly Owned Subsidiary) has successfully added another polyester line – the widest line of 8.7 mtr. in the world in 2007. The second line commenced production from October, 2007 and running presently at more than 100% capacity. Further, keeping in view, world BOPP film/ CPP film demand, it has undertaken expansion programme for manufacturing of polypropylene film in addition to its existing business of polyester film to meet the growing demand of its products and for better market reach and services. Polyester and polypropylene films have wide applications, the highest usage of about 50% in flexible packaging materials. The project involves the setting up one

8.7 mtr. wide Bi-axially Oriented Poly Propylene (BOPP) film line and one Caste Poly Propylene (CPP) film line along with metalization facilities and expected to be commissioned by September 2009. This would facilitate to produce the bare/ metalized PP films.

**At Jammu**

The commissioning of the expansion programme for setting up facilities to produce flexible packaging materials with installed capacity of 12000 MT/p.a. and Holographic materials with an installed capacity of 1600 MT/p.a. at Bari Brahmna in the state of Jammu & Kashmir has been successfully completed. It has started commercial production from April, 2008.

**At Aligarh**

The implementation of the ongoing expansion programme for setting up Distillery Project near Aligarh in the State of Uttar Pradesh with an initialed capacity of 90 KL/day (27000 KL/pa) is being carried out satisfactorily. The project is expected to be commissioned by November, 2008.

**Special Laminates/WPP Bags project At NOIDA**

While Company has already established market for small and medium size pre-formed pouches/bags in domestic and international market, it equally emphasized to penetrate the large packaging bags market, primarily the export market.

With this perspective, the Company was continuously doing the development for such special laminates/bags, which prima-facie has large market for pet food packaging. The Company could develop a suitable packaging bag WPP Bag and sample for same has been accepted in the international market.

Looking into the market size for such bags, the Company with innovation by adding Zip facility, proposes to set up several lines of special laminates/WPP Bags in phases in future. However, to start with, the Company has set up single line of WPP plant with annual capacity of 60 million bags or 4800 MT of special laminates.

The said plant has already been commissioned at our existing site at NOIDA (U.P.). It has also commenced trial production. The sample from the said plant has been produced and also been accepted in the international market. The Company has been rigorously approaching many customers for their approval of said bags and expects to receive positive response in next few months. The Company is expecting that this product will also contribute in the overall growth of revenue of the Company during the current financial year 2008-2009.

**Polyester film project at Mexico**

To meet the growing demands of its products and for better market reach and services to its overseas customers more particularly in American continent, the Company has decided to set up, subject to statutory approvals, two line of PET film with capacity of 26400 MT each, aggregating to total capacity of 52800 MT through a wholly owned subsidiary Company.

Besides, the Company is also exploring various options and opportunities for overseas acquisition/new projects/ expansions/formation of a wholly owned subsidiary company in the related areas of business in India and abroad.

## 5. Opportunities & Threats

According to the International Monetary Fund (IMF) global economy grew by an estimated 4.9% in 2007 despite concerns of tighter financial market conditions, high oil prices and inflation. A key contributor to the positive growth trend remained in Asian region, with China and India registering an impressive 11.4% and 8.7% economic growth respectively. In addition, Middle East and CIS Countries grew by 6% and 8.2% respectively.

The flexible packaging industry at a global level is large and offers opportunities for growth, particularly in associated film substrates. Since 2000, world's BOPP film demand has grown by an average of 8.7% per annum to reach an estimated 4.95 million tones in 2007. The Central and East Asian region, which includes South Korea, Japan and China, is now the world's largest consumer of BOPP films accounting for 46% of demand.

In spite of the rapid growth achieved by the Indian packaging industry in the past few years, the per capita consumption of packaging (paper/board and plastics packaging) in India is still very low at around US\$ 15, against the world average of around US\$ 100. It shows the real "opportunity factor" available in the Indian market.

India is also expected to witness a surge in demand for packaging across all sectors, from food to IT, from pharmaceuticals to automotive parts and from mobile phones to cosmetics.

Flexible packaging dominates the Indian packaging industry due to its low cost. The flexible packages are very attractive, cost-effective and strong in comparison to the traditional rigid packaging. Consumer preference for the use of convenient flexible is one of the main reasons contributing to the growth of flexible packaging in India.

Flexible packaging is used for a variety of food items ranging from milk, biscuits, vegetable oil and rice. It's estimated that fresh/pasteurized milk and bakery products will be the main end-use applications for flexible packaging in the country.

The Indian plastic films market is highly competitive both for PET films and BOPP films. Your Company faces stiff competition both from the international as well as domestic manufacturers. The competition is increasing with the addition of new capacities and emergence of new global players especially from China. Increased competition might lead to reduced price, decreased sales, lower profit margins thus adversely affecting the business and financial conditions of the Company.

The Global economy is undergoing recession with economic slow-down in the USA. This may, in varying degrees, affect other economies. As a result, market related business and credit risks with clients in some of the countries are expected to rise.

To address these risks, the Company has diversified its business profile and the activities are spread in various parts of the World. The Company has taken the following steps/measures:

- i) has diversified its product range/markets giving the Company a competitive edge to deal with downward business cycles in a better manner.

- ii) with proper geographical/ product diversification, the Company is much better placed to deal with any unforeseen situation of economic slow down etc.
- iii) the Company has strengthened its position as a leading manufacturer of flexible packaging material by successfully increasing the scale of operations. It has expanded international market by leveraging high quality products at a lower cost. With innovative solutions and value added niche products, it has cultivated the use of flexible packaging as cost effective, resulting thereby building long-term relationship with various customers across the globe by providing them good value proposition and counter the competition.

## 6. Future Outlook

Despite competition, the future of the Packaging industry is good; an expanding middle class, ongoing liberalization and the arrival of organized retailing will continue to catalyse the growth in packaging

India's packaging market has an average growth of 14-20% per annum. Growth rate is expected to double in coming years with change in consumer needs and large scale retailing. Modern day packaging is different from mere 'packing'. In today's visual society, survival of a product hinges on smart packaging. The highly visible and catalytic role of packaging is abetted by the widespread branding of products and also the rapidly changing consumer preferences. The dominant role of packaging can be inferred from World Packaging Organization's (WPO) slogan, "Better Quality of Life Through Better Packaging". In order to survive in present day packaging industry, the packaging must meet the criteria of safety, convenience and attractiveness.

Flexible packaging is gaining wider acceptance because of the protection it offers to the product against climatic and atmospheric conditions like moisture, heat and chemical reaction. The convenience factor in terms of handling the product and the cost benefits can be counted as the extra privileges. Flexible packaging finds varied use because of its ability to provide strength, moisture resistance, aroma retention, gloss, grease resistance, heat retention, sealability, printability and low odour.

The following are key growth drivers for future growth of Flexible packaging industry:

- Increasing industrialization and expected emergence of the organized retail industry in developing nations of the world to increase use of flexible packaging products.
- Increasing number of multinational food and retailing companies, which are expected to increase the demand for sophisticated plastic-based flexible packaging products.
- Increase in plastic packaged processed and fresh food.
- Increased use of small flex pack pouches for shampoo, tooth powder, tea and other such products.
- Increased export of ready-made garments due to the relaxation of textile quotas internationally; these garments are generally required to be packaged in plastic bags.

The growth and development of cylinder business is linked to the growth and development of packaging industry. With the opening of the economy, the opportunities for packaging business are gradually increasing both in the domestic as well as in the international market. The increasing demand for flexible packaging materials will give an advantage of growth to the Rotogravure Cylinder business.

Industrial inks and polyester chips, some of the other products of the Company are being used by the flexible packaging industry as their basic raw materials. The basic nature of the business of the Company makes it quite dependent on the growth and development of the flexible packaging & allied industry. The entry of multinational companies into various sectors in India has a tremendous positive impact on the growth of the flexible packaging industry and it is poised for a healthy growth in the years to come.

The Company's policy to expand its converting machines business in the international market and to introduce new and customer friendly packaging and converting machines having better usage and utility is eliciting positive response.

#### 7. Internal Control Systems and their Adequacy

The Company has an adequate system of internal control relating to purchase of stores, raw materials including components, plant & machinery, equipment and other similar assets and for the sale of goods commensurate with the size of the Company and nature of its business. The Company also has Internal Control System for speedy compilation of accounts and Management Information Reports and to comply with applicable laws and regulations.

### 9. Company's Standalone Financial Performance & Analysis

#### A. Fixed Assets

The composition and growth of assets are as under:

(Rs. in lacs)

Particulars	March 31, 2008	March 31, 2007
Land	3964.30	3869.09
Buildings	17992.11	16283.57
Plant & Machinery	125271.62	119029.60
Electrical Fittings & Installations	3691.32	3553.49
Office Equipments	3275.49	1516.70
Furniture & Fixtures	4450.76	615.04
Vehicles	5292.97	5100.85
Software (Intangible Assets)	413.88	373.89
<b>Total</b>	<b>164352.45</b>	<b>150342.23</b>
Less : Accumulated Depreciation	67994.74	61247.02
Add : CWIP	10142.64	3461.22
Net Fixed Assets	<b>106500.35</b>	<b>92556.43</b>

The Company has an effective Budgetary Control System. The Management reviews the actual performance with reference to budgets periodically. The Company has a well-defined organization structure, authority levels and internal rules and regulations for conducting business transactions.

The Company has already formed an Audit Committee and has met five times in the year. Audit Committee ensures proper compliance with the provisions of the Listing Agreement with Stock Exchanges, Companies Act, reviews the adequacy and effectiveness of the internal control environment and monitors implementation of internal audit recommendations. Besides the above, Audit Committee is actively engaged in overseeing financial disclosures and in reviewing your Company's risk management policies.

#### 8. Risk Management

Macro economic conditions do affect the Company operations. Low demand, economic slow down, political instability, higher inflation, natural calamities may affect the business. Business therefore cannot be risk free. What is therefore important is to correctly access the risk area wise and to take steps to mitigate the risk before it becomes a potential threat. General risk areas are statutory compliances, economy, financial, government regulations and policies, market related, operational, products and technology, intellectual property etc.

The Company has identified potential risks such as business portfolio risk, financial risk, legal & statutory risk and internal process risk including ERP and IT and has put in place appropriate measures for their mitigation.

**B. Results of operations (Standalone)**

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	
	Amount	%	Amount	%
	<b>INCOME</b>			
Sales & Job works (Net)	126794.62	90.80	119856.32	91.68
Other Income	11790.30	8.44	10018.68	7.66
Increase/(Decrease) in finished goods & work-in-progress	1057.70	0.76	855.81	0.66
<b>Total Income</b>	<b>139642.62</b>	<b>100</b>	<b>130730.81</b>	<b>100</b>
<b>EXPENDITURE</b>				
Material cost	79459.64	56.90	79001.43	60.43
Other Manufacturing expenses	16962.13	12.15	14743.39	11.28
Payment & Benefit to Employees	7855.53	5.63	6583.66	5.04
Administrative, Selling & Other expenses	13260.04	9.50	11529.19	8.82
<b>Operating Expenses</b>	<b>117537.34</b>	<b>84.17</b>	<b>111857.67</b>	<b>85.57</b>
Less: Expenses Allocated to Self Constructed Assets	466.71	0.33	129.42	0.10
<b>EBIDT</b>	<b>22571.99</b>	<b>16.16</b>	<b>19002.26</b>	<b>14.54</b>
Less: Depreciation	7677.34	5.50	7605.54	5.82
Interest & Financial Charges	7753.11	5.55	4731.16	3.62
<b>Earning Before Tax</b>	<b>7141.54</b>	<b>5.11</b>	<b>6665.86</b>	<b>5.10</b>

**10. Human Resource Development / Industrial Relations**

The Company's Human Resources philosophy is to establish and build a strong performance and competency driven culture with greater sense of accountability and responsibility. The Company has taken pragmatic steps for strengthening organizational competency through involvement and development of employees as well as installing effective systems for improving the productivity, quality and accountability at functional levels.

With the changing and turbulent business scenario, our basic focus is to upgrade the skill and knowledge level of the existing human assets to the required level by providing appropriate leadership at all levels, motivating them to face the hard facts of business, inculcating the attitude for speed of action and taking responsibilities.

The effort to rationalize and streamline the work force is a continuous process. Currently the Company has 2960 employees as on 31st March, 2008. The industrial relations scenario remained harmonious throughout the year.

**11. Environment, Occupational Health & Safety**

Your Company is committed to conducting its operations with due regard to the environment and providing a safe and healthy workplace for employees. The collective endeavor of your Company's employees at all levels is directed towards sustaining and continuously improving standards of environment, occupational health and safety in a bid to attain and exceed international benchmarks.

## REPORT ON CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with 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

UFLEX's philosophy on Corporate Governance envisages the attainment of the highest level of transparency and accountability, in all facets of its operations and in all its interactions with its stakeholders including shareholders, employees, the Government and the lenders.

UFLEX believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value, over a sustained period of time.

#### 2. Board of Directors

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

The Board of Directors of the Company comprises of nine Directors with two Executive Directors (including Executive Chairman) and seven Non-Executive Directors with five Directors being independent. The Board consists of eminent persons with considerable professional expertise and experience in business and industry, finance, audit, law and public enterprises. None of the Directors on the Board is a Member of more than ten Committees and Chairman on more than five Committees across all the companies in which he is a Director. All the Directors have made disclosures regarding their directorships and memberships on various Committees across all Companies in which they are Directors and Members.

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

Name of Director	Designation	Category
Mr. Ashok Chaturvedi	Chairman & Managing Director	Promoter/Executive Chairman
Mr. S.K. Kaushik	Whole-time Director	Executive Director
Mr. Ravi Kathpalia	Director	Independent, Non-executive
Mr. M.G. Gupta	Director	Independent, Non-executive
Mr. A. Karati	Nominee Director – ICICI Bank Ltd.	Independent, Non-executive
Mr. S.K. Mandal*	Nominee Director – IFCI Limited	Independent, Non-executive
Mr. P. Abraham	Nominee Director – UTI	Independent, Non-executive
Mr. R.P. Agrawal	Director	Non-executive
Mr. P.N. Sharma	Director	Non-executive

\* IFCI withdrew his nomination and nominated Mr. Javed Yunus as its nominee w.e.f. April 30, 2008.

None of the Directors of the Company except the Chairman & Managing Director and Whole-time Director 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 terms of the definition of 'relative' given under the Companies Act, 1956.

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, its subsidiaries and associates, which may affect independence of the Directors.
- Are not related to promoters or persons 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 preceding 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.
- Have furnished a declaration at the time of their appointment as also annually that they satisfy the conditions of their being independent as laid down under Clause No. 49 of the Listing Agreement. All such declarations are placed before the Board.

#### 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 No.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**

Seven Board Meetings were held during the financial year 2007-2008 as against the minimum requirement of four meetings. The dates on which the meetings were held are 28.04.2007, 08.06.2007, 31.07.2007, 14.08.2007, 23.10.2007, 27.12.2007, 31.01.2008, and the gap between the two meetings were not more than four months.

Attendance of each Director at the Board Meetings, last Annual General Meeting and number of other Directorship and Chairmanship/ Membership of Committee of each Director in various Companies is as follows:

Name of the Director	Attendance Particulars		No. of other Directorship and Committee Member/Chairmanship		
	Board Meetings	Last AGM	Other Directorship (in Public Co.)	Committee Membership	Committee Chairmanship
Mr. Ashok Chaturvedi	7	No	4	1	1
Mr. S.K. Kaushik	6	Yes	1	1	—
Mr. Ravi Kathpalia	7	Yes	4	2	1
Mr. M.G. Gupta	6	Yes	2	4	1
Mr. A. Karati	6	Yes	6	4	—
Mr. S.K. Mandal*	4	No	2	1	—
Mr. P. Abraham	5	No	9	5	2
Mr. R.P. Agrawal	6	Yes	—	2	1
Mr. P.N. Sharma	6	Yes	1	1	—

\* IFCI withdrew his nomination and nominated Mr. Javed Yunus as its nominee w.e.f. April 30, 2008.

**3. Audit Committee**

Presently, the Audit Committee comprises of four member Directors viz., Mr. Ravi Kathpalia, Mr. R.P. Agrawal, Mr. M.G. Gupta and Mr. A. Karati (Nominee-ICICI Bank Limited). All the members of the Audit Committee are Non-Executive Directors out of which three are independent. Mr. Ravi Kathpalia is the Chairman of the Audit Committee. The Chairman of the Audit Committee attended the Annual General Meeting (AGM) held on 13.09.2007. All the Members of the Audit Committee have accounting and financial management expertise.

The terms of reference, role and power of the Audit Committee as revised and stipulated by the Board of Directors from time to time are in conformity and in line with the statutory and regulatory requirements as prescribed under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, which include the following:

**Role of Audit Committee**

1. Overseeing of the company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment re-appointment and if required the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause No. (2AA) of Section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
5. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower Mechanism, in case the same is existing.
13. To review with the Management, the statement of uses/application of funds raised through an issue, the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency (if any) monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter.
14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**Powers of Audit Committee**

- a) To investigate any activity within its terms of reference.
- b) To seek any information from any employee.
- c) To obtain outside legal or other professional advice.
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

During the year, the Audit Committee had met five times on 28.04.2007, 31.07.2007, 14.08.2007, 20.10.2007 & 31.01.2008. The attendance of each Committee members is as under:

Name of Member	No. of Meetings held	Meetings Attended
Mr. Ravi Kathpalia	5	5
Mr. R.P. Agrawal	5	5
Mr. M.G. Gupta	5	5
Mr. A. Karati (Nominee of ICICI)	5	3

The head of Finance, Internal Auditors and Statutory Auditors are permanent invitees to the Audit Committee Meetings. Further, representatives from various departments of the Company also attended the meetings as and when desired by the members of the Committee to answer and clarify questions raised at the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

**4. Remuneration Committee**

The Remuneration Committee constituted by the Board of Directors presently consists of four members. All the members of the Remuneration Committee are Non-Executive Directors out of which three are independent. Mr. M.G. Gupta is the Chairman and Mr. R.P. Agrawal, Mr. Ravi Kathpalia and Mr. A. Karati (Nominee – ICICI Bank Limited) are the other Members. The Company Secretary acts as the Secretary to the Committee.

The Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Whole-time Directors based on performance and defined criteria.

Further, the remuneration policy of the Company is to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

During the year the Remuneration Committee had met on 15.10.2007. All the Members of the Remuneration Committee were present at the meeting.

Details of Remuneration paid to Managing/Whole-time Directors for the year-ended 31.03.2008 is given below:

Name	Sitting Fee (Rs.)	Salary (Rs.)	Perquisites & Allowances etc. (Rs.)	Commission Paid (Rs.)	Total (Rs.)	Date of Appointment	Service Contract
Mr. Ashok Chaturvedi	NIL	42000000	1936553	2500000	46436553	01.04.2004	5 years
Mr. S.K. Kaushik	NIL	2089800	212079	—	2301879	01.08.2005*	3 years

\* The Remuneration Committee and the Board of Directors at their meeting held on 01.07.2008 approved the re-appointment of Mr. S.K. Kaushik for a further period of three (3) years as Whole-time Director of the Company subject to requisite approval of the Members.

For any termination of contract, the Company or the executive Director is required to give notice of 3 months to the other party.

Details of Sitting Fees paid to the Directors during the financial year are as follows:

(in Rupees)

Name of Directors	Board Meetings	Committee Meetings	Total
Mr. Ravi Kathpalia	1,40,000.00	1,60,000.00	3,00,000.00
Mr. M.G. Gupta	1,20,000.00	1,60,000.00	2,80,000.00
Mr. A. Karati			
Nominee – ICICI Bank	1,20,000.00	80,000.00	2,00,000.00
Mr. S.K. Mandal			
Nominee - IFCI	80,000.00	—	80,000.00
Mr. P. Abraham			
Nominee - UTI	1,00,000.00	—	1,00,000.00
Mr. R.P. Agrawal	1,20,000.00	2,20,000.00	3,40,000.00
Mr. P.N. Sharma	1,20,000.00	40,000.00	1,60,000.00

#### 5. Shareholders'/Investors' Grievance Committee

The Board of Directors of the Company has constituted a Shareholders'/Investors' Grievance Committee comprising of Mr. R.P. Agrawal (Chairman), Mr. M.G. Gupta and Mr. P.N. Sharma. The Committee, inter-alia, approves issue of duplicate certificates and oversees and reviews all matters connected with the securities transfers. The Committee also looks into redressal of shareholders'/investors' complaints. The Committee oversees the performance of the Registrar and Transfer Agent and recommends measures for overall improvement in the quality of investor services. The Company Secretary acts as the Secretary to the Committee.

In order to expedite the process of share transfers, the Board of Directors have nominated a Committee of two officers, who normally attend to the transfer and other related matters within a period of 10 – 12 days. The Committee of Officers operate subject to overall supervision and directions of Shareholders'/Investors' Grievance Committee of Directors.

During the year, the Shareholders'/Investors' Grievance Committee had met on 16.10.2007 and 31.03.2008.

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (duly amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading" and authorized the Committee to implement and monitor the various requirements as set out in the Code.

The total number of complaints received and resolved during the year under review were 14. Outstanding complaints as on 31.03.2008 were Nil. There were no valid share transfer pending for registration for more than 30 days as on the said date.

Shri Subhash Khatua, Asst. General Manager (Secretarial) has been designated as Compliance Officer to monitor the share transfer process and liaison with the regulatory authorities.

#### 6. Subsidiary Companies

The Company has one non-listed Indian subsidiary Company, i.e. UTech Developers Limited. In terms of Clause 49(iii) of the Listing Agreement, the minutes of the meeting of the Board of Directors of all the subsidiary companies are placed before the Board of Directors of the Company. Mr. Ravi Kathpalia, Independent Director on the Board of the Company is also a Director on the Board of UTech Developers Limited.

#### 7. Board Procedure

The Board meetings of the Company are convened by the Company Secretary on the direction of the Chairman. Sufficient notice in writing is given to all Directors for the Board Meeting and/or other Committee Meeting(s). All important matters concerning the working of the Company alongwith requisite details are placed before the Board.

#### 8. Compliance Certificate

Compliance Certificates for Corporate Governance from Auditors of the Company is annexed herewith.

#### 9. General Body Meetings

(a) The details of Annual General Meetings held in the last 3 years are as under:

AGM	Day	Date	Time	Venue	Special Resolution Passed
16 <sup>th</sup>	Tuesday	13.09.2005	10.00 A.M.	Air Force Auditorium Subroto Park, New Delhi – 110010	Appointment of Mr. S.K. Kaushik as whole-time Director of the Company for a period of 3 years w.e.f. 01.08.2005
17 <sup>th</sup>	Thursday	14.09.2006	10.00 A.M.	Same as above	– Nil –
18 <sup>th</sup>	Thursday	13.09.2007	10.00 A.M.	Same as above	– Nil –

(b) Are Special Resolutions proposed to be put through Postal Ballot this year?

No Special Resolution requiring postal ballot is proposed at the ensuing Annual General Meeting.

- (c) During the year under review, the Company conducted one Postal Ballot as required under the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 for passing Special Resolutions. Shri Sanjay Grover, FCA, FCS, Practicing Company Secretary was appointed as the Scrutinizer for overseeing the Postal Ballot process. The special resolutions were passed by the requisite majority. The results of the postal ballot were announced on 12.02.2008, the details are as under:

SI. No.	Brief Details	Percentage of votes cast in favour of the resolution
01	Special Resolution in terms of the provisions of Foreign Exchange Management Act, 1999 to increase the total holding limit of all Foreign Institutional Investors upto 74% of the paid-up equity share capital or paid-up value of the convertible debentures of the Company.	99.9998
02	Special Resolution under Section 81 (1A) of the Companies Act, 1956 for preferential issue of upto a maximum of 49,00,000 equity shares having face value of Rs. 10/- each to M/s. Tegraceen Holdings Limited, Cyprus and upto a maximum of 49,00,000 equity shares having face value of Rs. 10/- each to M/s. Vasteffect Limited, Cyprus both aggregating upto a maximum of 98,00,000 equity shares.	99.9998
03	Special Resolution under Section 81 (1A) of the Companies Act, 1956 for preferential issue of warrants of upto a maximum of 49,00,000 warrants to M/s. Tegraceen Holdings Limited, Cyprus and upto a maximum of 49,00,000 warrants to M/s. Vasteffect Limited, Cyprus both aggregating upto a maximum of 98,00,000 warrants convertible into equivalent number of equity shares.	99.9997
04	Special Resolution under Section 81 (1A) of the Companies Act, 1956 for issue of Equity Shares/ any other equity related instruments/ Global Depository Shares/ Foreign Currency Convertible Bonds etc to resident or foreign investors upto USD 250 million (approximately) equivalent to Rs. 10000 million in one or more tranches, whether with or without an option to subscribe for additional securities	99.9997

## 10. Compliance with other mandatory requirements

### Management Discussion and Analysis

A management discussion and analysis report forms part of the annual report and includes discussions on various matters specified under Clause 49(IV)(F) of the Listing Agreement.

## 11. Disclosures

### a. Related Party Transactions

Related party transactions in terms of Accounting Standard-18 are set out in the notes to accounts. These transactions are not likely to have a conflict with the interest of the Company. The details of all significant transactions with related parties are periodically placed before the Audit Committee. All the related party transactions are negotiated on arms' length basis and are intended to further the interest of the Company.

### b. Penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority

No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets during the last three years.

### c. Particulars of Directors to be appointed/re-appointed

Information pertaining to particulars of Directors to be appointed and reappointed at the forth coming Annual General Meeting is being included in the Notice convening the Annual General Meeting.

### d. Disclosure of Accounting Treatment

In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

### e. Disclosures of Risk Management

The Company has laid down procedures to inform the members of the Board about the risk assessment and minimization procedures. A risk management committee consisting of senior executives of the Company periodically reviews these procedures to ensure that executive management controls risk through properly defined framework. The Company has framed the risk assessment and minimization procedure, which is periodically reviewed by the Audit Committee and the Board.

### f. Proceeds from the Preferential Issue of Equity Shares/Warrants/FCCBs

The details of utilization of proceeds raised through issue of Equity Shares/Warrants/FCCBs are disclosed to the Audit Committee and in the Annual Accounts. The Company has not utilized these funds for purposes other than those stated in the notice convening the Extra-ordinary General Meeting.

**g. Code of conduct**

The Company has adopted the code of conduct and ethics for directors and senior management. The code has been circulated to all the members of the Board and senior management and the same has been put on the Company's website [www.uflexltd.com](http://www.uflexltd.com). The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Chairman & Managing Director appointed in terms of the Companies Act, 1956 (i.e. the CEO within the meaning of Clause 49-V of the Listing Agreement) is annexed to this report.

**h. Review of Directors' Responsibility Statement**

The Board in its Report to the Members of the Company have confirmed that the Annual Accounts for the year ended March 31, 2008 have been prepared as per applicable Accounting Standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

**12. CEO/CFO Certifications**

Mr. Ashok Chaturvedi, Chairman and Managing Director and Mr. R.K. Jain, President (F&A), who are carrying responsibility of CEO/CFO respectively have given CEO/CFO certificate as per format prescribed under Clause No. 49 of the Listing Agreement to the Board at its meeting held on 1st July, 2008.

**13. Non-Mandatory Requirements under Clause 49 of the Listing Agreement**

The status of compliance with the non-mandatory requirements of Clause 49 of the Listing Agreement is provided below:

**(i) Non-Executive Chairman's Office**

The Chairman of the Company is the Executive Chairman and hence this provision is not applicable.

**(ii) Remuneration Committee**

The Company has set up a Remuneration Committee. The composition, terms of reference and other details of the same are provided in this report under the section "Remuneration Committee".

**(iii) Audit Qualifications**

There are no Audit Qualifications in the Company's financial statements for the year under reference.

**(iv) Training of Board Members**

There is no formal training programme for the Board Members. However, the Board Members are periodically updated on the business model, company profile, entry into new products and markets, global business environment, business strategy and risk involved.

**(v) Tenure of Independent Directors**

All the Directors including Independent Directors are appointed/re-appointed by the Board from time to time. No maximum tenure for the Independent Directors has been specifically determined by the Board.

**(vi) Shareholders Rights**

The quarterly, half-yearly and annual financial results of the Company are published in the newspapers and are also posted on the Company's website. The complete annual report is sent to each and every shareholder of the Company.

**(vii) Mechanism for evaluation of Non-Executive Directors**

The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board has so far evaluated Non-Executive Directors collectively to reinforce the principle of collective responsibility.

**(viii) Whistle Blower Policy**

The Company does not have Whistle Blower Policy for the time being.

**14. Means of Communication**

The quarterly un-audited financial results duly approved by the Board of Directors are sent to all the Stock Exchanges where the Company's shares are listed immediately after the Board Meeting. The same are also published in 'English and Hindi newspapers in terms of the Listing Agreement within the stipulated period and in the format as prescribed by the Stock Exchanges and the Company posts its financial results on its own website i.e [www.uflexltd.com](http://www.uflexltd.com) and SEBI website, i.e. [www.sebidifar.nic.in](http://www.sebidifar.nic.in) for all quarters.

**15. General Shareholders Information****(a) Annual General Meeting to be held**

Date : 25.08.2008

Day : Monday

Time : 10.00 A.M.

Venue : Air Force Auditorium, Subroto Park, New Delhi – 110010

**(b) Financial Calendar**

- Results for quarter ending 30.06.2008 : 4th week of July, 2008
- Results for quarter ending 30.09.2008 : 4th week of October, 2008
- Results for quarter ending 31.12.2008 : 4th week of January, 2009
- Results for year ending 31.03.2009 : 4th week of April, 2009

**(c) Book Closure date**

: 18.08.2008 to 25.08.2008 (both days inclusive)

**(d) Dividend payment date**

: Dividend for the financial year 2007-2008, if declared will be paid credited to the account of the shareholders on or after 25th August, 2008

**(e) Listing of Equity Shares on Stock Exchanges** : The equity shares are listed on the following Stock Exchanges:

- 1) Bombay Stock Exchange Limited, Mumbai
- 2) National Stock Exchange of India Ltd., Mumbai
- 3) Societe de la Bourse de Luxembourg, Luxembourg (GDRs only)
- 4) Singapore Exchange Limited, Singapore (FCCBs only)

Note: Annual Listing fee for the year 2008-2009 have been duly paid to all the above Stock Exchanges.

- (f) Stock Code** - Trading symbol – National Stock Exchange : 'UFLEX'  
**(Equity shares)** - Trading symbol – Bombay Stock Exchange : 500148

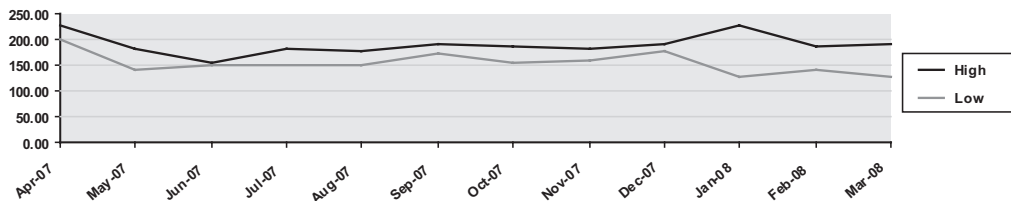
- (g) Demat ISIN Number** : INE516A01017  
**in NSDL & CDSL**

**(h) Stock Market Price for the year 2007-2008:**

Closing Share prices on National Stock Exchange are as under

Month	High	Low
April, 2007	225.10	200.25
May, 2007	180.25	141.00
June, 2007	156.25	150.00
July, 2007	182.45	150.00
August, 2007	179.10	149.80
September, 2007	191.35	173.05
October, 2007	185.25	155.70
November, 2007	181.45	157.30
December, 2007	189.25	175.40
January, 2008	225.70	125.25
February, 2008	187.15	140.55
March, 2008	189.65	127.80

**Share Price movement**



**(i) Performance in comparison to broad base in indices such as BSE sensx, Crisil index etc.**

The shares of the Company are not considered by the Stock Exchanges in their index fluctuations.

**(j) Address for correspondence for Shares transfer and related matters:**

**For shares held in physical form:**

The Company's Registrar & Share Transfer Agent (RTA), address at:  
 Beetal Financial & Computer Services Pvt. Ltd.

(Unit : UFLEX LIMITED)

Beetal House, 3rd Floor, 99, Madangir  
 Behind Local Shopping Centre  
 Near Dada Harsukh Dass Mandir, New Delhi – 110062  
 Tel. No. 011-29961281, Fax No. 011 - 29961284

**For shares held in Demat form:** To the Depository Participants (DP)

**(k) Share Transfer System.**

Presently the shares, which are received in physical form, are transferred within a period of 10-12 days from the date of receipt, subject to the documents being valid and complete in all respects.

**(l) Distribution of Share holding as on 31.03.2008**

Range in Numbers	No. of Shareholders	No. of shares	% of total equity
1 - 500	27572	2435850	3.75
501 - 1000	739	578156	0.89
1001 - 2000	328	475118	0.73
2001 - 3000	105	261460	0.40
3001 - 4000	46	160178	0.25
4001 - 5000	45	207940	0.32
5001 - 10000	65	469496	0.72
10001 and above	138	60407701	92.92
Transit shares *		10747	0.02
<b>TOTAL</b>	<b>29038</b>	<b>65006646</b>	<b>100.00</b>

\* As on March 31, 2008 these shares lying in pool account of NSDL/CDSL since buyers' identity are not established.

**(m) Categories of Shareholders as on 31.03.2008**

Category	No. of shares held	% of shareholding
Promoters & Associates	27349707	42.07
Financial Institutions, Mutual Funds & Banks	334153	0.51
Foreign Institutional Investors	1884329	2.90
Foreign Companies	8735000	13.44
NRIs	19524	0.03
GDRs	5465840	8.41
Other Corporate Bodies	15551073	23.92
Others (General Public)	5656273	8.70
Shares in transit (Demat) *	10747	0.02
<b>Total</b>	<b>65006646</b>	<b>100.00</b>

\* As on March 31, 2008 these shares lying in pool account of NSDL/CDSL since buyers' identity are not established.

**(n) Dematerialization of Shares and liquidity**

Nearly 97.93% of total equity share capital is held in dematerialized form upto 31.03.2008 with NSDL/CDSL. The shares of the Company are listed on BSE and NSE, which provide sufficient liquidity to the investors.

**(o) Outstanding GDRs/FCCBs/Warrants**

- (i) The outstanding GDRs represent 5465840 shares as on 31.03.2008, which are nearly 8.41% of the Subscribed Share Capital of the Company.
- (ii) Upto March 31, 2008, 164 Foreign Currency Convertible Bonds (FCCBs) aggregating to US\$ 16.40 million out of the total 850 FCCBs issued and allotted to different investors in March, 2007 were converted into fully paid-up equity shares of Rs. 10/- each. The balance 686 FCCBs can be converted at the option of the respective bondholders within a period of 5 years from the date of issue.
- (iii) Upto March 31, 2008, 46,00,000 warrants out of the total 103,00,000 warrants allotted on 20.02.2007 to Promoters and Others on preferential basis were converted into fully paid-up equity shares. The balance 57,00,000 warrants can be converted into equity shares at the option of the warrant holders on or before the expiry of 18 months from the date of issue.
- (iv) As on March 31, 2008, none of the 87,35,000 warrants allotted on 26.02.2008 to Foreign companies on preferential basis were converted into equity shares. The same can be converted into equity shares at the option of the warrant holders on or before the expiry of 18 months from the date of issue.

**(p) Details of issue of equity shares during the period from 01.04.2007 to 31.03.2008**

Date	Particulars of Issue	No. of Shares Allotted	Total No. of Shares
	Total number of equity shares before the issue of shares		51630646
05.04.2007	Conversion of FCCBs	253942	51884588
16.04.2007	Conversion of FCCBs	1015771	52900359
04.05.2007	Conversion of FCCBs	76182	52976541
24.07.2007	Conversion of FCCBs	50788	53027329
26.07.2007	Conversion of FCCBs	177760	53205089
08.08.2007	Conversion of Warrants	2000000	55205089
27.09.2007	Conversion of FCCBs	152365	55357454
09.10.2007	Conversion of FCCBs	177760	55535214
14.12.2007	Conversion of FCCBs	228548	55763762
08.01.2008	Conversion of FCCBs	253942	56017704
09.01.2008	Conversion of FCCBs	253942	56271646
26.02.2008	Preferential Allotment	8735000	65006646

**(q) Plant Locations**

1. A-1, Sector-60, NOIDA (U.P.)
2. A-2, Sector-60, NOIDA (U.P.)
3. A-2A, Sector-60, NOIDA (U.P.)
4. C-3, Sector-57, Phase – III, NOIDA (U.P.)
5. C-5-8, Sector-57, Phase – III, NOIDA (U.P.)
6. D-1-2, 15-16, Sector-59, NOIDA (U.P.)
7. 29-B, Malanpur Industrial Area, Distt. Bhind (M.P.)
8. L-1, Industrial Area, Ghirongi (Malanpur), Distt. Bhind (M.P.)
9. Lane No. 3, Phase-I, SIDCO Industrial Complex, Bari Brahmana, Jammu
10. Ramghat Road, Village Ahmedpura, Tehsil Atrauli, Dist. Aligarh, (U.P.)

**(r) Address for Correspondence**

The shareholders may address their communication/grievances/queries/suggestions to:

Beetal Financial & Computer Services Pvt. Ltd.  
 (Unit: UFLEX Ltd.)  
 Beetal House  
 3<sup>rd</sup> Floor, 99, Madangir  
 Behind Local Shopping Centre  
 Near Dada Harsukh Dass Mandir  
 New Delhi – 110062  
 Tel. No. : 011-29961281  
 Fax No. : 011-29961284

UFLEX Ltd.  
 305, Third Floor  
 Bhanot Corner  
 Pamposh Enclave  
 Greater Kailash - I  
 New Delhi - 110048  
 Tel. No. : 011-26440917, 26440925  
 Fax No. : 011-26216922  
 e-mail : flexsec@vsnl.net

The above report has been placed before the Board at its meeting held on 1st July, 2008 and the same was approved.



**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of  
**UFLEX Limited**  
(formerly known as Flex Industries Limited)  
New Delhi

We have examined the compliance of conditions of Corporate Governance by UFLEX Limited for the year ended 31st March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of procedures and implementation thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on representations made by Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For **VIJAY SEHGAL & CO.**  
Chartered Accountants

Place : NOIDA  
Dated : 1st July, 2008

**[CA. S. V. Sehgal]**  
Partner  
Membership No. 080329

**DECLARATION**

To the Members of  
**UFLEX Limited**

I, Ashok Chaturvedi, Chairman & Managing Director of the Company, hereby certify that the Board Members and Senior Management Personnel have affirmed compliance with the Rules of Code of Conduct for the financial year ended March, 2008 pursuant to the requirements of Clause 49 of the Listing Agreement.

For **UFLEX LIMITED**

Place : NOIDA  
Dated : 1st July, 2008

**ASHOK CHATURVEDI**  
Chairman & Managing Director

## AUDITORS' REPORT

To the Members of  
**UFLEX LIMITED**  
 (Formerly known as FLEX INDUSTRIES LIMITED)  
 NEW DELHI.

01. We have audited the attached Balance Sheet of UFLEX LIMITED as at 31st March, 2008, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
02. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
03. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
04. Further to our comments in the Annexure referred to in paragraph (03) above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with Significant Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2008;
- b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **VIJAY SEHGAL & CO.**,  
 Chartered Accountants

Place: NOIDA  
 Dated: 1st July, 2008

[CA. S.V.SEHGAL]  
 Partner  
 Membership No. 080329

### ANNEXURE TO THE AUDITORS' REPORT OF UFLEX LIMITED FOR THE YEAR ENDED 31st MARCH 2008

[Referred to in Paragraph (03) of our Report of even date]

1. In respect of fixed assets of the Company: -
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - (b) The Fixed assets have been physically verified by the management at reasonable intervals and no material discrepancy has been noticed on such verification.
  - (c) Substantial part of fixed assets have not been disposed off during the year.
2. In respect of inventories of the Company: -
  - (a) Inventories were physically verified during the year by the management at reasonable intervals.
  - (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate, in relation to the size of the company and the nature of its business.
  - (c) The company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not significant and were properly dealt with in the books of account.
3. During the year, the company had taken aggregate interest-bearing unsecured loans of Rs. 1925 Lacs, from three companies, covered in the register maintained under Section 301 of the Companies Act, 1956, the principal and interest thereof were re-paid before the year end. The rate of interest and other terms and conditions of these loans were prima-facie not prejudicial to the interest of the Company. The payment of the principal amounts and the interest on these loans, were also regular. Further, the company had neither taken nor granted any other loan from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system, commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.

5. (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. Five Lacs in respect of a party, during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposit, during the year, under the provisions of Section 58A, 58AA of the Companies Act, 1956 and the rules framed there-under.
7. The internal audit of the Company has been conducted by an independent firm of Chartered Accountants and in our opinion, the company has an internal audit system, commensurate with the size and nature of its business.
8. The Company has made and maintained Cost Records & Accounts, concerning polyester chips activity carried on by the Company, in respect of which, the Central Government has prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
9. (a) According to the records of the Company, it is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other applicable statutory dues.
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other applicable statutory dues, as at the year end; for a period more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of service tax, custom duty, wealth tax and cess, which have not been deposited on account of any dispute. However following amounts are involved (Gross of amount deposited under protest, if any) with under-mentioned forums, in respect of the disputed statutory dues: -
- (i) Aggregate Sales Tax of Rs.566.32 lacs, pending before (a) Various High Courts (Rs.394.52 lacs) (b) Tribunal (Rs.49.37 lacs) (c) Dy. Commissioner (Appeals) (Rs.0.27 lacs) (d) Joint Commissioner (Appeals) (Rs.116.52 lacs) & (e) Assessing Authorities (Rs. 5.64 lacs)
- (ii) Aggregate Income Tax of Rs.118.94 lacs, pending before Tribunal; and
- (iii) Aggregate Excise duty of Rs.3812.52 lacs, pending before (a) Supreme Court (Rs.11.10 lacs) (b) Tribunal (Rs.1428.04 lacs) (c) Various High Courts (Rs.1335.02 lacs), (d) Commissioner (Appeals) (Rs. 840.67 lacs) & (e) Assessing Authorities (Rs. 197.69 lacs).
10. The Company has neither accumulated losses as at the year end nor it has incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to banks or debenture holders or financial institutions.
12. The Company has not granted loans and advances, on the basis of security by way of pledge of shares, debentures and other securities. However the Company has maintained adequate records in respect of advance, by way of security deposit, granted to one party, in earlier years and outstanding as at the year-end, against the pledge of shares.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. The Company has not dealt or traded in shares, securities, debentures and other investments during the year. However, it has maintained proper records in respect of shares and other investments held as investments and are held in the name of the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee during the year, for loans taken by others from banks or financial institutions.
16. The Company has not raised any term loans during the year. Further funds raised during the previous year through Foreign Currency Convertible Bonds, pending utilization of the same, has been temporarily invested in the Fixed Deposits with the Banks.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis have not been used for long-term investment.
18. During the year, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. *Security and Charges has been created in respect of debentures issued by the Company except in respect of 18% Cumulative Debentures having face value of Rs.482.90 Lacs, pending issuance of certificate to a financial institution pursuant to Negotiated Settlement Scheme of its outstanding loans, specific charge or security is yet to be created.*
20. The Company has not raised any money by public issue during the year.
21. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

For **VIJAY SEHGAL & CO.,**  
Chartered Accountants  
[CA. S.V.SEHGAL]  
Partner  
Membership No. 080329

Place: NOIDA  
Dated: 1st July, 2008

## BALANCE SHEET AS AT 31ST MARCH, 2008

(Rs. in lacs)

	Schedule Number	As At 31.03.2008	As At 31.03.2007
<b>I. SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
a) Share Capital	1	6497.01	5158.66
b) Warrants	2	2788.18	1347.50
c) Reserves & Surplus	3	<u>57246.72</u>	<u>43337.82</u>
		<b>66531.91</b>	49843.98
<b>Loan Funds</b>			
a) Secured Loans	4	73076.61	76623.36
b) Unsecured Loans	5	<u>62913.64</u>	<u>45471.25</u>
		<b>135990.25</b>	122094.61
Deferred Tax Liability (Net)	6	<u>5567.99</u>	10207.74
<b>TOTAL :</b>		<b><u>208090.15</u></b>	<b><u>182146.33</u></b>
<b>II. APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	7	164352.45	150342.23
Less : Depreciation		<u>67994.74</u>	<u>61247.02</u>
<b>Net Block</b>		<b>96357.71</b>	89095.21
Capital Work-in-Progress		<u>10142.64</u>	<u>3461.22</u>
		<b>106500.35</b>	92556.43
<b>Investments</b>	8	<b>50657.49</b>	20575.86
<b>Current Assets, Loans &amp; Advances</b>			
a) Inventories	9	10036.20	9117.92
b) Sundry Debtors	10	28660.17	25276.66
c) Cash & Bank Balances	11	26215.39	46609.11
d) Other Current Assets	12	597.26	105.19
e) Loans & Advances	13	<u>16059.56</u>	<u>13160.70</u>
		<b>81568.58</b>	<u>94269.58</u>
<b>Less : Current Liabilities &amp; Provisions</b>			
a) Current Liabilities	14	26104.18	21823.35
b) Provisions	15	<u>4532.09</u>	<u>3432.19</u>
		<b>30636.27</b>	<u>25255.54</u>
<b>Net Current Assets</b>		<b>50932.31</b>	69014.04
<b>TOTAL :</b>		<b><u>208090.15</u></b>	<b><u>182146.33</u></b>

- Notes :**
- The Schedules referred to above form an integral part of the Balance Sheet.
  - Significant Accounting Policies and Notes forming part of the Accounts as per Schedules 25 & 26 respectively are annexed and form an integral part of the Balance Sheet.

For and on behalf of the Board of Directors

**R.K. Jain**  
President (Finance & Accounts)

**R.P. Agrawal**  
Director

**Ashok Chaturvedi**  
Chairman & Managing Director

**Rajiv M. Srivastava**  
General Manager (Accounts)

**Ajay Krishna**  
Vice President (Legal) &  
Company Secretary

This is the Balance Sheet referred  
to in our report of even date

For **Vijay Sehgal & Co.**  
Chartered Accountants

Place : NOIDA  
Dated : 1st July, 2008

**S. V. Sehgal**  
Partner

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Schedule Number	For the Year Ended 31.03.2008	(Rs. in lacs) For the Year Ended 31.03.2007
<b>A. INCOME</b>			
Gross Sales & Job Work	16	160682.00	170140.11
Less : Inter unit Sales & Job Work		19070.70	36591.76
Less : Excise Duty		14816.68	13692.03
Net Sales & Job Work		126794.62	119856.32
Other Income	17	11790.30	10018.68
Increase in Finished Goods & Work-in-Progress	18	1057.70	855.81
<b>TOTAL (A) :</b>		<b>139642.62</b>	<b>130730.81</b>
<b>B. EXPENDITURE</b>			
Material Cost	19	79459.64	79001.43
Other Manufacturing Expenses	20	16962.13	14743.39
Payments & Benefits to Employees	21	7855.53	6583.66
Administrative, Selling & Other Expenses	22	13260.04	11529.19
Interest & Financial Charges	23	7753.11	4731.16
Depreciation		7677.34	7605.54
<b>TOTAL</b>		<b>132967.79</b>	<b>124194.37</b>
Less : Expenses Allocated to Self Constructed Assets	24	466.71	129.42
<b>TOTAL (B) :</b>		<b>132501.08</b>	<b>124064.95</b>
<b>Profit (A-B)</b>		<b>7141.54</b>	<b>6665.86</b>
(Less): Provision for Taxation			
- For Income Tax		(759.00)	(750.00)
- For Fringe Benefit Tax		(170.88)	(171.25)
- For Wealth Tax		(18.87)	(26.01)
(Less) : Provision for Deferred Tax (Charge)		-	(1510.02)
<b>Profit After Tax</b>		<b>6192.79</b>	<b>4208.58</b>
Add / (Less) : Excess / (Short) Provision for earlier years			
- For Wealth Tax		0.01	0.33
- For Income Tax		48.61	(23.95)
- For Fringe Benefit Tax		(142.64)	-
- For Expenses		(47.72)	29.86
<b>Amount available for Appropriations</b>		<b>6051.05</b>	<b>4214.82</b>
<b>Appropriations</b>			
Interim Dividend		-	1032.61
Dividend Distribution Tax		-	144.82
Proposed Dividend		2600.26	1104.10
Proposed Dividend Distribution Tax		441.92	187.64
General Reserve		610.00	425.00
Debenture Redemption Reserve		163.96	163.96
<b>Balance carried to Balance Sheet</b>		<b>2234.91</b>	<b>1156.69</b>
		<b>6051.05</b>	<b>4214.82</b>
Basic Earning Per Share (Rs.)		<b>10.89</b>	8.84
Diluted Earning Per Share (Rs.)		<b>7.46</b>	7.62

**Notes :** 1. The Schedules referred to above form an integral part of the Profit & Loss Account.  
2. Significant Accounting Policies and Notes forming part of the Accounts as per Schedules 25 & 26 respectively are annexed and form an integral part of the Profit & Loss Account.

For and on behalf of the Board of Directors

**R.K. Jain**  
*President (Finance & Accounts)*

**R.P. Agrawal**  
*Director*

**Ashok Chaturvedi**  
*Chairman & Managing Director*

**Rajiv M. Srivastava**  
*General Manager (Accounts)*

**Ajay Krishna**  
*Vice President (Legal) &  
Company Secretary*

This is the Profit & Loss Account  
referred to in our report of even date

For **Vijay Sehgal & Co.**  
*Chartered Accountants*

Place : NOIDA  
Dated : 1st July, 2008

**S. V. Sehgal**  
*Partner*

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

(Rs. in lacs)

	For the Year Ended 31.03.2008	For the Year Ended 31.03.2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & exceptional items	7141.54	6665.86
<b>Adjustment for :</b>		
Depreciation	7677.34	7605.54
Exchange rate fluctuations	(764.12)	(63.07)
(Profit) / Loss on assets sold (Net)	417.96	(1896.58)
Interest & Financial Charges	7753.11	4731.16
Interest received from Banks / others	(1979.45)	(290.65)
Dividend received on Non- Trade Investments	(454.96)	(7.89)
Dividend received on Investments in Subsidiaries	(2005.45)	(430.56)
Profit on sale of Investments (Net)	(45.55)	(0.33)
Sundry Credit Balances written Back (Net)	-	(39.62)
Sundry Debit Balances written off (Net)	238.36	-
Expenses For Earlier Years	(47.72)	29.86
Gratuity Liability for Translation Period	(359.68)	-
Provision for diminution in the Value of Investment	69.06	-
Fixed Assets written Off	3.69	11.10
Bad & Doubtful Debts (Provision)	-	71.64
<b>Operating Profit before Working Capital changes</b>	<b>17644.13</b>	<b>9720.60</b>
<b>Adjustment for :</b>		
Trade and other receivables	(7012.80)	(547.97)
Inventories	(918.28)	(2751.12)
Trade and other payables	2338.55	2054.01
<b>Cash generated from operating activities</b>	<b>12051.60</b>	<b>15141.38</b>
Wealth tax	(18.86)	(25.68)
Fringe Benefit Tax	(313.52)	(171.25)
Dividend Distribution Tax	-	(144.82)
Income Tax	(710.39)	(773.95)
Exchange rate fluctuations	764.12	63.07
<b>Net Cash from operating activities (A)</b>	<b>11772.95</b>	<b>14088.75</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) of Fixed Assets	(22171.20)	(5595.94)
Sale proceeds of Fixed Assets	128.29	2071.12
(Outflow) on Investments (Net)	(30105.14)	(9990.44)
Interest received from Banks / others	1979.45	290.65
Dividend received on Investments	2460.41	438.45
<b>Net Cash used in Investing Activities (B)</b>	<b>(47708.19)</b>	<b>(12786.16)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of Securities Premium Account	24553.88	6805.31
Receipts from issue of Warrants	1790.68	1347.50
FCCB Issue Expenses	(136.79)	(906.44)
Premium on Redemption of OFCD	(17947.13)	-
Share Capital Received	1138.35	412.42
Interest & Financial Charges	(7753.11)	(4731.16)
Additions of Borrowings (Net)	13895.64	40538.69
<b>Net Cash used in Financing Activities (C)</b>	<b>15541.52</b>	<b>43466.32</b>
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)	<b>(20393.72)</b>	<b>44768.91</b>
Opening Cash and Cash equivalents	<b>46609.11</b>	<b>1840.20</b>
Closing Cash and Cash equivalents	<b>26215.39</b>	<b>46609.11</b>

For and on behalf of the Board of Directors

**R.K. Jain**  
President (Finance & Accounts)

**R.P. Agrawal**  
Director

**Ashok Chaturvedi**  
Chairman & Managing Director

**Rajiv M. Srivastava**  
General Manager (Accounts)

**Ajay Krishna**  
Vice President (Legal) &  
Company Secretary

This is the Cash Flow Statement  
referred to in our report of even date

For **Vijay Sehgal & Co.**  
Chartered Accountants

**S. V. Sehgal**  
Partner

Place : NOIDA  
Dated : 1st July, 2008

## SCHEDULES

	(Rs. in lacs)	
	<u>As At</u> <u>31.03.2008</u>	<u>As At</u> <u>31.03.2007</u>
<b>1. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
1,90,00,000 (Previous Year Same) Preference Shares of Rs.100/- each	<b>19000.00</b>	19000.00
15,00,00,000 (Previous Year Same) Equity Shares of Rs.10/- each	<b>15000.00</b>	15000.00
	<b><u>34000.00</u></b>	<u>34000.00</u>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
6,50,06,646 (Previous Year 5,16,30,646) Equity Shares of Rs.10/- each, fully called-up	<b>6500.67</b>	5163.06
Less : Amount Unpaid	<b><u>3.66</u></b>	<u>4.40</u>
<b>TOTAL :</b>	<b><u>6497.01</u></b>	<u>5158.66</u>
	<b><u>6497.01</u></b>	<u>5158.66</u>

**Notes :** 6,50,06,646 (Previous Year 5,16,30,646) Equity Shares include:

- i) 54,65,840 (Previous Year Same) Equity Shares lying with Depository, representing 27,32,920 (Previous Year Same ) Global Depository Receipts (GDRs), issued through an international offering in US Dollars, outstanding as at Balance Sheet date;
- ii) 20,00,000 (Previous Year 26,00,000) Equity Shares allotted on conversion of equivalent number of Warrants;
- iii) 26,41,000 (Previous Year 15,23,656) Equity Shares on conversion of 104 (Previous Year 60) Nos.of Foreign Currency Convertible Bonds; and
- iv) 87,35,000 (Previous Year NIL) Equity Shares allotted to Foreign Companies during the year on Preferential basis.

	(Rs. in lacs)	
	<u>As At</u> <u>31.03.2008</u>	<u>As At</u> <u>31.03.2007</u>
<b>2. WARRANTS</b>		
Amount received @Rs.17.50 each on 77,00,000 (Previous Year 1,03,00,000) Warrants	<b>1347.50</b>	1802.50
Less : Amount in respect of 20,00,000 (Previous Year 26,00,000)Warrants Converted into Equity Shares	<b><u>350.00</u></b>	<u>455.00</u>
Amount received @Rs.20.50 each on allotment of 87,35,000 Warrants during the year	<b>1790.68</b>	-
<b>TOTAL :</b>	<b><u>2788.18</u></b>	<u>1347.50</u>

Notes:

- 1 In terms of the Resolution passed in the Extra - Ordinary General Meeting held on 7th February 2007 the Company has allotted 103 Lacs Warrants at a price of Rs.175/- per warrant (inclusive of premium of Rs.165/- per warrant), which gives holders the right to convert warrant into equal number of equity shares of the company at any time within 18 Months from the date of allotment i.e. 20th February 2007.
- 2 In terms of the Resolution passed through Postal Ballot declared on 26th February 2008 the Company has allotted 87.35 lacs Warrants at a price of Rs.205/- per warrant (inclusive of premium of Rs.195/- per warrant), which gives holders the right to convert warrant into equal number of equity shares of the company at any time within 18 Months from the date of allotment i.e. 26th February 2008.

### 3. RESERVES & SURPLUS

	Balance As At 01.04.2007	Additions on Merger	Additions During the Year	Deductions on Merger	Deductions During the Year	(Rs. in lacs) Balance As At 31.03.2008
Capital Reserve	-	-	-	-	-	-
Revaluation Reserve	3.61	-	-	-	0.08	3.53
Debenture Redemption Reserve	4353.72	-	163.96	-	-	4517.68
Securities Premium Account	31825.46	-	24703.88	-	13444.17#	43085.17
General Reserve @	425.08	-	610.08	-	-	1035.16
Profit & Loss Account	6729.95	-	2234.91	-	359.68**	8605.18
<b>TOTAL :</b>	<u>43337.82</u>	<u>-</u>	<u>27712.83</u>	<u>-</u>	<u>13803.93</u>	<u>57246.72</u>
Previous Year	(34722.30)	(8787.85)	(8551.04)	(7816.85)	(906.52)	(43337.82)

@ Includes Rs.0.08 lacs (Previous Year same) representing the amount transferred from Revaluation Reserve to General Reserve being the difference between depreciation charged on enhanced value of the revalued assets and the depreciation on their historical cost at straight line method prescribed in Schedule XIV of Companies Act, 1956.

# Includes i) Rs.13307.38 Lacs in respect of Premium Paid on Redemption of Optionally Fully Secured Convertible Debentures, Net of Tax Benefits and ii) Rs. 136.79 Lacs in respect of expenses incurred on issue of Foreign Currency Convertible Bonds.

\*\* Refer Note No."9" of Schedule -26 (Notes forming part of the Accounts).

	As At 31.03.2008	(Rs. in lacs) As At 31.03.2007
<b>4. SECURED LOANS</b>		
<b>A. OPTIONALLY FULLY CONVERTIBLE DEBENTURES (OFCDs)</b>		
From Financial Institutions	-	1315.20
<b>B. ZERO RATE DEBENTURES</b>		
From Financial Institutions	12345.45	12345.45
<b>C. 18% CUMULATIVE DEBENTURES</b>		
From Financial Institution	1730.75	1451.34
<b>D. TERM LOAN</b>		
From Financial Institutions	4991.25	6266.25
From Bank	2099.98	2411.10
Add: Interest accrued & due	-	21.50
	<u>7091.23</u>	<u>8698.85</u>
<b>E. ZERO RATE LOANS</b>		
From Financial Institutions	33290.84	35405.75
From Others	776.54	776.54
	<u>34067.38</u>	<u>36182.29</u>
<b>F. CUMULATIVE RUPEE LOANS</b>		
From Financial Institutions	4681.08	3924.94
From Others	269.24	225.77
	<u>4950.32</u>	<u>4150.71</u>
<b>G. WORKING CAPITAL FACILITIES</b>		
From Banks	12891.48	12479.52
<b>TOTAL :</b>	<u>73076.61</u>	<u>76623.36</u>

#### NOTES :

- Zero Rate Debentures and 18% Cumulative Debentures are secured a) on *pari-passu* basis by way of hypothecation of specific movable assets of the company (save and except book debts), both present and future subject to prior charges created and/or to be created in favour of company's bankers for working capital facilities, b) by first *pari-passu* registered mortgage of specific immovable properties of the company situated at Mehsana (Gujarat), both present and future, in favour of trustees of respective debenture holders, c) by first *pari-passu* equitable mortgage of specific immovable properties of the company, both present and future situated at Malanpur (M.P.) and NOIDA (U.P.) and d) by guarantee of the Chairman & Managing Director of the company. However, 18% Cumulative Debentures held by UTI are yet to be specifically secured.



Debenture held by UTI for Rs. 9066.33 lacs are repayable from March 2010 to Dec 2012. Debentures held by IFCI for Rs. 3279.12 lacs are repayable in eight equal quarterly instalments commencing April 2011.

18% Cumulative Debentures are repayable in eight equal quarterly instalments commencing March 2009.

2. Term Loans from Financial Institutions are secured a) on *pari-passu* basis by way of hypothecation of specific movable properties of the company (save and except book debts), both present & future, subject to prior charges created and/or to be created in favour of company's bankers for working capital facilities (except for GIC and its four subsidiaries), b) by first *pari-passu* equitable mortgage of specific immovable properties of the company situated at Malanpur (M.P.) and NOIDA (U.P.), and c) by guarantee of Chairman & Managing Director of the Company.

Term loan from Allahabad Bank is secured by way of first charge on the specific asset. This is further guaranteed by Chairman & Managing Director of the company.

3. "Zero Rate Loans" from financial institutions/others, are secured a) on *pari-passu* basis by way of hypothecation of specific movable properties of the Company (save and except book debts), both present & future, subject to prior charges created and/or to be created in favour of Company's bankers for working capital facilities (except for GIC and its four subsidiaries), b) by first *pari-passu* equitable mortgage of specific immovable properties of the Company situated at Malanpur (M.P.) and NOIDA (U.P.), and c) by guarantee of Chairman & Managing Director of the Company.
4. Term loan and ZRDs from IFCI are further secured by way of pledge of 16.85 lacs equity shares of erstwhile FCL Technologies & Products Ltd. However, pledge is yet to be modified consequent upon merger.
5. Cumulative Rupee Loans (CRL) from ICICI Ltd. and IDBI are secured a) on *pari-passu* basis by way of hypothecation of all movable properties of the Company (save and except book debts), both present & future, subject to prior charges created and/or to be created in favour of Company's bankers for working capital facilities, and b) by guarantee of Chairman & Managing Director of the Company. CRL from GIC and its four subsidiaries are secured by a) first *pari-passu* equitable mortgage of specific immovable properties of the Company situated at Malanpur (M.P.) and NOIDA (U.P.), and b) by guarantee of Chairman & Managing Director of the Company. CRLs from LIC and Sahara India are yet to be secured.
6. Working capital facilities from banks are secured a) on *pari-passu* basis, by way of hypothecation of specific stocks of raw material, semi-finished goods, finished goods and book debts of the company, both present and future, b) by way of second *pari-passu* charge on specific fixed assets of the company, situated at Malanpur (M.P.) and NOIDA (U.P.), and c) by guarantee of Chairman & Managing Director of the company.

(Rs. in lacs)

	<u>As At</u> <u>31.03.2008</u>	<u>As At</u> <u>31.03.2007</u>
<b>5. UNSECURED LOANS</b>		
<b>Foreign Currency Convertible Bonds</b>	<b>27542.90</b>	34436.10
<b>Short Term Loans</b>		
From Banks	35370.74	10384.46
From Others	-	650.69
<b>TOTAL :</b>	<b><u>62913.64</u></b>	<b><u>45471.25</u></b>

**Notes :**

- a) The company had issued 4%, 850 Foreign Currency Convertible Bonds (FCCBs) of the face value of US \$ 100,000 each, aggregating US \$ 85 millions redeemable on March 9, 2012 at 121.89% of the outstanding principal amount.
- b) These bonds are convertible into equity shares of the company, at the option of the bondholders, at any time at an exchange rate of Rs. 44.44/\$ and share price of Rs. 164.02 but with conversion price reset on each anniversary of the FCCB issue on 8th of March. The conversion price is adjustable downwards only but not below Rs. 144.70 as determined under rules of SEBI. Up to the year end, Bonds aggregating to US \$ 16.40 million were converted into 41,64,656 equity shares.

**6. DEFERRED TAX LIABILITY (NET)**

Opening Balance	10207.74	7311.16
Add : Acquired on Merger	-	1386.56
(Less) / Add : Provision of Deferred Tax (Credit) / charge for the year	<b>(4639.75)</b>	1510.02
<b>TOTAL :</b>	<b><u>5567.99</u></b>	<b><u>10207.74</u></b>

**7. FIXED ASSETS**

(Rs. in lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK					NET BLOCK		
	Value/cost As At 01.04.2007	Additions on Merger	Additions during the year	Deductions during the year	Value/cost As At 31.03.2008	Upto 31.03.2007	Adjustment on Merger	For the year	Deductions	As At 31.03.2008	As At 31.03.2008	As At 31.03.2007
<b>A. Tangible Assets</b>												
Freehold Land	452.91	-	-	-	452.91	-	-	-	-	-	452.91	452.91
Leasehold Land	3416.18	-	95.21	-	3511.39 *	-	-	-	-	-	3511.39	3416.18
Building	16283.57	-	1847.80	139.26	17992.11 **	5020.39	-	476.14	139.27	5357.26	12634.85	11263.18
Plant & Machineries	119029.60	-	7406.74	1164.72	125271.62	52996.21	-	6455.44	686.45	58765.20	66506.42	66033.39
Electrical Installation	3553.49	-	138.05	0.22	3691.32	1554.75	-	170.84	0.16	1725.43	1965.89	1998.74
Office Equipments	1516.70	-	1805.94	47.15	3275.49	586.61	-	125.99	44.04	668.56	2606.93	930.09
Furniture & Fixtures	615.04	-	3852.95	17.23	4450.76	362.94	-	32.49	16.69	378.74	4072.02	252.10
Vehicles (Including Aircraft)	5100.85	-	303.10	110.98	5292.97	641.92	-	336.66	43.01	935.57	4357.40	4458.93
<b>B. Intangible Assets</b>												
Software	373.89	-	39.99	-	413.88	84.20	-	79.78	-	163.98	249.90	289.69
<b>TOTAL</b>	150342.23	0.00	15489.78	1479.56	164352.45 ***	61247.02	0.00	7677.34	929.62	67994.74	96357.71	89095.21
Previous Year	122033.61	25348.44	3315.21	355.03	150342.23	44514.34	9296.53	7605.54	169.39	61247.02		
CAPITAL WORK-IN-PROGRESS***											10142.64 #	3461.22
											106500.35	92556.43

\* Includes Rs.365.42 lacs (Previous Year Rs.365.42 lacs) pending execution of Title Deed.

\*\* Includes Rs. 5.30 lacs (Previous Year Rs.5.30 lacs) acquired on ownership basis, Rs.19.85 lacs (Previous Year Rs. 19.85 lacs) pending execution of title deed.

\*\*\* Includes Pre-operative expenses, basis of which is certified by the Management.

# Includes Rs.2058.05 lacs (Previous year Rs. 294.31 lacs) in respect of Machinery in Transit.

**8. INVESTMENTS**

(Amount Rs. in lacs)

PARTICULARS	Description	Face Value	As at 31.03.2008		As at 31.03.2007	
			Nos.	Amount	Nos.	Amount
<b>1. LONG TERM INVESTMENTS</b>						
<b>A. QUOTED</b>						
<b>Fully Paid Up</b>						
<b>IN SHARES</b>						
<b>Trade :</b>						
Flex Foods Ltd.	Equity	Rs.10/-	5870000	587.00	5870000	587.00
<b>Non-Trade :</b>						
Reliance Industries Ltd.	Equity	Rs.10/-	107544	2720.10	-	-
Reliance Petroleum Ltd.	Equity	Rs.10/-	62344	100.82	-	-
Reliance Infrastructure Ltd.	Equity	Rs.10/-	60000	1115.87	-	-
Ansar Properties & Infrastructure Ltd.	Equity	Rs.5/-	529910	1017.98	-	-
Kothari Products Ltd.	Equity	Rs.10/-	76200	152.40	76200	152.40
B.A.G.Films Ltd.	Equity	Rs.2/-	49300	4.93	49300	4.93
Optel Telecommunications Ltd.	Equity	Rs.10/-	197300	138.11	197300	138.11
(Less) : Provision for Diminution in the Value of Investment				(69.06)		-
<b>TOTAL (1-A)</b>				<b>5768.15</b>		<b>882.44</b>

**8. INVESTMENTS (Continued)**

(Amount Rs. in lacs)

PARTICULARS	Description	Face Value	As at 31.03.2008		As at 31.03.2007	
			Nos.	Amount	Nos.	Amount
<b>B. UNQUOTED</b>						
<b>Fully Paid Up</b>						
<b>IN WHOLLY OWNED SUBSIDIARIES</b>						
Flex America Inc.-USA	Equity	US\$ 1	100000	44.72	100000	44.72
Flex Middle East FZE-Dubai	Equity	AED 1				
		Million	107	12632.93	78	9517.36
Flex Europe Pvt. Ltd.	Equity	GBP 1	75000	61.31	75000	61.31
Uflex Packaging Inc.-USA	Equity	US\$ 10	10000	39.40	-	-
Utech Developers Ltd.	Equity	Rs.10/-	100000000	10000.00	100000000	10000.00
<b>TRUST SECURITIES AND MUTUAL FUNDS</b>						
6.75% Tax Free US64 Bonds [Repurchase value Rs. 31.03 lacs (Previous Year Same)]	Bonds	Rs.100/-	31025	31.03	31025	31.03
<b>Non-Trade :</b>						
<b>IN SHARES</b>						
Fair Growth Financial Services Ltd.	Equity	Rs.10/-	100000	10.00	100000	10.00
Vijaya Home Loans Ltd.	Equity	Rs.10/-	50000	5.00	50000	5.00
Apoorva Extrusion Pvt. Ltd.	Equity	Rs.10/-	240000	24.00	240000	24.00
<b>TOTAL (1-B)</b>				<b>22848.39</b>		19693.42
<b>TOTAL (1)</b>				<b>28616.54</b>		20575.86
<b>2 SHORT TERM INVESTMENTS</b>						
Investment in Mutual Funds*				22040.95		-
<b>TOTAL (1)+(2)</b>				<b>50657.49</b>		20575.86

**Notes :-**

Aggregate Market Value of Quoted Investment is Rs.5714.87 lacs (Previous Year Rs.1537.38 lacs). In the opinion of the Management, decline in the market value of some of the Investments is temporary.

\* Refer Note No."18" of Schedule -26 (Notes forming part of the Accounts).

**9. INVENTORIES**

	As At 31.03.2008	(Rs. in lacs) As At 31.03.2007
Stores, Packing Material & Fuel	576.81	539.43
Raw Materials	3693.77	4155.67
Work-in-Progress	4274.78	3089.84
Finished Goods	1021.21	1148.45
Traded Goods	1.87	1.88
Material-in-Transit	467.76	182.65
<b>TOTAL :</b>	<b>10036.20</b>	<b>9117.92</b>

**10. SUNDRY DEBTORS**

(Unsecured, Considered Good)

A. Debts outstanding for a period exceeding six months	9320.44	5466.53
B. Other debts	19413.99	20133.65
	<b>28734.43</b>	25600.18
Less : Provision for Bad & Doubtful Debts	74.26	323.52
<b>TOTAL : #</b>	<b>28660.17</b>	<b>25276.66</b>

# Includes Rs.1107.57 lacs (Previous Year Rs.1527.49 lacs) due from wholly owned subsidiaries.

(Rs. in lacs)  
 As At  
 31.03.2007

 As At  
 31.03.2008

**11. CASH & BANK BALANCES**

Cash in hand	88.76	78.62
Balances with Scheduled Banks:		
- On Current Accounts	1917.60	1079.81
- On Interim Dividend Account	-	1032.61
- On Cash Credits Accounts	45.34	30.02
- On Fixed Deposits Accounts*	4516.35	6776.57
- In Margin Money Accounts	644.13	841.67
Balances with Foreign Banks:		
- On Fixed Deposits Accounts	19003.21	36769.81
<b>TOTAL :</b>	<b>26215.39</b>	<b>46609.11</b>

\* Includes : Rs. 841.36 lacs (Previous Year Rs.317.47 lacs) pledged with Banks as margin for Letters of Credits, Guarantees and Bills Discounted.

**12. OTHER CURRENT ASSETS**

Interest accrued on :		
- Investments	2.79	2.79
- Loans	30.78	22.36
- Deposits with Banks	153.54	80.04
Dividend receivable from a Subsidiary	410.15	-
<b>TOTAL :</b>	<b>597.26</b>	<b>105.19</b>

**13. LOANS AND ADVANCES**

(Unsecured, Considered Good)

Income Tax Paid (Net of Provision)	746.12	100.56
Fringe Benefit Tax Paid (Net of Provision)	173.74	-
Advances recoverable in cash or in kind or for value to be received	8891.71	10500.87
Security & Other Deposits	682.61	616.45
Balances with Excise Authorities	1702.28	1704.70
Loans to Employees and others	138.10	238.12
Loan to UTECH Developers Ltd. (Subsidiary)	3725.00	-
(Maximum Balance Outstanding During the Year Rs. 3725.00 Lacs (Previous Year Rs. NIL))		
<b>TOTAL :</b>	<b>16059.56</b>	<b>13160.70</b>

**14. CURRENT LIABILITIES**

Acceptances	6078.86	4080.55
Sundry Creditors #	12990.43	11011.40
Advances from Customers	3031.43	3028.35
Unclaimed Dividend*	24.36	-
Unclaimed Matured Deposits*	0.45	0.57
Unclaimed Matured Debentures*	7.26	10.24
Other Liabilities	1828.93	890.04
Book overdrafts	-	274.29
Advance received against Sale of Assets	2000.00	2349.45
Interest accrued but not due on		
Loans/Debentures	142.46	178.46
<b>TOTAL :</b>	<b>26104.18</b>	<b>21823.35</b>

# Includes Rs. 641.03 lacs (Previous Year Rs.404.99 lacs) due to wholly owned subsidiaries.

\* These figures do not include any amount, due and outstanding, to be credited to Investor Education and Protection Fund.

	As At 31.03.2008	(Rs. in lacs) As At 31.03.2007	
<b>15. PROVISIONS</b>			
Fringe Benefit Tax (Net of Payments)	-		0.15
Wealth Tax	18.87		26.01
Interim Dividend	-		1032.61
Proposed Dividend	2600.26		1104.10
Proposed Dividend Distribution Tax	441.92		187.64
Leave Encashment	617.40		539.83
Staff Benefits	298.39		84.30
Warranty	7.40		0.62
Interest on Deferred Liabilities	547.85		456.93
<b>TOTAL :</b>	<b>4532.09</b>		<b>3432.19</b>

	For the Year Ended 31.03.2008	(Rs. in lacs) For the Year Ended 31.03.2007	
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**16. SALES & JOB WORK**

Gross Sales	157390.48		167858.67	
Less : Inter Unit Sales	17487.42		35011.78	
	<b>139903.06</b>		132846.89	
Less : Excise Duty	14763.27	125139.79	13564.00	119282.89
Gross Job Work	3291.52		2281.44	
Less : Inter Unit Job Work	1583.28		1579.98	
	<b>1708.24</b>		701.46	
Less : Excise Duty	53.41	1654.83	128.03	573.43
<b>TOTAL :</b>	<b>126794.62</b>		<b>119856.32</b>	

**17. OTHER INCOME**

Design & Art Work Recovery	490.40		649.54	
Less : Excise Duty Recovery	35.87	454.53	33.45	616.09
Packing, Forwarding and Insurance Recoveries		83.61		40.52
Exchange Rate Fluctuation (Net)		764.12		63.07
Export Incentive		1439.67		998.00
Profit on sale of assets (Net)		-		1896.58
Profit on sale of Investments (Net)		45.55		0.33
Miscellaneous Income		2319.69		3307.76
Technical Fees		2243.27		2327.61
Sundry Balances Written Back (Net)		-		39.62
<b>Interest :</b>				
-from Banks				
[TDS Rs 112.96 lacs (Previous Year Rs.39.17 lacs)]		1777.03		248.12
-from Others				
[TDS Rs.35.72 lacs (Previous Year Rs.1.16 lacs)]		202.42		42.53
Investment Income:				
- Dividend received on Non-Trade Investments		454.96		7.89
- Dividend received on Investments in Subsidiaries		2005.45		430.56
<b>TOTAL :</b>		<b>11790.30</b>		<b>10018.68</b>

(Rs. in lacs)

	<b>For the Year Ended 31.03.2008</b>	<b>For the Year Ended 31.03.2007</b>
<b>18. INCREASE IN FINISHED GOODS &amp; WORK-IN-PROGRESS</b>		
<b>Closing Stock :</b>		
Finished Goods	1021.21	1148.45
Work-in-Progress	<u>4274.78</u>	<u>3089.84</u>
	<b>5295.99</b>	4238.29
<b>Less : Opening Stock :</b>		
Finished Goods	1148.45	853.97
Work-in-Progress	<u>3089.84</u>	<u>2528.51</u>
	<b>4238.29</b>	3382.48
<b>TOTAL :</b>	<b><u>1057.70</u></b>	<b><u>855.81</u></b>
<b>19. MATERIAL COST</b>		
<b>A. Raw Material Consumed</b>		
Opening Stock	4151.12	2202.12
Add : Purchases	<u>95465.78</u>	<u>113190.60</u>
	<b>99616.90</b>	115392.72
Less : Inter Unit Purchases	<u>16685.72</u>	<u>32368.07</u>
	<b>82931.18</b>	83024.65
Less : Closing Stock	<u>3693.77</u>	4151.12
<b>TOTAL (A) :</b>	<b>79237.41</b>	78873.53
<b>B. Material Cost of Traded Goods Sold</b>		
Opening Stock	6.43	1.89
Add : Purchases	<u>217.67</u>	<u>132.44</u>
	<b>224.10</b>	134.33
Less : Closing Stock	<u>1.87</u>	6.43
<b>TOTAL (B) :</b>	<b>222.23</b>	127.90
<b>TOTAL (A) + (B):</b>	<b><u>79459.64</u></b>	<b><u>79001.43</u></b>
<b>20. OTHER MANUFACTURING EXPENSES</b>		
Power & Fuel Consumed	9825.44	8261.60
Repair & Maintenance-Machineries	1992.92	1849.26
Stores Consumed	1600.38	1483.85
Tools, Jigs & Dies	124.45	143.79
Packing Material Consumed	2310.63	2222.37
Cylinders / Processing Charges for Cylinders	1608.55	1447.89
Less : Inter Unit Charges	<u>1191.91</u>	<u>416.64</u>
	<b>416.64</b>	1197.76
Design & Development Charges	3.41	5.88
Excise Duty	(9.90)	40.17
Job Work Charges	687.73	473.02
R & D Charges	10.43	13.32
<b>TOTAL :</b>	<b><u>16962.13</u></b>	<b><u>14743.39</u></b>
<b>21. PAYMENTS &amp; BENEFITS TO EMPLOYEES</b>		
Salaries, Wages, Bonus, Benefits and Amenities	7068.60	5927.72
Contribution to Provident Fund and Other Funds	464.11	396.21
Employees Welfare Expenses	<u>322.82</u>	<u>259.73</u>
<b>TOTAL :</b>	<b><u>7855.53</u></b>	<b><u>6583.66</u></b>

(Rs. in lacs)

**For the Year  
Ended  
31.03.2008**
**For the Year  
Ended  
31.03.2007**
**22. ADMINISTRATIVE, SELLING & OTHER EXPENSES**

Rent,Rates & Taxes	159.99	113.67
Insurance charges	276.64	421.43
Electricity & Water charges	233.73	162.46
Printing & Stationery	144.51	142.11
Postage,Telegram,Telephone & Fax Expenses	281.62	291.56
Vehicle Running & Maintenance Expenses	493.62	157.02
Conveyance & Travelling Expenses	1040.62	1474.07
Repair & Maintenance :		
- Building	169.59	270.17
- Others	353.48	320.67
Legal & Professional Charges	607.33	526.08
Directors' sitting fees	14.60	21.95
General Expenses	1067.76	812.78
Commission on Sales	152.19	364.03
Advertisement & Publicity	789.76	399.21
Entertainment Expenses	190.71	168.84
Sales Tax	1076.41	648.67
Charity & Donation	19.14	4.41
Rebate & Discount	845.08	583.35
Freight & Forwarding charges	4242.50	4508.70
Loss on Settlement of Fire Claim	211.76	-
Fixed Assets Written -off	3.69	11.10
Loss on assets sold (Net)	417.96	-
Bad & Doubtful Debts (Provision)	-	71.64
Provision for diminution in the value of Investment	69.06	-
Sundry balance written-off (Net)	238.36	-
Claim (Exports)	159.93	55.27
<b>TOTAL :</b>	<b>13260.04</b>	<b>11529.19</b>

**23. INTEREST & FINANCIAL CHARGES**

Interest			
- On Loans for Fixed Period	3592.75	2102.55	
- On Other Loans / Liabilities	3283.97	1849.38	
- On Deferred Liabilities	100.67	69.12	4021.05
Discounting & Financial Charges	775.72	710.11	
<b>TOTAL :</b>	<b>7753.11</b>	<b>4731.16</b>	

**24. EXPENSES ALLOCATED TO SELF CONSTRUCTED ASSETS**

Material Cost	253.09	65.17
Salary & Wages	90.62	29.29
Other Manufacturing Expenses	36.05	10.30
Administrative & Other Expenses	64.96	13.51
Interest & Financial Charges	2.05	3.54
Depreciation	19.94	7.61
<b>TOTAL :</b>	<b>466.71</b>	<b>129.42</b>

## 25. SIGNIFICANT ACCOUNTING POLICIES

### 1. CLASSIFICATION OF EXPENDITURE / INCOME

Except otherwise indicated:

- i) All expenditure and income are accounted for under the natural heads of account.
- ii) All expenditure and income are accounted for on accrual basis.

### 2. VALUATION

#### i) Fixed Assets

- a) Fixed Assets are normally accounted for on cost basis (net of CENVAT credits) including the cost of installation, pre-operative expenses, identifiable trial run expenses where incurred, eligible adjustment on account of foreign exchange fluctuations and impairment losses. Pre-operative expenses and identifiable trial run expenses incurred by the company up to the date eligible assets are put to use for commercial production are allocated to them in proportion to their cost. The cost of fixed assets is adjusted for revaluation, if any, done in any year as decided by the management so as to show the fixed assets at their current value.
- b) Self-constructed Fixed Assets are valued at cost including overheads of the unit constructing the asset.

#### ii) Finished Goods

Finished goods are valued at lower of cost, based on weighted average method, (except in case of machine manufacturing where specific identification method is used) arrived after including depreciation on plant & machinery, electrical installation and factory building, repair & maintenance on factory building, specific manufacturing expenses including excise duty and specific payments & benefits to employees or net realisable value.

#### iii) Work-in-Progress

Work-in-Progress are valued at lower of cost, based on weighted average method, (except in case of machine manufacturing where specific identification method is used) arrived after including depreciation on plant & machinery, electrical installation and factory building, repair & maintenance on factory building, specific manufacturing expenses and specific payments & benefits to employees or net realisable value.

#### iv) Raw Materials

Raw Materials are valued at lower of cost, based on first-in-first-out method arrived at after including freight inward and other expenditure directly attributable to acquisition or net realisable value.

- v) Stores, fuel and packing materials are valued at lower of cost, based on first-in-first-out method or net realisable value.
- vi) Inter-unit transfers of goods and services / job work are valued at cost price / the price agreed to between the units.

3. Cost of spares, tools, jigs & dies are charged to revenue.

4. Lease rentals paid on operating leases are charged to revenue.

5. Expenses incurred for issue of financial securities are charged to Securities Premium Account.

### 6. FOREIGN CURRENCY TRANSACTIONS

- i) Foreign currency monetary items remaining unsettled at the year end are translated at year end rates. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in foreign currency are reported using the exchange rates that existed when the values were determined.
- ii) Exchange differences on settlement / translation of monetary items, are adjusted as income / expense through the Exchange Fluctuation Account in the year they arise.
- iii) Difference between the forward and exchange rate on the date of transactions are adjusted over the period of the contract as an income / expense through the Exchange Fluctuation Account.
- iv) Profit or loss on cancellation of forward contracts for transactions, are adjusted as income / expense through Exchange Fluctuation Account in the year they arise.

### 7. DEPRECIATION

- i) Normal depreciation on all fixed assets, except land and extra shift depreciation on specific plant & machineries for the period



of extra shift worked, are provided from the date of put to use for commercial production on straight line method at the rates prescribed in Schedule-XIV to the Companies Act, 1956.

- ii) No depreciation is provided on leasehold land.
- iii) Depreciation on additions / deletions to fixed assets is provided on pro-rata basis from / to the date of additions / deletions.
- iv) In case the financial year consists of the period less / more than the normal period of 12 months, depreciation on fixed assets existing at the beginning of the financial year as well as those acquired during the said period are provided for the period covered on pro-rata basis.
- v) Depreciation on additions / deletions to the fixed assets due to eligible foreign exchange fluctuations is provided on pro-rata basis from the date of additions / deletions.

## 8. TURNOVER

- i) Gross sales are inclusive of inter-unit sale value and excise duty/cess recoveries and sales tax.
- ii) Sales returns / rate difference are adjusted from the sales of the year in which the returns take place / rate difference accepted.
- iii) Gross job work is inclusive of inter-unit job work value and excise duty/cess recoveries.

## 9. PURCHASES

- i) Purchases are inclusive of inter-unit purchase value and net of CENVAT credits and materials consumed during trial run.
- ii) Purchases returns / rebates are adjusted from the purchases of the year in which the returns take place / rebates allowed.

## 10. INVESTMENTS

- i. Long term investments are valued at their cost including brokerage, fees and duty. However, if there is decline in value of investment, other than temporary, the carrying amount of investment is reduced recognizing the decline in value of each investment.
- ii. Short term investments are valued at cost or market price, whichever is lower.

## 11. EMPLOYEE BENEFITS

- i. Defined Long Term benefit (other than leave encashment) is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gain and losses in respect of post employment and other long term benefits are charged to Profit & Loss Account.
- ii. Defined long term benefits in respect of leave encashment is charged to profit & loss account based on the leave entitlement of employees remaining unutilised at the end of the year , at the undiscounted amount.
- iii. Defined Contribution Plans are charged to profit & loss account based on the contribution made to the specified fund.
- iv. Short term employee benefits are charged to Profit & Loss Account at the undiscounted amount in the year in which the related service is rendered.

## 12. CLAIMS BY / AGAINST THE COMPANY

Claims by / against the Company arising on any account are provided in the accounts on receipts / acceptances.

## 13. BORROWING COST

Borrowing cost attributable to the acquisition or construction of qualifying /eligible assets are capitalised as part of the cost of such assets. A qualifying /eligible asset is an asset that necessarily takes a substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense and are charged to revenue in the year in which they are incurred.

## 14. EARNING PER SHARE

In accordance with the Accounting Standard-20 (AS-20) "Earning Per Share" issued by The Institute of Chartered Accountants of India, Basic & Diluted Earning Per Share is computed using the weighted average number of Shares outstanding during the period.

## 15. DEFERRED TAX ASSETS / LIABILITIES

Deferred tax assets & liabilities are measured using the current tax rates. When there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty of realisation of deferred tax assets. Other deferred tax assets are recognised to the extent, there is reasonable certainty of realisation of deferred tax assets. Such

deferred tax assets & other unrecognised deferred tax assets are re-assessed at each Balance Sheet date and the carrying value of the same are adjusted recognising the change in the value of each such deferred tax assets.

## 16. RESEARCH & DEVELOPMENT

- i) All revenue expenditure on research & development activities are accounted for under their natural heads of revenue expenses accounts.
- ii) All capital expenditure related to research & development activities are accounted for under their natural heads of fixed assets accounts.

## 17. IMPAIRMENT

Management periodically assesses using external and internal sources whether there is an indication that assets of concerned cash generating unit may be impaired. Impairment loss, if any, is provided as per Accounting Standard (AS-28) on Impairment of Assets.

## 18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In accordance with the Accounting Standard (AS – 29) issued by Institute of Chartered Accountants of India a) provisions are made for the present obligations where amount can be estimated reliably, and b) contingent liabilities are disclosed for possible obligations arising out of uncertain events not wholly in control of the company. Contingent assets are neither recognised nor disclosed in the financial statements.

## 19. INTANGIBLE ASSETS

Customised or separately purchased software is classified as intangible assets at their cost and amortised over a period of five years from date of put to use.

## 26. NOTES FORMING PART OF THE ACCOUNTS

(Rs. in lacs)

	<b>As At 31.03.2008</b>	<b>As At 31.03.2007</b>
<b>1. Contingent liabilities not provided for in respect of :</b>		
i) Guarantees issued by Banks	<b>767.59</b>	974.74
ii) Import duty obligations on outstanding export commitment under Advance Licence / EPCG Schemes	<b>10925.18</b>	14277.98
iii) Letters of Credit (Unexpired) issued by Banks (Net of Margin)	<b>1862.84</b>	1153.80
iv) Show cause notice / demands of Excise Authorities not acknowledged by the Company and are contested / appealed / replied.	<b>3812.52</b>	2936.84
v) Additional demands raised by the Income Tax Department, which are under rectification & appeal	<b>118.94</b>	118.94
vi) Additional demands raised by the Sales Tax Department, which are under rectification & appeal	<b>566.32</b>	913.81
vii) a) Undertaking to Financial Institutions / Others for compensating NPV Loss	-	4340.40
b) Indemnity issued in terms of Negotiated Settlement Scheme to ICICI Bank Ltd. for meeting shortfall arising on non-fulfillment of residual NPV loss*.	<b>3605.42</b>	3450.05
viii) Amount of penalty imposed by Enforcement Directorate under erstwhile FERA which is contested & appealed	<b>115.50</b>	315.60
ix) Amount of Custom Duty / Excise Duty payable in respect of Capital Goods imported by the Company against bond in case of non fulfillment of conditions imposed under Software Technology Park (STPI) Unit.	<b>195.87</b>	195.87
x) Amount demanded by the erstwhile workers of the Company and are pending in labour Court	<b>75.09</b>	73.57
xi) a) Premium on Redemption of outstanding Foreign Currency Convertible Bonds**	<b>5949.55</b>	7538.06
b) Interest on Foreign Currency Convertible Bonds not provided for since not accrued**	-	91.35
c) Premium on Redemption of outstanding Optionally Fully Convertible Debentures	-	17947.13

\* Resulting from purchase of 27.50 lacs shares (Previous Year 24.25 lacs shares) by promoters from ICICI Bank Ltd. under Negotiated Settlement Scheme.

\*\* The Company expects that the holders of FCCBs would opt for the conversion rather than redemption and in that case no premium would be payable. On this basis the amount of premium has not been provided and is shown as contingent liability. However the premium, if paid would be adjusted against the available Securities Premium Account/ charged to Profit and Loss account at the time of redemption.

(Rs.in lacs)

	<b>As At 31.03.2008</b>	<b>As At 31.03.2007</b>
<b>2 Capital Commitments :</b>		
The estimated amount of contracts remaining to be executed on capital account (Net of advances) and not provided for :	<b>8582.87</b>	7497.26
<b>3 Assets taken on Operating Lease</b>		
Future liabilities in respect of vehicles taken on lease		
<b>Total</b>	<b>505.42</b>	91.67
a) of which not later than one year	<b>160.99</b>	24.00
b) of which later than one year and not later than 5 years	<b>344.43</b>	67.67
c) of which later than 5 years	-	-

(Rs.in lacs)

	<b>Current Year</b>	<b>Previous Year</b>
<b>4 Managerial Remuneration :</b>		
i) Salaries including HRA	<b>440.90</b>	442.80
ii) Contribution to Provident Fund	<b>48.59</b>	44.85
iii) Commission to Chairman & Managing Director	<b>200.00</b>	25.00
iv) Medical re-imburement	<b>0.51</b>	2.86
v) Perquisite value of electricity, car, furniture & fixtures and rent free accommodation provided,evaluated as per Income Tax Rules, 1962 (Net of recovery)	<b>(27.62)</b>	(27.62)
vi) Sitting Fees	<b>14.60</b>	21.95
<b>TOTAL :</b>	<b>676.98</b>	509.84

**5 Computation of Net Profit in accordance with Section 349 of the Companies Act 1956 and calculation of commission payable to Chairman and Managing Directors**

(Rs.in lacs)

Particulars	<b>Current Year</b>	<b>Previous Year</b>
Net Profit After Tax	<b>6051.05</b>	4214.82
Add :		
a) Managerial Remuneration		
i) Salaries including HRA	<b>440.90</b>	442.80
ii) Contribution to Provident Fund	<b>48.59</b>	44.85
iii) Commission to Chairman & Managing Director	<b>200.00</b>	25.00
iv) Medical re-imburement	<b>0.51</b>	2.86
v) Perquisite value of electricity, car, furniture & fixtures and rent free accommodation provided,evaluated as per Income Tax Rules, 1962	<b>2.38</b>	2.38
vi) Sitting Fees	<b>14.60</b>	21.95
b) Provision for Bad & Doubtful debts	-	71.64
c) Provision for Income Tax, Deferred Tax & Fringe Benefit Tax	<b>929.88</b>	2431.27
<b>Sub Total</b>	<b>1636.86</b>	3042.75
Less :		
a) Profit on sale of fixed assets	-	1930.97
b) Deferred Revenue Expenditure	<b>112.36</b>	112.36
c) Profit on sale of Investments	<b>45.55</b>	0.33
d) Bad Debt written off out of provision	<b>249.26</b>	54.24
e) (Short) provision for Taxation for earlier years	<b>(94.03)</b>	(23.95)
<b>Sub Total</b>	<b>313.14</b>	2073.95
<b>Net profit on which commission is payable</b>	<b>7374.77</b>	5183.62
Maximum Remuneration allowed under the Companies Act,1956 @ 10% of the Net Profit	<b>737.48</b>	518.36
Amount of Remuneration paid excluding commission payable to eligible Directors	<b>462.38</b>	462.89
Maximum amount of commission allowed under the Companies Act,1956	<b>275.10</b>	55.47
Maximum commission payable as per approval of the shareholders	<b>368.74</b>	259.18
Commission approved by the Board	<b>200.00</b>	25.00

**6 Auditors Remuneration, as included in "Legal & Professional charges" under Schedule No."22", is as under:-**

(Rs.in lacs)

	<u>Current Year</u>	<u>Previous Year</u>
a) Audit Fees	28.50	25.00
b) Tax Audit Fees	8.50	7.50
c) Report & Certification work	9.79	10.78
d) Taxation Matters	3.10	-
e) Management Services	2.00	-
f) Out of Pocket Expenses	2.73	1.60
<b>TOTAL :</b>	<b>54.62</b>	<b>44.88</b>

7 In the opinion of the Board and to the best of their knowledge, the value on realisation of Current Assets, Loans and Advances in the ordinary course of the business would not be less than the amount at which they are stated in the Balance Sheet.

8 Necessary disclosures required under Micro, Small & Medium Enterprises Development Act, 2006, can only be considered once the relevant information to identify the suppliers who are covered under the said Act are received from such parties.

**9 Gratuity**

The employees' Group Gratuity Scheme is managed by ICICI Prudential Life Insurance Company Limited. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The additional disclosure in terms of Accounting Standard-15, "Employee Benefit" is as under:

(Rs. In Lacs)

	<b>Current Year</b>
<b>a. Reconciliation of opening and closing balances of obligation</b>	
<b>Obligations at period beginning</b>	<b>523.89</b>
Service cost	92.10
Interest cost	39.85
Actuarial (gain) / loss	(3.33)
Benefits paid	(51.59)
Obligations at period end	600.91
<b>b. Reconciliation of opening and closing balances of fair value assets</b>	
Plan assets at period beginning, at fair value	209.64
Expected return on plan assets	24.86
Actuarial gain / (loss)	3.88
Contributions	225.00
Benefits paid	(51.59)
Plan assets at period end, at fair value	411.78
<b>c. Amount Recognized in Balance Sheet</b>	
Present value of the defined benefit obligations at the end of the period	600.91
Fair value of plan assets at the end of the period	411.78
Liability recognized in the balance sheet	189.13
Assumptions	
Interest rate	8% P.A.
Estimated rate of return on plan assets	8% P.A.
<b>d. Gratuity cost for the period</b>	
Service cost	92.10
Interest cost	39.85
Expected return on plan assets	(24.86)
Actuarial (gain) / loss	(7.21)
<b>Net gratuity cost</b>	<b>99.88</b>

**Notes:**

- 1 Transition obligations of Rs. 359.68 Lacs as on 31st March 2007 adjusted against the Opening Balance of Profit & Loss Account as per AS-15 (Employee Benefits).
- 2 Since this being the first year of Presentation, previous year figures are not reported above.

- 10 a) Balances of ZRD/ZRL's/Cumulative Rupee Loans / 18% Cumulative Debentures are subject to reconciliations from some of the Financial Institutions and other Lenders.  
 b) Balances of some of the parties are subject to reconciliation & confirmations.
11. In the opinion of the Management, the Debenture Redemption Reserve (DRR) shown in Schedule 3 - Reserve & Surplus, against the debentures outstanding, after giving effect to Negotiated Settlement Scheme is adequate. Further in respect of ZRD's held by the IFCI for which DRR has been credited as provided in the Trust Deed.
12. a) Rupees have been rounded off to the nearest thousand.  
 b) Previous Year figures have been recasted / regrouped, wherever considered necessary.
13. The name of the Company stands changed from Flex Industries Limited to UFLEX LIMITED w.e.f. from 19th March, 2007.

#### 14. EARNING PER SHARE

The following disclosure is made, as required by Accounting Standard-20 (AS-20) on "Earning Per Share", issued by The Institute of Chartered Accountants of India :-

	<u>Current Year</u>	<u>Previous Year</u>
(A) Profit for the year, after adjustments, with no extra-ordinary items (viz. Numerator) (Rs. in lacs)	<b>6051.05</b>	4214.82
(B) (i) Opening Balance of Equity Shares	<b>51630646</b>	47506990
Add :		
Weighted Average Factor of Equity Shares Issued	<b>3938315</b>	147897
Weighted Average Number of Equity Shares (viz. denominator) for Basic Earning Per Share	<b>55568961</b>	47654887
(ii) Opening Balance of Equity Shares	<b>51630646</b>	47506990
Add :		
Weighted Average Factor of FCCB's	<b>20061486</b>	1301718
Weighted Average Factor of Equity Warrants	<b>8537606</b>	1052055
Weighted Average Factor of Equity Shares Issued	<b>837603</b>	-
Adjustment for issue of OFCD'S	-	5480000
Weighted Average Number of Equity Shares (viz. denominator) for Diluted Earning Per Share	<b>81067341</b>	55340763
(C) Nominal Value Per Share	<b>Rs. 10/-</b>	Rs. 10/-
(D) (i) Basic Earning Per Share (A/B(i)) (Rs.)	<b>10.89</b>	8.84
(ii) Diluted Earning Per Share (A/B(ii)) (Rs.)	<b>7.46</b>	7.62

#### 15 SEGMENT DISCLOSURE :

Consequent upon the strategic business re-structuring considering business synergies, risks & returns and assets of the Company, there is only one reportable segment. Accordingly, segment wise reporting is not applicable. However geographical distribution of revenue is as under :

	<u>Current Year</u>	<u>Previous Year</u>
Domestic Revenue	<b>111101.28</b>	100993.35
<b>Export Revenue :</b>		
USA	<b>8132.89</b>	8647.54
Europe	<b>6597.71</b>	5625.01
Asia	<b>8535.15</b>	10057.75
Africa	<b>7640.97</b>	8851.36
Others	<b>93.70</b>	22.88
Total Export Revenue	<b>31000.42</b>	33204.54
<b>Total Revenue*</b>	<b>142101.70</b>	134197.89

\* Includes Design & Art Work Recoveries shown under the head "Other Income"-Schedule No.-17

- 16 Following disclosures are made, as per Accounting Standard-18 (AS-18), regarding, "Related Party Disclosures", issued by The Institute of Chartered Accountants of India:-

(a) List of Related Parties:

- i) **Wholly Owned Subsidiaries** : Flex America Inc., Flex Middle East FZE , Flex Europe Pvt. Ltd., Uflex Packaging Inc. and U Tech Developers Ltd.
- ii) **Associate** : Flex Foods Ltd.
- iii) **Key Management Personnel & their relatives (also exercising significant influence over the Company)** : Mr. Ashok Chaturvedi, Chairman & Managing Director (relative Mrs. Rashmi Chaturvedi) and Mr. S.K. Kaushik, Wholetime Director

- iv) **Enterprises in which the persons referred in (iii) along with their relatives exercise significant influence** : Flex International (P) Ltd., Anshika Investments (P) Ltd., Ultimate Flexipack Ltd., A.R. Infrastructure & Projects Pvt.Ltd., Anant Overseas (P) Ltd., Apoorva Extrusion (P) Ltd., Anshikha Consultants (P) Ltd., A.R.Leasing (P) Limited, Ultimate Energy Ltd., Cinflex Infotech (P) Ltd., Ultimate Enterprises (P) Ltd., AR Aerotech (P) Ltd., AR Airways (P) Ltd., Kaya Kalpa Medical Services (P) Ltd., AC Infrastructures (P) Ltd., AKC Developers (P) Ltd., Club One Airways (P) Ltd., Flex Industries (P) Ltd., AC Infratech (P) Ltd., RC Properties (P) Ltd., A to Z Infratech (P) Ltd. and Ultimate Infratech (P) Ltd.
- (b) The Company has entered into transactions with certain parties listed above during the year under consideration. Details of these transactions are as follows :

Transactions	Wholly owned Subsidiaries	Associate	Key Management Personnel & their Relatives	(Rs.in lacs)	
				Enterprises as referred to in 'a (iv)' above	Total
<b>i) Trade Transactions</b>					
Sale of Goods/Services (Net)	<b>2866.25</b>	<b>18.46</b>	–	<b>1416.65</b>	<b>4301.36</b>
	<i>4207.76</i>	<i>22.00</i>	–	<i>697.66</i>	<i>4927.42</i>
Purchase of Goods/Services (Net)	<b>3203.34</b>	–	–	<b>2898.54</b>	<b>6101.88</b>
	<i>1120.88</i>	–	–	<i>2621.35</i>	<i>3742.23</i>
Sale of Fixed Assets	–	–	–	–	–
	–	–	–	<i>0.01</i>	<i>0.01</i>
Purchase of Fixed Assets	<b>29.57</b>	–	<b>194.50</b>	–	<b>224.07</b>
	–	–	–	–	–
Dividend Income	<b>2,005.45</b>	–	–	–	<b>2005.45</b>
	<i>430.56</i>	–	–	–	<i>430.56</i>
Lease Charges Received	–	–	–	<b>24.13</b>	<b>24.13</b>
	–	–	–	–	–
Licence Fees Received	<b>198.76</b>	–	–	–	<b>198.76</b>
	–	–	–	–	–
Rent Received	–	–	<b>30.00</b>	<b>4.43</b>	<b>34.43</b>
	–	–	<i>30.00</i>	<i>3.36</i>	<i>33.36</i>
Rent Paid	–	–	<b>105.00</b>	<b>3.60</b>	<b>108.60</b>
	–	–	–	<i>3.60</i>	<i>3.60</i>
Security Deposit Given	–	–	<b>100.00</b>	<b>10.00</b>	<b>110.00</b>
	–	–	–	<i>15.00</i>	<i>15.00</i>
Refund of Security Deposit	–	–	–	<b>25.00</b>	<b>25.00</b>
	–	–	–	<i>1000.00</i>	<i>1000.00</i>
Interest Paid on Loans	–	<b>15.07</b>	–	<b>2.50</b>	<b>17.57</b>
	–	<i>45.00</i>	–	–	<i>45.00</i>
Interest Received	<b>147.85</b>	–	–	–	<b>147.85</b>
	–	–	–	–	–
Remuneration	–	–	<b>692.38</b>	–	<b>692.38</b>
	–	–	<i>495.45</i>	–	<i>495.45</i>
<b>ii) Non Trade Transactions</b>					
Loan Taken	–	<b>400.00</b>	–	<b>1525.00</b>	<b>1925.00</b>
	–	–	–	–	–
Repayment of Loan Taken	–	<b>850.00</b>	–	<b>1525.00</b>	<b>2375.00</b>
	–	–	–	–	–
Loan Given	<b>5,175.00</b>	–	–	–	<b>5175.00</b>
	–	–	–	–	–
Recovery of Loan Given	<b>1,450.00</b>	–	–	–	<b>1450.00</b>
	–	–	–	–	–
Investment in Shares	<b>3177.31</b>	–	–	–	<b>3177.31</b>
	<i>10000.00</i>	–	–	–	<i>10000.00</i>
Share Capital / Share Warrants	–	–	–	–	–
	–	–	–	<i>3272.50</i>	<i>3272.50</i>
<b>Total</b>	<b>18253.53</b>	<b>1283.53</b>	<b>1121.88</b>	<b>7434.85</b>	<b>28093.79</b>
	<i>15759.20</i>	<i>67.00</i>	<i>525.45</i>	<i>7613.48</i>	<i>23965.13</i>
<b>Balance as on 31.03.2008</b>					
Debit	<b>4688.09</b>	<b>3.13</b>	–	<b>8.43</b>	<b>4699.65</b>
	<i>1527.29</i>	<i>6.74</i>	–	<i>112.27</i>	<i>1646.30</i>
Credit	<b>86.40</b>	–	–	<b>882.11</b>	<b>968.51</b>
	<i>404.99</i>	<i>450.00</i>	–	<i>824.86</i>	<i>1679.85</i>

Besides above the Company has issued Indemnity in terms of Negotiated Settlement to ICICI Bank Ltd. for meeting shortfall arising on non-fulfillment of residual NPV loss for Rs.3605.42 lacs by Anshika Investment (P) Ltd. , Ultimate Flexipack Ltd. and A R Leasing (P) Ltd, enterprises referred in (a) (iv) above.

Note: Previous year figures have been given in italic.

17 In accordance with the Accounting Standard-22 (AS-22), regarding 'Accounting for Taxes on Income', issued by The Institute of Chartered Accountants of India, the Cumulative Tax effects of significant timing differences, that resulted in Deferred Tax Asset & Liabilities and description of item thereof that creates these differences are as follows :

	Deferred Tax Assets / (Liability) As At 01.04.2007	Current Year (Charge) / Credit	Deferred Tax Assets / (Liability) As At 31.03.2008
<b>A. Deferred Tax Assets</b>			
Unabsorbed Depreciation under the Income Tax Act, 1961	233.14	2163.77	2396.91
Unabsorbed business loss under the Income Tax Act, 1961	–	1,000.19	1,000.19
Others	7288.58	767.94	8056.52
<b>Total (A)</b>	<b>7521.72</b>	<b>3931.90</b>	<b>11453.62</b>
<b>B. Deferred Tax Liabilities</b>			
Excess of Book WDV of Fixed Assets over Tax WDV of Fixed Assets	(17729.46)	707.85	(17021.61)
<b>Total (B)</b>	<b>(17729.46)</b>	<b>707.85</b>	<b>(17021.61)</b>
<b>Net Deferred Tax (Liability) (A-B)</b>	<b>(10207.74)</b>	<b>4639.75</b>	<b>(5567.99)</b>

18. DISCLOSURE IN RESPECT OF INVESTMENT IN MUTUAL FUNDS

(Rs.in lacs)

Fund Name	Face Value (Rs)	Investment / Purchase / Switch In		Redemption / Sale / Switch Out		Balance	
		Units in Nos @	Amount	Units in Nos	Amount	Units in Nos	Amount
Kotak Floater Short Term-monthly Div	10	29,945,499.19	3,000.00	19,939,792.712	2,000.00	10,210,823.21	1,022.91
Kotak Quarterly Interval Plan Series-2 Dividend	10	9,996,301.368	1,000.00	–	–	9,996,301.37	1,000.00
ICICI Prudential Interval Fund II Quarterly	10	87,157,382.155	9,000.00	47,408,553.695	5,000.00	40,199,882.77	4,048.51
ICICI Prudential Floating Rate Fund Plan	10	49,798,481.836	5,000.00	50,262,222.118	5,053.86	–	–
HSBC Floating Rate Fund	10	154,029,619.929	15,500.00	99,566,852.041	10,051.14	55,504,205.40	5,559.35
Templeton Floating Rate Income Fund Short Term Plan	10	59,598,410.725	6,000.00	59,813,055.981	6,022.56	–	–
Templeton Floating Rate Income Fund Long Term Plan	10	19,341,237.452	2,000.00	19,605,127.888	2,028.95	–	–
Reliance Fixed Horizon Fund VI Series 3	10	46,140,985.047	9,600.00	449,489.200	4,500.00	45,727,743.63	5139.05
Tata Floating Rate Short Term Inst. Plan	10	54,969,766.629	5,500.00	55,411,432.098	5,544.19	0.010	–
Principal Mutual Fund	10	98,743,263.871	10,500.00	80,510,217.702	8,551.90	18,825,970.18	2,035.42
HDFC FMP 90D	10	74,004,386.622	7,500.00	44,160,624.720	4,500.00	30,183,600.47	3,035.70
Standard Chartered FMP yearly Series	10	250,000.000	25.00	–	–	250,000.00	25.00
Prudential ICICI Flexible Income Plan	10	505,963.625	75.00	–	–	505,963.63	75.00
HDFC Cash Management Fund	10	1,000,000.000	100.00	–	–	1,000,000.00	100.00
<b>GRAND TOTAL</b>		<b>685,481,298.450</b>	<b>74,800.00</b>	<b>477,127,368.155</b>	<b>53,252.60</b>	<b>212,404,490.66</b>	<b>22,040.95</b>

Note : @ Excludes Units received on declaration of dividend and re-invested.

**19 Additional information pursuant to the provisions of Paragraph 3, 4C and 4D of Part II of the Schedule VI of the Companies Act,1956 :-**

**A. Information in respect of class of goods manufactured and annual capacity :-**

Class of Goods	Unit	Installed Capacity*	
		Current Year	Previous Year
Printed, Laminated, Metalised, Co-Extruded, Coated, Embossed and Plain Plastic Films	MT	132600**	119000
Rotogravure Cylinder & Shims	Nos.	47000***	47000
Hologrammed Sticker Sheets	Sheets in lacs	700	700
Packaging & Converting Machines & Structure & Fabricated Items	Nos.	1570#	1570
PET Chips	MT	72000	72000
Printing Ink	MT	8800	7470
Adhesive	MT	6000	3690

Previous Year figure have been given in brackets.

\* Figures have been certified by the Management, but not verified by the Auditors, being a technical matter.

\*\* Includes capacity of 5000 MT (Previous Year Same) licenced to third party.

\*\*\* Includes capacity of 12000 Nos. (Previous Year Same) licenced to third party.

# Represent only for Packaging & Converting Machines.

**B. (i) Information in respect of production, sales & stock of goods manufactured :-**

(Rs. in lacs)

Class of Goods	Unit	Production	Gross Sales		Opening Stock		Closing Stock	
			Qty.	Qty.	Value	Qty.	Value	Qty.
Printed, Laminated, Metalised, Co-extruded, Coated, Embossed and Plain Plastic Films	MT	95079 (95224)	94447 (94351)	118787.06 (113031.19)	613 (403)	933.51 (646.98)	718 (613)	848.12 (933.51)
Rotogravure Cylinder & Shims	Nos.	12830 (13384)	12707 (13065)	1453.91 (1368.49)	- (-)	- (-)	- (-)	- (-)
Hologrammed Sticker Sheets	Sheets in lacs	700 (586)	697 (590)	2339.20 (2225.39)	28 (32)	46.84 (36.49)	31 (28)	24.67 (46.84)
Packaging & Converting Machines	Nos.	230 (234)	229 (234)	5947.50 (4241.55)	- (-)	- (-)	- (-)	- (-)
Printing Ink	MT	3788 (4459)	3788 (4442)	5549.43 (6249.64)	77 (69)	87.25 (81.43)	66 (77)	76.71 (87.25)
Adhesive	MT	2272 (2609)	2258 (2600)	3115.71 (3293.36)	55 (59)	66.79 (56.15)	46 (55)	53.82 (66.79)
Others				4137.64 (2971.02)		14.06 (32.91)		17.89 (14.06)
<b>TOTAL :</b>				<b>141330.45</b> (133380.64)		<b>1148.45</b> (853.96)		<b>1021.21</b> (1148.45)

**Notes :**

- 1) Previous year figures have been given in brackets.
- 2) The figures shown above are inclusive of job work done.
- 3) The closing stock excludes sales return, having no realisable value.
- 4) Gross sales value are exclusive of Inter-unit sale of Plastic Film, Pet Chips, Printing Ink, Adhesive, Packaging & Converting Machines and Inter-unit sale & job work of Rotogravure Cylinder.



## (ii) Information in respect of goods traded :-

(Rs.in lacs)

Class of Goods		Opening Stock		Purchases		Sales		Closing Stock	
		Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Machines	Nos.	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Machine Components	Nos.	-	-	-	-	-	-	-	-
		(-)	(-)	(3)	(2.24)	(3)	(2.15)	(-)	(-)
Polyester Chips	MT	-	-	-	-	-	-	-	-
		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Misc.Items			<b>6.43</b>		<b>217.67</b>		<b>280.85</b>		<b>1.87</b>
			(1.89)		(130.20)		(165.56)		(6.43)
<b>TOTAL :</b>			<b>6.43</b>		<b>217.67</b>		<b>280.85</b>		<b>1.87</b>
			(1.89)		(132.44)		(167.71)		(6.43)

Note : Previous year figures have been given in brackets.

## C. Information in respect of raw materials consumed :-

(Rs.in lacs)

(Qty.in MT)

Description	Current Year		Previous Year	
	Qty.	Value	Qty.	Value
Plastic Films	5398	5414.47	3994	4140.23
Plastic Granules	48123	31079.91	44334	28547.45
Fibre Chemicals	56741	24151.20	59637	26831.15
Inks	383	658.51	659	1084.54
Adhesives	1757	2063.32	1422	1732.01
Solvents	9850	4936.50	10483	4888.71
Additive	1141	1284.63	1327	1447.99
Chemicals	1847	1570.57	2004	1910.14
Resin	943	1345.28	910	1749.82
Pigments	892	1394.66	856	1376.16
Others		5570.55		5165.33
<b>TOTAL :</b>		<b>79469.60</b>		<b>78873.53</b>

Notes :

- The above excludes Materials consumed for captive use.
- The above includes material consumed during trial run of Rs. 232.19 Lacs (Previous Year NIL).

## D. Information in respect of consumption of imported and indigenous material and percentage thereof :-

(Rs. in lacs)

Description	Current Year		Previous Year	
	Value	Percentage	Value	Percentage
<b>Raw Material</b>				
Imported	15748.17	19.82	14834.06	18.81
Indigenous	63721.43	80.18	64039.47	81.19
<b>TOTAL :</b>	<b>79469.60</b>	<b>100.00</b>	<b>78873.53</b>	<b>100.00</b>
<b>Stores, Spares, Tools, Jigs &amp; Dies Consumed</b>				
Imported *	491.20	23.80	861.43	37.07
Indigenous	1573.04	76.20	1462.09	62.93
<b>TOTAL :</b>	<b>2064.24</b>	<b>100.00</b>	<b>2323.52</b>	<b>100.00</b>

\*Includes spares of Rs.339.41 lacs (Previous year Rs.695.88 lacs) charged to Repair &amp; Maintenance-Machineries.

<b>E. Other Particulars</b>		(Rs.in lacs)	
<b>Description</b>	<b>Current Year</b>	<b>Previous Year</b>	
<b>a) CIF Value of Imports</b>			
i) Raw Materials / Traded Goods	<b>14280.03</b>	14685.13	
ii) Capital Goods	<b>5906.62</b>	904.72	
iii) Stores & Spares	<b>882.22</b>	816.03	
iv) Material-in-Transit - Raw Materials	<b>4.46</b>	47.07	
v) Material-in-Transit - Machinery	<b>2034.19</b>	–	
<b>b) Expenditure in Foreign Currency</b>			
i) Travelling expenses	<b>209.01</b>	423.47	
ii) Advertisement & Publicity	<b>36.16</b>	13.49	
iii) General expenses	<b>12.07</b>	15.56	
iv) Rebate & Discount	<b>–</b>	0.43	
v) Commission on Sales (Net)	<b>86.47</b>	337.78	
vi) Discounting & Bank charges	<b>90.73</b>	90.16	
vii) Entertainment Expenses	<b>0.11</b>	2.94	
viii) Legal & Professional Charges	<b>122.50</b>	52.75	
ix) FCCB's Issue Expenses	<b>–</b>	337.50	
x) Repair & Maint. -Mach.	<b>–</b>	12.32	
xi) Repair & Maint. -Others	<b>2.73</b>	–	
xii) Claim Exports	<b>159.93</b>	–	
xiii) Rent	<b>–</b>	37.54	
xiv) Interest on FCCB's	<b>1,169.77</b>	–	
xv) Salary & Wages	<b>–</b>	7.03	
<b>c) Earning in Foreign Exchange</b>			
i) F.O.B. value of Export of Manufactured / Traded Goods	<b>29761.14</b>	31053.00	
ii) Design & Art work Recovery	<b>230.42</b>	411.08	
iii) Technical Services	<b>2243.27</b>	2332.43	
iv) Interest	<b>–</b>	58.26	
v) Dividend	<b>2005.45</b>	430.25	

Notes : Signatories to Schedule 1 to 26

For and on behalf of the Board of Directors

**R.K. Jain**  
*President (Finance & Accounts)*

**R.P. Agrawal**  
*Director*

**Ashok Chaturvedi**  
*Chairman & Managing Director*

**Rajiv M. Srivastava**  
*General Manager (Accounts)*

**Ajay Krishna**  
*Vice President (Legal) &  
Company Secretary*

**For Vijay Sehgal & Co.**  
*Chartered Accountants*

Place : NOIDA  
Dated : 1st July, 2008

**S. V. Sehgal**  
*Partner*

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No.	3	2	1	6	6	State Code	5	5
Balance Sheet Date	3	1	0	3	2	0	0	8

**II. Capital Raised during the Year (Amount in Rs.Thousands)**

Public Issue	N	I	L	Rights Issue	N	I	L	Proceeds from Share Capital / Warrants	1	9	6	9	7	4	3
Bonus Issue	N	I	L	Warrants	N	I	L	Private Placement	N	I	L				

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)**

Total Liabilities								Total Assets							
2	0	8	0	9	0	1	5	2	0	8	0	9	0	1	5
<b>Sources of Funds</b>								<b>Reserves &amp; Surplus</b>							
Paid-up Capital including Warrants								Unsecured Loans							
9	2	8	5	1	9	6	2	9	1	3	6	4			
Secured Loans								Investments							
7	3	0	7	6	6	1	5	0	6	5	7	4	9		
Deferred Tax Liability (Net)								Misc. Expenditure							
5	5	6	7	9	9	N	I	L							
<b>Application of Funds</b>															
Net Fixed Assets (Including Capital Work-in-Progress)															
1	0	6	5	0	0	3	5								
Net Current Assets															
5	0	9	3	2	3	1									

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover (Including Other Income)										Total Expenditure							
1	3	8	5	8	4	9	2	1	3	1	4	4	3	3	8		
Profit before Tax										Net Profit After Tax							
7	1	4	1	5	4	6	0	5	1	0	5						
Earning Per Share (in Rs.)										Dividend Rate %							
1	0	.	8	9	4	0											

**V. Generic Names of Principal Products/ Services of Company (as per monetary terms)**

Item Code No. (ITC Code) : 3 9 2 0 6 2 9 0

Product Description : P R I N T E D A R T I C L E S O F  
P L A S T I C I N R O L L F O R M

Item Code No. (ITC Code) : 3 9 2 3 9 0 9 0

Product Description : P R I N T E D A R T I C L E S O F  
P L A S T I C I N P O U C H F O R M

Item Code No. (ITC Code) : 3 9 2 0 6 2 2 0

Product Description : P O L Y E S T E R F I L M

Item Code No. (ITC Code) : 3 9 2 0 2 0 2 0

Product Description : B O P P F I L M

Item Code No. (ITC Code) : 8 4 4 2 5 0 1 0

Product Description : R O T O G R A V U R E C Y L I N D E R

Item Code No. (ITC Code) : 4 9 1 1 9 9 9 0

Product Description : H O L O G R A M

Item Code No. (ITC Code) : 3 9 1 5 1 9 9 0

Product Description : P R I N T I N G I N K S  
R O T O G R A V U R E S A N D  
F L E X O G R A P H I C I N K S

Item Code No. (ITC Code) : 3 5 0 6 9 9 1 0

Product Description : A D H E S I V E S B A S E D  
O N S Y N T H E T I C  
R E S I N S

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY**

1	Name of the Subsidiary Company	Flex America, Inc.	Flex Middle East FZE	Flex Europe Private Limited	U Tech Developers Ltd.	UFLEX Packaging Inc.
2	Financial Year of the Subsidiary	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008	31st March, 2008
3	Issued, Subscribed and Paid-up capital of Subsidiary Company as on 31st March, 2008	1,00,000 shares of US \$ 1 each	107 shares of AED 1 million each	75,000 shares of GBP 1 each	10,00,00,000 shares of Rs. 10/- each	10,000 shares of US\$ 10 each
4	Extent of interest of UFLEX LIMITED in subsidiary as on 31st March, 2008	100%	100%	100%	100%	100%
5	Net aggregate amount of profits/(losses) of the Subsidiary so for as it concerns the members of UFLEX LIMITED and is not dealt with in the accounts of UFLEX LIMITED for the Financial Year and previous Financial Years					
	a) Current year	US\$ (6,136) equivalent to Rs. (2.43) lacs	US\$ 1,45,61,936 equivalent to Rs. 5,769.44 lacs	GBP (4446) equivalent to Rs. (3.51) lacs	Rs. 1,174.54 lacs	US\$ 881 equivalent to Rs. 0.35 lacs
	b) Previous year	US \$ 68,653 equivalent to Rs. 29.77 lacs	US\$ 78,81,890 equivalent to Rs. 3,417.59 lacs	GBP (4730) equivalent to Rs. (4.03) lacs	Rs. 158.04 lacs	–
6	Net aggregate amount of profits/(losses) of the Subsidiary so for as it concerns the members of UFLEX LIMITED and is dealt with in the accounts of UFLEX LIMITED for the Financial Year or previous Financial Years	NIL	NIL	NIL	NIL	NIL
7	As the end of the Financial Year of the Subsidiaries ended 31st March, 2008 coincides with the end of the Financial Year of the Holding Company, Section 212 (5) of the Companies Act, 1956 is not applicable.					

For and on behalf of the Board of Directors

**R.K. Jain**  
President (Finance & Accounts)

**R.P. Agrawal**  
Director

**Ashok Chaturvedi**  
Chairman & Managing Director

**Rajiv M. Srivastava**  
General Manager (Accounts)

**Ajay Krishna**  
Vice President (Legal) &  
Company Secretary

Place : NOIDA  
Dated : 1st July, 2008

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors,  
**UFLEX LIMITED**  
(Formerly known as Flex Industries Limited)

We have audited the attached Consolidated Balance Sheet of UFLEX LIMITED (here-in-after called "Company") and its wholly owned subsidiaries, Flex America Inc., Flex Middle East FZE, Flex Europe Pvt. Ltd., U Tech Developers Ltd. & Uflex Packaging Inc., [here-in-after called "Subsidiaries" and along with Company called "Group"] as at 31st March 2008, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of subsidiaries whose financial statements reflect total assets of US\$ 10,88,02,984, GBP 61,015 and INR 212,97,81,994 (equivalent to aggregate amount of Rs.65545.50 Lacs) as at 31st March, 2008 and total revenue of US\$ 10,58,85,836, GBP 1,118 and INR 68,73,26,043 (equivalent to aggregate amount of Rs. 49154.38 Lacs) for the year ended 31st March 2008. These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

We report that the Consolidated Financial Statements have been prepared by the company's management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 23 - Accounting for Investment in Associates in Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on other financial information of the Company, its subsidiaries and its associate, Flex Foods Limited (here-in-after called "Associate"), and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the Accounting Principles generally accepted in India:

- a) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st March 2008;
- b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **VIJAY SEHGAL & CO.**,  
Chartered Accountants

Place : NOIDA  
Dated : 1st July, 2008

**[CA. S.V.SEHGAL]**  
Partner  
Membership No. 080329

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule Number	As At 31.03.2008	(Rs. in lacs)	As At 31.03.2007
<b>I. SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
a) Share Capital	1	6497.01		5158.66
b) Warrants	2	2788.18		1347.50
c) Reserves & Surplus	3	<u>68234.49</u>	77519.68	49480.00
<b>Loan Funds</b>				
a) Secured Loans	4	82034.50		76623.36
b) Unsecured Loans	5	<u>62919.04</u>	144953.54	45471.25
<b>Deferred Tax Liability (Net)</b>	6		<u>5549.10</u>	10181.17
<b>TOTAL :</b>			<u><u>228022.32</u></u>	<u>188261.94</u>
<b>II. APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	7	189231.06		161184.71
Less : Depreciation		<u>69883.53</u>		<u>62313.14</u>
<b>Net Block</b>		<u>119347.53</u>		98871.57
Capital Work-in-Progress		<u>12251.90</u>	131599.43	5259.31
<b>Investments</b>	8		<u>29088.17</u>	104130.88
<b>Current Assets, Loans &amp; Advances</b>				
a) Inventories	9	19406.00		16312.77
b) Sundry Debtors	10	40696.20		28731.54
c) Cash & Bank Balances	11	27659.60		50086.98
d) Other Current Assets	12	187.11		118.88
e) Loans & Advances	13	<u>26016.77</u>		18029.33
		<u>113965.68</u>		<u>113279.50</u>
<b>Less : Current Liabilities &amp; Provisions</b>				
a) Current Liabilities	14	42077.79		27455.64
b) Provisions	15	<u>4553.17</u>		3548.98
		<u>46630.96</u>		31004.62
<b>Net Current Assets</b>			<u>67334.72</u>	82274.88
<b>TOTAL :</b>			<u><u>228022.32</u></u>	<u>188261.94</u>

- Notes :**
- The Schedules referred to above form an integral part of the Consolidated Balance Sheet.
  - Significant Accounting Policies and Notes forming part of the Accounts as per Schedules 25 & 26 respectively are annexed and form an integral part of the Consolidated Balance Sheet.

For and on behalf of the Board of Directors

**R.K. Jain**  
President (Finance & Accounts)

**R.P. Agrawal**  
Director

**Ashok Chaturvedi**  
Chairman & Managing Director

**Rajiv M. Srivastava**  
General Manager (Accounts)

**Ajay Krishna**  
Vice President (Legal) &  
Company Secretary

This is the Consolidated Balance Sheet referred to in our report of even date

For **Vijay Sehgal & Co.**  
Chartered Accountants

Place : NOIDA  
Dated : 1st July, 2008

**S. V. Sehgal**  
Partner

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

(Rs. in lacs)

	<u>Schedule Number</u>	<u>For the Year Ended 31.03.2008</u>	<u>For the Year Ended 31.03.2007</u>
<b>A. INCOME</b>			
Gross Sales & Job Work	16	197780.33	189486.67
Less : Inter unit Sales & Job Work		19070.70	36591.76
Less : Excise Duty		<u>14816.68</u>	<u>13692.03</u>
Net Sales & Job Work		163892.95	139202.88
Other Income	17	9590.86	10052.26
Share of Profit of Associate for the Year		333.29	219.12
Increase / (Decrease) in Finished Goods & Work-in-Progress	18	<u>2316.14</u>	<u>(322.83)</u>
<b>TOTAL (A) :</b>		<u><b>176133.24</b></u>	<u><b>149151.43</b></u>
<b>B. EXPENDITURE</b>			
Material Cost	19	101698.09	88452.96
Other Manufacturing Expenses	20	19903.83	16497.22
Payments & Benefits to Employees	21	8877.64	7297.65
Administrative, Selling & Other Expenses	22	16579.71	13712.84
Interest & Financial Charges	23	8334.32	4893.41
Depreciation		<u>8509.54</u>	<u>8148.40</u>
<b>TOTAL</b>		<u><b>163903.13</b></u>	<u><b>139002.48</b></u>
Less : Expenses Allocated to Self Constructed Assets	24	<u>466.71</u>	<u>129.42</u>
<b>TOTAL (B) :</b>		<u><b>163436.42</b></u>	<u><b>138873.06</b></u>
<b>Profit (A-B)</b>		<u><b>12696.82</b></u>	<u><b>10278.37</b></u>
(Less): Provision for Taxation			
- For Income Tax		(1363.37)	(869.48)
- For Fringe Benefit Tax		(172.99)	(172.46)
- For Wealth Tax		(18.87)	(26.01)
(Less) : Provision for Deferred Tax (Charge)		<u>(7.68)</u>	<u>(1483.45)</u>
<b>Profit After Tax</b>		<u><b>11133.91</b></u>	<u><b>7726.97</b></u>
Add / (Less) : Excess / (Short) Provision for earlier years			
- For Wealth Tax		0.01	0.33
- For Fringe Benefit Tax		48.61	-
- For Income Tax		(150.64)	(23.95)
- For Expenses		<u>(47.72)</u>	<u>29.86</u>
<b>Amount available for Appropriations</b>		<u><b>10984.17</b></u>	<u><b>7733.21</b></u>
<b>Appropriations</b>			
Interim Dividend		-	1032.61
Dividend Distribution Tax		-	144.82
Proposed Dividend		2600.26	1104.10
Proposed Dividend Distribution Tax		441.92	187.64
General Reserve		610.00	425.00
Debenture Redemption Reserve		163.96	163.96
<b>Balance carried to Balance Sheet</b>		<u><b>7168.03</b></u>	<u><b>4675.08</b></u>
		<u><b>10984.17</b></u>	<u><b>7733.21</b></u>
Basic Earning Per Share (Rs.)		<u><b>19.77</b></u>	<u><b>16.24</b></u>
Diluted Earning Per Share (Rs.)		<u><b>13.55</b></u>	<u><b>13.98</b></u>

- Notes : 1. The Schedules referred to above form an integral part of the Consolidated Profit & Loss Account.  
2. Significant Accounting Policies and Notes forming part of the Accounts as per Schedules 25 & 26 respectively are annexed and form an integral part of the Consolidated Profit & Loss Account.

For and on behalf of the Board of Directors

**R.K. Jain**  
*President (Finance & Accounts)*
**R.P. Agrawal**  
*Director*
**Ashok Chaturvedi**  
*Chairman & Managing Director*
**Rajiv M. Srivastava**  
*General Manager (Accounts)*
**Ajay Krishna**  
*Vice President (Legal) &  
 Company Secretary*

 This is the Consolidated Profit &  
 Loss Account referred to in our  
 report of even date

 For **Vijay Sehgal & Co.**  
*Chartered Accountants*

 Place : NOIDA  
 Dated : 1st July, 2008

**S. V. Sehgal**  
*Partner*



**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

	(Rs. in lacs)	
	For the Year Ended 31.03.2008	For the Year Ended 31.03.2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & exceptional items	12696.82	10278.37
<b>Adjustment for :</b>		
Depreciation/Amortisation	8518.63	8158.63
Exchange rate fluctuations	(765.56)	(657.61)
(Profit) / Loss on assets sold (Net)	422.93	(1896.58)
Interest & Financial Charges	8334.32	4893.41
Interest received from Banks / others	(1878.27)	(336.56)
Dividend received on Non- Trade Investments	(454.96)	(7.89)
Profit on sale of Investments (Net)	(45.55)	(0.33)
Sundry Credit Balances written Back (Net)	-	(41.53)
Sundry Debit Balances written off (Net)	230.61	-
Expenses For Earlier Years	(47.72)	29.86
Provision for diminution in the Value of Investment	69.06	-
Fixed Assets written Off	3.69	11.10
Gratuity Liability for Translation Period	(387.64)	-
Bad & Doubtful Debts (Provision)	49.55	-
	<u>14049.09</u>	<u>76.04</u>
<b>Operating Profit before Working Capital changes</b>	<b>26745.91</b>	<b>20506.91</b>
<b>Adjustment for :</b>		
Trade and other receivables	(20309.58)	(7685.71)
Inventories	(3093.23)	(7831.18)
Trade and other payables	12584.16	5377.22
	<u>(10818.65)</u>	<u>(10139.67)</u>
<b>Cash generated from operating activities</b>	<b>15927.26</b>	<b>10367.24</b>
Wealth tax	(18.86)	(25.68)
Fringe Benefit Tax	(124.38)	(172.46)
Dividend Distribution Tax	-	(144.82)
Income Tax	(1514.01)	(893.43)
Foreign Currency Translation Reserve	(59.57)	(90.47)
Exchange rate fluctuations	765.56	657.61
	<u>(951.26)</u>	<u>(669.25)</u>
<b>Net Cash from operating activities (A)</b>	<b>14976.00</b>	<b>9697.99</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Purchase) of Fixed Assets	(36551.85)	(7487.67)
Sale proceeds of Fixed Assets	147.14	2071.12
(Outflow) on Investments (Net)	(27255.50)	(209.56)
Interest received from Banks / others	1878.27	336.56
Dividend received on Investments	454.96	7.89
	<u>(61326.98)</u>	<u>(5281.66)</u>
<b>Net Cash used in Investing Activities (B)</b>		
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of Securities Premium Account	24553.88	6,805.31
Receipts from issue of Warrants	1790.68	1347.50
FCCB Issue Expenses	(136.79)	(906.44)
Share Capital Received	1138.35	412.42
Interest & Financial Charges	(8334.32)	(4893.41)
Premium on Redemption of OFCD	(17947.13)	-
Additions of Borrowings (Net)	22858.93	40538.69
	<u>23923.60</u>	<u>43304.07</u>
<b>Net Cash used in Financing Activities (C )</b>	<b>23923.60</b>	<b>43304.07</b>
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)	(22427.38)	47720.40
Opening Cash and Cash equivalents	50086.98	2366.58
Closing Cash and Cash equivalents	27659.60	50086.98

For and on behalf of the Board of Directors

**R.K. Jain**  
*President (Finance & Accounts)*
**R.P. Agrawal**  
*Director*
**Ashok Chaturvedi**  
*Chairman & Managing Director*
**Rajiv M. Srivastava**  
*General Manager (Accounts)*
**Ajay Krishna**  
*Vice President (Legal) &  
 Company Secretary*

 This is the Consolidated Cash  
 Flow Statement referred to in our  
 report of even date

 For **Vijay Sehgal & Co.**  
*Chartered Accountants*
**S. V. Sehgal**  
*Partner*

 Place : NOIDA  
 Dated : 1st July, 2008

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

	(Rs. in lacs)	As At 31.03.2008	As At 31.03.2007
<b>1. SHARE CAPITAL</b>			
<b>AUTHORISED</b>			
1,90,00,000 (Previous Year Same) Preference Shares of Rs.100/- each	19000.00		19000.00
15,00,00,000 (Previous Year Same) Equity Shares of Rs.10/- each	15000.00		15000.00
	<u>34000.00</u>		<u>34000.00</u>
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>			
6,50,06,646 (Previous Year 5,16,30,646) Equity Shares of Rs.10/- each, fully called-up	6500.67		5163.06
Less : Amount Unpaid	<u>3.66</u>	<u>6497.01</u>	<u>4.40</u> 5158.66
<b>TOTAL :</b>		<u><u>6497.01</u></u>	<u><u>5158.66</u></u>

**Notes :**

6,50,06,646 (Previous Year 5,16,30,646) Equity Shares include:

- i) 54,65,840 (Previous Year Same) Equity Shares lying with Depository, representing 27,32,920 (Previous Year Same ) Global Depository Receipts (GDRs), issued through an international offering in US Dollars, outstanding as at Balance Sheet date;
- ii) 20,00,000 (Previous Year 26,00,000) Equity Shares allotted on conversion of equivalent number of Warrants;
- iii) 26,41,000 (Previous Year 15,23,656) Equity Shares on conversion of 104 (Previous Year 60) Nos.of Foreign Currency Convertible Bonds; and
- iv) 87,35,000 (Previous Year NIL) Equity Shares allotted to Foreign Companies during the year on Preferential basis.

	(Rs. in lacs)	As At 31.03.2008	As At 31.03.2007
<b>2. WARRANTS</b>			
Amount received @Rs.17.50 each on 77,00,000 (Previous Year 1,03,00,000) Warrants	1347.50		1802.50
Less : Amount in respect of 20,00,000 (Previous Year 26,00,000)Warrants Converted into Equity Shares	<u>350.00</u>	<u>997.50</u>	<u>455.00</u> 1347.50
Amount received @Rs.20.50 each on allotment of 87,35,000 Warrants during the year		<u>1790.68</u>	-
<b>TOTAL :</b>		<u><u>2788.18</u></u>	<u><u>1347.50</u></u>

**Notes:**

- 1 In terms of the Resolution passed in the Extra - ordinary General Meeting held on 7th February 2007 the holding Company has allotted 103 Lacs Warrants at a price of Rs.175/- per warrant (inclusive of premium of Rs.165/- per warrant), which gives holders the right to convert warrant into equal number of equity shares of the holding company at any time within 18 Months from the date of allotment i.e. 20th February 2007.
- 2 In terms of the Resolution passed through Postal Ballot declared on 26th February 2008 the Holding Company has allotted 87.35 lacs Warrants at a price of Rs.205/- per warrant (inclusive of premium of Rs.195/- per warrant), which gives holders the right to convert warrant into equal number of equity shares of the Holding Company at any time within 18 Months from the date of allotment i.e. 26th February 2008.

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**
**3. RESERVES & SURPLUS**

	Balance As At 01.04.2007	Additions on Merger	Additions During the Year	Deduction on Merger	Deductions During the Year	(Rs. in lacs) Balance As At 31.03.2008
Revaluation Reserve	3.61	-	-	-	0.08	3.53
Foreign Currency Translation Reserve (arising on consolidation)	(180.19)	-	(59.57)	-	-	(239.76)
Debenture Redemption Reserve	4353.72	-	163.96	-	-	4517.68
Securities Premium Account	31825.46	-	24703.88	-	13444.17 #	43085.17
General Reserve @	281.81	-	610.08	-	-	891.89
Profit & Loss Account	13195.59	-	7168.03	-	387.64 **	19975.98
<b>TOTAL :</b>	<b>49480.00</b>	<b>-</b>	<b>32586.38</b>	<b>-</b>	<b>13831.89</b>	<b>68234.49</b>
Previous Year	(37436.56)	(8787.85)	(11978.96)	(7816.85)	(906.52)	(49480.00)

@ Includes Rs. 0.08 lacs (previous year same lacs) representing the amount transferred from Revaluation Reserve to General Reserve being the difference between depreciation charged on enhanced value of the revalued assets and the depreciation on their historical cost at straight line method prescribed in Schedule XIV of Companies Act, 1956.

# Includes; i) Rs.13307.38 lacs in respect of Premium Paid on Redemption of Optionally Fully Secured Convertible Debentures, Net of Tax Benefits and ii) Rs. 136.79 lacs in respect of expenses incurred on issue of Foreign Currency Convertible Bonds.

\*\* Refer Note No."9" of Schedule -26 (Notes forming part of the Accounts) of the Holding Company.

**4. SECURED LOANS**

	As At 31.03.2008	(Rs. in lacs) As At 31.03.2007
<b>A. OPTIONALLY FULLY CONVERTIBLE DEBENTURES (OFCDs)</b>		
From Financial Institutions	-	1315.20
<b>B. ZERO RATE DEBENTURES</b>		
From Financial Institutions	12345.45	12345.45
<b>C. 18% CUMULATIVE DEBENTURES</b>		
From Financial Institution	1730.75	1451.34
<b>D. TERM LOAN</b>		
From Financial Institutions	4991.25	6266.25
From Bank	11057.87	2411.10
Add: Interest accrued & due	-	21.50
	16049.12	8698.85
<b>E. ZERO RATE LOANS</b>		
From Financial Institutions	33290.84	35405.75
From Others	776.54	776.54
	34067.38	36182.29
<b>F. CUMULATIVE RUPEE LOANS</b>		
From Financial Institutions	4681.08	3924.94
From Others	269.24	225.77
	4950.32	4150.71
<b>G. WORKING CAPITAL FACILITIES</b>		
From Banks	12891.48	12479.52
<b>TOTAL :</b>	<b>82034.50</b>	<b>76623.36</b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

(Rs. in lacs)

	<u>As At</u> <u>31.03.2008</u>	<u>As At</u> <u>31.03.2007</u>
<b>5. UNSECURED LOANS</b>		
Foreign Currency Convertible Bonds	<b>27542.90</b>	34436.10
Short Term Loans		
From Banks	<b>35370.74</b>	10384.46
From Others	<b>5.40</b>	650.69
<b>TOTAL :</b>	<b><u>62919.04</u></b>	<b><u>45471.25</u></b>
<b>6. DEFERRED TAX LIABILITY (NET)</b>		
Opening Balance	<b>10181.17</b>	7311.16
Add : Acquired on Merger	-	1386.56
(Less) / Add : Provision of Deferred Tax (Credit) / charge for the year	<b>(4632.07)</b>	1483.45
<b>TOTAL :</b>	<b><u>5549.10</u></b>	<b><u>10181.17</u></b>

**7. FIXED ASSETS**

(Rs. in lacs)

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK					NET BLOCK		
	Value/cost As At 01.04.2007	Additions on Merger	Additions during the year	Deductions during the year	Value/cost As At 31.03.2008	Upto 31.03.2007	Adjustment on Merger	For the year	Deductions	As At 31.03.2008	As At 31.03.2008	As At 31.03.2007
<b>A. Tangible Assets</b>												
Freehold Land	452.91	-	-	-	452.91	-	-	-	-	-	452.91	452.91
Leasehold Land	3416.18	-	95.21	-	3511.39 *	-	-	-	-	-	3511.39	3416.18
Building	17954.51	-	3709.59	139.26	21524.84 **	5099.97	-	546.55	139.27	5507.25	16017.59	12854.54
Plant & Machineries	128044.27	-	19519.08	1164.72	146398.63	53939.44	-	7197.58	686.45	60450.57	85948.06	74104.83
Electrical Installation	3553.49	-	138.05	0.22	3691.32	1554.75	-	170.84	0.16	1725.43	1965.89	1998.74
Office Equipments	1522.43	-	1821.47	47.15	3296.75	588.49	-	128.37	44.04	672.82	2623.93	933.94
Furniture & Fixtures	677.36	-	3905.96	17.23	4566.09	384.08	-	39.23	16.69	406.62	4159.47	293.28
Vehicles (Including Aircraft)	5189.67	-	329.27	144.33	5374.61	662.21	-	347.07	52.54	956.74	4417.87	4527.46
<b>B. Intangible Assets</b>												
Software	373.89	-	40.63	-	414.52	84.20	-	79.90	-	164.10	250.42	289.69
<b>TOTAL</b>	161184.71	-	29559.26	1512.91	189231.06 ***	62313.14	-	8509.54	939.15	69883.53	119347.53	98871.57
Previous Year	132206.61	25348.44	3984.69	355.03	161184.71	45037.60	9296.53	8148.40	169.39	62313.14		
CAPITAL WORK-IN-PROGRESS***											12251.90 #	5259.31
											131599.43	104130.88

\* Includes Rs.365.42 lacs (Previous Year Rs.365.42 lacs) pending execution of title deed.

\*\* Includes Rs. 5.30 lacs (Previous Year Rs.5.30 lacs) acquired on ownership basis, Rs.19.85 lacs (Previous Year Rs. 19.85 lacs) pending execution of title deed.

\*\*\* Includes Pre-operative expenses, basis of which is certified by the Management.

# Includes Rs.2058.05 lacs (Previous Year Rs. 294.31 lacs) in respect of Machinery in Transit.

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

(Rs. in lacs)

	<u>As At</u> <u>31.03.2008</u>	<u>As At</u> <u>31.03.2007</u>
<b>8. INVESTMENTS</b>		
<b>1. Equity Investments in Associate</b>		
Carrying Value of Investment	443.73	443.73
Add : Share of Post acquisition Profits	1352.31	1046.98
	<u>1796.04</u>	<u>1490.71</u>
<b>2. Others- Fully Paid-up</b>		
(a) Quoted Equity Shares	5250.21	295.44
(b) Unquoted Equity Shares	39.00	39.00
(c) Trust Securities and Mutual Funds	22071.98	31.03
	<u>27361.19</u>	<u>365.47</u>
	29157.23	1856.18
Less : Provision for Diminution in the Value of Investment	69.06	-
<b>TOTAL :</b>	<u><u>29088.17</u></u>	<u><u>1856.18</u></u>
<b>9. INVENTORIES</b>		
Stores, Packing Material & Fuel	627.26	587.48
Raw Materials	5461.70	4549.49
Work-in-Progress	4648.73	3114.27
Finished Goods	2458.75	1677.07
Traded Goods	5647.21	5956.43
Material-in-Transit *	562.35	428.03
<b>TOTAL :</b>	<u><u>19406.00</u></u>	<u><u>16312.77</u></u>
* Includes Rs. 94.59 lacs (Previous Year Rs. 175.82 lacs) in respect of material in transit at customs with Inter Group Companies.		
<b>10. SUNDRY DEBTORS</b>		
(Unsecured, Considered Good)		
A. Debts outstanding for a period exceeding six months	9370.67	5650.50
B. Other debts	31444.53	23404.56
	<u>40815.20</u>	<u>29055.06</u>
Less : Provision for Bad & Doubtful Debts	119.00	323.52
<b>TOTAL :</b>	<u><u>40696.20</u></u>	<u><u>28731.54</u></u>
<b>11. CASH &amp; BANK BALANCES</b>		
Cash in hand	100.04	83.26
Balances with Scheduled Banks:		
- On Current Accounts	3165.56	1874.40
- On Interim Dividend Account	-	1032.61
- On Cash Credits Accounts	45.34	30.02
- On Fixed Deposits Accounts*	4516.35	9371.57
- In Margin Money Accounts	738.31	925.31
Balances with Foreign Banks:		
- On Fixed Deposits Accounts	19003.21	36769.81
Remittance in Transit	90.79	-
<b>TOTAL :</b>	<u><u>27659.60</u></u>	<u><u>50086.98</u></u>

\* Includes : Rs. 841.36 lacs (Previous Year Rs. 317.47 lacs) pledged with Banks as margin for Letters of Credits, Guarantees and Bills Discounted.

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

(Rs. in lacs)

	<u>As At</u> <u>31.03.2008</u>	<u>As At</u> <u>31.03.2007</u>
<b>12. OTHER CURRENT ASSETS</b>		
Interest accrued on :		
- Investments	2.79	2.79
- Loans	30.78	36.05
- Deposits with Banks	153.54	80.04
<b>TOTAL :</b>	<u>187.11</u>	<u>118.88</u>
<b>13. LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
Income Tax Paid (Net of provision)	913.84	100.56
Fringe Benefit Tax Paid (Net of Provision)	173.74	-
Advances recoverable in cash or in kind or for value to be received	22263.30	15293.23
Security & Other Deposits	825.51	692.72
Balances with Excise Authorities	1702.28	1704.70
Loans to Employees and others	138.10	238.12
<b>TOTAL :</b>	<u>26016.77</u>	<u>18029.33</u>
<b>14. CURRENT LIABILITIES</b>		
Acceptances	9919.85	5986.51
Sundry Creditors	20601.04	14298.35
Advances from Customers	6849.98	3033.03
Unclaimed Dividend	24.36	-
Unclaimed Matured Deposits	0.45	0.57
Unclaimed Matured Debentures	7.26	10.24
Other Liabilities	2532.39	1324.74
Book overdrafts	-	274.29
Advance received against Sale of Assets	2000.00	2349.45
Interest accrued but not due on		
Loans/Debentures	142.46	178.46
<b>TOTAL :</b>	<u>42077.79</u>	<u>27455.64</u>
<b>15. PROVISIONS</b>		
Income Tax (Net of Payments)	0.55	103.75
Fringe Benefit Tax (Net of Payments)	1.27	1.36
Wealth Tax	18.87	26.01
Interim Dividend	-	1032.61
Proposed Dividend	2600.26	1104.10
Proposed Dividend Distribution Tax	441.92	187.64
Leave Encashment	617.40	542.05
Staff Benefits	317.65	93.91
Warranty	7.40	0.62
Interest on Deferred Liabilities	547.85	456.93
<b>TOTAL :</b>	<u>4553.17</u>	<u>3548.98</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

(Rs. in lacs)

	<b>For the Year Ended 31.03.2008</b>	<b>For the Year Ended 31.03.2007</b>
<b>16. SALES &amp; JOB WORK</b>		
Gross Sales	194488.81	187205.23
Less : Inter Unit Sales	<u>17487.42</u>	<u>35011.78</u>
	177001.39	152193.45
Less : Excise Duty	<u>14763.27</u>	13564.00
	162238.12	138629.45
Gross Job Work	3291.52	2281.44
Less : Inter Unit Job Work	<u>1583.28</u>	<u>1579.98</u>
	1708.24	701.46
Less : Excise Duty	<u>53.41</u>	128.03
<b>TOTAL :</b>	<b><u>163892.95</u></b>	<b><u>139202.88</u></b>
<b>17. OTHER INCOME</b>		
Design & Art Work Recovery	490.40	649.54
Less : Excise Duty Recovery	<u>35.87</u>	<u>33.45</u>
	454.53	616.09
Packing, Forwarding and Insurance Recoveries	83.61	40.52
Exchange Rate Fluctuation (Net)	765.56	657.61
Export Incentive	1439.67	998.00
Profit on sale of assets (Net)	-	1896.58
Profit on sale of Investments (Net)	45.55	0.33
Miscellaneous Income	2341.42	3454.74
Technical Fee	2127.29	2002.41
Sundry Balances Written Back (Net)	-	41.53
<b>Interest :</b>		
- from Banks		
[TDS Rs 112.96 lacs (Previous Year Rs.39.17 lacs)]	1823.70	294.03
- from Others		
[TDS Rs.35.72 lacs (Previous Year Rs.1.16 lacs)]	54.57	42.53
<b>Investment Income:</b>		
- Dividend received on Non-Trade Investments	454.96	7.89
<b>TOTAL :</b>	<b><u>9590.86</u></b>	<b><u>10052.26</u></b>
<b>18. INCREASE / (DECREASE) IN FINISHED GOODS &amp; WORK-IN-PROGRESS</b>		
<b>Closing Stock :</b>		
Finished Goods	2458.75	1677.07
Work-in-Progress	<u>4648.73</u>	<u>3114.27</u>
	7107.48	4791.34
<b>Less : Opening Stock :</b>		
Finished Goods	1677.07	2518.80
Work-in-Progress	<u>3114.27</u>	<u>2595.37</u>
	4791.34	5114.17
<b>TOTAL :</b>	<b><u>2316.14</u></b>	<b><u>(322.83)</u></b>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

(Rs. in lacs)

	<b>For the Year Ended 31.03.2008</b>	<b>For the Year Ended 31.03.2007</b>
<b>19. MATERIAL COST</b>		
<b>A. Raw Material Consumed</b>		
Opening Stock	4549.49	2337.31
Add : Purchases	<u>104192.86</u>	<u>121779.66</u>
	<b>108742.35</b>	124116.97
Less : Inter Unit Purchases	<u>16685.72</u>	<u>32368.07</u>
	<b>92056.63</b>	91748.90
Less : Closing Stock	<u>5461.70</u>	<u>4549.49</u>
<b>TOTAL (A) :</b>	<b>86594.93</b>	87199.41
<b>B. Material Cost of Traded Goods Sold</b>		
Opening Stock	5956.43	1.89
Add : Purchases	<u>14793.94</u>	<u>7208.09</u>
	<b>20750.37</b>	7209.98
Less : Closing Stock	<u>5647.21</u>	<u>5956.43</u>
<b>TOTAL (B) :</b>	<b>15103.16</b>	1253.55
<b>TOTAL (A) + (B):</b>	<b><u>101698.09</u></b>	<b><u>88452.96</u></b>
<b>20. OTHER MANUFACTURING EXPENSES</b>		
Power & Fuel Consumed	11222.43	8979.76
Repair & Maintenance-Machineries	2103.76	1922.71
Stores Consumed	1656.75	1502.49
Tools, Jigs & Dies	124.45	143.79
Packing Material Consumed	3279.76	2819.96
Cylinders / Processing Charges for Cylinders	1608.55	1447.89
Less : Inter Unit Charges	<u>1191.91</u>	<u>416.64</u>
Design & Development Charges	3.41	1197.76
Excise Duty	(9.90)	250.13
Job Work Charges	977.03	5.88
Other Direct Expenses	119.07	40.17
R & D Charges	10.43	767.46
<b>TOTAL :</b>	<b><u>19903.83</u></b>	<b><u>16497.22</u></b>
<b>21. PAYMENTS &amp; BENEFITS TO EMPLOYEES</b>		
Salaries,Wages,Bonus,Benefits and Amenities	8018.78	6625.32
Contribution to Provident Fund and Other Funds	481.41	402.96
Employees Welfare Expenses	<u>377.45</u>	<u>269.37</u>
<b>TOTAL :</b>	<b><u>8877.64</u></b>	<b><u>7297.65</u></b>



**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

(Rs. in lacs)

	For the Year Ended <u>31.03.2008</u>	For the Year Ended <u>31.03.2007</u>
<b>22. ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Rent, Rates & Taxes	473.98	285.56
Insurance charges	337.61	461.38
Electricity & Water charges	233.73	162.46
Printing & Stationery	150.90	147.24
Postage, Telegram, Telephone & Fax Expenses	349.97	327.35
Vehicle Running & Maintenance Expenses	510.65	164.14
Conveyance & Travelling Expenses	1280.31	1639.80
Repair & Maintenance :		
- Building	184.04	275.76
- Others	400.43	324.45
Legal & Professional Charges	622.64	598.72
Directors' sitting fees	14.60	21.95
General Expenses	1099.73	827.78
Commission on Sales	516.24	603.65
Advertisement & Publicity	841.25	429.24
Entertainment Expenses	243.33	180.77
Sales Tax	1076.41	648.67
Charity & Donation	19.14	4.41
Rebate & Discount	877.64	651.15
Freight & Forwarding charges	6190.49	5794.82
Loss on Settlement of Fire Claim	211.76	-
Fixed Assets Written-off	3.69	11.10
Loss on assets sold (Net)	422.93	-
Bad & Doubtful Debts (Provision)	49.55	76.04
Provision for diminution in the Value of Investment	69.06	-
Sundry balance written-off (Net)	230.61	-
Claim (Exports)	159.93	-
Preliminary Expenses Written-off	-	66.17
Amortisations	9.09	10.23
<b>TOTAL :</b>	<b><u>16579.71</u></b>	<b><u>13712.84</u></b>
<b>23. INTEREST &amp; FINANCIAL CHARGES</b>		
Interest		
- On Loans for Fixed Period	3927.06	2102.55
- On Other Loans / Liabilities	3291.85	1850.42
- On Deferred Liabilities	100.67	69.12
	<u>7319.58</u>	<u>4022.09</u>
Discounting & Financial Charges	1014.74	871.32
<b>TOTAL :</b>	<b><u>8334.32</u></b>	<b><u>4893.41</u></b>
<b>24. EXPENSES ALLOCATED TO SELF CONSTRUCTED ASSETS</b>		
Material Cost	253.09	65.17
Salary & Wages	90.62	29.29
Other Manufacturing Expenses	36.05	10.30
Administrative & Other Expenses	64.96	13.51
Interest & Financial Charges	2.05	3.54
Depreciation	19.94	7.61
<b>TOTAL :</b>	<b><u>466.71</u></b>	<b><u>129.42</u></b>

## 25. SIGNIFICANT ACCOUNTING POLICIES OF CONSOLIDATED ACCOUNTS

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable.

### 2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements relate to "UFLEX Limited" (the holding company) and "Flex America Inc.", "Flex Middle East, FZE", "Flex Europe Pvt. Ltd.", "Uflex Packaging Inc." and "UTech Developers Ltd." (the Wholly Owned Subsidiaries). The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of the consolidated financial statements as laid down under the Accounting Standard (AS)-21 on "Consolidation of Financial Statements" issued by the Institute of Chartered Accountants of India on the following main lines:

- I. The financial statements of the holding company and its subsidiaries, for the financial year ending 31st March, have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, subject to regrouping & netting of certain items, which present the consolidation in a fair manner without affecting the materiality, after eliminating the intra-group transactions and also unrealized profit or losses resulting from intra-group transactions included in the carrying amount of assets.
- II. The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as that of holding company's financial statements.
- III. All the figures of assets, liabilities, revenue & expenses of subsidiaries, which are stated in foreign currency in its separate financial statements, are converted into Indian Rupees as follows:
  - a. Monetary assets and all liabilities are translated at the year-end rate.
  - b. Non-monetary assets, acquired during the year, are translated at the average rate of the year. The carrying amount of non-monetary assets and any adjustment thereto is made on historical rate.
  - c. Share capital is translated at the rate prevailing at the time when the investment was made by the holding company.
  - d. All revenues and expenses are translated at the average rate of the year.
- IV. Differences arising on account of consolidation are reflected in "Foreign Currency Translation Reserve (arising on Consolidation)", under "Reserve & Surplus".
- V. Investment in the sole associate company, viz M/s Flex Foods Limited, has been accounted under the Equity Method as per Accounting Standard 23- "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
- VI. The principles of consolidation are consistently followed except for the changes required by statute and / or Accounting Standards.

### 3. OTHER SIGNIFICANT ACCOUNTING POLICIES

These are set out in the separate financial statements of UFLEX Limited and its subsidiaries.

**26. NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

		(Rs.in lacs)	
		As At 31.03.2008	As At 31.03.2007
<b>1</b>	<b>A</b>	<b>Contingent liabilities not provided for in respect of :</b>	
	i)	767.59	974.74
	ii)	10925.18	14277.98
	iii)	1862.84	1153.80
	iv)	3812.52	2936.84
	v)	118.94	118.94
	vi)	566.32	913.81
	vii) a)	-	4340.40
	b)	3605.42	3450.05
	viii)	115.50	315.60
	ix)	195.87	195.87
	x)	75.09	73.57
	xi) a)	5949.55	7538.06
	b)	-	91.35
	c)	-	17947.13
	*	Resulting from purchase of 27.50 lacs shares (Previous Year 24.25 lacs shares) by promoters from ICICI Bank Ltd. under Negotiated Settlement Scheme.	
	**	The Holding Company expects that the holders of FCCBs would opt for the conversion rather than redemption and in that case no premium would be payable. On this basis the amount of premium has not been provided and is shown as contingent liability. However the premium, if paid would be adjusted against the available Securities Premium Account/ charged to Profit and Loss Account at the time of redemption.	
	<b>B</b>	383.23	409.51
<b>2</b>	<b>Capital Commitments :</b>		
	a)	16877.64	19310.84
	b)	43.73	8.54
			(Rs.in lacs)
		<u>Current Year</u>	<u>Previous Year</u>
<b>3</b>	<b>Managerial Remuneration :</b>		
	i)	597.49	557.04
	ii)	48.59	44.85
	iii)	200.00	25.00
	iv)	0.51	2.86
	v)	(27.62)	(27.62)
	vi)	14.60	21.95
	<b>TOTAL :</b>	<u>833.57</u>	<u>624.08</u>
<b>4</b>	In the opinion of the Board and to the best of its knowledge, the value on realisation of Current Assets, Loans and Advances in the ordinary course of the business would not be less than the amount at which they are stated in the Balance Sheet.		

- 5 In the opinion of the Management, the Debenture Redemption Reserve (DRR) shown in Schedule 3 - Reserve & Surplus, against the debentures outstanding, after giving effect of Negotiated Settlement Scheme is adequate. Further in respect of ZRD's held by the IFCI for which DRR has been credited as provided in the Trust Deed.
- 6 a) Rupees have been rounded off to the nearest thousand.  
b) Previous Year figures have been recasted / regrouped, wherever considered necessary.
- 7 The name of the Holding Company stands changed from Flex Industries Limited to UFLEX LIMITED with effect from 19th March 2007.

**8 EARNING PER SHARE**

The following disclosure is made, as required by Accounting Standard-20 (AS-20) on "Earning Per Share", issued by The Institute of Chartered Accountants of India :-

	<u>Current Year</u>	<u>Previous Year</u>
(A) Profit for the year, after Adjustments, with no extra-ordinary items (viz. Numerator) (Rs. in lacs)	<b>10984.17</b>	7733.21
(B) (i) Opening Balance of Equity Shares	<b>51630646</b>	47506990
Add :		
Weighted Average Factor of Equity Shares Issued	<b>3938315</b>	147897
Weighted Average Number of Equity Shares (viz. denominator) for Basic Earning Per Share	<b>55568961</b>	47654887
(ii) Opening Balance of Equity Shares	<b>51630646</b>	47506990
Add :		
Weighted Average Factor of FCCBs	<b>20061486</b>	1301718
Weighted Average Factor of Equity Warrants	<b>8537606</b>	1052055
Weighted Average Factor of Equity Shares Issued	<b>837603</b>	-
Adjustment for issue of OFCDs	<b>-</b>	5480000
Weighted Average Number of Equity Shares (viz. denominator) for Diluted Earning Per Share	<b>81067341</b>	55340763
(C) Nominal Value Per Share	<b>Rs. 10/-</b>	Rs. 10/-
(D) (i) Basic Earning Per Share (A/B(i)) (Rs.)	<b>19.77</b>	16.24
(ii) Diluted Earning Per Share (A/B(ii)) (Rs.)	<b>13.55</b>	13.98

- 9 UFLEX Limited, is holding 58,70,000 fully paid-up Equity Shares of Rs. 10/- each, representing holding of 47.19% in its sole associate, M/s Flex Foods Limited (incorporated in India), which, *inter-alia*, processes freeze dried products & processed food, particularly mushrooms & herbs.
- 10 Following disclosures are made, as per Accounting Standard-18 (AS-18), regarding, "Related Party Disclosures", issued by The Institute of Chartered Accountants of India:-

- (a) List of Related Parties:
- i) Associate : Flex Foods Ltd.
- ii) **Key Management Personnel & their relatives (also exercising significant influence over the Company)** : Mr. Ashok Chaturvedi, Chairman & Managing Director, Mr. S.K. Kaushik, Whole-time Director, Mrs. Rashmi Chaturvedi, Director, Mr. Pradeep Tyle, Director and Mr. R.K.Jain, Director
- iii) **Enterprises in which the persons referred in (iii) along with their relatives exercise significant influence** : Flex International (P) Ltd., Anshika Investments (P) Ltd., Ultimate Flexipack Ltd., A.R. Infrastructure & Projects Pvt.Ltd., Anant Overseas (P) Ltd., Apoorva Extrusion (P) Ltd., Anshikha Consultants (P) Ltd., A.R. Leasing (P) Ltd., Ultimate Energy Ltd., Cinflex Infotech (P) Ltd., Ultimate Enterprises (P) Ltd., AR Aerotech (P) Ltd., AR Airways (P) Ltd., Kaya Kalpa Medical Services (P) Ltd., AC Infrastructures (P) Ltd., AKC Developers (P) Ltd., Club One Airways (P) Ltd., Flex Industries (P) Ltd., AC Infratech (P) Ltd., RC Properties (P) Ltd., A to Z Infratech (P) Ltd. and Ultimate Infratech (P) Ltd.
- (b) The Company has entered into transactions with certain parties listed above during the year under consideration. Details of these transactions are as follows :

(Rs.in lacs)

Transactions	Associate	Key Management Personnel	Enterprises as referred to in 'a (iii)' above	Total
<b>i) Trade Transactions</b>				
Sale of Goods/Services (Net)	<b>18.46</b> <i>22.00</i>	–	<b>1416.65</b> <i>697.66</i>	<b>1435.11</b> <i>719.66</i>
Purchase of Goods/Services (Net )	–	–	<b>2898.54</b> <i>2621.35</i>	<b>2898.54</b> <i>2621.35</i>
Sale of Fixed Assets	–	–	– <i>0.01</i>	– <i>0.01</i>
Purchase of Fixed Assets	–	<b>194.50</b>	–	<b>194.50</b>
Lease Charges Paid	–	–	<b>24.13</b> <i>–</i>	<b>24.13</b> <i>–</i>
Rent Received	–	<b>30.00</b> <i>30.00</i>	<b>4.43</b> <i>3.36</i>	<b>34.43</b> <i>33.36</i>
Rent Paid	–	<b>105.00</b>	<b>3.60</b> <i>3.60</i>	<b>108.60</b> <i>3.60</i>
Security Deposit Given	–	<b>100.00</b>	<b>10.00</b> <i>15.00</i>	<b>110.00</b> <i>15.00</i>
Refund of Security Deposit	–	–	<b>25.00</b> <i>1000.00</i>	<b>25.00</b> <i>1000.00</i>
Interest Paid on Loans	<b>15.07</b> <i>45.00</i>	–	<b>2.50</b> <i>–</i>	<b>17.57</b> <i>45.00</i>
Remuneration	–	<b>848.97</b> <i>609.69</i>	–	<b>848.97</b> <i>609.69</i>
<b>ii) Non Trade Transactions</b>				
Loan Taken	<b>400.00</b>	–	<b>1525.00</b>	<b>1925.00</b>
Repayment of Loan Taken	<b>850.00</b>	–	<b>1525.00</b>	<b>2375.00</b>
Share Capital / Share Warrants	–	–	– <i>3272.50</i>	– <i>3272.50</i>
<b>Total</b>	<b>1283.53</b> <i>67.00</i>	<b>1278.47</b> <i>639.69</i>	<b>7434.85</b> <i>7613.48</i>	<b>9996.85</b> <i>8320.17</i>
<b>Balance as on 31.03.2008</b>				
Debit	<b>3.13</b> <i>6.74</i>	–	<b>8.43</b> <i>112.27</i>	<b>11.56</b> <i>119.01</i>
Credit	– <i>450.00</i>	<b>13.87</b> <i>8.67</i>	<b>882.11</b> <i>824.86</i>	<b>895.98</b> <i>1283.53</i>

Besides above the Holding Company has issued Indemnity in terms of Negotiated Settlement to ICICI Bank Ltd. for meeting shortfall arising on non-fulfillment of residual NPV loss for Rs.3605.42 lacs by Anshika Investment (P) Ltd. , Ultimate Flexipack (P) Ltd. and A R Leasing (P) Ltd, enterprises referred in (a) (iii) above.

Note: Previous Year figures have been given in Italic.

Notes : Signatories to Schedule 1 to 26

For and on behalf of the Board of Directors

**R.K. Jain**  
*President (Finance & Accounts)*

**R.P. Agrawal**  
*Director*

**Ashok Chaturvedi**  
*Chairman & Managing Director*

**Rajiv M. Srivastava**  
*General Manager (Accounts)*

**Ajay Krishna**  
*Vice President (Legal) &  
Company Secretary*

**For Vijay Sehgal & Co.**  
*Chartered Accountants*

Place : NOIDA  
Dated : 1st July, 2008

**S. V. Sehgal**  
*Partner*

**WAGNER, MOREY & NEE, LLC**  
**Certified Public Accountants and Consultants**

## **INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors and Stockholder**  
**Flex America, Inc.**  
**Cornelius, NC 28031**

We have audited the accompanying balance sheets of Flex America, Inc. (a North Carolina Corporation), as of March 31, 2008 and 2007, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flex America, Inc., as of March 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Wagner, Morey & Nee, LLC**

April 24, 2008

**BALANCE SHEET AT MARCH 31,**

	2008		2007	
	\$	(Rs in Lacs)	\$	(Rs in Lacs)
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	509,841	202.00	93,752	37.15
Accounts receivable	3,426,626	1,357.63	3,611,689	1,430.95
Inventories	3,062,439	1,213.34	1,317,294	521.91
Prepaid expenses	18,064	7.16	-	-
Other receivables	28,102	11.13	2,282	0.90
<b>TOTAL CURRENT ASSETS</b>	<b>7,045,072</b>	<b>2,791.26</b>	<b>5,025,017</b>	<b>1,990.91</b>
<b>EQUIPMENT</b>				
Equipment and automobiles - Net	34,992	13.86	58,044	23.00
<b>OTHER ASSET</b>				
Security deposits	4,518	1.79	5,338	2.11
<b>TOTAL ASSETS</b>	<b>7,084,582</b>	<b>2,806.91</b>	<b>5,088,399</b>	<b>2,016.02</b>
<b>LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	6,150,078	2,436.66	4,628,645	1,833.87
Accrued expenses	9,000	3.57	14,500	5.74
Customer deposits	500,000	198.10	-	-
Taxes payable	-	-	13,614	5.39
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,659,078</b>	<b>2,638.33</b>	<b>4,656,759</b>	<b>1,845.00</b>
<b>STOCKHOLDERS' EQUITY</b>				
Common stock; no par value, 100,000 shares authorized, issued and outstanding	100,000	39.62	100,000	39.62
Retained earnings	425,504	168.58	431,640	171.01
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>7,084,582</b>	<b>2,806.91</b>	<b>5,088,399</b>	<b>2,016.01</b>

The accompanying notes are an integral part of these financial statements.

All the figures have been converted @ Rs. 39.62 / US\$ as on 31.3.2008.

## STATEMENT OF OPERATIONS FOR THE YEARS ENDED MARCH 31,

	2008		2007	
	\$	(Rs in Lacs)	\$	(Rs in Lacs)
<b>NET SALES</b>	<b>16,599,448</b>	<b>6,576.70</b>	14,820,039	5,871.70
<b>COST OF GOODS SOLD- SCHEDULE 1</b>	<b>15,805,916</b>	<b>6,262.30</b>	14,035,351	5,560.81
<b>GROSS PROFIT</b>	<b>793,532</b>	<b>314.40</b>	784,688	310.89
<b>OPERATING EXPENSES</b>				
Wages	361,016	143.03	285,240	113.01
Advertising and promotion	18,007	7.13	13,822	5.48
Automobile expenses	2,675	1.06	693	0.27
Bank fees	8,384	3.32	15,561	6.17
Inspection and other fees	9,767	3.87	406	0.16
Custom clearing charges	40,598	16.08	33,988	13.47
Licenses and permits	2,440	0.97	1,834	0.73
Depreciation expense	11,497	4.56	14,951	5.92
Freight out	44,697	17.71	43,437	17.21
Insurance	46,329	18.36	40,230	15.94
Interest expense	-	-	2,304	0.91
Office expense	26,638	10.55	20,663	8.19
Payroll tax expense	27,841	11.03	22,431	8.89
Professional fees and consultants	23,012	9.12	24,707	9.79
Rent and warehousing	49,506	19.61	38,930	15.42
Dues and fees	4,678	1.85	11,582	4.59
Bad debts and damaged goods	11,174	4.43	9,778	3.87
Communication expenses	39,341	15.59	27,805	11.02
Travel expense	72,377	28.68	82,443	32.66
	<b>799,977</b>	<b>316.95</b>	690,805	273.70
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(6,445)</b>	<b>(2.55)</b>	93,883	37.19
<b>OTHER INCOME</b>				
Interest income	825	0.33	-	-
Gain on sale of equipment	1,500	0.59	-	-
Other income	2,732	1.08	-	-
	<b>5,057</b>	<b>2.00</b>	-	-
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	<b>(1,388)</b>	<b>(0.55)</b>	93,883	37.19
<b>PROVISION FOR INCOME TAXES</b>	<b>(4,748)</b>	<b>(1.88)</b>	(25,230)	(10.00)
<b>NET INCOME (LOSS)</b>	<b>(6,136)</b>	<b>(2.43)</b>	68,653	27.19



**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY FOR THE YEAR ENDED  
MARCH 31, 2008 AND 2007**

	Common Stock		Retained Earnings		Total		
	Shares	Amount					
		US\$	Rs. in lacs	US\$	Rs. in lacs	US\$	Rs. in lacs
Beginning Balance, April 1, 2006	100,000	100,000	39.62	262,987	104.20	362,987	143.82
Net Income for the Year Ending March 31, 2007	-	-	-	68,653	27.19	68,653	27.19
Ending Balance, March 31, 2007	100,000	100,000	39.62	331,640	131.39	431,640	171.01
Net Loss for the Year Ending March 31, 2008	-	-	-	(6,136)	(2.43)	(6,136)	(2.43)
<b>Ending Balance, March 31, 2008</b>	<b>100,000</b>	<b>100,000</b>	<b>39.62</b>	<b>325,504</b>	<b>128.96</b>	<b>425,504</b>	<b>168.58</b>

**STATEMENT OF CASH FLOW FOR THE YEARS ENDED MARCH 31,**

	2008		2007	
	\$	(Rs in Lacs)	\$	(Rs in Lacs)
<b>Cash Flows from Operating Activities:</b>				
Net Income (Loss)	(6,136)	(2.43)	68,653	27.19
<b>Adjustments to Reconcile Net Assets to Net Cash Used in Operating Activities:</b>				
Depreciation	11,497	4.56	14,951	5.92
Gain on disposition of equipment	(1,500)	(0.59)	-	-
<b>Changes in Operating Assets and Liabilities</b>				
Accounts receivable	185,063	73.32	(2,143,224)	(849.15)
Inventories	(1,745,145)	(691.43)	1,592,460	630.93
Prepaid expenses	(18,064)	(7.16)	22,091	8.75
Receivables - other	(25,820)	(10.23)	3,032	1.20
Accounts payable	1,521,433	602.79	537,837	213.10
Accrued expenses	(5,500)	(2.18)	5,000	1.98
Customer deposits	500,000	198.10	-	-
Taxes payable	(13,614)	(5.39)	8,964	3.55
<b>Net Cash Provided by Operating Activities</b>	<b>402,214</b>	<b>159.36</b>	<b>109,764</b>	<b>43.47</b>
<b>Cash Flows from Investing Activities:</b>				
Security Deposit	820	0.32	-	-
Purchase of equipment	(2,073)	(0.82)	(27,018)	(10.69)
Proceeds from Disposition of Equipment	15,128	5.99	-	-
<b>Net Cash Provided by (Used In) Investing Activities</b>	<b>13,875</b>	<b>5.49</b>	<b>(27,018)</b>	<b>(10.69)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>416,089</b>	<b>164.85</b>	<b>82,746</b>	<b>32.78</b>
<b>Cash &amp; Cash Equivalents - April 1</b>	<b>93,752</b>	<b>37.15</b>	<b>11,006</b>	<b>4.37</b>
<b>Cash &amp; Cash Equivalents - March 31</b>	<b>509,841</b>	<b>202.00</b>	<b>93,752</b>	<b>37.15</b>
<b>Income Tax Paid During the Period</b>	<b>8,942</b>	<b>3.54</b>	<b>11,557</b>	<b>4.58</b>
<b>Interest Expense Paid During the Period</b>	<b>-</b>	<b>-</b>	<b>2,304</b>	<b>0.91</b>

The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2008 AND 2007

### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Flex America, Inc. (the Company) is a wholly owned subsidiary of UFLEX Limited, a company registered in New Delhi, India. The Company imports into the United States and sells primarily polyester BOPP, metallized and CPP films as well as holographic/metallized gift wraps, laminated pouches, and flexible laminates manufactured by UFLEX Limited and its subsidiaries.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

#### Inventories

Inventories consisting of merchandise for resale are valued at the lower of cost or market as determined on a first-in-first-out basis.

#### Property and Equipment

Property and equipment are valued at cost, net of depreciation. Office equipment and automobiles are depreciated on a straight-line basis over the estimated useful life of the asset.

#### Trade Accounts Receivable

Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. At March 31, 2008 and 2007 no allowance has been provided- for.

### NOTE B: RELATED PARTY TRANSACTIONS

The Company purchases all of its finished goods from its Parent, UFLEX Limited and its subsidiary Flex Middle East, FZE. The total of goods purchased for the years ended March 31, 2008 and 2007 was \$17,025,039 and \$12,091,599, respectively. As of March 31, 2008 and 2007 the Company had accounts payable to its Parent and subsidiaries of \$6,082,074 and \$4,628,645 respectively.

### NOTE C: INVENTORIES

Inventory, is stated at lower of cost or market, and at March 31 were:

	2008		2007	
	US \$	Rs. in lacs	US \$	Rs. in lacs
Finished goods in transit	1,287,947	510.28	834,810	330.75
Finished goods	1,774,492	703.06	482,484	191.16
<b>Total inventory</b>	<b>3,062,439</b>	<b>1,213.34</b>	1,317,294	521.91

### NOTE D: DESCRIPTION OF LEASING ARRANGEMENTS

The Company leases its office in Cornelius, North Carolina under a non cancelable operating lease. The Lease is for two years and expires on December 31,2008.

The following is a schedule of future minimum lease payments under the lease:

Year ending March 31,2009                      \$ 10,800

### NOTE E: CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at two financial institutions. At March 31, 2008, the amounts on deposit exceeded the federally insured limit of \$100,000.

**NOTE F: INCOME TAXES**

The Company records taxes using the liability method required by the Statement of Financial Accounting Standards No.109, "Accounting for Income Taxes". Under Statement 109, deferred tax assets and liabilities are recorded for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted rates expected to be in effect when such amounts are realized.

**NOTE G: CONTINGENCIES****Litigation**

There are no legal actions pending against the Company.

**NOTE H: PROPERTY AND EQUIPMENT**

Property and equipment as of March 31 were:

	2008		2007	
	\$	(Rs in Lacs)	\$	(Rs in Lacs)
Furniture and equipment	\$16,928	6.71	\$14,855	5.89
Automobiles	35,597	14.10	75,496	29.91
	52,525	20.81	90,351	35.80
Less accumulated depreciation	17,533	6.95	32,307	12.80
	\$34,992	13.86	\$58,044	23.00

**SCHEDULE 1**

	2008		2007	
	\$	(Rs in Lacs)	\$	(Rs in Lacs)
<b>COST OF GOODS SOLD</b>				
Opening inventory	1,317,294	521.91	2,909,754	1,152.84
Purchases - net of returns	17,025,039	6,745.32	12,091,599	4,790.69
Customs duty	513,346	203.39	334,825	132.66
Harbor maintenance fee	4,731	1.87	6,280	2.49
Merchandising processing fee	7,945	3.15	10,187	4.04
<b>TOTAL COSTS</b>	<b>18,868,355</b>	<b>7,475.64</b>	<b>15,352,645</b>	<b>6,082.72</b>
Less ending inventory	3,062,439	1,213.34	1,317,294	521.91
<b>TOTAL COST OF GOODS SOLD</b>	<b>15,805,916</b>	<b>8,688.98</b>	<b>14,035,351</b>	<b>6,604.63</b>

## REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF FLEX MIDDLE EAST FZE

### Report on the Financial Statements

We have audited the accompanying financial statements of FLEX MIDDLE EAST FZE, which comprises the balance sheet as of 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

### Directors' Responsibilities for the Financial Statements

Directors are responsible for the preparation and fair presentations of these financial statements in accordance with International Financial Reporting Standards and the applicable implementing rules and regulations issued by the Jebel Ali Free Zone Authority. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply that ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion:

In our opinion, the financial statements present fairly, in all material respects, the financial position of Establishment as of 31 March 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards implementing rules and regulations issued by the Jebel Ali Free Zone Authority.

### Other matters:

We also confirm that, in our opinion, proper books of account have been kept by the establishment and the financial statements are in agreement with the books of account. To the best of our knowledge and belief no violations of the Regulation No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992 have occurred during the year, which would have had a material effect on the business of the concern or on its financial position.

CHARTERED ACCOUNTANTS

Dubai

26 June, 2008

**BALANCE SHEET 31 MARCH, 2008**

	Notes	2008		2007	
		US \$	(Rs. in Lacs)	US \$	(Rs. in Lacs)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant & equipment	3	60,514,635	23,975.89	26,239,384	10,396.04
Other financial assets	4	500,963	198.48	523,716	207.50
		<u>61,015,598</u>	<u>24,174.37</u>	<u>26,763,100</u>	<u>10,603.54</u>
<b>Current assets</b>					
Inventories	5	6,422,209	2,544.48	1,363,468	540.22
Trade & other receivables	6	30,254,162	11,986.70	11,943,640	4,732.07
Prepayments		395,370	156.66	16,048	6.36
Cash & bank balances	7	2,409,372	954.60	1,599,444	633.70
<b>Total current assets</b>		<u>39,481,113</u>	<u>15642.44</u>	<u>14,922,600</u>	<u>5,912.35</u>
<b>Total assets</b>		<u>100,496,711</u>	<u>39,816.81</u>	<u>41,685,700</u>	<u>16,515.89</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserve</b>					
<b>Shareholder's funds</b>					
Share capital	8	29,234,973	11,582.90	21,311,475	8,443.61
Share application money		64,973	25.74	98,470	39.01
Retained earnings		21,414,161	8,484.29	10,701,951	4,240.11
Proposed dividend		1,023,223	405.40	1,172,132	464.40
<b>Total shareholder's funds</b>		<u>51,737,330</u>	<u>20,498.33</u>	<u>33,284,028</u>	<u>13,187.13</u>
<b>Non current liabilities</b>	9	<u>22,640,087</u>	<u>8,970.01</u>	<u>208,936</u>	<u>82.78</u>
<b>Current liabilities</b>					
Trade & other payables	10	22,113,021	8,761.18	7,610,173	3,015.16
Accounts payable-capital expenditure	11	4,006,273	1,587.29	582,563	230.82
<b>Total current liabilities</b>		<u>26,119,294</u>	<u>10,348.47</u>	<u>8,192,736</u>	<u>3,245.98</u>
<b>Total equity and liabilities</b>		<u>100,496,711</u>	<u>39,816.81</u>	<u>41,685,700</u>	<u>16,515.89</u>

The accompanying notes 1 to 25 form an integral part of these financial statements.

Approved by the Shareholder Company on 26 June 2008 and signed on its behalf by:

**Sanjay Tiku**  
Business Manager

**Pradeep Tyle**  
Director

Note: All the figures have been converted by using the closing Rate as on 31st March 2008 i.e. Rs.39.62/\$

**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008**

	Notes	2008		2007	
		US \$	(Rs. in Lacs)	US \$	(Rs. in Lacs)
<b>Revenue</b>	12	88,801,247	35,183.06	46,612,176	18,467.75
<b>Expenditure</b>					
Cost of materials	13	(53,561,090)	(21,220.92)	(27,169,017)	(10,764.36)
Other manufacturing expenses	14	(9,072,311)	(3,594.46)	(5,039,658)	(1,996.72)
Payments & benefits to employees		(1,907,264)	(755.66)	(1,248,219)	(494.54)
Administrative & selling expenses	15	(8,259,914)	(3,272.58)	(4,930,782)	(1,953.57)
Loss on sale of fixed assets		(13,961)	(5.53)	-	-
Finance cost	16	(1,424,771)	(564.49)	(342,610)	(135.74)
<b>Net profit for the year</b>		<u>14,561,936</u>	<u>5,769.42</u>	<u>7,881,890</u>	<u>3,122.82</u>

The accompanying notes 1 to 25 form an integral part of these financial statements.

All the figures have been converted @ Rs. 39.62 / US\$ as on 31.3.2008.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2008**

	Share capital		Share Application money		Retained earnings		Proposed dividend		Total	
	US \$	(Rs. in lacs)	US \$	(Rs. in lacs)	US \$	(Rs. in lacs)	US \$	(Rs. in lacs)	US \$	(Rs. in lacs)
<b>As at 31 March 2006</b>	<b>21,311,475</b>	<b>8,443.61</b>	<b>98,470</b>	<b>39.01</b>	<b>4,951,209</b>	<b>1,961.67</b>	-	-	<b>26,361,154</b>	<b>10,444.29</b>
Proposed dividend	-	-	-	-	(2,131,148)	(844.36)	2,131,148	844.36	-	-
Dividend paid	-	-	-	-	-	-	(959,016)	(379.96)	(959,016)	(379.96)
Net profit for the year	-	-	-	-	7,881,890	3,122.82	-	-	7,881,890	3,122.82
<b>As at 31 March 2007</b>	<b>21,311,475</b>	<b>8,443.61</b>	<b>98,470</b>	<b>39.01</b>	<b>10,701,951</b>	<b>4,240.13</b>	<b>1,172,132</b>	<b>464.40</b>	<b>33,284,028</b>	<b>13,187.15</b>
Introduced during the year	7,890,001	3,126.02	-	-	-	-	-	-	7,890,001	3,126.02
Transfer	33,497	13.27	(33,497)	(13.27)	-	-	-	-	-	-
Proposed dividend	-	-	-	-	(3,849,726)	(1,525.26)	3,849,726	1,525.26	-	-
Dividend paid	-	-	-	-	-	-	(3,998,635)	(1,584.26)	(3,998,635)	(1,584.26)
Net profit for the year	-	-	-	-	14,561,936	5,769.42	-	-	14,561,936	5,769.42
<b>As at 31 March 2008</b>	<b>29,234,973</b>	<b>11,582.90</b>	<b>64,973</b>	<b>25.74</b>	<b>21,414,161</b>	<b>8,484.29</b>	<b>1,023,223</b>	<b>405.40</b>	<b>51,737,330</b>	<b>20,498.33</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008**

Notes	2008		2007	
	US \$	(Rs. in Lacs)	US \$	(Rs. in Lacs)
<b>Cash flows from operating activities</b>				
Net profit for the year	14,561,936	5,769.44	7,881,890	3,122.80
Adjustments for:				
Depreciation	2,064,760	818.06	1,191,691	472.15
Amortisation	22,753	9.01	22,732	9.01
Finance cost	1,424,771	564.49	342,610	135.74
Interest Income	(19,420)	(7.69)	-	-
Loss on sale of fixed assets	13,961	5.53	-	-
Provision for staff end of service benefits	8,426	3.34	14,176	5.62
<b>Operating profit before working capital changes</b>	<b>18,077,187</b>	<b>7,162.18</b>	<b>9,453,099</b>	<b>3,745.32</b>
(Increase)/Decrease in inventories	(5,058,741)	(2,004.27)	410,091	162.48
(Increase)/Decrease in trade & other receivables	(18,310,522)	(7,254.63)	(4,186,768)	(1,658.80)
(Increase)/Decrease in prepayments	(379,322)	(150.29)	47,693	18.90
Increase/(Decrease) in trade and other payables	14,502,848	5,746.03	1,540,692	610.42
Increase/(Decrease) in capital creditors	3,236,930	1,282.47	(800,578)	(317.19)
<b>Cash generated from/ (used in) operations</b>	<b>12,068,380</b>	<b>4,781.49</b>	<b>6,464,229</b>	<b>2,561.13</b>
Finance cost paid	(1,424,771)	(564.49)	(342,610)	(135.74)
<b>Net cash from/ (used in) operating activities</b>	<b>10,643,609</b>	<b>4,217.00</b>	<b>6,121,619</b>	<b>2,425.39</b>
<b>Cash flows from investing activities</b>				
Payments for purchase of property, plant & equipment	(36,358,071)	(14,405.07)	(4,302,785)	(1,704.77)
Proceeds from sale of property, plant & equipment	4,099	1.62	-	-
Increase/(Decrease) in term deposits	(44,809)	(17.75)	(109,290)	(43.31)
Interest received	19,420	7.69	-	-
<b>Net cash from/ (used in) investing activities</b>	<b>(36,379,361)</b>	<b>(14,413.51)</b>	<b>(4,412,075)</b>	<b>(1,748.08)</b>
<b>Cash flows from financing activities</b>				
Share capital introduced	7,890,001	3,126.02	-	-
Proceeds from term loan	22,609,505	8,957.90	-	-
Dividend paid	(3,998,635)	(1,584.26)	(959,016)	(379.96)
<b>Net cash from/ (used in) financing activities</b>	<b>26,500,871</b>	<b>10,499.66</b>	<b>(959,016)</b>	<b>(379.96)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>765,119</b>	<b>303.15</b>	<b>750,528</b>	<b>297.35</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,406,548</b>	<b>557.27</b>	<b>656,020</b>	<b>259.92</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,171,667</b>	<b>860.42</b>	<b>1,406,548</b>	<b>557.27</b>

The accompanying notes 1 to 25 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008****1. Legal status and business activity**

- a) FLEX MIDDLE EAST FZE is a limited liability establishment incorporated in the Jebel Ali Free Zone, Dubai, U.A.E. The establishment is a wholly owned subsidiary of a public limited Indian Company, UFLEX LIMITED
- b) The establishment is engaged in manufacturing of high quality Polyester Film/PET Films/Poly Ethylene Terephthalate Films/ Plastic Films and Metalized Films.

**2. Significant accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with Standards issued, or adopted by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee and applicable requirements of U. A. E. laws. The accounting policies, which are consistent with those used in the previous year, in dealing with items that are considered material in relation to the establishment's financial statements are as follows:

**a) Property, plant & equipment:**

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes related expenses of acquisition/construction, professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the establishment's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of recoverable amount. Where carrying amount exceeds the recoverable amount, property, plant & equipment are written down to their recoverable amount.

**b) Other financial assets:**

Other financial assets, representing operating lease for land, are amortised over the lease period.

**c) Borrowing cost:**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**d) Inventories:**

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Raw materials and consumables are stated at cost including direct expenses using first in first out method. Finished goods are valued at cost of direct materials and labour plus attributable overheads based on a normal level of activities.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

**e) Accounts receivable:**

An estimate for doubtful debts is made when collection of the full amount is no longer probable and provided for in the accounts.

**f) Accounts payable and accruals:**

Liabilities are recognized for amounts paid for goods or services received whether invoiced by the supplier or not.

**g) Staff end-of-services benefits:**

Liability for staff end of service benefits, as accrued, is provided for in the accounts as per the local labour laws prevailing in the U.A.E.

**h) Revenue:**

Sales represents net amount invoiced for goods supplied during the year. Technical services fees are recognized to the income statement at the time of rendering of technical services. Interest income is recognized as the interest accrues.

**i) Foreign currency transactions:**

Transactions in foreign currencies are converted into US Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into US Dollars at the rate of exchange ruling at the Balance Sheet date. Gains/losses arising from the foreign currency transactions are taken to the income statement.

j) **Dividend:**

Dividend is paid out of proposed dividend when declared.

k) **Cash and cash equivalents:**

Cash and cash equivalents for the purpose of the cash flow statement comprise cash on hand, bank current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment

l) **Financial instruments:**

Financial assets and financial liabilities are recognised when, and only when, the establishment becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flow expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired. Current and non-current assets that have fixed or determinable payments and for which there is no active market which comprise trade and other receivables are stated at cost less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognised in the income statement.

Current and non-current financial liabilities, which comprise bank borrowings, trade and other payables are measured at cost or, if the impact is material, at amortised cost.

m) **Significant judgments and key assumptions:**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

***Impairment***

At each balance sheet date, management conducts an assessment of property, plant, equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and if this is below its carrying amount, a provision is made. Key assumptions made concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

***Carrying values of property, plant and equipment***

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

***Inventory provisions***

Management regularly undertakes a review of the establishment's inventory, in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, age, likely obsolescence, the rate at which goods are being sold and the physical damage, based on the assessment assumptions are made as to the level of provisioning required.

***Doubtful debt provisions***

Management regularly undertakes a review of the amounts of receivables owed to the establishment either from third parties or from related parties and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008**

	<u>Opening Balance</u>		<u>Additions</u>		<u>Transfer/ Disposals</u>		<u>Closing Balance</u>	
	<u>US \$</u>	<u>(Rs in Lacs)</u>	<u>US \$</u>	<u>(Rs in Lacs)</u>	<u>US \$</u>	<u>(Rs in Lacs)</u>	<u>US \$</u>	<u>(Rs in Lacs)</u>
<b>3 Property, plant &amp; equipment</b>								
<b>Cost</b>								
<b>Capital work in progress and advances:</b>								
- Buildings	1,946,871	771.35	2,715,756	1,075.98	(4,662,627)	(1,847.33)	-	-
- Machinery and equipment	2,200,024	871.65	33,457,652	13,255.92	(30,333,944)	(12,018.31)	5,323,732	2,109.26
<b>Buildings:</b>								
- Staff accommodation	1,278,162	506.41	-	-	-	-	1,278,162	506.41
- Factory and administrative	2,483,878	984.11	-	-	4,662,627	1,847.33	7,146,505	2,831.45
Machinery & equipment	20,430,038	8,094.38	-	-	30,333,944	12,018.31	50,763,982	20,112.69
Furniture, fixtures & office equipment	137,922	54.64	132,750	52.60	-	-	270,672	107.24
Vehicles	121,954	48.32	51,913	20.57	(24,687)	(9.78)	149,180	59.11
<b>Total Cost</b>	<b>28,598,849</b>	<b>11,331</b>	<b>36,358,071</b>	<b>14,405</b>	<b>(24,687)</b>	<b>(9.78)</b>	<b>64,932,233</b>	<b>25,726.16</b>
<b>Depreciation</b>								
<b>Capital work in progress and advances:</b>								
- Buildings	-	-	-	-	-	-	-	-
- Machinery and equipment	-	-	-	-	-	-	-	-
<b>Buildings:</b>								
- Staff accommodation	20,834	8.25	20,834	8.25	-	-	41,668	16.51
- Factory and administrative	157,572	62.43	155,513	61.61	-	-	313,085	124.04
Machinery & equipment	2,116,942	838.73	1,858,591	736.37	-	-	3,975,533	1,575.11
Furniture, fixtures & office equipment	46,815	18.55	16,583	6.57	-	-	63,398	25.12
Vehicles	17,302	6.86	13,239	5.25	(6,627)	(2.63)	23,914	9.47
<b>Total Depreciation</b>	<b>2,359,465</b>	<b>934.82</b>	<b>2,064,760</b>	<b>818.05</b>	<b>(6,627)</b>	<b>(2.63)</b>	<b>4,417,598</b>	<b>1,750.25</b>
<b>Net book value</b>								
<b>Capital work in progress and advances:</b>								
- Buildings	1,946,871	771.35	-	-	-	-	-	-
- Machinery and equipment	2,200,024	871.65	-	-	-	-	5,323,732	2,109.26
<b>Buildings:</b>								
- Staff accommodation	1,257,328	498.15	-	-	-	-	1,236,494	489.90
- Factory and administrative	2,326,306	921.68	-	-	-	-	6,833,420	2,707.40
Machinery & equipment	18,313,096	7,255.65	-	-	-	-	46,788,449	18,537.58
Furniture, fixtures & office equipment	91,107	36.10	-	-	-	-	207,274	82.12
Vehicles	104,652	41.46	-	-	-	-	125,266	49.63
<b>Total Net book value</b>	<b>26,239,384</b>	<b>10,396.04</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,514,635</b>	<b>23,975.89</b>

The buildings, machinery and equipment are constructed on leasehold land from the Government of Dubai in Jebel Ali Free Zone Authority.



	2008		2007	
	US \$	(Rs in Lacs)	US \$	(Rs in Lacs)
<b>10 Trade and other payables</b>				
Trade payables (refer note 19 & 20) #	20,383,489	8,075.94	6,632,108	2,627.65
Advance from customers	69,887	27.69	10,785	4.27
Accruals	1,659,645	657.55	967,280	383.24
	<u>22,113,021</u>	<u>8,761.18</u>	<u>7,610,173</u>	<u>3,015.16</u>
<i># Includes acceptance documents US \$ 11,987,020 (previous year US \$ 4,999,817).</i>				
<b>11 Accounts payable-capital expenditure</b>				
This represents amount payables to the consultants and suppliers of machinery, consultants & contractors for construction of building in progress per below:				
<b>Capital creditors-Retentions:</b>				
Total amount outstanding	4,006,273	1,587.29	769,343	304.82
Less: Non-current portion-payable after next 12 months (refer note 9)	–	–	186,780	74.00
<b>Current portion-payable within next 12 month</b>	<u>4,006,273</u>	<u>1,587.29</u>	<u>582,563</u>	<u>230.82</u>
<b>12 Revenue</b>				
<b>Sales</b>				
Manufactured goods	80,546,940	31,912.70	46,220,267	18,312.47
Traded goods	7,880,250	3,122.16	–	–
	<u>88,427,190</u>	<u>35,034.86</u>	<u>46,220,267</u>	<u>18,312.47</u>
Technical service fees	302,471	119.84	325,310	128.89
Interest Income	19,420	7.69	–	–
Other income	52,166	20.67	66,599	26.39
	<u>88,801,247</u>	<u>35,183.06</u>	<u>46,612,176</u>	<u>18,467.75</u>
<b>13 Cost of material</b>				
Opening inventories	1,092,229	432.74	1,215,453	481.56
Purchases (including direct expenses)	51,047,781	20,225.14	27,045,793	10,715.54
Trading purchase	7,479,950	2,963.56	–	–
Closing inventories	(6,058,870)	(2,400.52)	(1,092,229)	(432.74)
	<u>53,561,090</u>	<u>21,220.92</u>	<u>27,169,017</u>	<u>10,764.36</u>
<b>14 Other manufacturing expenses</b>				
Power & fuel consumed	3,189,661	1,263.75	1,596,262	632.44
Machinery repairs & maintenance	277,514	109.95	163,260	64.68
Stores consumed	141,179	55.94	41,436	16.42
Job work charges	724,532	287.06	654,458	259.30
Packing materials consumed	2,427,106	961.62	1,328,277	526.26
Other manufacturing expenses	298,215	118.15	114,582	45.40
Depreciation (refer note 15)	2,014,104	797.99	1,141,383	452.22
	<u>9,072,311</u>	<u>3,594.46</u>	<u>5,039,658</u>	<u>1,996.72</u>

	2008		2007	
	US \$	(Rs in Lacs)	US \$	(Rs in Lacs)
<b>15 Administrative &amp; selling expenses</b>				
Rent	677,727	268.52	341,290	135.22
Other administration expenses	1,444,833	572.44	1,061,647	420.62
Selling expenses	6,063,945	2,402.54	3,454,805	1,368.79
Amortisation	22,753	9.01	22,732	9.01
Depreciation ( <i>per below</i> )	50,656	20.07	50,308	19.93
	<u>8,259,914</u>	<u>3,272.58</u>	<u>4,930,782</u>	<u>1,953.57</u>
Depreciation:				
Total depreciation charge ( <i>refer note 3</i> )	2,064,760	818.05	1,191,691	472.15
Less: Taken to other manufacturing expenses ( <i>refer note 14</i> )	2,014,104	797.99	1,141,383	452.22
	<u>50,656</u>	<u>1,616.04</u>	<u>50,308</u>	<u>924.37</u>
<b>16 Finance cost</b>				
Interest on cheques and bills discounting	256,012	101.43	143,518	56.86
Interest on term loan	837,249	331.72	–	–
Bank charges & commission	331,510	131.34	199,092	78.88
	<u>1,424,771</u>	<u>564.49</u>	<u>342,610</u>	<u>135.74</u>
<b>17 Cash and cash equivalents</b>				
Cash on hand	27,580	10.93	10,559	4.18
Bank balance:				
In current accounts	2,144,087	849.49	1,395,989	553.09
	<u>2,171,667</u>	<u>860.42</u>	<u>1,406,548</u>	<u>557.27</u>

**18 Financial instruments: Credit, interest rate and exchange rate risk exposures****Credit risk**

The establishment seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The establishment has also taken export credit guarantee insurance policy.

**Interest rate risk**

The establishment's term deposits are at a fixed rate. Bank borrowings are at floating rates at levels, which are generally obtained in the UAE.

**Exchange rate risk**

Except for the following, there are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in US Dollars or UAE Dirhams to which the US Dollar is fixed:

	2008		2007	
	Equivalent US \$	(Rs in Lacs)	Equivalent US \$	(Rs in Lacs)
<b>Foreign currency financial assets:</b>				
Euro	9,277,735	3,675.84	3,815,489	1,511.70
Great Britain Pound	719,553	285.09	1,388,207	550.01
	<u>9,997,288</u>	<u>3,960.93</u>	<u>5,203,696</u>	<u>2,061.71</u>

## 19 Financial instruments: Fair values

The fair values of the establishment's financial assets, comprising of trade & other receivables and cash & bank balances and financial liabilities, comprising of trade & other payables and accounts payable for capital expenditure approximate to their carrying values

## 20 Related party transactions

The establishment in the normal course of business enters into transactions with other business enterprises that fall within the definition of related party contained in the International Accounting Standard – 24. Related parties are the entities under common ownership and/or common management control and associates.

The related parties and their outstanding balances at the balance sheet date are as under:

Name of related parties	2008		2007	
	US \$ Dr/(Cr)	(Rs in Lacs) Dr/(Cr)	US \$ Dr/(Cr)	(Rs in Lacs) Dr/(Cr)
Flex America Inc.	5,399,305	2,139.20	2,840,512	1,125.41
UFLEX Limited.	1,258,466	498.60	(480,476)	(190.36)
Mrs. Rashmi Chaturvedi	(20,000)	(7.92)	(20,000)	(7.92)
Mr. Pradeep Tyle	(10,000)	(3.96)	–	–
Mr. R.K.Jain	(5,000)	(1.98)	–	–

The nature of significant related party transactions during the year and the amounts involved are as under:

	2008		2007	
	US \$	(Rs in Lacs)	US \$	(Rs in Lacs)
Flex America - Sales at normal price	14,589,277	5,780.27	8,825,588	3,496.70
UFLEX Limited - Purchases at normal price	3,366,145	1,333.67	5,704,742	2,260.22
UFLEX Limited - Sales at normal price	7,880,250	3,122.16	2,950,250	1,168.89
UFLEX Limited - Technical supervision services fees	500,000	198.10	750,000	297.15
Mrs. Rashmi Chaturvedi - Salary & expenses	260,238	103.11	253,918	100.60
Mr. Pradeep Tyle - Salary & expenses	102,674	40.68	–	–
Mr. R.K.Jain - Salary & expenses	30,000	11.89	–	–
<b>21 Contingent liabilities</b>				
Letters of credit	12,093,806	4,791.57	31,089,203	12,317.54
Letter of Guarantee	870,001	344.69	–	–
	<b>12,963,807</b>	<b>5136.26</b>	<b>31,089,203</b>	<b>12,317.54</b>
<b>22 Capital commitments</b>				

The estimated amount of contracts including under letters of credit remaining to be executed on capital account (net of advances) and not provided for US \$ 20,935,820 (previous year US \$ 27,245,333).

## 23 Bank facilities

During the financial year establishment has utilised \$22.61 Million (Out of total sanction of \$40 Million) project related EBOR 3 months plus 2.5% per annum interest bearing loan facilities from a group of commercial banks comprising Abu Dhabi Commercial Bank, United Arab Bank and Bank of Baroda sharing following securities against the borrowings ranking pari-passu.

- Mortgage over Plant & Machinery
- Mortgage over building
- Assignment of Insurance policies

The loan is repayable in 22 equal quarterly installments starting 18 months from the date of first draw down. The first installment of the loan will fall due in November 2008.

**24 Quantitative information**

- a) Information in respect of class of goods manufactured and annual capacity:

Class of Goods	Unit	Installed capacity
Polyester Films/Metalized Films	MT	51,600 (18,000)

*Previous year figures have been given in brackets.*

- b) Information in respect of production, sales & stock of goods manufactured:

Unit	Production		Sales		Opening Stock			Closing Stock		
	Qty(MT)	Qty(MT)	Value USD	Value (Rs in Lacs)	Qty(MT)	Value USD	Value (Rs in Lacs)	Qty(MT)	Value USD	Value (Rs in Lacs)
MT	34,970	34,637	80,546,940	31,912.70	70	86,925	34.44	403	636,843	252.32
	(21,410)	(21,807)	(46,044,397)	(18,242.79)	(467)	(752,427)	(298.11)	(70)	(86,925)	(34.44)

*Previous year figures have been given in brackets.*

- c) Information in respect of raw materials consumed:

Description	Current Year			Previous Year		
	Qty (MT)	Value (USD) (Rs in Lacs)		Qty (MT)	Value (USD) (Rs in Lacs)	
Polyester Film	1,911	3,381,046	1,339.57	1,150	2,153,231	853.11
Polyster Chips	33,989	43,419,241	17,202.70	20,333	23,544,225	9,328.22
Chemicals	23	210,933	83.57	10	101,402	40.18
Others	-	198,697	78.72	-	154,097	61.05

- d) Information in respect of Traded Goods (High Seas Sales to Persian Gulf):

Description		Current Year			Previous Year		
		Qty (MT)	Value (USD) (Rs in Lacs)		Qty (MT)	Value (USD) (Rs in Lacs)	
Polyester Film	Purchase	-	-	-	90	168,120	66.61
Polyester Film	Sale	-	-	-	90	175,870	69.68

- e) Information in respect of Traded Goods:

Description		Current Year			Previous Year		
		Qty (MT)	Value (USD) (Rs in Lacs)		Qty (MT)	Value (USD) (Rs in Lacs)	
Polyester chips	Purchase	6,042.50	7,479,950	2,963.56	-	-	-
Polyester chips	Sale	6,042.50	7,880,250	3,122.16	-	-	-

**25 Comparative figures**

Previous year's figures have been regrouped/reclassified wherever necessary to conform to the presentation adopted in the current year.

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2008

The Directors have pleasure in submitting to the members, the Annual Report together with the Audited Financial Statements of the company, for the year ended 31st March 2008.

### DIRECTORS

The Directors of the company during the year and their beneficial interest in the shares of the company were as follows:-

	Ordinary Shares		2007 £1 Each	2007 (Rs in Lacs)
	2008 £1 Each	2008 (Rs in Lacs)		
A C Srivastava	0	0	0	0
A Prasad	0	0	0	0

### PRINCIPAL ACTIVITIES

The principal activities of the company during the year were those of the marketing of packaging products for the confectionery and related trade.

### AUDITORS

The auditors, Parker Lloyd, will be proposed for re-appointment in accordance with Section 385 of the Companies Act, 1985.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the Directors are required to:-

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This Report has been prepared in accordance with the Special Provisions of Part VII of the Companies Act 1985 relating to small companies.

13th May 2008

By Order of the Board  
**A C SRIVASTAVA**  
 DIRECTOR

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLEX EUROPE PRIVATE LIMITED FOR THE YEAR ENDED 31ST MARCH 2008

We have audited the financial statements of Flex Europe Private Limited, for the year ended 31st March 2008, set out on pages 8 to 12.

### Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and as described on pages 4 and 5, the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding Directors' remuneration and transaction with the company is not disclosed.

### Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Director in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2008 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985 relating to small companies.

30 POLAND STREET  
LONDON W1F 8QS

**PARKER LLOYD**  
REGISTERED AUDITORS  
13th May 2008

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008**

	2008		2007	
	£	(Rs in Lacs)	£	(Rs in Lacs)
TURNOVER (Notes 1 & 2)	0	0	0	0
COST OF SALES	0	0	0	0
GROSS PROFIT	0	0	0	0
OTHER INCOME	1,118	0.88	960	0.76
	1,118	0.88	960	0.76
<b>ADMINISTRATION EXPENSES</b>	<b>5,564</b>	<b>4.40</b>	<b>5,690</b>	<b>4.50</b>
OPERATING LOSS (Note 3)	-4,446	-3.52	-4,730	-3.74
TAXATION (Note 4)	0	0	0	0
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	-4,446	-3.52	-4,730	-3.74
DEFICIT BROUGHT FORWARD	-16,351	-12.92	-11,621	-9.18
DEFICIT CARRIED FORWARD	-20,797	-16.44	-16,351	-12.92

The Notes on pages 10 to 12 form an integral part of these Accounts.

**Note:** All figures have been converted by Closing Rate as on 31st March 2008 i.e. Rs. 79.04/£

**BALANCE SHEET AS AT 31ST MARCH 2008**

	2008		2007	
	£	(Rs in Lacs)	£	(Rs in Lacs)
<b>FIXED ASSETS</b>	0	0	0	0
<b>CURRENT ASSETS</b>				
Debtors (Note 5)	24,399	19.28	24,531	19.39
Cash at Bank	36,616	28.94	40,929	32.35
	61,015	48.22	65,460	51.74
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (Note 6)</b>	<b>6,812</b>	<b>5.38</b>	<b>6,811</b>	<b>5.38</b>
NET CURRENT ASSETS	54,203	42.84	58,649	46.36
	54,203	42.84	58,649	46.36
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
TOTAL ASSETS LESS CURRENT LIABILITIES	54,203	42.84	58,649	46.36
<b>CAPITAL AND RESERVES</b>				
CALLED UP SHARE CAPITAL (Note 8)	75,000	59.28	75,000	59.28
RESERVES	-20,797	-16.44	-16,351	-12.92
	54,203	42.84	58,649	46.36

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board on 13th May 2008.

**A C SRIVASTAVA**  
Director

The Notes on pages 10 to 12 form an integral part of these Accounts.

**Note:** All figures have been converted by Closing Rate as on 31st March 2008 i.e. Rs. 79.04/£



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

### COMPLIANCE WITH ACCOUNTING STANDARDS

The accounts have been prepared in accordance with the Financial Reporting Standards for smaller entities (effective January 2007).

#### **NOTE 1**

##### **ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied within the same accounts.

##### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention.

##### **Stock**

Stock is valued at the lower of cost and net realisable value.

##### **Turnover**

Turnover derived from ordinary activities represents net invoiced sales of goods, excluding Value Added Tax.

##### **Deferred Taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the Directors, there is a reasonable probability that the liability will not arise in the foreseeable future.

#### **NOTE 2**

##### **TURNOVER**

The turnover and loss before taxation are attributable to the one principal activity of the company.

#### **NOTE 3**

##### **OPERATING LOSS**

The operating loss is stated after charging:-

	2008		2007	
	£	(Rs in Lacs)	£	(Rs in Lacs)
Director's Remuneration	0	0	0	0

No Directors' remuneration was paid for the year ended 31st March 2008 nor for the year ended 31st March 2007.

#### **NOTE 4**

##### **TAXATION**

No liability to Corporation Tax arose on ordinary activities shown in the accounts due to the availability of taxable losses.

#### **NOTE 5**

##### **DEBTORS**

	2008		2007	
	£	(Rs in Lacs)	£	(Rs in Lacs)
Other Debtors and Prepayments	24,209	19.13	24,209	19.13
VAT Repayable	190	0.15	322	0.25
	<u>24,399</u>	<u>19.28</u>	<u>24,531</u>	<u>19.38</u>

#### **NOTE 6**

##### **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2008		2007	
	£	(Rs in Lacs)	£	(Rs in Lacs)
Trade Creditors and Accruals	6,812	5.38	6,811	5.38

**NOTE 7****PARENT COMPANY**

The parent company is UFLEX Limited, a company incorporated in India.

**NOTE 8****CALLED UP SHARE CAPITAL**

	2008		2007	
	£	(Rs in Lacs)	£	(Rs in Lacs)
<b>Authorised</b>				
100,000 Ordinary Shares of £1 Each	<u>100,000</u>	<u>79.04</u>	<u>100,000</u>	<u>79.04</u>
<b>Issued and Fully Paid</b>				
75,000 Ordinary Share of £1 Each	<u>75,000</u>	<u>59.28</u>	<u>75,000</u>	<u>59.28</u>

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2008**

	2008		2007	
	£	(Rs in Lacs)	£	(Rs in Lacs)
SALES	0	0	0	0
LESS: COST OF SALES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
GROSS PROFIT	0	0	0	0
OTHER INCOME	<u>1,118</u>	<u>0.88</u>	<u>960</u>	<u>0.76</u>
	<u>1,118</u>	<u>0.88</u>	<u>960</u>	<u>0.76</u>
<b>DEDUCT:</b>				
<b>ADMINISTRATION EXPENSES</b>				
Directors' Remuneration	0	0	0	0
Secretarial and Accountancy	3,040	2.40	3,170	2.51
Audit Fee	2,500	1.98	2,500	1.97
Bank Charges	<u>24</u>	<u>0.02</u>	<u>20</u>	<u>0.02</u>
	<u>5,564</u>	<u>4.40</u>	<u>5,690</u>	<u>4.50</u>
<b>LOSS FOR THE YEAR</b>	<u>-4,446</u>	<u>-3.52</u>	<u>-4,730</u>	<u>-3.74</u>

## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 2<sup>nd</sup> Annual Report together with the Audited Accounts of the Company for the period ended 31<sup>st</sup> March, 2008.

### FINANCIAL RESULTS

The financial results for the year ended 31<sup>st</sup> March, 2008 are as follows:

	(Rs. in lacs)	
	<b>Year Ended 31.03.2008</b>	Period Ended 31.03.2007
Sales & Operational of Income	<b>6826.92</b>	1425.00
Other Income	<b>46.34</b>	45.80
Profit before Interest, Financial Charges & Depreciation	<b>1952.34</b>	240.86
Interest & Financial Charges	<b>156.02</b>	0.05
Depreciation	<b>2.06</b>	--
Profit before Tax	<b>1794.26</b>	240.81

### YEAR IN RETROSPECT

Despite slowdown in the infrastructure sectors across India, your Company a new entrant in the filed has performed reasonably well. It ended the financial year under review with a turnover of Rs.6873.26 lacs including other income of Rs.46.34 lacs and profit after tax of Rs.1174.54 lacs. The Annual Accounts for the current year is for 12 months period whereas the previous year was for a period of less than 4 months. Thus, the current performance and results can not be compared with the previous period ended 31<sup>st</sup> March, 2007.

The Management expects better performance in the coming years.

After careful consideration of the overall situation and keeping in view the requirement of funds for future needs of the Company, the Board of Directors regret their inability to recommend any dividend for the Financial Period ended 31<sup>st</sup> March, 2008.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ashok Chaturvedi, Director of the Company retires by rotation and being eligible offers himself for re-appointment.

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.

### FIXED DEPOSITS

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

### AUDITORS

M/s. Chaturvedi & Partners, Chartered Accountants, New Delhi was appointed as first Auditors of the Company.

The Auditors of the Company, M/s. Chaturvedi & Partners, 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.

### DIRECTORS' RESPONSIBILITY STATEMENT

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 31<sup>st</sup> March, 2008, 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.
- 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.

**PARTICULARS OF EMPLOYEES**

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure-'A' forming part of this report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING 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 'B' 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 Government Agencies, Banks and other stakeholders during the period under review. The Board also takes this opportunity to express its deep gratitude for the continuous support and wholehearted cooperation given by the employees of the Company working at various levels.

**For and on behalf of the Board**

**ASHOK CHATURVEDI**  
Chairman

Place : NOIDA  
Dated : 20<sup>th</sup> June, 2008

**ANNEXURE ‘A’ TO DIRECTORS’ REPORT**

Information as per Section 217(2A)(B)(1) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors’ Report.

**A. EMPLOYED FOR PART OF THE YEAR**

Sl. No.	Name	Age	Designation	Remuneration (Rs.)	Qualifications	Experience (Yrs.)	Date of Appointment	Last Employment (Position held)
01.	Shri Jain Ravindra	61	Vice President	707279	B Tech, MBA	36	01.02.2007	UFLEX LIMITED Vice President (Project)

1. Remuneration includes Salary, Bonus, Contribution to Provident Fund and all other perquisites taxable or non-taxable.
2. The appointment is contractual.
3. Information about qualification and last employment is based on particulars furnished by the concerned employee.
4. The above employee does not hold by himself or alongwith his spouse and dependent children 2% or more of equity shares of the Company.
5. The above employee is not a relative of any Director of the Company.

**ANNEXURE ‘B’ TO DIRECTORS’ REPORT**

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

**1. CONSERVATION OF ENERGY**

a) Energy Conservation measures taken:

The Company has constantly been emphasizing at optimization of energy consumption in every possible area. Various avenues are being explored at periodic interval and after careful analysis and planning measures are being initiated to minimize the consumption of energy. During the period under review, the following measures were initiated/adopted to conserve and optimize utilization of energy.

- (i) Creating awareness amongst all of its staff members to make maximum use of natural lights and sensibly use electrical appliances like fans, air-conditioners etc.
- (ii) Reviewing on a periodic basis all the measures initiated/adopted for conservation of energy.
- (iii) Frequent cleaning of all lighting equipments like bulbs, tubes etc.

b) Additional Investment and proposal, if any, being implemented for reduction of energy:

No investment was made during the period under review.

c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the production of goods:

Negligible.

d) Total consumption and energy consumption per unit of production as per form “A” of the annexure to the rules in respect of Industries specified in the Schedule thereto:

Not applicable.

**2(A) RESEARCH & DEVELOPMENT**

Since no research and development activities have been carried out by the Company during the period under review, the Company has not incurred any expenditure.

**(B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company has not imported any technology during the period.

**3. FOREIGN EXCHANGE EARNING AND OUTGO**

**(Rs. in Lacs)**

- |                                  |     |
|----------------------------------|-----|
| (a) Earnings in Foreign Exchange | Nil |
| (b) Expenditure                  | Nil |

**For and on behalf of the Board**

Place : NOIDA  
Dated : 20<sup>th</sup> June, 2008

**ASHOK CHATURVEDI**  
Chairman

**AUDITORS' REPORT**

To the Members of  
**U-TECH DEVELOPERS LIMITED**

1. We have audited the attached Balance Sheet of **U-TECH DEVELOPERS LIMITED**, as at March 31, 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received from the directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
    - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For CHATURVEDI & PARTNERS**  
Chartered Accountants

Place : New Delhi  
Dated : 20th June, 2008

**R N CHATURVEDI**  
Partner  
Membership No. 092087

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

- I. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. Fixed assets have been physically verified by the management during the year pursuant to a Programme for physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c. The Company has not disposed off any of its fixed assets during the year.
- ii. a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of inventory. No discrepancies were noticed on physical verification.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly clauses 4 (iii) (a) to 4 (iii) (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed of any continuing failure to correct major weaknesses in internal control system of the Company.
- v. In our opinion and according to the information and explanations given to us, there were no contracts or arrangements that needed to be entered into the register required to be maintained under Section 301 of the Companies Act, 1956
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits as defined under the provisions of section 58 and 58 AA or any other relevant provisions of the Companies Act, 1956 and the rules made thereunder.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
- ix. a. According to the information and explanations given to us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including income-tax and cess and any other statutory dues applicable to it and there are no undisputed amounts payable in respect of these dues which have remained outstanding as at March 31, 2008 for a period of more than six months from the date they became payable. We were informed that the operations of the Company during the year did not give rise to any liability for Investor Education Protection Fund, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Employees State Insurance dues.
- b. According to information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty or Cess or any other statutory dues which have not been deposited on account of any dispute.
- x. The Company has been registered for a period less than five years and hence the provisions of clause 4 (x) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company
- xi. In our opinion and according to the information and explanations given to us, the Company has not taken any loans from any of the financial institutions or banks and has not issued any debentures.
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

- xvi. The Company has not raised any term loans during the year. Accordingly, the provisions of clause 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on a short-term basis have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares during the year. Accordingly, the provisions of clause 4 (xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xix. The Company has not issued any debentures during the year. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx. The Company has not raised money through public issue of shares. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **CHATURVEDI & PARTNERS**  
Chartered Accountants

**R N CHATURVEDI**  
Partner  
Membership No. 092087

Place : New Delhi  
Dated : 20th June, 2008



**BALANCE SHEET AS AT 31ST MARCH, 2008**

PARTICULARS	Schedule No		As at 31st March, 2008 (Rupees)		As at 31st March, 2007 (Rupees)
<b>SOURCES OF FUNDS</b>					
Shareholders' Funds					
Share Capital					
a) Share Capital	1	1,000,000,000		1,000,000,000	
b) Reserves & Surplus	2	133,257,901	1,133,257,901	15,803,810	1,015,803,810
Unsecured Loan	3		372,500,000		-
<b>TOTAL</b>			<b>1,505,757,901</b>		<b>1,015,803,810</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	4	1,535,069		-	
Less: Depreciation		205,689		-	
<b>Net Block</b>			<b>1,329,380</b>		
<b>Deferred Tax Assets (Net)</b>			<b>1,889,000</b>		2,657,000
<b>Current Assets, Loans &amp; Advances</b>					
a) Stock In Trade	5	538,760,000		595,000,000	
b) Sundry Debtors	6	265,154,807		-	
c) Cash & Bank Balances	7	12,207,821		270,885,963	
d) Other Current Assets	8	26,875		1,369,478	
e) Loans & Advances	9	1,310,414,111		453,919,445	
		2,126,563,614		1,321,174,886	
<b>Less: Current Liabilities &amp; Provisions</b>					
a) Current Liabilities	10	623,183,212		297,900,318	
b) Provisions	11	840,881		10,127,758	
		624,024,093		308,028,076	
<b>Net Current Assets</b>			<b>1,502,539,521</b>		1,013,146,810
<b>Miscellaneous Expenditure</b>	12		-		-
(To the extent not written off or a adjusted)					
<b>TOTAL</b>			<b>1,505,757,901</b>		<b>1,015,803,810</b>

Notes: 1. The Schedules referred to above form an integral part of the Balance Sheet.

2. Significant Accounting policies and Notes forming part of the Accounts as per Schedule 18 are annexed and form an integral part of the Balance Sheet.

For and on behalf of the Board of Directors

As per our report of even date attached  
For **CHATURVEDI & PARTNERS**  
Chartered Accountants

**ASHOK CHATURVEDI**  
(Director)

**RASHMI CHATURVEDI**  
(Director)

**R N CHATURVEDI**  
Partner  
Membership No.092087

**PRABHAT NANDA**  
(Company Secretary)

Place : New Delhi  
Dated : 20th June, 2008

**PROFIT & LOSS ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

PARTICULARS	Schedule No	For the year ended 31st March, 2008 (Rupees)	For the period ended 31st March, 2007 (Rupees)
<b>INCOME</b>			
Sales & operational income		682,692,307	142,500,000
Other Income	13	4,633,736	4,579,934
Increase/(Decrease) in stock	14	(56,240,000)	595,000,000
<b>Total (A)</b>		<b>631,086,043</b>	<b>742,079,934</b>
<b>EXPENDITURE</b>			
Purchases		413,797,500	700,000,000
Payments & Benefits to Employees	15	10,526,556	1,400,349
Administrative, Selling & Other Expenses	16	11,528,086	16,593,851
Interest & Financial Charges	17	15,602,455	4,924
Depreciation		205,689	–
<b>Total (B)</b>		<b>451,660,286</b>	<b>717,999,124</b>
<b>Profit for the year before taxation (A–B)</b>		<b>179,425,757</b>	<b>24,080,810</b>
Provision for Taxation			
a. Current Tax		60,193,000	10,813,000
b. Deferred Tax (charge)		768,000	(2,657,000)
c. Fringe Benefit Tax		211,000	121,000
Less: Short/(Excess) provision of earlier year			
a. For Income Tax		799,551	–
b. For Fringe Benefit Tax		115	–
<b>Profit After Taxation Carried to Balance Sheet</b>		<b>117,454,091</b>	<b>15,803,810</b>
<b>Basic Earning Per Shares (Rs.)</b>		<b>1.17</b>	<b>0.74</b>
<b>Diluted Earning Per Share (Rs.)</b>		<b>1.17</b>	<b>0.74</b>

**Notes:** 1. The Schedules referred to above form an integral part of the Profit & Loss Account.  
 2. Significant Accounting policies and Notes forming part of the Accounts as per Schedule 18 are annexed and form an integral part of the Profit & Loss Account.

For and on behalf of the Board of Directors

As per our report of even date attached  
**For CHATURVEDI & PARTNERS**  
 Chartered Accountants

**ASHOK CHATURVEDI**  
 (Director)

**RASHMI CHATURVEDI**  
 (Director)

**R N CHATURVEDI**  
 Partner  
 Membership No.092087

**PRABHAT NANDA**  
 (Company Secretary)

Place : New Delhi  
 Dated : 20th June, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

PARTICULARS	Schedule No	For the year ended 31st March, 2008 (Rupees)	For the period ended 31st March, 2007 (Rupees)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit /(Loss) before tax		179,425,757	24,080,810
Adjustment for:			
Depreciation	205,689		–
Interest & Financial Charges	15,602,455		4,924
Interest received from banks / others	(4,633,736)	11,174,408	(4,579,934)
<b>Operating Profit before Working Capital Charges</b>		<b>190,600,165</b>	<b>19,505,800</b>
Adjustment for:			
Trade and other receivables	(1,120,306,870)		(455,288,923)
Inventories	56,240,000		(595,000,000)
Trade and other payables	315,996,017	(748,070,853)	308,028,076
<b>Cash generated from Operating Activities</b>		<b>(557,470,688)</b>	<b>(722,755,047)</b>
Income Tax	(60,992,551)		(10,813,000)
Fringe Benefit Tax	(211,115)	(61,203,666)	(121,000)
<b>Net Cash from Operating Activities (A)</b>		<b>(618,674,354)</b>	<b>(733,689,047)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>			
(Purchase) of fixed assets	(1,535,069)		–
Interest received from banks / others	4,633,736		4,579,934
<b>Net Cash from / (used in ) investing Activities (B)</b>		<b>3,098,667</b>	<b>4,579,934</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Share Capital	–		1,000,000,000
Additions of Borrowing (net)	372,500,000		–
Interest & financial Charges	(15,602,455)		(4,924)
<b>Net Cash used in Financing Activities ( C )</b>		<b>356,897,545</b>	<b>999,995,076</b>
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)		(258,678,142)	270,885,963
Opening Cash and Cash equivalents		270,885,963	–
Closing Cash and Cash equivalents		12,207,821	270,885,963
<b>Note:</b> Cash and Cash Equivalents represent Cash and Bank balance.			

For and on behalf of the Board of Directors

As per our report of even date attached  
For **CHATURVEDI & PARTNERS**  
Chartered Accountants

**ASHOK CHATURVEDI**  
(Director)

**RASHMI CHATURVEDI**  
(Director)

**R N CHATURVEDI**  
Partner  
Membership No.092087

**PRABHAT NANDA**  
(Company Secretary)

Place : New Delhi  
Dated : 20th June, 2008

	As At 31st March, 2008 (Rupees)	As At 31st March, 2007 (Rupees)
<b>SCHEDULE : 1</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
(150000000 Equity Shares (Previous-year same) of Rs 10/-each)	<u>1,500,000,000</u>	<u>1,500,000,000</u>
	<u>1,500,000,000</u>	<u>1,500,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
(100,000,000 Equity Shares (Previous year same) of Rs 10/-each, fully paid up in cash)	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>SCHEDULE : 2</b>		
<b>RESERVE AND SURPLUS</b>		
<b>PROFIT &amp; LOSS A/C</b>		
Opening Balance	15,803,810	-
Additions During Year	<u>117,454,091</u>	<u>15,803,810</u>
	<u>133,257,901</u>	<u>15,803,810</u>
<b>SCHEDULE : 3</b>		
<b>UNSECURED LOAN</b>		
From Holding Company	<u>372,500,000</u>	-
From others		
	<u>372,500,000</u>	<u>-</u>

**SCHEDULE : 4**

**FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at 01.04.07	Additions during the year	As at 31.03.08	Upto 01.04.07	For the year	On sales/ adjustment	Upto 31.03.08	As at 31.03.08	As at 31.03.07
Computers	-	1,427,904	1,427,904	-	192,452	-	192,452	1,235,452	-
Office Equipments	-	43,289	43,289	-	1,336	-	1,336	41,953	-
Intangible Assets	-	63,876	63,876		11,901		11,901	51,975	
<b>TOTAL</b>	-	1,535,069	1,535,069	-	205,689	-	205,689	1,329,380	-
Previous Year	-	(-)	-	-	-	-	-	-	-

	For the year ended 31st March, 2008 (Rupees)	For the period ended 31st March, 2007 (Rupees)
<b>SCHEDULE : 5</b>		
<b>STOCK IN TRADE</b>	<u>538,760,000</u>	<u>595,000,000</u>
<b>SCHEDULE : 6</b>		
<b>SUNDRY DEBTORS</b>		
Debtors outstanding for a period exceeding 6 month	-	-
Others	<u>265,154,807</u>	-
	<u>265,154,807</u>	<u>-</u>
<b>SCHEDULE : 7</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash In Hand	35,519	5,671
<u>Balance with Scheduled Bank</u>		
In current Account	12,172,302	11,380,292
In Fixed Deposits	-	259,500,000
	<u>12,207,821</u>	<u>270,885,963</u>
<b>SCHEDULE : 8</b>		
<b>OTHER CURRENT ASSETS</b>		
Pre paid expenses	26,875	-
Interest Accrued but not due	-	1,369,478
	<u>26,875</u>	<u>1,369,478</u>
<b>SCHEDULE : 9</b>		
<b>LOANS &amp; ADVANCES</b>		
Advance against Property	1,283,980,000	453,919,445
Income Tax (net of Provision)	16,772,257	-
Other Advances	<u>9,661,854</u>	-
	<u>1,310,414,111</u>	<u>453,919,445</u>
<b>SCHEDULE : 10</b>		
<b>CURRENT LIABILITIES</b>		
Advances	350,000,000	
<u>Sundry Creditors</u>		
Trade Creditors	269,380,000	297,500,000
Creditors for Expenses	284,286	80,763
<u>Duty &amp; Taxes</u>		
TDS Payable	<u>3,518,926</u>	319,555
	<u>623,183,212</u>	<u>297,900,318</u>
<b>SCHEDULE : 11</b>		
<b>PROVISIONS</b>		
For Taxation	-	9,785,265
For Fringe Benefit Tax	127,000	121,000
Employees' Benefits	<u>713,881</u>	221,493
	<u>840,881</u>	<u>10,127,758</u>
<b>SCHEDULE : 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off)		
Preliminary Expenses	-	6,616,700
Less: Written off during the year	<u>-</u>	<u>6,616,700</u>
	<u>-</u>	<u>-</u>

	As At 31st March, 2008 (Rupees)	As At 31st March, 2007 (Rupees)
<b>SCHEDULE : 13</b>		
<b>OTHER INCOME</b>		
Interest on Fixed Deposits with Banks [TDS Rs. 9,63,372/- Previous year Rs 10,27,735/-]	<u>4,633,736</u>	<u>4,579,934</u>
	<u><u>4,633,736</u></u>	<u><u>4,579,934</u></u>
<b>SCHEDULE : 14</b>		
<b>INCREASE/(DECREASE) IN STOCK</b>		
Closing Stock	538,760,000	595,000,000
Less: Opening Stock	<u>595,000,000</u>	-
	<u><u>(56,240,000)</u></u>	<u><u>595,000,000</u></u>
<b>SCHEDULE : 15</b>		
<b>EMPLOYEES REMUNERATION &amp; OTHER BENEFITS</b>		
Salaries & Allowances	10,494,616	1,177,226
Staff Welfare Expenses	<u>31,940</u>	<u>223,123</u>
	<u><u>10,526,556</u></u>	<u><u>1,400,349</u></u>
<b>SCHEDULE : 16</b>		
<b>ADMINISTRATIVE, SELLING &amp; OTHER EXPENSES</b>		
Advertisement	-	243,377
Auditor remuneration	44,944	44,944
Fees & Taxes	3,160	3,250,000
Legal & Professional Charges	6,860	20,610
Printing & Stationary	264,773	54,373
Telephone, Postage & Telegraph	343,950	58,722
Travelling & Conveyance	9,841,561	6,138,547
Preliminary Expenses w/o	-	6,616,700
Miscellaneous Expenses	28,622	166,578
Vehicle Running & Maintenance	511,395	-
Filing Fees	6,391	-
Office Maintenance	17,732	-
Recruitment & Training Expense	256,551	-
Repairs & Maint (others)	57,019	-
Tender Expenses	73,546	-
Processing Fees	55,500	-
Books & Periodical	<u>16,082</u>	-
	<u><u>11,528,086</u></u>	<u><u>16,593,851</u></u>
<b>SCHEDULE : 17</b>		
<b>INTEREST &amp; FINANCIAL CHARGES</b>		
Interest paid	15,573,096	-
Bank Charges	<u>29,359</u>	<u>4,924</u>
	<u><u>15,602,455</u></u>	<u><u>4,924</u></u>

**SCHEDULE 18****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A. Significant Accounting Policies****1. CLASSIFICATION OF EXPENDITURE / INCOME**

Except otherwise indicated:

- i) All expenditure and income are accounted for under the natural heads of account.
- ii) All expenditure and income are accounted for on accrual basis.

**2. COST OF ESTIMATES**

The preparation of the financial statements in conformity with GAAP requires the Company to make estimates and assumption that affect the balance of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amounts of income and expenses during the period of account. Examples of such estimates include accounting for balance cost to complete ongoing projects, income taxes and future obligation under employee retirement benefit plans. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated, actual results could differ from those estimates.

**3. VALUATION****i) FIXED ASSETS**

Fixed Assets are normally accounted for on cost basis including the cost of installation, pre-operative expenses, identifiable trial run expenses where incurred/ eligible adjustment on account of foreign exchange fluctuations and impairment losses. Pre-operative expenses and identifiable trial run expenses incurred by the company up to the date eligible assets are put to use in proportion to their cost. The cost of fixed assets is adjusted for revaluation, if any, done in any year as decided by the management so as to show the fixed assets at their current value.

**ii) INVENTORIES**

Inventories are valued at lower of cost and net realisable value. In respect of work-in-progress, comprising of developing long term properties and assets, the qualifying assets are valued at direct cost of construction including borrowing and other costs incidental thereto incurred up to the state of keeping those qualifying assets ready for sale in compliance with Accounting Standard-16.

**4. FOREIGN CURRENCY TRANSACTIONS**

- a) Foreign currency monetary items remaining unsettled at the year end are translated at year end rates. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in foreign currency are reported using the exchange rates that existed when the values were determined.
- b) Exchange differences on outstanding loans / payable / liabilities are adjusted as income / expense through the Exchange Fluctuation Account in the year they arise.
- c) Difference between the forward and exchange rate on the date of transactions are adjusted over the period of the contract as an income / expense through the Exchange Fluctuation Account.
- d) Profit or loss on cancellation of forward contracts are adjusted as income / expense through Exchange Fluctuation Account in the year they arise.

**5. DEPRECIATION**

- i) Normal depreciation on all fixed assets, except land and extra shift depreciation on specific plant & machineries for the period of extra shift worked, are provided from the date of put to use on straight line method at the rates prescribed in Schedule-XIV to the Companies Act, 1956.
- ii) No depreciation is provided on leasehold land.
- iii) Depreciation on additions / deletions to fixed assets is provided on *pro-rata* basis from / to the date of additions/ deletions.
- iv) In case the financial year consists of the period less / more than the normal period of 12 months, depreciation on fixed assets existing at the beginning of the financial year as well as those acquired during the said period are provided for the period covered on *pro-rata* basis.

- v) In respect of assets acquired on amalgamation, depreciation is provided on the net value to the company at the time of amalgamation.
- vi) Depreciation on additions / deletions to the fixed assets due to foreign exchange fluctuations is provided on pro-rata basis from the date of additions / deletions.

#### 6. REVENUE RECOGNITION

Revenue on sale of property is recognised on transferring the significant risks and rewards of ownership and the sale consideration is determined through agreement of sale or registration of sale deed as per Accounting Standard - 9, Revenue Recognition. However, in case where the seller is obligated to perform any substantial acts after the transfer of all significant risks and rewards of ownership, revenue is recognised on proportionate basis as the acts are progressively performed, by applying the percentage of completion method as explained in Accounting Standard -7 (revised 2002), Construction Contracts.

#### 7. INVESTMENTS

Long term investments are valued at their cost including brokerage, fees and duty. However, if there is decline in value of investment, other than temporary, the carrying amount of investment is reduced recognizing the decline in value of each investment.

#### 8. EMPLOYEE BENEFITS

- i) Gratuity is provided as per the provisions of payment of Gratuity Act, 1972 with vesting period of 5 years of service.
- ii) Leave encashment is provided on the basis of leave entitlement of employees remaining unutilised at the end of the year.

#### 9. BORROWING COST

Borrowing cost attributable to the acquisition or construction of qualifying /eligible assets are capitalised as part of the cost of such assets. A qualifying /eligible asset is an asset that necessarily takes a substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense and are charged to revenue in the year in which they are incurred.

#### 10. EARNING PER SHARE

In accordance with the Accounting Standard-20 (AS-20) "Earning Per Share" issued by The Institute of Chartered Accountants of India, Basic & Diluted Earning Per Share is computed using the weighted average number of Shares outstanding during the period.

#### 11. DEFERRED TAX ASSETS / LIABILITIES

Deferred tax assets & liabilities are measured using the current tax rates. When there is unabsorbed depreciation or carry forward of losses, Deferred tax assets are recognised only to the extent that there is virtual certainty of realisation of deferred tax assets. Other deferred tax assets are recognised to the extent, there is reasonable certainty of realisation of deferred tax assets. Such deferred tax assets & other unrecognised deferred tax assets are re-assessed at each Balance Sheet date and the carrying value of the same are adjusted recognising the change in the value of each such deferred tax assets.

#### 12. IMPAIRMENT

Management periodically assesses using external and internal sources whether there is an indication that assets of concerned cash generating unit may be impaired. Impairment loss, if any, is provided as per Accounting Standard (AS-28) on Impairment of Assets.

#### 13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In accordance with the Accounting Standard AS – 29 issued by the Institute of Chartered Accountants of India a) provisions are made for the present obligations where amount can be estimated reliably, and b) contingent liabilities are disclosed for possible obligations arising out of uncertain events not wholly in control of the company. Contingent assets are neither recognised nor disclosed in the financial statements.

#### 14. INTANGIBLE ASSETS

Customised or separately purchased software is classified as intangible assets at their cost and amortised over a period of five years from date of put to use.

#### 15. CLAIMS BY / AGAINST THE COMPANY

Claims by / against the Company arising on any account are provided in the accounts on receipts / acceptances.



**B. Notes to Accounts**

- There are no dues to micro, small and medium enterprises as at March 31, 2008.
- The following table sets out the status of the gratuity and leave encashment and the amounts recognised in the Company's financial statements as at 31st March, 2008.

Particulars	Gratuity (Non-Funded) As on 31st March, 2008 (Rs)	Leave Encashment (Non-Funded) As on 31st March, 2008 (Rs)
Liability at the beginning of the year	-	151091
Current Year Provision	124620	131714
Liability at the end of the year	124620	282805

- Payments to auditors (on accrual basis)

Particulars	Year Ended March 31, 2008 (Rupees)	Period ended March 31, 2007 (Rupees)
a) Statutory Audit fees	28,090	28,090
b) Tax Audit Fee	16,854	16,854
<b>Total</b>	<b>44,944</b>	<b>44,944</b>

- In accordance with Accounting Standard (AS 22) "Accounting for Taxes on Income" issued by the ICAI, the company has accounted for Deferred Taxes during the year.

Following are the major components of deferred tax assets / (liabilities):

Particulars	Deferred Tax Asset/Liabilities As at 01-04-2007	Current year (Charges)/Credit	Deferred Tax Asset/Liabilities As at 31-03-2008
-------------	--	----------------------------------	--

**A. Deferred Tax Assets**

Unabsorbed Depreciation as per Income Tax Act	-	-	-
Carry Forward Business Losses as per Income Tax Act	-	-	-
Others	26,57,000	(5,58,000)	20,99,000
<b>Total (A)</b>	<b>26,57,000</b>	<b>(5,58,000)</b>	<b>20,99,000</b>

**B. Deferred Tax Liabilities**

Excess of Book WDV of Fixed Asset Over Income Tax WDV of Fixed Assets	-	2,10,000	2,10,000
Others	-	-	-
<b>Total (B)</b>	<b>-</b>	<b>2,10,000</b>	<b>2,10,000</b>
<b>Net Deferred Tax Assets/ Liabilities (A-B)</b>	<b>26,57,000</b>	<b>(7,68,000)</b>	<b>(18,89,000)</b>

- Earnings per Share (EPS)

Particulars	Year Ended March 31, 2008	Period ended March 31, 2007
Weighted average number of Equity Shares of Rupees 10 each outstanding during the year	10,00,00,000	2,13,98,544
Net Profit as per Profit & Loss Account available for equity share holders	11,74,53,438	1,58,03,810
Basic and Diluted Earnings Per Share (in Rupees)	1.17	0.74

6. **Related Party Disclosures**

List of Related Parties and Relationship

i. **Holding Company**

UFlex Limited

ii. **Fellow Subsidiaries**

- a) Flex America Inc.
- b) Flex Middle East FZE
- c) Flex Europe Pvt Ltd
- d) Uflex Packaging Inc.

iii. **Individual owning indirect interest in voting power of the company**

Mr. Sri Ashok Chaturvedi

iv. **Key Management Personnel**

Mr.S.K.Sharma

v. **Enterprises in which the persons referred in (iii) alongwith their relative exercise significant influence:**

Ultimate Flexipack Ltd., Flex Foods Ltd., Cinflex Infotech Pvt. Ltd., Club One Airways Pvt. Ltd., Flex Industries Pvt. Ltd., AC Infratech Pvt. Ltd., RC Properties Pvt. Ltd., A to Z Infratech Pvt. Ltd., Ultimate Infratech Pvt. Ltd., Flex International Pvt. Ltd., Anshika Investments Pvt. Ltd., Anant Overseas Pvt. Ltd., Apoorva Extrusion Pvt. Ltd., Anshika Consultants Pvt. Ltd., A R Leasing Pvt. Ltd., Ultimate Enterprises Pvt. Ltd., Ultimate Energy Ltd., Kaya Kalpa Medical Services Pvt. Ltd., A R Airways Pvt. Ltd., A R Infrastructures & Projects Pvt. Ltd., AR Aerotech Pvt. Ltd., AC Infrastructures Pvt. Ltd. and AKC Developers Pvt. Ltd.

The Company has entered into transactions with certain parties listed above during the year under consideration.

(Rs. In Lacs)

Transactions	Holding Company	Enterprises referred to in (v) above
i) <b>Trade Transactions</b>		
Expenses reimbursed/paid	3.17	91.64
ii) <b>Non Trade Transaction</b>		
Loan Taken	5175.00	688.00
Amount Paid for Loan Taken	1450.00	688.00
Interest Paid on Loan	147.85	7.88
Balances Outstanding	3725.00	NIL

7. **Managerial Remuneration:**

(Rs. In lacs)

	Current Year	Previous Year
i) Salaries Including HRA	15.35	Nil
ii) Medical Reimbursement	0.15	NIL
iii) Perquisite value of electricity, car & rent free accommodation provided, evaluated as per Income Tax Rules, 1962 (net of recovery)	0.05	Nil
<b>Total</b>	<b>15.56</b>	Nil

8. Information pursuant to paragraph 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956:

(A) Quantitative details of purchase, sales and opening and closing stock of flats:-

(Rs. In lacs)

Opening Stock		Purchase		Sales		Closing Stock	
Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount
85	5950.00	54	2937.60	50	4750.00	89	5387.60
85	5950.00	54	2937.60	50	4750.00	89	5387.60
FSI Area In Sq. Ft.		FSI Area In Sq. Ft.	Amount	FSI Area In Sq. Ft.	Amount	FSI Area In Sq. Ft.	Amount
-	-	436500	1200.38	436500	2076.92	-	-
-	-	436500	1200.38	436500	2076.92	-	-

(B) No other information pursuant to paragraph 3, 4C and 4D of Part II of schedule VI of the Companies Act, 1956.

Signatures to Schedule 1 to 18 form an integral part of accounts.

For and on behalf of the Board of Directors

ASHOK CHATURVEDI  
(Director)

RASHMI CHATURVEDI  
(Director)

As per our report of even date attached  
For CHATURVEDI & PARTNERS  
Chartered Accountants

R N CHATURVEDI  
Partner  
Membership No.092087

Place : New Delhi  
Dated : 20th June, 2008

PRABHAT NANDA  
(Company Secretary)

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### 1. Registration Details

Registration No. U45200DL2006PLC156675 State Code 55  
Balance Sheet Date 31st March, 2008

### 2. Capital raised during the year

Public Issue Nil Right Issue Nil  
Bonus Issue Nil Private Issue Nil

### 3. Position of Mobilisation & Deployment of Funds

Total Liabilities 1,505,758 Total Assets 1,505,758

#### Source of Funds

Paid-up capital 1,000,000 Reserve & Surplus 133,258  
Unsecured Loan 372,500

#### Application of Funds

Net Fixed Assets 1,329 Investments -  
Net Current Assets 1,502,540 Deferred Tax Assets 1,889

### 4. Performance of the company

Turnover (incl. Other Income) 687,326 Dividend rate Nil  
Profit/(Loss) before Taxes 179,426 Profit/(Loss) after taxes 117,454  
Earning per share in Rs. 1.17 Total Expenditure 451,660

### 5. Generic Names of three principal products/services of company

Not Applicable

ASHOK CHATURVEDI  
(Director)

RASHMI CHATURVEDI  
(Director)

Place : New Delhi  
Dated : 20th June, 2008

PRABHAT NANDA  
(Company Secretary)

**IYER ASSOCIATES**  
**Certified Public Accountants**

**REPORT OF INDEPENDENT AUDITORS**

To  
Board of Directors and Shareholders of UFLEX Packaging Inc.

We have audited the accompanying balance sheet of UFLEX Packaging, Inc. as of March 31, 2008, and the related statements of income, cash flows and changes in stockholders' equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UFLEX Packaging, Inc. as of March 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Iyer Associates**  
Hamilton, NJ

May 14, 2008

**BALANCE SHEET AS OF MARCH 31,2008**

	\$	Rs. In Lacs
<b>ASSETS</b>		
Current assets		
Cash	115,649	45.82
Accounts receivable	432,923	171.52
Inventory	650,542	257.74
Prepaid Expense	4,250	1.68
Total current assets	<u>1,203,364</u>	<u>476.76</u>
Fixed assets - net	10,902	4.32
Security Deposit	7,425	2.94
<b>TOTAL ASSETS</b>	<u>1,221,691</u>	<u>484.02</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	867,179	343.58
Accrued Expenses	4,500	1.78
Customer Advances Received	234,125	92.76
Loan Payable-Flex America	13,627	5.40
Provision for Taxes	1,379	0.55
Total current liabilities	<u>1,120,810</u>	<u>444.07</u>
Long-term liabilities		
Total long-term liability	-	-
Total current and long-term liability	<u>1,120,810</u>	<u>444.07</u>
Shareholder's equity and retained earnings		
Shareholder's equity, Authorised 250,000 @10/- issued 10,000	100,000	39.62
Retained earnings	-	-
Net Income	881	0.34
Total shareholder's equity	<u>100,881</u>	<u>39.96</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>1,221,691</u>	<u>484.03</u>

See accompanying Independent Auditor's report and notes to financial statements.

All the figures have been converted @ Rs. 39.62 / US\$ as on 31.3.2008.

**STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31,2008**

	\$	Rs. In Lacs
Net revenue	479,210	189.86
Cost of revenue	418,930	165.98
Gross profit	60,280	23.88
Operating expenses		
General Administrative expenses	56,169	22.26
Net income before depreciation	4,111	1.62
Interest Expense	-	-
Depreciation & Amortization	2,725	1.08
Taxes	1,379	0.55
Net income	7	(0.01)
Interest Income	874	0.35
Total Income	881	0.34

**STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31,2008**

	\$	Rs. In Lacs
<b>Cash flows from operating activities</b>		
Net profit	881	0.34
Adjustment to reconcile net profit to net cash provided by operating activities		
Depreciation	2,725	1.08
Changes in assets and liabilities		
(Increase)/Decrease in software development cost		
(Increase) / Decrease in accounts receivable	(243,161)	(96.34)
(Increase) / Decrease in inventory	(650,542)	(257.74)
(Increase)/ Decrease in advances & Prep aids	(11,675)	(4.63)
Increase / (Decrease) in accounts payable and accrued expenses	871,679	345.36
Increase / (Decrease) in payroll liabilities		
Increase / (Decrease) in loans & Advances	57,990	22.98
Increase / (Decrease) in Income tax provision	1,379	0.55
<b>Total adjustments</b>	27,016	10.70
<b>Net cash used in operating activities</b>	29,276	11.60
<b>Cash flows from financing activities</b>		
Decrease in Treasury Stock		
Capital	100,000	39.62
Decrease in long-term loan	-	-
Decrease in other liability	-	-
<b>Net cash provided by financing activities</b>	100,000	39.62
Cash flows from investing activities		
Capital expenditure	(13,627)	(5.40)
Net cash used in investing activities	(13,627)	(5.40)
Net increase / decrease in cash		
Cash at the beginning of the year		
Cash at the end of the year	115,649	45.82

-See accompanying Independent auditor's report and notes to financial statements-

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AS OF MARCH 31, 2008**

	Common stock		Retained earnings		Total Stockholders equity		
	Shares	Amount		US\$	Rs. in lacs	US\$	Rs. in lacs
	Numbers	US\$	Rs. in lacs				
Authorised 25,000 shares							
Issued & Outstanding, par value \$10.00	10,000	100,000	39.62	–	–	100,000	39.62
Net income, year ended March 31,2008	–	–	–	881	0.34	881	0.34
Balance, March 31,2008	10000	100,000	39.62	881	0.34	100881	39.96

**SUPPLEMENTARY SCHEDULE**
**General and administrative expenses for the year ended March 31,2008**

	\$	Rs. in Lacs
Audit fees	4,500.00	1.78
Bank service charges	1,904.00	0.75
Custom clearing	400.00	0.16
Insurance	2,480.00	0.98
Miscellaneous	500.00	0.20
Moving expense	4,465.00	1.77
Office supplies	2,269.00	0.90
Postage	39.00	0.02
Professional fees	2,570.00	1.02
Rent	21,051.00	8.34
Repairs	1,188.00	0.47
Telephone	1,866.00	0.74
Travel & Entertainment	12,937.00	5.13
	56,169.00	22.26

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31,2008**
**1) Organization And Description Of Business**

Uflex Packaging, Inc. was incorporated in the state of New Jersey on June 5, 2007. The Company is a wholly owned subsidiary of Uflex Limited, a company registered in New Delhi, India. The Company imports and sells, holographic/ metallized gift wraps, laminated pouches, and flexible laminates manufactured by Uflex Limited.

**2) Summary Of Significant Accounting Policies**
**Accounting Policies**

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

**Cash and Cash Equivalents**

The Company considers all checking accounts; sweep accounts and money market accounts to be cash and cash equivalents. The Company's checking and sweep accounts are located with Wachovia Bank and Bank of America. The amount on hand at any one time in any of these accounts may exceed the \$100,000 federal insured limit. The Company's statements of financial position and results of operations are measured using the United States dollar as the functional currency.

**Accounts Receivables – Net**

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for doubtful accounts. The provision for doubtful debts for the year was nil.

**Concentrations**

For the year ended March 31, 2008, sales to four customers amounted to \$359,828 (75 % of net revenues). As of March 31, 2008, accounts receivable from these customers was \$313,676 (74 % of receivable)

**Inventories**

Inventories consisting of merchandise for resale are valued at cost. The value of the inventory as of March 31, 2008 was \$650,542 and has been certified by management.

**Revenue Recognition**

The Company recognizes revenue when products are shipped to customers.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 3 to 10 years. Property and equipment consists of the following:

<b>Classification</b>	<b>Estimated Life</b>
Automobile	5 years

Depreciation of \$2,725 was provided for the year and this was calculated on a Tax Basis.

**Use Of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

**Income Taxes**

The Company has elected for income tax purposes to be taxed as an C Corporation under the provision of Internal Revenue Code. Provision for federal and state taxes has been recorded based on the Income Tax basis.

**3. Capital Structure**

As of March 31, 2008, the Company has Authorized 25,000 shares of \$10 par value common stock. The company has 10,000 shares of \$ 10 par value common stock issued and outstanding. All of the 10,000 shares of \$10 par value common stock is held by Uflex Limited (Parent Company).

**4. Related Party Transactions**

All the purchases of inventory, made by the company during the year were from Uflex Limited, the parent Company. These purchases amounted to \$1,069,471. During the year the company purchased vehicles from Flex America Inc. ,another subsidiary of the parent company. The vehicles were purchased at the net book value of \$13,627.00.

**5. Lease Commitments**

The Company leases its New Jersey office under a 2 year lease agreement that started on November 1,2007. The monthly rent under this lease is \$2,475. Future lease commitments as of March 31,2008 are as follows:

	<b>Operating leases</b>	
	<b>US \$</b>	<b>Rs. in lacs</b>
2008	\$ 22,275	8.83
2009	\$ 24,750	9.81





# UFLEX LIMITED

Regd. Office :

305, Third Floor, Bhanot Corner, Pamposh Enclave,  
Greater Kailash - I, New Delhi - 110 048

DP ID*	
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Client ID*	
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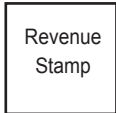
## PROXY FORM

Proxy No. : .....

Regd. Folio No. .... No. of shares held ..... I/We .....  
..... of ..... in the district  
of ..... being a Member/Members of the above named  
Company hereby appoint .....  
..... of ..... in the district of  
..... or failing him/her ..... of ..... in  
the district of ..... as my/our proxy to vote for me/us on my/our behalf at the 19th Annual General  
Meeting of the Company to be held on **Monday, the 25th August, 2008 at 10.00 A.M.** at Air Force Auditorium, Subroto Park,  
New Delhi-110 010 and at any adjournment thereof.

Signed this ..... day of ..... 2008.

Signature .....



.....

**\* Applicable for investors holding shares in electronic form.**

**Note :** This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered  
Office of the Company, not less than 48 hours before the scheduled time of the Meeting. The Proxy need not be a Member  
of the Company.



# UFLEX LIMITED

Regd. Office :

305, Third Floor, Bhanot Corner, Pamposh Enclave,  
Greater Kailash - I, New Delhi - 110 048

## ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

DP ID*	
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Client ID*	
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Name of attending Member (In Block Letters)	Regd. Folio No.
Name of Proxy (in Block Letters) (To be filled in if the Proxy attends instead of the Member)	Number of Shares held

I hereby record my presence at the 19th Annual General Meeting  
of the Company being held at Air Force Auditorium, Subroto  
Park, New Delhi - 110 010 on **Monday, the 25th August, 2008  
at 10.00 A.M.**

.....  
Member's/Proxy's Signature  
(To be signed at the time of handing over this slip)

- Notes :**
- i) Members/Proxy holders are requested to bring the Attendance Slip with them duly filled in when they come to the Meeting and hand over at the entrance. No attendance slip will be issued at the time of the Meeting.
  - ii) Members/Proxy holders desiring to attend the Meeting should bring their copy of the Annual Report for reference at the Meeting.

**\*Applicable for investors holding shares in electronic form**

**BOOK-POST**  
**PRINTED MATTER**

*If undelivered, please return to :*



**UFLEX LIMITED**

305, Third Floor, Bhanot Corner, Pamposh Enclave,  
Greater Kailash - I, New Delhi - 110 048.