



'A part of your daily life'

UFLEX LIMITED

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of UFLEX LIMITED will be held on Thursday, the 13th day of September, 2007 at 10:00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110010 for transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2007 and the Profit & Loss Account for the year ended on that date together with Reports of Auditors and Directors thereon.
2. To confirm the payment of interim dividend for the year 2006-2007 and to declare the final dividend for the year 2006-2007 on the equity shares of the Company.
3. To appoint a Director in place of Shri Ravi Kathpalia, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri P.N. Sharma, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Statutory Auditors of the Company to hold office from the conclusion of this 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.

By Order of the Board

AJAY KRISHNA

Place : NOIDA
Dated : 14th August, 2007

Vice President (Legal) &
Company Secretary

Regd. Office:

110, First Floor, Bhanot Corner
Pamposh Enclave, Greater Kailash - I
New Delhi - 110048

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED DULY COMPLETED TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.

2. 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.
3. **The Register of Members and Share Transfer Books of the Company shall remain closed from 06.09.2007 to 13.09.2007 (both days inclusive), Dividend, if approved at the meeting, will be paid to those members whose names appear as :**
 - a) **Beneficial Owners, as at the end of business hours on 05.09.2007 as per lists to be furnished by NSDL & CDSL in respect of Shares held in electronic form and;**
 - b) **Members in the Register of Members as on 13.09.2007 after giving effect to valid transfer requests received before the close of business hours on 05.09.2007.**
4. 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.
5. 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.
6. Members, who are holding shares in identical order of names in more than One Folio are requested to write to the Company/RTA for consolidating their holdings into One Folio.
7. 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.
8. 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.
9. 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.

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10. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 28.08.2000. The Company has already joined the Depository system and the ISIN for the shares of the Company is INE 516A01017. Members, who desire to have their holding of shares dematerialized are requested to approach the Company's RTA through a Depository Participant.
11. 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.
12. The Company has paid the Annual Listing fees for the year 2007-2008 to the following Stock Exchanges, viz., Bombay Stock Exchange Limited and National Stock Exchange of India Limited at which the Company's Securities are presently listed.

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

Name of Director	Shri Ravi Kathpalia	Shri P.N. Sharma
Date of Birth	18 th August, 1937	15 th August, 1949
Date of Appointment	22 nd March, 2002	11 th August, 2003
Experience in specific Functional areas	A Retd. Govt. Officer with expertise in the fields of Audit & Accounts.	A Chartered Accountant having wide and varied experience in the field of Finance and other related areas.
Qualification	M.A., M.Phil, I.A.A.S.	Chartered Accountant
Directorship in other Public Limited Companies	- Fair Field Atlas Limited. - Lord Chloro Alkali Ltd. - U Tech Developers Ltd. - Dhir & Dhir ARC Ltd.	- Baidyanath Leasing & Finance Limited
Member/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	Audit Committee - UFLEX LIMITED (Chairman) - U Tech Developers Ltd. Remuneration Committee - UFLEX LIMITED Shareholders'/Investors' Grievance Committee Nil	Audit Committee Nil Remuneration Committee Nil Shareholders'/Investors' Grievance Committee - UFLEX LIMITED

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

Sl. No.	Name of Director	No. of Equity Shares	Other convertible Instruments
1.	Shri Ravi kathpalia	7000	Nil
2.	Shri M. G. Gupta	25440	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)	Nil	Nil

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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting this Eighteenth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2007.

WORKING RESULTS

The summarized financial results for the year ended 31st March, 2007 and for the previous year ended 31st March, 2006 are as follows:

	[Rs. in lacs]	
	Year ended 31.03.2007	Year ended 31.03.2006
Gross Sales & Job Work	170140.11	113992.58
Net Sales & Job Work	119856.32	94596.38
Other Income	10018.68	6812.22
Profit before Interest, Depreciation & Tax	19002.56	13134.48
Interest & Financial charges	4731.16	2818.30
Depreciation	7605.54	5925.66
Profit before Tax	6665.86	4390.52
(Less): Provision for Taxation		
- For Income Tax	(750.00)	(356.46)
- For Fringe Benefit Tax	(171.25)	(153.00)
- For Wealth Tax	(26.01)	(22.00)
Less : Provision for Deferred Tax (Charge)	(1510.02)	(572.45)
Profit after Tax	4208.58	3286.61

YEAR IN RETROSPECT

The Audited Financial Results for the year ended 31st March, 2007 is the first consolidated result of the Company after the merger of erstwhile Flex Engineering Limited, Flex Securities Limited and FCL Technologies & Products Limited with the Company in terms of Scheme of Arrangement approved by the Hon'ble High Court of Delhi at New Delhi vide its order dated 6th October, 2006 read with order dated 9th November, 2006. The Audited figures for the year ended 31st March, 2006 are shown without giving effect of the said scheme. Therefore, the figures are not comparable.

The operational performance of the Company has been comprehensively covered in the Management Discussion

and Analysis Report and the same forms a part of this Directors' Report

DIVIDEND

The Board of directors at their meeting held on 28th March, 2007 after considering the overall situation and buoyant performance of the Company had declared an interim dividend @ Rs. 2/- per share involving a total outflow of Rs. 10,32,61,292/-. The said dividend was already paid to the members in April, 2007.

Your Directors now pleased to recommend for the approval of Members a final dividend @ Rs. 2/- per share for the financial year ended 31st March, 2007. The final dividend, it approved by the Members will be paid on or after 13th September, 2007.

SCHEME OF ARRANGEMENT

During the Year, in terms of the Scheme of Arrangement approved by the Members of the Company and the Members of erstwhile Flex Engineering Ltd, FCL Technologies & Products Ltd and Flex Securities Ltd. and Honorable High Court of Delhi vide its Order dated October 6, 2006 read with Order dated November 9, 2006, erstwhile Flex Securities Ltd, Flex Engineering Ltd and FCL Technologies & Products Ltd were merged with your Company with effect from December 4, 2006. The appointed date being April 1, 2006.

In terms of the aforesaid Scheme of Arrangement, the Company issued 1,24,52,062 fully paid equity shares of Rs. 10/- each to the members of erstwhile Flex Engineering Ltd and FCL Technologies & Products Ltd and issued 13,15,200 Optionally Fully Convertible Debentures of Rs.100/- each to specified Financial Institutions upon conversion of 54,80,000 equity shares of Rs. 10/- each issued earlier to the said Financial Institutions in terms of Negotiated Settlement Scheme.

ISSUE OF FCCBS AND WARRANTS

In terms of the approval received from the Members of the Company at the Extra-Ordinary General Meeting held on February 7, 2007, the Company has successfully raised USD 85 million by way issue of Foreign Currency Convertible Bonds (FCCBs) in the international market and issued 103 lacs warrants convertible into equity shares on preferential basis to the Promoters and Others mainly for making acquisition, direct investments/ subsidiary companies/expansion/modernization/new projects/capital expenditure/general corporate purposes etc. Out of 85 million FCCBs, 12.20 million FCCBs have as on date been converted into equity shares and out of 103 lacs warrants, 46 lacs warrants have been converted into equity shares.

UFLEX LIMITED**DETAILS OF ISSUE OF EQUITY SHARES DURING THE PERIOD FROM 01.04.2006 TO 14.08.2007**

Date	Particulars of Issue/ Cancellation of Shares	No. of Shares	Total No. of Shares
No. of equity shares before the issue/cancellation of shares			49070537
03.01.2007	Cancellation of cross holding shares in terms of Scheme of Arrangement approved by the Hon'ble High Court of Delhi at New Delhi	8535609	40534928
03.01.2007	Conversion of equity shares held by specified FIs in terms of the Scheme of Arrangement approved by the Hon'ble High Court of Delhi at New Delhi	5480000	35054928
03.01.2007	Allotted upon merger of Flex Engineering Limited & FCL Technologies & Products Limited in terms of Scheme of Arrangement approved by the Hon'ble High Court of Delhi at New Delhi	12452062	47506990
17.03.2007	Conversion of Warrants	2600000	50106990
22.03.2007	Conversion of FCCBs	1269714	51376704
23.03.2007	Conversion of FCCBs	253942	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

CHANGE OF NAME

Pursuant to the approval received from the Members of the Company through the process of Postal Ballot conducted in the month of December, 2006-February, 2007 and approval received from the Central Government through the Registrar of Companies, NCT of Delhi & Haryana, the name of the Company has been changed to UFLEX LIMITED. Shareholders are requested to make correspondence in the Company's new name i.e. UFLEX LIMITED.

FIXED DEPOSITS

As at March 31, 2007 your Company had Fixed Deposit of Rs.0.24 lacs. No fresh/renewal of deposits were accepted during the financial year. There was no failure to make repayments of fixed deposits on maturity and the interest due thereon on fulfillment of the terms and the conditions of your Company's scheme. 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 Ravi Kathpalia and Shri P.N. Sharma, Directors of the Company retire by rotation and being eligible, offer themselves for re-appointment.

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 elsewhere in the Annual Report.

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, 2007, 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

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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 the 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 and U Tech Developers Limited, India 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 devoted services of all the employees of the Company.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the continued, sincere and dedicated services rendered by the employees of all levels. The Directors also express their grateful 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 & On behalf of the Board

ASHOK CHATURVEDI
Chairman & Managing Director

Place : NOIDA
Dated : 14th August, 2007

UFLEX LIMITED**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. No.	Name	Age	Designation	Remuneration (Rs.)	Qualifications	Experience (Yrs.)	Date of Appointment	Last Employment (Position held)
01.	Shri Chaturvedi Ashok	50	Chairman & Managing Director	46058308	B.Sc.	29	01.08.1988	Flex Laminators Ltd. (Chairman & Managing Director)
02.	Shri Tyle Pradeep	46	Sr. President (Films)	13035162	B.E.(Hons) Chem. P.G.D.B.M.	24	01.08.1988	Flex Laminators Ltd. (General Manager (Operations))
03.	Shri Jain R.K.	52	President (F&A)	6572000	F.C.A.	27	01.08.1988	Flex Laminators Ltd. (Financial Controller)
04.	Shri Ray Amitava	61	President (Packaging Division)	7896192	B.A. (Hons) PGDM	42	06.06.2001	India Foils Limited (Managing Director & CEO)
05.	Shri Sirsamkar P.L.	49	President (Films)	6111139	B.E.	26	01.01.1993	Polyplex Corpn. Ltd. (Dy. General Manager)
06.	Shri Srivastava Ashok Chandra	59	Jt. President (Export Div.)	2924505	LLB, DIP in Business Administration.	36	13.03.2006	Bharti Health Care Ltd. (CEO)
07.	Shri Agarwal P.K.	49	Exe. Vice President (Cylinder Division)	3621487	M.Sc. (Chem.)	26	01.08.1988	Flex Laminators Ltd. (Manager - Production)
08.	Shri Jain Dinesh	53	Exe. Vice President (HR)	3302538	B.Sc. LLB, LLM, DBA	28	20.07.1990	Usha Shri Ram Ltd. (Factory Manager)
09.	Shri Sachdeva Anup	43	Exe. Vice President (Export Marketing)	3162639	B.A.	21	10.11.1997	Sharp Industries Ltd. (Sr. General Manager)
10.	Shri Tandon Ajay	51	Exe. Vice-President (Operation)	3488600	B.E. (Mech. Engg.)	29	04.12.2006***	FCL Technologies & Products Limited (Exe. Vice President)
11.	Shri Anand Arun	55	Sr. Vice President (Marketing)	3131185	B.A.	30	02.05.1996	Sharp Industries Ltd. (Director - Marketing)
12.	Shri Mongia J.M.	51	Vice President (Domestic Marketing)	2863828	B.Com	29	08.08.1994	Garware Paints Ltd (Divisional Manager)
13.	Shri Mital Vipin	62	Exe. Vice-President	2728800	B.Sc., B.Tech., M.B.A.	39	04.12.2006***	Flex Engineering Limited (Chief Executive)
14.	Shri Rajee H M	51	Vice President (Technology)	2625458	M.Chem.Engg.	27	04.12.2006***	FCL Technologies & Products Limited (Vice President)

B. EMPLOYED FOR PART OF THE YEAR

01.	Shri Agrawal R P**	75	Corporate Advisor	2152619	CA, LL.B.	50	15.11.2002	Flex Engineering Limited (Adviser)
02.	Shri Kumar Sutendra	61	President (International Division)	1403505	B.Sc.(Hons.) M.B.A.	36	11.11.2002	GBC Modi Corp. Ltd. (Managing Director)
03.	Shri Jain Ravindra	60	Vice President (Project)	805580	B Tech, MBA	35	12.10.2006	Consultant

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.

** Shri R P Agrawal was appointed as an Advisor in the erstwhile FCL Technologies & Products Limited and drawn salary from the said company upto 30.11.2006.

*** The effective date of merger i.e. 04.12.2006 has been taken as the date of joining.

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 conservation has been recognized as a national priority for a very long time. The growth and demand for energy is increasing day by day at a very fast pace, especially, in the industrial sector as well as domestic sector, thus putting a tremendous amount of pressure on the available Energy Generating Resources. The need of the hour is to conserve energy and maximize output. Conservation and efficient use of Energy in Industry has been a priority of the Government. People at their own must understand the seriousness of energy conservation and help the nation in maintaining Energy Security for the future.

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 taken during 2006-2007.

1. Heat Recovery Unit:

One waste heat recovery unit was installed at the exhaust outlet of 6.20 M.W. D.G. Set. The purpose of this unit is to tap the heat energy from the exhaust gases of the D.G. Set & utilize them for heating the water, which will be used as heat input in the Vapour Absorption Chiller.

2. Vapour Absorption Machine (Chiller)

The hot water generated from Heat Recovery Unit 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. This installation has resulted into saving of about 8500 units electricity on daily basis.

3. Capacitors have been fitted into line at local position, apart from LT Panels resulting saving in power consumption by 1.02 lac KWH unit per month.

4. Boiler efficiency has been improved from 0.87 to 0.89 reducing consumption of furnace oil by 6 tons per month.

5. One more automatic defect detection system has been installed and commissioned on printing machines, which reduces wastage and improves quality.

6. One high speed computerized laminating machine designed for low energy consumption has been installed & commissioned, to reduce wastage, energy consumption and to increase productivity.

7. One more high speed slitting machine has been installed & commissioned to reduce wastage and power consumption and to increase productivity.
8. One more high speed shredding machine has been installed & commissioned for recycling of scrap, which results saving in energy consumption.
9. Power loads have been redistributed to improve power factor resulting in more efficient use of energy.
10. Reducing wastages/spillage of fuel like diesel.
11. A novel method of waste reprocessing developed which resulted in the waste % in the range of 0.01-0.04. This almost matches to the waste % observed in continuous process plants.

(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.5.64 lacs. This is equivalent to 00.00% of the turnover.

Technology absorption, adaptation & innovation

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

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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
 - a. Product innovation and renovation, improvement in yield, product quality, input substitution, cost effectiveness and energy conservation as the major benefits.
 - b. The following new products have been developed:
 - i. Co-extruded BOPET Film: Three layer co-extruded film for better surface & optical properties.
 - ii. Embossable BOPET film: Special modified surface for Embossing and good adhesion to metalization makes it suitable for holographic applications.
 - iii. Easy Stackable BOPET Film: The film is with special surface with anti slip behavior to make the stacking of large bags easy.
 - iv. BOPP film for Bundle overwrap: High tensile strength film for bundle overwrap.
 - v. MET BOPP for sandwich lamination: High Barrier metalised BOPP film for sandwich lamination for laminates require low WVTR and high metal bond strength.
 - vi. High Barrier MET PET: The 10 micron film is plasma metalised to provide high metal bond and lower WVTR.
 - vii. Directly Embossable Polyester Film
 - viii. Polyester Matt Finish Film
 - ix. Normal additive chips manufactured with high PPM specially processed Silica resulted in enhancement in the production as well as reduction in cost.
 - x. New Coatings materials and process for embossing on wide web films.
 - xi. Two component polyurethane adhesive system for sandwich panel / construction applications.
 - xii. Hardner for direct poly extrusion on films
 - xiii. Economic series vinyl inks for flexible packaging
 - xiv. New varieties of polyols/prepolymers for shoe segment
 - xv. 3D pouch with registered bottom gusset, production on 2 up basis

- xvi. Special filling and collecting system for 1 meter wide web multitrack machine
- xvii. PFS machine for zipper and slide
- xviii. Flow wrap machine using 3 servo drives
- xix. Continuous collar type machine for snacks for speeds upto 150 packs per minute
- xx. Poly pouching machine using zipper slide diaphragms
- xxi. Low cost three side gusset pouch specially for tea packing has been developed.
- xxii. High performance & low cost laminate for snack foods through extrusion has been developed.
- xxiii. Low cost three layer co extruded poly has been developed by reengineering of polymers.

3. Imported Technology

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports:

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

The Company is at present exporting its products to USA, Europe, Asia Pacific, Middle East, Africa & other 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	31053.00
ii) Design & Art work Recovery	411.08
iii) Technical Services	2332.43
iv) Interest	58.26
v) Dividend	430.25
Total	<u>34285.02</u>
b) Expenditure	
i) CIF Value of Imports	16452.95
ii) Expenditure in Foreign Currency	1330.97
Total	<u>17783.92</u>

For & On behalf of the Board

Place: NOIDA

Dated: 14th August, 2007

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

The year goneby was a remarkable year for India. For the fourth year in succession, year end GDP growth have exceeded initial expectation. With robust performance by manufacturing and service sectors, Indian GDP expanded by about 9.2% in the year 2006-2007, to register the fastest growth in 18 years and remain the second fastest growing Country behind China among large economies. The India growth story continues to hog the headlines around the world. The high growth phase of the economy was reflected in a steady improvement in the infrastructure, increase in planned expenditure and capacity addition in different sectors.

Flexible packaging and printing are the fastest growing segment of the packaging industry worldwide. The global flexible packaging market can be classified into two distinct categories – the developed markets like North America, Western Europe & Japan and the emerging markets like India, China, South East Asia and Latin America. Countries like India & China have been identified as the fastest growing markets with large demand potential. In the future, increased competition in home territories is likely to prompt players in the developed markets to look for investment opportunities in the emerging markets. The converted flexible packaging market is growing at a higher rate. World demand for converted flexible packaging will rise about 5 – 6% annually. The high growth rate can be attributed to the rise in demand for branded foods and other products.

India is the world's largest democracy with a population of over 1.2 billion and has a fast growing consumer market. The retail sector in India is growing at a fast pace and India is emerging as a nation where shopping trends and styles are undergoing radical changes. It is in this context that the printing and packaging industry in India has assumed growing significance. The Indian packaging Industry is itself growing at 18 - 20% annually. This growth rate is expected to double in the next couple of years. According to a recent survey, this industry has consistently outpaced GDP growth.

Flexible packaging generally involves the use of lightweight, durable and flexible materials, such as plastic films, paper and aluminium foil (rather than traditional materials such as paper board, glass or tin), to pack any products. Applications for flexible packaging include labels, adhesive tapes, wrappings and bags for foods, tobacco, textiles and other consumer products. The principal substrates currently used by the flexible packaging industry are BOPET films and BOPP films. These films ensure aroma retention and moisture and facilitate good quality printing.

Flexible packaging contains multi-layered laminates of single or a combination substrates such as plastic, paper or aluminum. 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. Flexible packaging has gained vast acceptability because of the protection, it offers to the products against environmental threats like moisture, heat and chemical reaction. More so, convenience in handling the product and the cost benefits it provides are added advantages.

Consumer demand for packaging products and services is expanding into almost every area, which has typically been reserved for human consumption. However, the pet food industry has also responded to the requirements set by the trend of pet humanization and the corresponding demands of pet owners. This trend is moving fast in the European Union, Japan and other high-income countries. Even in developing countries, there are segments of population, which follow the same trends. It coincides with the fast economic growth observed in various countries. Pet food packaging is also major consumer of the packaging industry.

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.

Since 2001-02, the market for film grade and yarn grade chips in India has over grown beyond expectation, with the installation and commissioning of number of production facilities by new entrants as well as by the end users themselves. This has led to disbalancing of supply demand ratio and resulted in stiff drop in price and margins. Further, the rise in the price of petro-chemical products, more particularly in PTA and MEG, the basic raw materials for production of chips, across the globe during the last couple of years has resulted in higher input cost for the unit.

The yarn grade chips market in India is going through a dull and difficult phase. Though, there has been demand for yarn grade chips, the falling price and

margins and competition from countries like China and Indonesia have made it quite un-remunerative. However, the Company still continues to produce yarn grade chips as well, even though its contribution to the overall turnover was quite low.

The business/market of bottle grade chips in India in the initial phase had shown lot of promise with better demand and margins. However, over a period of time, with the entry of new players with huge capacity, the market has become quite competitive and the margins were not as attractive as it used to be earlier.

Packaging Raw Materials – Inks & Adhesives

Printing Ink industry has witnessed an encouraging growth in domestic market during the year under review. However, the year under review was a difficult one for the printing ink industry particularly in view of the steep increase in input costs and rising interest rates.

Printing inks are formulated from three basic components: a colorant, a vehicle system to carry the colorant, and additives such as waxes and driers. Colorants may be dyes, but are typically pigment-based. They may be in powder form (dry toner), in a concentrated paste dispersion known as a flush, or in a liquid dispersion. Additives can include waxes, driers and other materials that add specific characteristics to an ink or the dried ink film. Together, these ingredients produce the key properties of printing ink: visual properties, runnability properties and end-use performance properties.

The growth of the printing ink sector including that of rotogravure and flexographic inks has been very fast. Many new and innovative products are being introduced on a regular basis to meet the specific requirements of customers and other factors such as environmental concerns.

Packaging Machinery

The capital goods Industry posted a handsome growth, marking the end of many years of recession. The Indian capital Industry has to play key role in achieving the industrial growth.

Indian Capital Goods sector is characterized by a large width of products (almost all major Capital Goods are domestically manufactured) – a legacy of import-substitution policy. This is reflected in the import and export weights calculated for the various reference and benchmark countries.

Most Indian manufacturers define quality of Capital Goods largely by performance parameters and dimensional accuracy and not in terms of aesthetics of finished goods. Most Indian Capital Goods are functionally at par with equipment made elsewhere in the world, but they rank poorly as far as finish is concerned. This has adversely impacted the competitiveness of the Indian Capital Goods in a discriminating and sophisticated export market.

2. Business Review

Plastic Film Business

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

The Company's BOPP films are highly cost effective and functionally efficient product, that has made swift headways into the higher barrier sensitive packaging segment across the World. It is primarily being used for applications in packaging food products such as confectionery, biscuits, bakery, pasta, dried foods, meats and others. 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. The product can be used in a wide range of industries such as packaging, industrial coating, holography, metalizing, printing & lamination etc. The Company has production capacity of over 28000 MTs of BOPP Films.

The Company's BOPET film is one of the initial products of the Company. It has succeeded in retaining its market share and continues to expand its markets in today's dynamic & rapidly changing packaging scenario. It 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 a multitude of applications. The film provides a strong barrier to aroma retention and odour, which makes it especially suitable for use in food packaging, electric insulation, office supplies, graphic arts, imaging and industrial applications. Its dimensional stability and high tensile strength makes this film suitable for critical applications such as audio, video and other magnetic tape applications. 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. The Company has production capacity of over 54000 MTs of BOPET Film.

The Company has the facility to produce polyester chips of film grade, yarn grade and bottle grade. The film grade chips are used as raw material for the manufacturing of polyester films whereas yarn grade chips are used for the manufacturing of polyester yarn and bottle grade chips for production of PET bottles. The unit has made use of its state-of-the-art batch processing manufacturing facilities, by conveniently switching over to produce different grades of chips based on the demand and orders in hand.

Over two decades of company's global experience and expertise now reaches the Middle-East. Flex Middle East is the first of many planned expansions at UFLEX to service some of the most technologically challenging and quality sensitive requirements of the Gulf and

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European markets. The Company has set up a world class Polyester film plant in Jebel Ali Free Zone, UAE thereby being the first company to do major investment in UAE. As a part of this plan, Company's ultra-modern 7.2 meter wide Dornier-Polyester Film plant with a state of the art 2.5 meter wide Galileo Metalizer complete with plasma treatment facility is in production. Producing over 20,000 MT of Polyester film and over 6000 MT of Metalized films for various applications in the thickness range of 9-50 microns. The plant is certified with ISO 9001:2000 for Quality Management Systems, ISO 14001:2004 certification for Environmental Management Systems Standards, accredited with ISO 22000:2005 certification conforming to hygiene, food safety application for packaging and the HACCP based Food Safety System Standards.

During the year under review, there was a price hike of petro based products due to abnormal increase in crude oil prices. This led to steep increase in raw materials costs for manufacturing activities of the Company resulting in higher input cost. Therefore, this business could not perform as was expected due to pressure in margins of the film business during the first, second and third quarters of the year ended 31st March 2007, Thereafter, during the closing period of 2006-07, the pressure on margins eased due to stability in the raw material prices. The realization from the end products is expected to remain stable and so would be the raw materials prices and other manufacturing costs including power and fuel. It is expected that sales volume as well as net revenue will increase in future.

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 one of the market leaders in this sector and a dominant player in India

Flexible packaging consists of multi-layer laminated rolls of plastics (PVC, LDPE, HDPE, BOPP, BOPET), paper, cloth or metal foils that are used separately or in combination for various packaging applications. However, flexible packaging as laminates of plastics have a unique set of properties that ensure toughness, moisture resistance, aroma retention, gloss, grease resistance, heat sealability, printability, low odor and taste. These find use in packaging of food, tea, coffee, spices, chewing tobacco, bakery, confectionary, oil and in certain other non-food applications such as household detergents, health and personal care, soaps, shampoos etc.

In India, approximately 76% of polyester film is consumed in flexible packaging sector. It is normally used as an outer layer on which reverse printing is

done (film is either in plain or metallised lacquered form).

With innovative solutions, the Company has cultivated the use of flexible packaging as cost effective and viable primary packs rather than only as refill packs. It offers finished packaging materials for packaging a wide variety of products.

The Company's emphasis on product innovations, quality enhancement together with competitive cost has paid rich dividend in terms of significant growth in sales. It has successfully developed several new packaging solutions for various applications suitable for food industry, the bakery and confectionery industry, beverage industry and the personal care products industry.

The Company has the technical ability and innovative skills to design structures and barrier properties that set products free to break across all market barriers. Company is the world leader producing world class flexible packaging solutions that:

- Enhance market performance of the product
- Improve utility for the end user
- Help products reach out to new markets
- Replace out-moded options with versatile & cost-effective solutions.

Company's technologically superior infrastructure with state-of-the-art machinery has the capacity to produce over 37,000 MTs of laminates per annum.

Printing cylinder is the heart of the rotogravure flexible printing and the Company has capabilities to provide complete solution starting from artwork/mock up stage to producing final printing cylinders. It also has digital proofing capabilities, which can produce the proof as per the originals without making the printing cylinders.

The Company has world class and state-of-the-art expertise and facilities integrated with best software to produce good quality cylinders. The quality of the cylinders is well accepted in India as well as in the international market.

The Hologram produced by the Company has been well accepted both by the Government as well as Private Organization across the country. The Company through aggressive marketing has been able to garner substantial orders from different states and trade enquiries being received are also quite encouraging. Hologram being low cost with better margin will add to the bottom line significantly.

The Company also manufactures printing ink and adhesives. Printing ink is a mixture of colouring matter dissolved in a vessel to form a fluid or paste, which is used for printing on a substrate and then dried.

The Company has produced indigenously the new generation cost effective polyester base solvent less adhesive system for flexipack, new ink system for PVC profile and special coating for producing matt effect in laminates.

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"Zipouch" is manufactured by the Company, which across the globe, is one of the integrated unit of its kind that masters all packaging related competencies to control and direct the dynamics of the ongoing flexible packaging revolution. Across 6 continents and over 65 countries the Company has helped product ideas come to life and then packaged them in solutions that have emerged as some of the most formidable brand ambassadors in the world. Taking the efforts forward, the Company has reached the common mass by providing them with most innovative and one of the finest household storage solutions through Zipouch. Zipouch bags are for ultimate convenience and diverse utility and are available through a range of different bags catering to the needs of an Indian household at an international standard.

Though this business during the year ended 31st March, 2007 contributed profit for the Company, but the same was not on expected level. It is expected that the over all growth would increase with greater focus on exports and the changed product mix and customer profiles will have a positive impact on the improved realizations.

Other Business

The Company has the manufacturing facilities of packaging, printing and allied machines. The Company also undertakes strategic project advisory services. The ongoing process of innovation and introduction of machines through its in-house R&D facilities, having unique features and facilities for packing products of different varieties, enables the Company to manufacture both tailor made machines as well as machines of specific design to suit the needs and requirements of various customers both in India and abroad. This business could contribute a small portion to the overall profits of the company. It's main contribution was from the domestic sales. The Company is striving to promote & grow in export sales. This division is putting more efforts to increase the volume to sustain it's growth and improve it's share in the profits of the company.

3. Opportunities & Threats

In markets where plastic and paper compete as packaging materials, plastic is expected to make continued, albeit slower, inroads at the expense of paper and paperboard, increasing its share of poundage to 52 percent in 2010. Plastic has made the greatest advances in primary packaging but remains far less significant than paper in secondary packaging and shipping containers.

Material improvements and heightened requirements for product protection and stability will create further opportunities for plastic over paper in a number of areas including protective packaging as well as produce, pet food, candy and confection, frozen food and foodservice applications.

Plastic packaging demand will increase more rapidly based on good opportunities for both flexible and rigid packaging. Flexible packaging advances will be fueled by rapid growth for pouches and protective packaging.

The rapidly expanding stand-up pouch segment will enable flexible packaging to gain share in a number of rigid packaging applications. In rigid plastic packaging, best opportunities are anticipated from the markets of frozen foods, dairy products, and meat, poultry and seafood. Protective packaging prospects will be driven by opportunities in specialized packaging in the electronic, medical and other industries as well as growing internet-based sales.

As a result of further inroads by plastic, paper consumption in the majority of competitive markets will decline or increase only marginally through 2010. However, paper will post above-average growth in foodservice and dairy packaging despite further penetration by plastic. Stimulants in foodservice uses include continued favourable expansion of foodservice revenues and good opportunities in boxes and cartons, paperboard buckets and pails, wraps and bags. Despite intensified competition from plastic in the dairy market, paper advances will be aided by continued opportunities for paperboard ice cream containers based on advantages of aesthetics, freshness protection and leak resistance. Additionally, folding carton demand will benefit from growth in sales of ice cream novelties as well as the popularity of yogurt multipacks.

The Company operates in the flexible packaging industries. Some of the products are commodity grade and are to a large extent fungible with our competitors' products. Demand for the products of the Company is sensitive to changes in industry capacity and output levels, cyclical changes in regional and global economic conditions and changes in consumer demand.

Despite growing competition which may cause downward pressure on prices and profit margins, the Company is expected to grow its sales and overall profits in future from its BOPP films, PET films and flexible packaging materials due to its excellent product quality, low cost of production, ability to offer competitive process, wide range of product portfolio, aggressive marketing strategy, strong global sales and distribution network, innovative product structures for better suitability to its customers in domestic and international market.

The growing globalization of the manufacturing process of packaging industry may have an adverse impact on the demand of the products in the international market. The industry may also face stiff competition from the low cost markets in Asia such as China. Such growing globalization of manufacturing processes and the competition from low cost markets may lead to downward pressure on the profit margins of the Company.

Polyester Chips is one of the raw materials of polyester films. The growth of polyester chips industry is linked to the growth of packaging industry. With the current positive scenario in the packaging industry, the pet chips industry is expected to do well in the coming

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years. With its batch processing and state-of-the-art manufacturing facilities, the Company is well placed to reap the benefit of higher demand.

The input cost for production of polyester chips fluctuates as it heavily depends on the price of different petrochemical products, more particularly on PTA and MEG whereas the price of finished polyester chips remains constant. In the past there has been an unprecedented increase in crude oil prices and other downstream petrochemical products, which have resulted in higher input cost, thereby drastically reducing margins.

The yarn grade chips market in India is going through a dull and difficult phase. Despite demand for yarn grade chips, the falling price and margins and competition from countries like China and Indonesia will have downward pressure on the profit margins of the Company in respect of yarn grade chips manufactured by the Company.

The domestic market for bottle grade chips in the recent past has been flooded with both small and big players, thereby unbalancing the supply demand ratio. This has led to severe competition. Moreover, in spite of the presence of so many players, the market is being dominated by some major players with massive production capacities and captive source for raw materials. These players in accordance with their requirements generally decide the marketing policies and pricing structure of bottle grade chips. This has forced most of the small manufacturers of bottle grade chips to quit the market and concentrate on other grades of chips.

To meet the current as well as future requirements of end users with regard to quality, technology and innovative products, the Indian inks industry needs to update its research and development activities for increased qualitative and quantitative products by absorption of imported technology and its upgradation through in-house R&D. The future requirements of printing inks are high gloss, instant setting, high speed, quick drying. Development work towards the modification of resins, structural vehicles, water-based inks, environmentally friendly inks and the introduction of innovative product range need to be undertaken vigorously. The quality of the end product in line with international standards also needs special attention, absence of which would affect business of the company.

Though, the Company has expertise in the manufacturing of converting machines, however, the demand for such machines in the domestic market is not quite encouraging, as large converters prefer sophisticated European machines. The shrinking margins in the packaging machines business and lack of demand for converting machines will restrict the growth of the Company with regard to the packaging machines business.

The Company has been taking steps to improve upon its competencies to design, develop and manufacture

sophisticated machines, which are comparable with machines made by any developed country in terms of its technical capabilities, aesthetics, functional parameters & pricing and reap the benefits to grow its revenues and profits.

4. Future Outlook

The Future outlook of consumer packaging is quite encouraging and all pack types are anticipated to benefit greatly from the fast pace of economic growth.

The world flexible packaging growth will increase in value terms by an average of 4-5%. Over all global flexible packaging market growth will be underpinned by the following factors.

- Rapid economic growth in many Asian markets, especially in India and China, will continue.
- Population will grow rapidly in many emerging economies.
- The trend from rigid to flexible packaging will increase in pursuit of lower costs and environmental demands for less packaging.
- Huge volumes of food products in the developing world continue to be sold without any packaging and represent an incalculable opportunity for flexible packaging over the long term. For example, currently barely 2% of food products in India are sold to the ultimate consumer pre-packaged.
- The demands of the rapidly growing food processing industries will increase, especially in the developing world.
- Fast growing consumer market in retail sector.

Keeping in view the worldwide demand and the growth potential of flexible packaging industry and to facilitate future growth, the Company has expanded its business by putting up additional manufacturing facilities at Jebel Ali Free Zone, Dubai, UAE through its Wholly Owned Subsidiary Company, i.e. Flex Middle East FZE. The Management has put up another line at Dubai for manufacture of 26400 MT of Polyester Film and 59400 MT of Polyester Chips.

The Board of Directors of the Company at their Meeting held on 31st July, 2007 approved for setting up a Green Field Project at Mexico for Flexible Plastic Film involving outlays of about US\$ 47 million in first phase to produce about 26000 TPA to meet the growing demand of its product.

Further, the Company is 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.

Plastic film industry is the fastest growing segment of the packaging industry in India. Plastic film industry is growing at 20% annually and is expected to grow at the same rate or may be more on account of retail boom in the country. Considering the overall buoyant market scenario the Company has undertaken an expansion programme for setting up facilities to

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produce flexible packaging materials with installed capacity of 12000 MT/PA and Holographic materials with an installed capacity of 1600 MT/PA at Bari Brahmana in the State of Jammu & Kashmir at an estimated capital outlay of Rs.86.95 crores. The projects at Jammu are presently entitled for tax benefits and refund of duties as per the policies of the Government of India, therefore, the Company would be entitled for these benefits accordingly.

The Company is also setting up a green field distillery project in the state of UP with a capacity to produce 90 KL/ day of alcohol.

Keeping in view the growing demand in inks, the Company has started construction of a new building for expanding its ink production facilities.

The demand of rotogravure cylinders heavily depends on the captive consumption and growth of packaging industry. With the current positive scenario in the packaging industry, the cylinder business of the Company is expected to do well in coming years. The Management is quite hopeful and optimistic about the positive growth both in terms of sales and profitability in the coming years.

The Company's policy is expand its printing machines business in the international market and to introduce new and customer friendly packaging and printing machines having better usage and utility. Further, during the Year ended 31st March, 2007, the Company has increased focus for its strategic advisory services in oil & gas sector from Overseas/domestic market. The strategy has resulted in positive results and this is expected to add to the bottom line significantly in the current financial year.

5. 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

7. Company's Financial Performance & Analysis

A. Fixed Assets

The composition of assets are as under:

(Rs. in lacs)

Particulars	March 31, 2007	March 31, 2006
Land	3869.09	3050.94
Buildings	16283.57	11673.74
Plant & Machinery	119029.60	98216.01
Electrical Fittings & Installations	3553.49	2884.74
Office Equipments	1516.70	990.16
Furniture & Fixtures	615.04	395.32
Vehicles	5100.85	4714.04
Software (Intangible Assets)	373.89	108.66
Total	150342.23	122033.61
Less : Accumulated Depreciation	61247.02	44514.34
Add : CWIP	3461.22	1130.03
Net Fixed Assets	92556.43	78649.30

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.

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.

6. Risk Management

Macro economic conditions do affect the Company operations. Low demand, political instability, crop failures, 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.

UFLEX LIMITED**B. Results of operations**

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

(Rs. in lacs)

Particulars	Year ended March 31, 2007		Year ended March 31, 2006	
	Amount	%	Amount	%
INCOME				
Sales & Job works (Net)	119856.32	91.68	94596.38	93.28
Other Income	10018.68	7.66	6812.22	6.72
Increase/(Decrease) in finished goods & work-in-progress	855.81	0.66	(6.02)	—
Total Income	130730.81	100.00	101402.58	100.00
EXPENDITURE				
Material cost	79001.43	60.43	65143.84	64.24
Other Manufacturing expenses	14730.07	11.27	10140.29	10.00
Payment & Benefit to Employees	6583.66	5.04	4595.57	4.53
Administrative, Selling & Other expenses	11542.51	8.83	8388.40	8.27
Operating Expenses	111857.67	85.56	88268.10	87.05
Expenses Allocated to Self Constructed Assets	129.42	0.10	—	—
EBIDT	19002.56	14.54	13134.48	12.95
Less: Depreciation	7605.54	5.82	5925.66	5.84
Interest & Financial Charges	4731.16	3.62	2818.30	2.78
Earning Before Tax	6665.86	5.10	4390.52	4.33

8. 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 2600 employees as on 31st March, 2007. The industrial relations scenario remained harmonious throughout the year.

9. 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, 2007)**

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 31.03.2007 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. P.N. Sharma	Director	Non-executive
Mr. R.P. Agrawal	Director	Non-executive
Mr. M.G. Gupta	Director	Independent, Non-executive
Mr. Ravi Kathpalia	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

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.

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.

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.

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b) Board Meetings and attendance record of each Director

Ten Board Meetings were held during the financial year 2006-2007. The dates on which the meetings were held are 04.04.2006, 28.04.2006, 20.05.2006, 30.07.2006, 17.08.2006, 31.10.2006, 30.11.2006, 27.12.2006, 31.01.2007 & 28.03.2007 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	10	No	6	—	—
Mr. S.K. Kaushik	9	Yes	1	1	—
Mr. P.N. Sharma	9	No	1	1	—
Mr. R.P. Agrawal	10	Yes	—	2	1
Mr. M.G. Gupta	10	Yes	2	4	1
Mr. Ravi Kathpalia	10	Yes	4	1	1
Mr. A. Karati	8	Yes	7	5	—
Mr. S.K. Mandal	9	No	2	2	—
Mr. P. Abraham	5	Yes	8	4	1

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 14.09.2006. All the Members of the Audit Committee have accounting and financial management expertise.

The terms of reference and role 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:

- i. 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.
- ii. Recommending to the Board, the appointment, re-appointment and if required the replacement or removal of the statutory auditor and the fixation of audit fee.
- iii. Approval of payment to Statutory Auditors for any other services rendered by the statutory auditors.
- iv. 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.
- v. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- vi. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- vii. 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.
- viii. Discussion with internal auditors any significant findings and follow up thereon.

UFLEX LIMITED

- ix. 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.
- x. 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.
- xi. 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.
- xii. To review the functioning of the Whistle Blower Mechanism, in case the same is existing.
- xiii. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

During the year, the Audit Committee had met five times on 28.04.2006, 30.07.2006, 17.08.2006, 31.10.2006 & 31.01.2007. 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	4

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 once on 28.03.2007. All the Members of the Remuneration Committee were present.

Details of Remuneration paid to Managing/Whole-time Directors of the Company for the year-ended 31.03.2007 is given below:

Name	Sitting Fee (Rs.)	Salary (Rs.)	Perquisites & Allowances etc. (Rs.)	Commission (Rs.)	Total (Rs.)	Date of Appointment	Service Contract
Mr. Ashok Chaturvedi	N.A.	39000000	4558308	2500000	46058308	01.04.2004	5 years
Mr. S.K. Kaushik	N.A.	1704200	206371	–	1910571	01.08.2005	3 years

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 of the Company during the financial year are as follows:

Name of Directors	Board Meetings	Committee Meetings	Total
Mr. R.P. Agrawal	1,20,000.00	3,50,000.00	4,70,000.00
Mr. Ravi Kathpalia	1,20,000.00	80,000.00	2,00,000.00
Mr. M.G. Gupta	1,20,000.00	1,10,000.00	2,30,000.00
Mr. A. Karati (Nominee - ICICI Bank)	1,00,000.00	70,000.00	1,70,000.00
Mr. P. Abraham (Nominee - UTI)	60,000.00	–	60,000.00
Mr. S.K. Mandal (Nominee - IFCI)	1,10,000.00	–	1,10,000.00
Mr. P.N. Sharma	1,10,000.00	2,10,000.00	3,20,000.00

UFLEX LIMITED

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 provisions and directions of Shareholders'/Investors' Grievance Committee of Directors.

During the year, the Shareholders'/Investors' Grievance Committee had met on 08.01.2007 and 31.03.2007.

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 10. Outstanding complaints as on 31.03.2007 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. U Tech 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.

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
15 th	Wednesday, June 30, 2004 at 10.00 AM	Air Force Auditorium Subroto Park New Delhi – 110010	Re-appointment of Mr. Ashok Chaturvedi as Managing Director of the Company for a period of 5 years w.e.f. 01.04.2004.
16 th	Tuesday, September 13, 2005 at 10.00 AM	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 th	Thursday, September 14, 2006 at 10.00 AM	Air Force Auditorium Subroto Park New Delhi – 110010	NIL

During the year, the Company held an extra-ordinary general meeting on February 7, 2007 for passing Special Resolutions, giving authority to the Board/Committee of Director for:

- (i) Issue & Allotment of equity Shares or any other equity related instruments and/or Global Depository Receipts/ Shares (GDRs/GDSs)/ American Depository Receipts/Shares (ADRs/ADSs) against the issue of underlying shares and/or Foreign Currency Convertible Bonds (FCCBs).
 - (ii) Issue and allotment of warrants convertible into equity shares on preferential basis to the Promoters and Others.
 - (iii) Creation of mortgages/charges on the immovable properties of the Company
 - (iv) Borrowing in excess of the aggregate of the paid-up capital and free reserves of the Company.
- (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.

UFLEX LIMITED

- (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 which related to (i) Amendment to the Main Object Clause of the Company by addition of new clauses, (ii). Change of the name of the Company. 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 07.02.2007, the details are as under:

Sl. No.	Particulars	Percentage of votes cast in favour of the resolution
01.	Special Resolution under Section 17 of the Companies Act, 1956 in respect of amendment in the Main Objects of the Company as appearing in Clause III (A) of the Memorandum of Association	100
02.	Special Resolution under Section 21 of the Companies Act, 1956 in respect of change of name of the Company from Flex Industries Limited to UFLEX LIMITED	99.99

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

The Company has entered into related party transactions as set out in the notes to accounts, which 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.

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 Warrants/FCCBs

The details of utilization of proceeds raised through issue of warrants/FCCBs are disclosed to the Audit Committee. 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. 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.

UFLEX LIMITED

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, 2007 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 14th August, 2007.

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

It is always the Company's endeavour to present unqualified financial statements. There are no Audit Qualifications in the Company's financial statements for the year under reference.

(iv) Training of Board Members

The Board members are periodically updated on the business model, company profile, entry into new products and markets.

(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) Whistler Bowler 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 'Business Standard' or 'Economic Times' (English) and 'Rashtra ka Vidhan' or 'Veer Arjun' (Hindi) within the stipulated period and in the format as prescribed by the Stock Exchanges and the Company posts its financial results on SEBI website, i.e., sebidifar.nic.in for all quarters.

15. General Shareholders Information

(a) Annual General Meeting to be held

Date : 13.09.2007

Day : Thursday

Time : 10.00 A.M.

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

(b) Financial Calendar

- Results for quarter ending 30.06.2007 : 3rd week of July, 2007
- Results for quarter ending 30.09.2007 : 3rd week of October, 2007
- Results for quarter ending 31.12.2007 : 3rd week of January, 2008
- Results for year ending 31.03.2008 : 3rd week of April, 2008

UFLEX LIMITED

(c) **Book Closure date**

06.09.2007 to 13.09.2007 (both days inclusive)

(d) **Dividend payment date**

The Company has paid an interim dividend of Rs.2/- (Rupees Two only) per fully paid-up equity share of Rs.10/- each as on 06.04.2007 and the directors have recommended subject to the approval of the members a final dividend @ Rs.2/- (Rs. Two only) Per fully paid-up equity share of Rs.10/- each.

(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 2007-2008 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

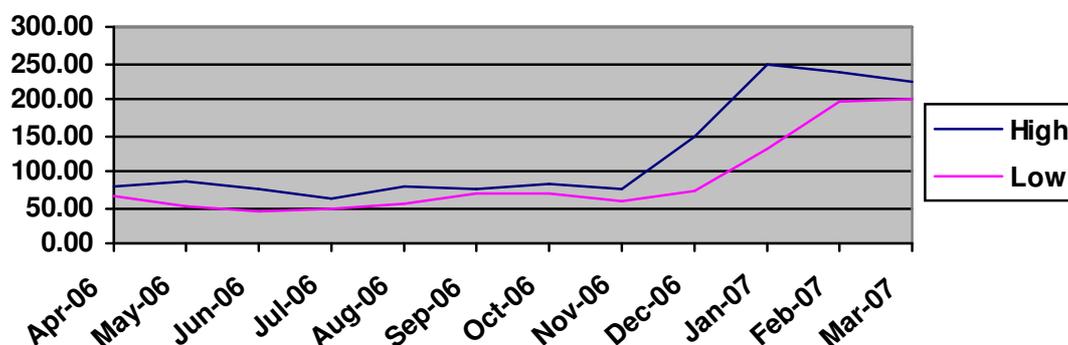
(g) **Demat ISIN Number** : INE516A01017
in NSDL & CDSL

(h) **Stock Market Price for the year 2006-2007:**

Share prices on National Stock Exchange are as under:

Month	High	Low
April, 2006	81.00	65.10
May, 2006	86.50	52.90
June, 2006	75.00	45.00
July, 2006	63.00	47.75
August, 2006	80.90	55.10
September, 2006	77.00	68.20
October, 2006	84.20	70.50
November, 2006	75.00	59.00
December, 2006	146.95	71.20
January, 2007	247.50	131.40
February, 2007	236.90	196.00
March, 2007	225.45	200.00

Share Price movement



UFLEX LIMITED

(i) **Performance in comparison to broad base in indices such as BSE sensex, 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 31.03.2007**

Range in Numbers	No. of Shareholders	No. of shares	% of total equity
1 - 500	29153	2641682	5.12
501 - 1000	865	672663	1.30
1001 - 2000	388	574791	1.11
2001 - 3000	121	301958	0.59
3001 - 4000	57	202593	0.39
4001 - 5000	55	252695	0.49
5001 - 10000	95	701818	1.36
10001 and above	146	46177101	89.44
Transit shares *		105345	0.20
TOTAL	30880	51630646	100.00

* These shares lying in pool account of NSDL/CDSL since buyers identity are not established.

(m) **Categories of Shareholders as on 31.03.2007**

Category	No. of shares held	% of shareholding
Promoters & Associates	25055176	48.53
Financial Institutions, Mutual Funds & Banks	1642041	3.18
Foreign Institutional Investors	1557319	3.02
NRIs	36782	0.07
GDRs	5465840	10.59
Other Corporate Bodies	11501499	22.28
Others (General Public)	6266644	12.13
Shares in transit (Demat) *	105345	0.20
Total :	51630646	100.00

* These shares lying in pool account of NSDL/CDSL since buyers' identity are not established.

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

Nearly 97.06% of total equity share capital is held in dematerialized form upto 31.03.2007 with NSDL/CDSL. The shares of the Company are listed on BSE and NSE, which provide sufficient liquidity to the investors.

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

- (i) The outstanding GDRs represent 5465840 shares as on 31.03.2007, which are nearly 10.59% of the Subscribed Share Capital of the Company.
- (ii) As on March 31, 2007, 60 Foreign Currency Convertible Bonds (FCCBs) aggregating to US\$ 6 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 790 FCCBs can be converted at the option of the respective bondholders within a period of 5 years from the date of issue.
- (iii) As on March 31, 2007, 26,00,000 warrants out of the total 103,00,000 warrants allotted to Promoters and Others on preferential basis were converted into fully paid-up equity shares of Rs.10/- each. The balance 77,00,000 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.

(p) Details of issue of equity shares during the period from 01.04.2006 to 31.03.2007

Date	Particulars of Issue/ Cancellation of Shares	No. of Shares	Total No. of Shares
No. of equity shares before the issue/cancellation of shares			49070537
03.01.2007	Cancellation of cross holding shares in terms of Scheme of Arrangement approved by the Hon'ble High Court of Delhi at New Delhi	8535609	40534928
03.01.2007	Conversion of equity shares held by specified FIs in terms of the Scheme of Arrangement approved by the Hon'ble High Court of Delhi at New Delhi	5480000	35054928
03.01.2007	Allotted upon merger of Flex Engineering Limited & FCL Technologies & Products Limited in terms of Scheme of Arrangement approved by the Hon'ble High Court of Delhi at New Delhi	12452062	47506990
17.03.2007	Conversion of Warrants	2600000	50106990
22.03.2007	Conversion of FCCBs	1269714	51376704
23.03.2007	Conversion of FCCBs	253942	51630646

(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. Bhand (M.P.)
8. L-1, Industrial Area, Ghirongi (Malanpur), Distt. Bhand (M.P.)

(r) Address for Correspondence

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

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

UFLEX LIMITED
110, First 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 14th August, 2007 and the same was approved.

UFLEX LIMITED

AUDITORS' CERTIFICATE

**To the Members of
UFLEX LIMITED
New Delhi**

We have examined the compliance of conditions of Corporate Governance by UFLEX LIMITED for the year ended 31st March, 2007 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 was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

For Vijay Sehgal & Co.
Chartered Accountants

Place : New Delhi
Dated : 14th August, 2007

S.V. Sehgal
Partner

DECLARATION

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, 2007 pursuant to the requirements of Clause 49 of the Listing Agreement.

For UFLEX LIMITED

Place : NOIDA
Dated : 14th August, 2007

ASHOK CHATURVEDI
Chairman & Managing Director

UFLEX LIMITED

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, 2007, 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, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (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, 2007;
- 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: 14th August, 2007

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

ANNEXURE TO THE AUDITORS' REPORT OF UFLEX LIMITED FOR THE YEAR ENDED 31st MARCH 2007

[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 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 Companies Act, 1956. Therefore the provisions of clause 4(iii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
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.

UFLEX LIMITED

- (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 thereunder. However, in our opinion, in respect of outstanding deposits, the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, where applicable, have been complied with. National Company Law Tribunal or Reserve Bank of India or any other court or any other Tribunal has not passed any order in respect of public deposits accepted by the company.
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.913.81 lacs, pending before (a) Various High Courts (Rs.309.29 lacs), (b) Tribunal (Rs.47.68 lacs) (c) Dy. Commissioner (Appeals) (Rs.0.27 lacs), (d) Joint Commissioner (Appeals) (Rs.0.90 Lacs) & (e) Assessing Authorities (Rs.555.67 lacs)
- II. Aggregate Income Tax of Rs. 118.94 lacs, pending before Tribunal; and
- III. Aggregate Excise duty of Rs. 2936.84 lacs, pending before (a) Supreme Court (Rs. 2.90 lacs), (b)Tribunal (Rs.1421.44 lacs) (c) various High Courts (Rs.1338.81 lacs), (d) Commissioner (Appeals) (Rs.2.10 lacs) & (e) Assessing Authorities (Rs.171.59 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 held as long-term 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. As per the information and explanations given to us, short-term loans raised during the year were applied for the purposes for which the loans were obtained. Further during the year the Company has raised funds through Foreign Currency Convertible Bonds. Pending utilization, the same has been temporarily invested in Fixed Deposits with 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. The Company has made preferential allotment of equity shares against warrants to a company covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the price at which such equity shares have been issued is not prejudicial to the interest of the company.
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

[S.V. SEHGAL]
Partner

Membership No. 080329

Place: NOIDA
Dated: 14th August, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule Number	As At 31.03.2007	(Rs. in lacs)	As At 31.03.2006
I. SOURCES OF FUNDS				
Shareholders' Funds				
a) Share Capital	1	5158.66	4902.59	
b) Warrants	2	1347.50	-	
c) Reserves & Surplus	3	43337.82	49843.98	34722.30
				39624.89
Loan Funds				
a) Secured Loans	4	76623.36	61357.85	
b) Unsecured Loans	5	45471.61	122094.97	1925.65
Deferred Tax Liability (Net)	6	10207.74		63283.50
				7311.16
TOTAL :		182146.69		110219.55
II. APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	7	150342.23	122033.61	
Less : Depreciation		61247.02	44514.34	
Net Block		89095.21	77519.27	
Capital Work-in-Progress		3461.22	92556.43	1130.03
				78649.30
Investments	8	20575.86		12646.40
Current Assets, Loans & Advances				
a) Inventories	9	9117.92	4147.34	
b) Sundry Debtors	10	25276.66	18689.76	
c) Cash & Bank Balances	11	46609.11	1587.68	
d) Other Current Assets	12	105.19	195.90	
e) Loans & Advances	13	13160.70	10237.59	
		94269.58	34858.27	
Less : Current Liabilities & Provisions				
a) Current Liabilities	14	21822.99	15157.14	
b) Provisions	15	3432.19	777.28	
		25255.18	15934.42	
Net Current Assets		69014.40		18923.85
TOTAL :		182146.69		110219.55

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 : 14th August, 2007

S.V. Sehgal
Partner

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in lacs)

	<u>Schedule Number</u>	<u>For the Year Ended 31.03.2007</u>	<u>For the Year Ended 31.03.2006</u>
A. INCOME			
Gross Sales & Job Work	16	170140.11	113992.58
Less : Inter unit Sales & Job Work		36591.76	9729.04
Less : Excise Duty		13692.03	9667.16
Net Sales & Job Work		119856.32	94596.38
Other Income	17	10018.68	6812.22
Increase/(Decrease) in Finished Goods & Work-in-Progress	18	855.81	(6.02)
TOTAL (A) :		<u>130730.81</u>	<u>101402.58</u>
B. EXPENDITURE			
Material Cost	19	79001.43	65143.84
Other Manufacturing Expenses	20	14730.07	10140.29
Payments & Benefits to Employees	21	6583.66	4595.57
Administrative, Selling & Other Expenses	22	11542.51	8388.40
Interest & Financial Charges	23	4731.16	2818.30
Depreciation		7605.54	5925.66
TOTAL		<u>124194.37</u>	<u>97012.06</u>
Less : Expenses Allocated to Self Constructed Assets	24	129.42	-
TOTAL (B) :		<u>124064.95</u>	<u>97012.06</u>
Profit (A-B)		6665.86	4390.52
(Less): Provision for Taxation			
- For Income Tax		(750.00)	(356.46)
- For Fringe Benefit Tax		(171.25)	(153.00)
- For Wealth Tax		(26.01)	(22.00)
(Less) : Provision for Deferred Tax (Charge)		(1510.02)	(572.45)
Profit After Tax		4208.58	3286.61
Add / (Less) : Excess/(Short) Provision for earlier years			
- For Wealth Tax		0.33	-
- For Income Tax		(23.95)	-
- For Expenses		29.86	19.31
Amount available for Appropriations		<u>4214.82</u>	<u>3305.92</u>
Appropriations			
Interim Dividend		1032.61	-
Dividend Distribution Tax		144.82	-
Proposed Dividend		1104.10	-
Proposed Dividend Distribution Tax		187.64	-
General Reserve		425.00	-
Debenture Redemption Reserve		163.96	-
Balance carried to Balance Sheet		<u>1156.69</u>	<u>3305.92</u>
		<u>4214.82</u>	<u>3305.92</u>
Basic Earning Per Share (Rs.)		8.85	6.74
Diluted Earning Per Share (Rs.)		7.62	6.74

Notes :

- The Schedules referred to above form an integral part of the Profit & Loss Account.
- 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 : 14th August, 2007

S.V. Sehgal
Partner

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	(Rs. in lacs)	
	For the Year Ended 31.03.2007	For the Year Ended 31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax & exceptional items	6665.86	4390.52
Adjustment for :		
Depreciation	7605.54	5925.66
Exchange rate fluctuations	(63.07)	(127.88)
(Profit) / Loss on assets sold (Net)	(1896.58)	(4.72)
Interest & Financial Charges	4731.16	2818.30
Interest received from Banks / others	(290.65)	(200.39)
Dividend received on Non-Trade Investments	(7.89)	(7.81)
Dividend received on Investments in Subsidiaries	(430.56)	-
Profit on sale of Investments (Net)	(0.33)	-
Sundry Credit Balances written Back (Net)	(39.62)	(137.15)
Expenses For Earlier Years	29.86	-
Fixed Assets written-off	11.10	-
Bad & Doubtful Debts (Provision)	71.64	11.25
Operating Profit before Working Capital changes	<u>9720.60</u>	<u>8277.26</u>
	16386.46	12667.78
Adjustment for :		
Trade and other receivables	(547.97)	(5706.76)
Inventories	(2751.12)	520.59
Trade and other payables	2054.01	1798.71
Cash generated from operating activities	<u>(1245.08)</u>	<u>(3387.46)</u>
	15141.38	9280.32
Wealth tax	(25.68)	(22.00)
Fringe Benefit Tax	(171.25)	(153.00)
Dividend Distribution Tax	(144.82)	-
Income Tax	(773.95)	(356.46)
Exchange rate fluctuations	63.07	127.88
Net Cash from operating activities (A)	<u>(1052.63)</u>	<u>(403.58)</u>
	14088.75	8876.74
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) of Fixed Assets	(5595.94)	(9407.61)
Sale proceeds of Fixed Assets	2071.12	264.30
(Outflow) on Investments (Net)	(9990.44)	(2541.29)
Interest received from Banks / others	290.65	200.39
Dividend received on Investments	438.45	7.81
Net Cash used in Investing Activities (B)	<u>(12786.16)</u>	<u>(11476.40)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Receipt of Securities Premium Account	6805.31	0.57
Receipts from issue of Warrants	1347.50	-
FCCB Issue Expenses	(906.44)	-
Share Capital Received	412.42	-
Interest & Financial Charges	(4731.16)	(2818.30)
Additions of Borrowings (Net)	40538.69	3088.02
Net Cash used in Financing Activities (C)	<u>43466.32</u>	<u>270.29</u>
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)	44768.91	(2329.37)
Opening Cash and Cash equivalents	1840.20 @	3917.05
Closing Cash and Cash equivalents	46609.11	1587.68

@ Includes Rs.252.52 lacs in respect of merged entities.

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

Place : NOIDA
Dated : 14th August, 2007

S.V. Sehgal
Partner

SCHEDULES

1. SHARE CAPITAL

	(Rs. in lacs)	
	As At	As At
	31.03.2007	31.03.2006
AUTHORISED		
1,90,00,000 (Previous Year 1,60,00,000) Preference Shares of Rs.100/- each	19000.00	16000.00
15,00,00,000 (Previous Year 5,00,00,000) Equity Shares of Rs.10/-each	15000.00	5000.00
	<u>34000.00</u>	<u>21000.00</u>
ISSUED, SUBSCRIBED & PAID-UP		
5,16,30,646 (Previous Year 4,90,70,537) Equity Shares of Rs.10/- each, fully called-up	5163.06	4907.05
Less : Amount Unpaid	4.40	4.46
TOTAL :	<u>5158.66</u>	<u>4902.59</u>

Notes :

5,16,30,646 (Previous Year 4,90,70,537) 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) 1,24,52,062 (Previous Year Nil) Equity Shares allotted to Equity Shareholders of the transferor Companies in accordance with the Approved Scheme of Merger.
- iii) 26,00,000 (Previous Year Nil) Equity Shares allotted on conversion of equivalent number of Warrants issued during the year.
- iv) 15,23,656 (Previous Year Nil) Equity Shares on conversion of 60 Nos.of Foreign Currency Convertible Bonds and
- v) 1,40,15,609 (Previous Year Nil) Equity Shares were cancelled in accordance with the Approved Scheme of Merger.

	(Rs. in lacs)	
	As At	As At
	31.03.2007	31.03.2006
2. WARRANTS		
Amount received @Rs.17.50 each on allotment of 1,03,00,000 Warrants during the year	1802.50	-
Less : Amount in respect of 26,00,000 Warrants Converted into Equity Shares	455.00	-
TOTAL :	<u>1347.50</u>	<u>-</u>

Note:

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.

3. RESERVES & SURPLUS

	(Rs. in lacs)					
	Balance As At 01.04.2006	Additions on Merger	Additions During the year	Deductions on Merger	Deductions During the year	Balance As At 31.03.2007
Capital Reserve	20.00	0.23	-	20.23	-	-
Revaluation Reserve	-	3.69	-	-	0.08	3.61
Debenture Redemption Reserve	3206.02	983.74	163.96	-	-	4353.72
Securities Premium Account	23932.73	2761.06	6805.31	767.20	906.44	31825.46
General Reserve @	4254.46	1207.13	425.08	5461.59	-	425.08
Profit & Loss Account	3309.09	3832.00	1156.69	1,567.83	-	6729.95
TOTAL :	<u>34722.30</u>	<u>8787.85</u>	<u>8551.04</u>	<u>7816.85</u>	<u>906.52</u>	<u>43337.82</u>
Previous Year	(31415.85)	-	(3306.45)	-	-	(34722.30)

@ Includes Rs.0.08 lacs (Previous Year Nil) 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.

4. SECURED LOANS

	(Rs. in lacs)			
	As At 31.03.2007	As At 31.03.2006		
A. OPTIONALLY FULLY CONVERTIBLE DEBENTURES (OFCDs)				
From Financial Institutions	1315.20	-		
B. ZERO RATE DEBENTURES				
From Financial Institutions	12345.45	9066.34		
C. 18% CUMULATIVE DEBENTURES				
From Financial Institution	1451.34	1217.04		
D. TERM LOAN				
From Financial Institutions	6266.25	-		
From Bank	2411.10	2722.22		
Add: Interest accrued & due	21.50	8698.85	20.81	2,743.03
E. ZERO RATE LOANS				
From Financial Institutions	35405.75	31786.95		
From Others	776.54	36182.29	776.54	32563.49
F. CUMULATIVE RUPEE LOANS				
From Financial Institutions	3924.94	3291.30		
From Others	225.77	4150.71	189.32	3480.62
G. WORKING CAPITAL FACILITIES				
From Banks	12479.52	12287.33		
TOTAL :	<u>76623.36</u>	<u>61357.85</u>		

SECURED LOANS :**NOTES :**

1. Optionally Fully Convertible Debentures are secured by way of first *pari-passu* charge on the specific fixed assets of the Company (except in case of UTI and LIC where specific charge is yet to be created). These debentures are due for redemption on Dec. 31, 2007 or earlier at the option of the Company with an aggregate amount of Rs. 19262.33 lacs. These debentures are convertible into a maximum of 54.80 lacs equity shares of Rs. 10/- each at the option of debenture holders.

2. 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.

3. 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.

4. "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.
5. 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.
6. 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 (i) first *pari-passu* equitable mortgage of specific immovable properties of the Company situated at Malanpur (M.P.) and NOIDA (U.P.) and (ii) by guarantee of Chairman & Managing Director of the Company. CRLs from LIC and Sahara India are yet to be secured.
7. 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.

5. UNSECURED LOANS

(Rs. in lacs)

	As At 31.03.2007		As At 31.03.2006
Fixed Deposits	0.24	0.97	
Add : Interest accrued & Due	<u>0.12</u>	<u>0.03</u>	1.00
Foreign Currency Convertible Bonds	34436.10		-
Short Term Loans			
From Banks	10384.46	1474.65	
From Others	<u>650.69</u>	<u>450.00</u>	1,924.65
TOTAL :	<u>45471.61</u>		<u>1925.65</u>

Notes :

- a) The company has 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. 175/- prior to March 2008 and thereafter at the conversion price as reset on each anniversary of the FCCB issue. The conversion price is adjustable downwards only but not below Rs. 144.70 as determined under rules of SEBI. During the year Bonds aggregating to US \$ 6 million were converted into 15,23,656 equity shares.

6. DEFERRED TAX LIABILITY (NET)

Opening Balance	7311.16	6738.71
Add : Acquired on Merger	1386.56	-
Add : Provision of Deferred Tax charge for the year	<u>1510.02</u>	572.45
TOTAL :	<u>10207.74</u>	<u>7311.16</u>

7. FIXED ASSETS

(Rs. in lacs)

PARTICULARS	GROSS BLOCK				Value/cost As At 31.03.2007	DEPRECIATION BLOCK				NET BLOCK		
	Value/cost As At 01.04.2006	Additions on Merger	Additions during the year	Deductions during the year		Upto 31.03.2006	Adjustment on Merger	For the year	Deductions	As At 31.03.2007	As At 31.03.2007	As At 31.03.2006
A. TANGIBLE ASSETS												
Freehold Land	254.23	106.26	142.00	49.58	452.91	-	-	-	-	452.91	452.91	254.23
Leasehold Land	2796.71	619.47	-	-	3416.18 *	-	-	-	-	3416.18	3416.18	2796.71
Building	11673.74	4558.27	55.70	4.14	16283.57 **	3370.25	1168.13	483.56	1.55	5020.39	11263.18	8303.49
Plant & Machineries	98216.01	18840.54	2123.76	150.71	119029.60	39013.01	7676.80	6396.33	89.93	52996.21	66033.39	59203.00
Electrical Installation	2884.74	592.32	76.43	-	3553.49	1184.83	201.91	168.01	-	1554.75	1998.74	1699.91
Office Equipments	990.16	260.01	271.27	4.74	1516.70	365.59	105.78	117.87	2.63	586.61	930.09	624.57
Furniture & Fixtures	395.32	218.77	20.49	19.54	615.04	246.10	98.14	33.26	14.56	362.94	252.10	149.22
Vehicles (Including Aircraft)	4714.04	152.80	360.33	126.32	5100.85	325.60	45.77	331.27	60.72	641.92	4458.93	4388.44
B. INTANGIBLE ASSETS												
Software	108.66	-	265.23	-	373.89	8.96	-	75.24	-	84.20	289.69	99.70
TOTAL	122033.61	25348.44	3315.21	355.03	150342.23 ***	44514.34	9296.53	7605.54	169.39	61247.02	89095.21	77519.27
Previous Year	112486.36	-	10090.92	543.67	122033.61	38872.77	-	5925.66	284.09	44514.34		
CAPITAL WORK-IN-PROGRESS***										3461.22 #***	1130.03	
										92556.43	78649.30	

* Includes Rs.365.42 lacs (Previous Year Rs.362.37 lacs) pending execution of Title Deed.

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

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

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

During the year the Company has surrendered 26.23 hectares of lease hold land situated at L-1, Ghirongi Industrial Area, Malanpur (M.P.) in terms of order passed by the Madhya Pradesh Audyogik Vikas Nigam (Gwalior) Ltd.on 11.05.06. Revised lease deed is yet to be executed.

8. INVESTMENTS**LONG TERM INVESTMENTS**

PARTICULARS	Description	Face Value	As At 31.03.2007		As At 31.03.2006	
			Nos.	Amount (Rs. in lacs)	Nos.	Amount (Rs. in lacs)
A. QUOTED						
Fully Paid Up						
IN SHARES						
Trade :						
Flex Foods Ltd.	Equity	Rs.10/-	5870000	587.00	4350000	435.00
FCL Technologies & Products Ltd. (A Company earlier under the same management)	Equity	Rs.10/-	–	–	3316586	1230.31
Flex Engineering Ltd.	Equity	Rs.10/-	–	–	1150000	1007.00
Non-Trade :						
Optel Telecommunications Ltd.	Equity	Rs.10/-	197300	138.11	197300	138.11
IDBI	Equity	Rs.10/-	–	–	11360	9.23
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
TOTAL (A)				882.44		2976.98
B. UNQUOTED						
Fully Paid Up						
IN WHOLLY OWNED SUBSIDIARIES						
Flex America Inc. - USA	Equity	US\$ 1	100000	44.72	100000	44.72
Flex Middle East FZE - Dubai	Equity	AED 1 Million	78	9517.36	78	9517.36
Flex Europe Pvt. Ltd. - UK	Equity	GBP 1	75000	61.31	75000	61.31
U Tech Developers Ltd.	Equity	Rs.10/-	100000000	10000.00	–	–
TRUST SECURITIES AND MUTUAL FUNDS						
6.75% Tax Free US 64 Bonds [Repurchase value Rs. 31.03 lacs (Previous Year Same)]	Bonds	Rs.100/-	31025	31.03	31025	31.03
Non-Trade :						
IN SHARES						
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	–	–
TOTAL (B)				19693.42		9669.42
TOTAL (A)+(B)				20575.86		12646.40

Note :

Aggregate Market Value of Quoted Investment is Rs.1537.38 lacs (Previous Year Rs.2414.03 lacs). In the opinion of the Management, decline in the market value of some of the Investments is temporary.

9. INVENTORIES

(Rs. in lacs)

	As At	As At
	31.03.2007	31.03.2006
Stores, Packing Material & Fuel	539.43	352.04
Raw Materials*	4155.67	1321.14
Work-in-Progress	3089.84	1655.01
Finished Goods	1148.45	683.47
Traded Goods	1.88	1.87
Material-in-Transit	182.65	133.81
TOTAL :	<u>9117.92</u>	<u>4147.34</u>

* Includes Rs.Nil (Previous Year Rs.2.87 lacs) lying with third party.

10. SUNDRY DEBTORS

(Unsecured, Considered Good)

A. Debts outstanding for a period exceeding six months	5466.53	2666.40
B. Other debts	20133.65	16329.48
	25600.18	18995.88
Less : Provision for Bad & Doubtful Debts	323.52	306.12
TOTAL : #	<u>25276.66</u>	<u>18689.76</u>

Includes Rs.1527.49 lacs (Previous Year Rs.2151.19 lacs) due from wholly owned subsidiaries.

11. CASH & BANK BALANCES

Cash in hand	78.62	21.84
Balances with Scheduled Banks:		
- On Current Accounts	1079.81	735.72
- On Interim Dividend Account	1032.61	-
- On Cash Credits Accounts	30.02	-
- On Fixed Deposits Accounts*	12554.50	772.15
- In Margin Money Accounts	841.67	57.97
Balances with Foreign Banks:		
- On Fixed Deposits Accounts	30991.88	-
TOTAL :	<u>46609.11</u>	<u>1587.68</u>

* Includes :

Rs. 317.47 lacs (Previous Year Rs.595.35 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	22.36	177.94
- Deposits with Banks	80.04	15.17
TOTAL :	<u>105.19</u>	<u>195.90</u>

13. LOANS AND ADVANCES

(Unsecured,Considered Good)

Income Tax Paid (Net of provision)	100.56	243.21
Advances recoverable in cash or in kind or for value to be received	10500.87	4468.61
Security & Other Deposits	616.45	1761.02
Balances with Excise Authorities	1704.70	3374.30
Loans to Employees and others	238.12	390.45
TOTAL :	<u>13160.70</u>	<u>10237.59</u>

	As At <u>31.03.2007</u>	As At <u>31.03.2006</u>
(Rs. in lacs)		
14. CURRENT LIABILITIES		
Acceptances other than SSI	4080.55	4700.19
Sundry Creditors		
SSI	265.55	361.41
Others #	10745.85	8135.33
Advances from Customers	3028.35	1283.08
Unclaimed Matured Deposits*	0.21	0.19
Unclaimed Matured Debentures*	10.24	17.64
Other Liabilities	890.04	659.03
Book overdrafts	274.29	-
Advance received against Sale of Assets	2349.45	-
Interest accrued but not due on Loans/Debentures	178.46	0.27
TOTAL :	<u><u>21822.99</u></u>	<u><u>15157.14</u></u>

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

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

15. PROVISIONS

Fringe Benefit Tax (Net of Payments)	0.15	28.85
Wealth Tax	26.01	22.00
Interim Dividend	1032.61	-
Proposed Dividend	1104.10	-
Proposed Dividend Distribution Tax	187.64	-
Leave Encashment	539.83	432.25
Staff Benefits	84.30	-
Warranty	0.62	-
Interest on Deferred Liabilities	456.93	294.18
TOTAL :	<u><u>3432.19</u></u>	<u><u>777.28</u></u>

16. SALES & JOB WORK

	(Rs. in lacs)	
	For the Year Ended <u>31.03.2007</u>	For the Year Ended <u>31.03.2006</u>
Gross Sales	167858.67	112519.71
Less : Inter Unit Sales	35011.78	8701.88
	<u>132846.89</u>	<u>103817.83</u>
Less : Excise Duty	13564.00	9580.24
Gross Job Work	2281.44	1472.87
Less : Inter Unit Job Work	1579.98	1027.16
	<u>701.46</u>	<u>445.71</u>
Less : Excise Duty	128.03	86.92
TOTAL :	<u><u>573.43</u></u>	<u><u>358.79</u></u>
	<u><u>119856.32</u></u>	<u><u>94596.38</u></u>

17. OTHER INCOME

Design & Art Work Recovery	649.54	470.94
Less : Excise Duty Recovery	33.45	24.15
Packing, Forwarding and Insurance Recoveries	40.52	13.66
Exchange Rate Fluctuation (Net)	63.07	127.88
Export Incentive	998.00	3451.20
Profit on sale of assets (Net)	1896.58	4.72
Profit on sale of Investments (Net)	0.33	-
Miscellaneous Income	3307.76	2033.91
Technical Fees	2327.61	388.71
Sundry Balances Written Back (Net)	39.62	137.15

Schedule 17 - Other Income... Contd...

(Rs. in lacs)

	For the Year Ended 31.03.2007	For the Year Ended 31.03.2006
Interest :		
- from Banks		
[TDS Rs 39.17 lacs (Previous Year Rs.26.43 lacs)]	248.12	117.47
- from Others		
[TDS Rs.1.16 lacs (Previous Year Rs.19.63 lacs)]	42.53	82.92
Investment Income:		
- Dividend received on Non-Trade Investments	7.89	7.81
- Dividend received on Investments in subsidiaries	430.56	-
TOTAL :	10018.68	6812.22
18. INCREASE / (DECREASE) IN FINISHED GOODS & WORK-IN-PROGRESS		
Closing Stock :		
Finished Goods	1148.45	683.47
Work-in-progress	3089.84	1655.01
	4238.29	2338.48
Less : Opening Stock : @		
Finished Goods	853.97	762.72
Work-in-progress	2528.51	1581.78
	3382.48	2344.50
TOTAL :	855.81	(6.02)
@ Finished Goods and Work-in-progress includes Rs.170.50 lacs (Previous year Rs. Nil) and Rs.873.50 lacs (Previous year Rs. Nil) respectively, in respect of merged entities.		
19. MATERIAL COST		
A. Raw Material Consumed		
Opening Stock #	2202.12	1593.62
Add : Purchases	113195.15	70754.38
	115397.27	72348.00
Less : Inter Unit Purchases	32368.07	8266.94
	83029.20	64081.06
Less : Closing Stock	4155.67	1321.14
TOTAL (A) :	78873.53	62759.92
B. Material Cost of Traded Goods Sold		
Opening Stock @	1.89	15.05
Add : Purchases	127.89	2370.74
	129.78	2385.79
Less : Closing Stock	1.88	1.87
TOTAL (B) :	127.90	2383.92
TOTAL (A) + (B):	79001.43	65143.84
# Includes Rs. 880.98 lacs (Previous year Rs. Nil) in respect of merged entities.		
@ Includes Rs. 0.02 lacs (Previous year Rs. Nil) in respect of merged entities.		
20. OTHER MANUFACTURING EXPENSES		
Power & Fuel Consumed	8261.60	5123.44
Repair & Maintenance-Machineries	1849.26	925.54
Stores Consumed	1483.85	1285.59
Tools, Jigs & Dies	143.79	94.75
Packing Material Consumed	2222.37	1545.90
Cylinders / Processing Charges for Cylinders	1447.89	1401.85
Less : Inter Unit Charges	1197.76	1220.40
Design & Development Charges	5.88	-
Excise Duty	40.17	19.62
Job Work Charges	473.02	401.50
Licence Fees	-	562.50
TOTAL :	14730.07	10140.29

	(Rs. in lacs)	
	For the Year Ended 31.03.2007	For the Year Ended 31.03.2006
21. PAYMENTS & BENEFITS TO EMPLOYEES		
Salaries,Wages,Bonus,Benefits and Amenities	5927.72	4114.10
Contribution to Provident Fund and Other Funds	396.21	261.75
Employees Welfare Expenses	259.73	219.72
TOTAL :	<u>6583.66</u>	<u>4595.57</u>
22. ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Rent,Rates & Taxes	113.67	177.05
Insurance charges	421.43	269.55
Electricity & Water charges	162.46	142.03
Printing & Stationery	142.11	78.97
Postage,Telegram,Telephone & Fax Expenses	291.56	267.51
Vehicle Running & Maintenance Expenses	157.02	160.04
Conveyance & Travelling Expenses	1474.07	1224.65
Repair & Maintenance :		
- Building	270.17	142.68
- Others	320.67	178.78
Legal & Professional Charges	526.08	232.08
Directors' sitting fees	21.95	9.20
General Expenses	826.10	663.73
Commission on Sales	364.03	309.59
Advertisement & Publicity	399.21	190.66
Entertainment Expenses	168.84	158.13
Sales Tax	648.67	173.45
Charity & Donation	4.41	10.28
Rebate & Discount	638.62	146.53
Freight & Forwarding charges	4508.70	3814.09
Loss due to Fire	-	28.15
Fixed Assets Written -off	11.10	-
Bad & Doubtful Debts (Provision)	71.64	11.25
TOTAL :	<u>11542.51</u>	<u>8388.40</u>
23. INTEREST & FINANCIAL CHARGES		
Interest		
- On Loans for Fixed Period	2102.55	848.91
- On Other Loans / Liabilities	1849.38	1390.51
- On Deferred Liabilities	69.12	46.83
Discounting & Financial Charges	710.11	532.05
TOTAL :	<u>4731.16</u>	<u>2818.30</u>
24. EXPENSES ALLOCATED TO SELF CONSTRUCTED ASSETS		
Material Cost	65.17	-
Salary & Wages	29.29	-
Other Manufacturing Expenses	10.30	-
Administrative & Other Expenses	13.51	-
Interest & Financial Charges	3.54	-
Depreciation	7.61	-
TOTAL :	<u>129.42</u>	<u>-</u>

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, adjustment on account of foreign exchange fluctuations and impairment losses. Pre-operative expenses and identifiable trial run expenses incurred by the company upto 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 loans/payables/liabilities for acquisition of fixed assets are adjusted in the carrying amount of the respective fixed assets, and for any other foreign currency transactions, 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 for trade transactions and in respective fixed assets for forward contracts pertaining to them.
- iv) Profit or loss on cancellation of forward contracts for transactions relating to acquisition of fixed assets are adjusted in carrying amount of the respective fixed assets and for any other transaction, 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) 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.

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

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.

11. GRATUITY

Gratuity is provided on the basis of premium paid to ICICI Prudential Life Insurance Company Limited determined on the basis of actuarial valuation as on 1st January for all employees covered under the "Employees Group Gratuity-cum-Life Assurance Scheme".

12. LEAVE ENCASHMENT

Leave encashment is provided on the basis of leave entitlement of employees remaining unutilized at the end of the year.

13. CLAIMS BY/AGAINST THE COMPANY

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

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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**1. AMALGAMATION OF COMPANIES**

- a. In terms of the Scheme of Arrangement ("Scheme") sanctioned by the High Court of Judicature at Delhi vide their order dated 6th October, 2006 read with order dated 9th November 2006, Flex Securities Limited (wholly owned subsidiary of Flex Engineering Limited) engaged in Non-banking Financial activities, Flex Engineering Limited engaged mainly in manufacture and sale of Converting and Packaging Machinery and FCL Technologies and Products Limited engaged mainly in manufacture of Polyester Chips, Industrial Ink & Adhesives have been merged with the Company with effect from 4th December, 2006. Accordingly above mentioned companies stand dissolved without winding up and all assets and debts, outstanding, credits, liabilities, benefits under Income Tax, Excise, Sales Tax (including Deferment of Sales Tax), benefits for and under STPI, duties and obligations, have been transferred to and are vested in the Company retrospectively with effect from April 1, 2006, being the appointed date.
- b. Pursuant to the Scheme coming into effect, every shareholder of erstwhile Flex Engineering Limited holding fully paid up 3 equity shares was allotted 2 Equity Share of Rs.10/- each in the Company, credited as fully paid up (Equity Shares issued 1,06,81,041) and every share holder of erstwhile FCL Technologies & Products Ltd. holding 3 fully paid up equity shares was allotted 1 Equity Share of Rs.10/- each in the Company, credited as fully paid up (Equity Shares issued 17,71,021). Since Flex Securities Limited was the wholly owned subsidiary of Flex Engineering Ltd., no share was exchanged to effect the merger. Fractional entitlements, if any, were rounded off to the nearest figure.
- c. Further pursuant to the Scheme 13,15,200 Optionally Fully Convertible Debentures of Rs. 100/- each are issued upon cancellation of 54.80 lacs equity shares aggregating Rs. 548.00 lacs of Equity Share Capital and Rs. 767.20 lacs of Securities Premium Account.
- d. The Company has adopted the "Pooling of Interest Method" to effect the merger in accordance with Accounting Standard 14 on "Accounting for Amalgamations" issued by the ICAI.
- e. Change in Accounting Policy of FCL Technologies & Products Limited.

The Company has changed the Accounting Policy in respect of cost method adopted for valuation of Finished Goods & Work-in-progress of the erstwhile FCL Technologies & Products Limited, from the First-in-First-out Method to Weighted Average Method. However the impact of such change is not material considering the total turnover of the Company.

(Rs.in lacs)

	As At 31.03.2007	As At 31.03.2006
2. Contingent liabilities not provided for in respect of :		
i) Guarantees issued by Banks	974.74	183.29
ii) Import duty obligations on outstanding export commitment under Advance Licence/EPCG Schemes	14277.98	6773.45
iii) Letters of Credit (Unexpired) issued by Banks (Net of Margin)	1153.80	939.32
iv) Show cause notice/demands of Excise Authorities not acknowledged by the Company and are contested/appealed/replied	2936.84	414.81
v) Additional demands raised by the Income Tax Department, which are under rectification & appeal	118.94	145.51
vi) Additional demands raised by the Sales Tax Department, which are under rectification & appeal	931.81	44.22
vii) a) Undertaking to Financial Institutions/Others for compensating NPV Loss	4340.40	26143.70
b) Indemnity issued in terms of Negotiated Settlement Scheme to ICICI Bank Ltd. for meeting shortfall arising on non-fulfillment of residual NPV loss*	3450.05	2355.00
viii) Amount of penalty imposed by Enforcement Directorate under erstwhile FERA which is contested & appealed	315.60	115.50
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	195.87	-
x) Amount demanded by the erstwhile workers of the Company and are pending in Labour Court	73.57	52.01
xi) a) Premium on Redemption of outstanding Foreign Currency Convertible Bonds**	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 24.25 lacs shares by promoters from ICICI Bank Ltd. under Negotiated Settlement Scheme.

** The Company expects that the holders of FCCBs and OFCDs would opt for the conversion rather than redemption and in that case no premium/interest would be payable. On this basis the amount of premium as well as interest 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)	
	As At 31.03.2007	As At 31.03.2006
3. Capital Commitments :		
The estimated amount of contracts remaining to be executed on capital account (Net of advances) and not provided for :	7497.26	716.03
4. Assets taken on Operating Lease		
Future liabilities in respect of vehicles taken on lease		
TOTAL :	91.67	-
a) of which not later than one year	24.00	-
b) of which later than one year and not later than 5 years	67.67	-
c) of which later than 5 years	-	-

	(Rs.in lacs)	
	Current Year	Previous Year
5. Managerial Remuneration :		
i) Salaries including HRA	442.80	380.10
ii) Contribution to Provident Fund	44.85	41.58
iii) Commission to Chairman & Managing Director	25.00	25.00
iv) Medical re-imburement	2.86	0.66
v) Perquisite value of electricity, car, furniture & fixtures and rent free accommodation provided,evaluated as per Income Tax Rules, 1962 (Net of recovery)	2.38	2.42
vi) Sitting Fees	21.95	9.20
TOTAL :	539.84@	458.96

@ includes Rs. 38.21 lacs paid by the entities merged with the Companies.

6. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to Chairman and Managing Director.

	(Rs.in lacs)	
Particulars	Current Year	Previous Year
Net Profit After Tax	4214.82	3305.92
Add :		
a) Managerial Remuneration		
i) Salaries including HRA	442.80	380.10
ii) Contribution to Provident Fund	44.85	41.58
iii) Commission to Chairman & Managing Director	25.00	25.00
iv) Medical re-imburement	2.86	0.66
v) Perquisite value of electricity, car, furniture & fixtures and rent free accommodation provided, evaluated as per Income Tax Rules, 1962 (Net of recovery)	2.38	2.42
vi) Sitting Fees	21.95	9.20
b) Provision for Bad & Doubtful debts	71.64	11.25
c) Provision for Income Tax, Deferred Tax & Fringe Benefit Tax	2431.27	1081.91
Sub Total	3042.75	1552.12
Less :		
a) Profit on sale of fixed assets	1930.97	99.34
b) Deferred Revenue Expenditure	112.36	112.36
c) Profit on sale of Investments	0.33	0.00
c) Bad Debt written off out of provision	54.24	139.74
d) (Short) provision for Taxation for earlier years	(23.95)	-
Sub Total	2073.95	351.44
Net profit on which commission is payable	5183.62	4506.60

(Rs.in lacs)

Particulars	Current Year	Previous Year
Maximum Remuneration allowed under the Companies Act,1956 @ 10%	518.36	450.66
Amount of Remuneration paid excluding commission payable to eligible Directors	492.89	424.76
Maximum amount of commission allowed under the Companies Act,1956	25.47	25.90
Maximum commission payable as per approval of the shareholders	259.18	225.33
Commission approved by the Board	25.00	25.00
7. Auditors Remuneration, as included in "Legal & Professional charges" under Schedule No."22", is as under:-		
a) Audit Fees	25.00	12.00
b) Tax Audit Fees	7.50	3.50
c) Report & Certification work @	10.78	2.90
d) Out of Pocket Expenses	1.60	0.67
TOTAL :	44.88	19.07

@ Includes Rs.Nil (Previous Year Rs.0.21 lacs) recoverable from insurance Company and included in "Advances recoverable in cash or in kind or for value to be received" under Schedule No. "13".

8. 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.
9. 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.
10. List of the Small Scale Industrial undertaking to whom the Company owes any sum, as on 31.03.2007, which are outstanding for more than 30 days, are as follows:

(1) A K Engineering (2) A P Packaging (3) A P Polyplast Pvt. Ltd. (4) Adroit Control Engineers (5) Advance Ventilation Pvt. Ltd. (6) Alpha Taparia Industries (7) Amba Polytumbes Pvt. Ltd. (8) Anand Mehan Polymers Pvt. Ltd. (9) Anil Machine Tools (10) Anu Shree Creamic Minerals Pvt. Ltd. (11) Ashok Packaging Industries (12) Ashu Plastic (13) Astir India Ltd. (14) Avon Engineers (15) Bhayana Computer Stationery Forms (16) Bhayana Printers & Packers (17) Bluebells Polymers Pvt. Ltd. (18) Board And Paper Laminators (19) Can-n-Can (20) Captors India (Regd) (21) Caris Coating (22) Chadha Industries Pvt. Ltd. (23) Chemito Technoloigies Pvt. Ltd. (24) Continental Forms Pvt. Ltd. (25) Core India (26) Crucible Castings (27) Deepak Engineering Works (28) Deioners Speciality Chemicals (29) Depankar Printing Press (30) Edge Marketing Pvt. Ltd. (31) Ess Aar Engineering Pvt. Ltd. (32) Gajanan Packers Pvt. Ltd. (33) Galaxy Roller Company Pvt. Ltd. (34) Ganes Corporation (35) Geeraran Industries (36) Glow Industries (37) Gogi Shutters (38) Gravure Cils Pvt. Ltd. (39) Grownex Engg. Works (40) H S Engineering Works (41) Hare Krishna Engineering (42) High Grade Industries (43) Indian Organic Corporation (44) Industrial Roller Company (45) Interlabels Industries Pvt. Ltd. (46) Jai Durge Grinding Works (47) Jain Transfer Products (48) Jindal Rectifiers (49) Joyshra Industrial Fabricators (50) K S Techno Crafts (51) Kanwal Industrial Corporation (52) Karam Packaging Pvt. Ltd. (53) Kaushik Industries (54) Kohinoor Old Dhoti Traders (55) Kulwant Enterprises (56) Lakpal Industries (57) Lamicoat International Pvt. Ltd. (58) Luxmi Industry (Regd) (59) M K Engineering Industries (60) Magadh Engineers (61) Metal Seam Company Pvt. Ltd. (62) Mittal Plastic Works (63) Kona Equipments (64) National Adhesives (65) New Pack Plastic Pvt. Ltd. (66) New Precision Engineers (i) (67) New Rana Enterprises (68) New Pack Plastics Pvt. Ltd. (69) Nitin Plastic Industries, Malanpur (70) Nuton Engineering Works (71) O P Pattern Works (72) Om Packaging (73) Paragon Trading Corporation (74) Parkash Machine Tools (India) (75) Pawan Industries (76) Perfect Industries (77) Prototype Tools Industries (78) Putul Engineering Works (79) Ram Murti Satish Kumar (80) Rathoure Matal & Smelting (81) Ruchira Packaging Products Pvt. Ltd. (82) S S Polyfilm Pvt. Ltd. (83) S S Engineering Tools (84) S V Plastochem Pvt. Ltd. (85) Saggu Engineers (86) Sharda Containers Pvt. Ltd. (87) Sharda Sampat Polypack (88) Shiv Tech Marine Control Systems & Ser Pvt. Ltd. (89) Shivam Udyog (90) Shree Ganes Steel & Wood Craft (91) Shri Balaji Plastics (92) Sieves & Filters Corporation (93) S K Systems Pvt. Ltd. (94) Sriram Filtration & Engineering Co (95) Surya

Packaging Industries (96) Tin Box Ltd. (97) Unity Engineering Services (98) Vijay Power (99) Vintex Rubber Industries (100) Vyom Packaging Pvt. Ltd. (101) Woodbase Packaging.

11. (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.
12. 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.
13. a) Rupees have been rounded off to the nearest thousand.
b) Previous Year figures have been recasted/regrouped, wherever considered necessary.
c) Figures of the current year include figures of the merged entities and are therefore to that extent are not comparable with those of previous year.
14. The name of the Company stands changed from Flex Industries Limited to UFLEX LIMITED with effect from 19th March, 2007.
15. **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)	4214.82	3305.92
(B) (i) Opening Balance of Equity Shares	47506990 @	49070537
Add :		
Weighted Factors for 26,00,000 Shares issued on Conversion of Warrants on 17.03.07	106849	-
Weighted Factors for 12,69,714 Shares issued on Conversion of FCCB's on 22.03.07	34787	-
Weighted Factors for 2,53,942 Shares issued on Conversion of FCCB's on 23.03.07	6261	-
Adjustment for unpaid Equity Shares (to the extent of their paid up value for which Dividend is not Paid)	(43822)	-
Weighted Average Number of Equity Shares (viz. denominator) for Basic Earning Per Share	47611065	49070537
(ii) Opening Balance of Equity Shares	47506990	49070537
Add :		
Adjustment for issue of 54,80,000 OFCD's Issued to Financial Institutions	5480000	-
Weighted Factors for 70,00,000 Warrants on 20.02.07	767123	-
Weighted Factors for 26,00,000 Warrants issued on 20.02.2007 & Converted into Equity Shares on 17.03.2007	284932	-

	<u>Current Year</u>	<u>Previous Year</u>
Weighted Factors for FCCB's of US\$ 66 Million Issued on 08/3/2007	1102042	-
Weighted Factors for FCCB's of US\$ 6 Million Issued on 08/3/2007 and Converted into 1523656 Equity Shares	100186	-
Weighted Factors for FCCB's US\$ 13 Million Issued on 21/3/2007	99490	-
Adjustment for unpaid Equity Shares (to the extent of their unpaid value for which Dividend is not Paid)	(43822)	-
Weighted Average Number of Equity Shares (viz. denominator) for Diluted Earning Per Share	<u>55296941</u>	<u>49070537</u>
(C) Nominal Value Per Share	Rs. 10/-	Rs. 10/-
(D) (i) Basic Earning Per Share (A/B(i)) (Rs.)	8.85	6.74
(ii) Diluted Earning Per Share (A/B(ii)) (Rs.) @ After considering the effect of Approved Scheme of Merger.	7.62	6.74

16. 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 :

	(Rs.in lacs)	
	<u>Current Year</u>	<u>Previous Year</u>
Domestic Revenue	100993.35	70786.34
Export Revenue :		
USA	8647.54	8884.94
Europe	5625.01	7137.37
Asia	10057.75	10499.49
Africa	8851.36	7052.86
Others	22.88	373.48
Total Export Revenue	<u>33204.54</u>	<u>33948.14</u>
Total Revenue*	<u>134197.89</u>	<u>104734.48</u>

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

17. 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. and U Tech Developers Ltd.
- ii) **Associate** : Flex Foods Limited
- iii) **Key Management Personnel (also exercising significant influence over the Company)** : Mr. Ashok Chaturvedi, Chairman & Managing Director , Mr. S.K. Kaushik, Whole-time Director and Mr. Vipin Mittal, Manager (upto 03.12.2006)
- 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.Infrastructures & 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 Pvt. Ltd., AR Aerotech Pvt. Ltd., AR Airways Pvt. Ltd., Kaya Kalpa Medical Services Pvt. Ltd., AC Infrastructures Pvt. Ltd., AKC Developers Pvt. Ltd. and Club One Airways Pvt. 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	Wholly owned Subsidiaries	Associate	Key Management Personnel	Enterprises as referred to in 'a (iv)' above	Enterprise in which Key Management Personnel is common @	Total
i) Trade Transactions						
Sale of Goods/Services (Net)	4207.76	22.00	–	697.66	–	4927.42
	4294.80	17.20	–	358.30	22.20	4692.50
Purchase of Goods/Services (Net)	1,120.88	–	–	2621.35	–	3742.23
	7.20	–	–	1505.40	28832.83	30345.43
Sale of Fixed Assets	–	–	–	0.01	–	0.01
Purchase of Fixed Assets	–	–	–	288.66	–	288.66
Dividend Received	430.56	–	–	1010.63	–	1010.63
Lease Charges Paid	–	–	–	–	–	–
Licence Fees Paid	–	–	–	1.36	–	1.36
Refund of Advance Licence Fees	–	–	–	168.75	–	168.75
Rent Received	–	–	30.00	581.25	–	581.25
Rent Paid	–	–	30.00	3.36	46.00	77.20
Security Deposit Given	–	–	–	1.20	–	1.20
Refund of Security Deposit	–	–	–	3.60	–	3.60
Interest Paid on Loans	–	45.00	–	15.00	–	15.00
Interest Received	–	36.29	–	1000.00	–	1000.00
Remuneration	–	–	495.45	500.00	–	500.00
	–	–	449.76	–	–	–
ii) Non Trade Transactions						
Loan Taken	–	–	–	–	–	–
Amount paid for Loan Taken	–	450.00	–	1250.00	–	1700.00
Amount received for Loan Given	–	–	–	1,250.00	–	1,250.00
Investment in Shares	10000.00	–	–	210.00	–	10000.00
Share Capital / Share Warrants	2541.29	–	–	–	–	2541.29
	42.56	–	–	3,272.50	–	3272.50
Total	15759.20	67.00	525.45	7613.48	0.00	23965.13
	6885.85	503.49	479.76	7228.29	28901.03	43998.42
Balance as on 31.03.2007						
Debit	1527.29	6.74	–	112.27	–	1646.30
Credit	2151.19	5.06	–	1,645.72	–	3801.97
	404.99	450.00	–	824.86	–	1679.85
	–	450.00	–	1,068.84	3114.42	4633.26

Besides the 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.3450.05 lacs by Anshika Investments (P) Ltd. and A. R. Leasing (P) Ltd, enterprises referred in (a) (iv) above.

Note: i) Previous Year figures have been given in Italic.

@Transactions relates to erstwhile FCL Technologies & Products Ltd. Which is now merged with the Company.

18. 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 Assets & Liabilities and description of item thereof that creates these differences are as follows :

	Deferred Tax Assets / (Liability) As At 01.04.2006	Adjustment on merger	Current Year (Charge) / Credit	Deferred Tax Assets / (Liability) As At 31.03.2007
A. Deferred Tax Assets				
Unabsorbed Depreciation under the Income Tax Act,1961	1748.92	1015.10	(2,530.88)	233.14
Others	5368.79	1256.19	663.60	7288.58
Total (A)	<u>7117.71</u>	<u>2271.29</u>	<u>(1867.28)</u>	<u>7521.72</u>
B. Deferred Tax Liabilities				
Excess of Book WDV of Fixed Assets over Tax WDV of Fixed Assets	<u>(14428.87)</u>	<u>(3657.85)</u>	<u>357.26</u>	<u>(17729.46)</u>
Total (B)	<u>(14428.87)</u>	<u>(3657.85)</u>	<u>357.26</u>	<u>(17729.46)</u>
Net Deferred Tax (Liability) (A-B)	(7311.16)	(1386.56)	(1510.02)	(10207.74)

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	119000 **	119000
Rotogravure Cylinder & Shims	Nos.	47000 ***	47000
Hologrammed Sticker Sheets	Sheets in lacs	700	700
Packaging & Converting Machines & Structure & Fabricated Items	Nos.	1570 #	-
PET Chips	MT	72000	-
Printing Ink	MT	7470	-
Adhesive	MT	3690	-
Antifreeze Coolant	KL	200	-

Previous Year figures 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 6000 MT) licenced to third party.

***Includes capacity of 12000 Nos. (Previous Year 3000 Nos.) 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.	Value	
Printed, Laminated, Metalised, Co-extruded, Coated, Embossed and Plain Plastic Films	MT	95224 (84683)	94351 (84168)	113031.19 (96976.11)	403 (497)	646.98 (724.29)	613 (403)	933.51 (646.98)	
Rotogravure Cylinder & Shims	Nos.	13384 (12316)	13065 (12257)	1368.49 (1266.40)	- (-)	- (-)	- (-)	- (-)	
Hologrammed Sticker Sheets	Sheets in lacs	586 (561)	590 (557)	2225.39 (2108.80)	32 (28)	36.49 (38.43)	28 (32)	46.84 (36.49)	
Packaging & Converting Machines	Nos.	234 (-)	234 (-)	4241.55 (-)	- (-)	- (-)	- (-)	- (-)	
Printing Ink @	MT	4459 (-)	4442 (-)	6249.64 (-)	69 (-)	81.43 (-)	77 (-)	87.25 (-)	
Adhesive @	MT	2609 (-)	2600 (-)	3293.36 (-)	59 (-)	56.15 (-)	55 (-)	66.79 (-)	
Others				2971.02 (1495.24)		32.91 (-)		14.06 (-)	
TOTAL :				133380.64 (101846.55)		853.96 (762.72)		1148.45 (683.47)	

- 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.
@Opening Stock represents the figures of merged entities.

(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.	- (-)	- (-)	- (4)	- (257.10)	- (4)	- (256.14)	- (-)	- (-)
Machine Components	Nos.	- (-)	- (-)	3 (8)	2.24 (0.37)	3 (8)	2.15 (0.63)	- (-)	- (-)
Polyester Chips	MT	- (-)	- (-)	- (37200)	- (1860.22)	- (37200)	- (1846.68)	- (-)	- (-)
Misc.Items @			1.89 (15.05)		125.65 (253.05)		165.56 (313.54)		1.88 (1.87)
TOTAL :			1.89 (15.05)		127.89 (2370.74)		167.71 (2416.99)		1.88 (1.87)

Notes :

1. Previous year figures have been given in brackets.
2. Closing Stock excludes Sales return of machines worth Rs.Nil (Previous year Rs.11.88 lacs) and charged to expenses.

@ Opening Stock includes Rs. 0.02 lacs in respect of merged entity.

C. Information in respect of raw materials consumed :-

(Rs.in lacs)

Description	Current Year		(Qty.in MT) Previous Year	
	Qty.	Value	Qty.	Value
Pastic Films	3994	4140.23	3646	3589.03
Plastic Granules	44334	28547.45	82254	47260.54
Fibre Chemicals	59637	26831.15	2174	947.40
Inks	659	1084.54	2909	3969.79
Adhesives	1422	1732.01	1644	1795.38
Solvents	10483	4888.71	3460	1542.10
Additive	1327	1447.99	833	1054.94
Chemicals	2004	1910.14	-	-
Resin	910	1749.82	-	-
Pigments	856	1376.16	-	-
Others		5165.33		2600.74
TOTAL :		78873.53		62759.92

Notes : The above excludes Materials consumed for captive use.

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
Raw Material				
Imported	14834.06	18.81	6807.03	10.85
Indigenous	64039.47	81.19	55952.89	89.15
TOTAL :	78873.53	100.00	62759.92	100.00
Stores, Spares, Tools,Jigs & Dies Consumed				
Imported *	861.43	37.07	429.55	25.21
Indigenous	1462.09	62.93	1274.28	74.79
TOTAL :	2323.52	100.00	1703.83	100.00

* Includes spares of Rs.695.88 lacs (Previous year Rs.323.49 lacs) charged to Repair & Maintenance Machineries.

E. Other Particulars

(Rs.in lacs)

Description	Current Year	Previous Year
a) CIF Value of Imports		
i) Raw Materials / Traded Goods	14685.13	5834.74
ii) Capital Goods	904.72	8624.97
iii) Stores & Spares	816.03	391.24
iv) Material-in-Transit - Raw Materials	47.07	111.79

b) Expenditure in Foreign Currency

i) Travelling Expenses	423.47	350.70
ii) Advertisement & Publicity	13.49	46.72
iii) General Expenses	15.56	27.85
iv) Rebate & Discount	0.43	16.91
v) Commission on Sales (Net)	337.78	231.48
vi) Discounting & Bank Charges	90.16	67.94
vii) Entertainment Expenses	2.94	4.65
viii) Legal & Professional Charges	52.75	40.72
ix) FCCB's Issue Expenses	337.50	-
x) Repair & Maint. -Mach.	12.32	12.42
xi) Rent	37.54	37.54
xii) Interest to Banks	-	129.74
xiii) Salary & Wages	7.03	16.15

c) Earning in Foreign Exchange

i) F.O.B. value of Export of Manufactured / Traded Goods	31053.00	31614.93
ii) Design & Art work Recovery	411.08	302.86
iii) Technical Services	2332.43	388.71
iv) Interest	58.26	-
v) Dividend	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 : 14th August, 2007

S.V. Sehgal
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

3	2	1	6	6
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 State code

5	5
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 Balance Sheet Date

3	1
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0	3
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2	0	0	7
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II. Capital Raised during the Year (Amount in Rs.Thousands)

Public Issue	Rights Issue	Proceeds from Share Capital / Warrants												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>7</td><td>5</td><td>9</td><td>8</td><td>6</td></tr></table>	1	7	5	9	8	6
N	I	L												
N	I	L												
1	7	5	9	8	6									
Bonus Issue	Warrants	Private Placement												
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L			
N	I	L												
N	I	L												
N	I	L												

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

Total Liabilities	Total Assets																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>8</td><td>2</td><td>1</td><td>4</td><td>6</td><td>6</td><td>9</td></tr></table>	1	8	2	1	4	6	6	9	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>8</td><td>2</td><td>1</td><td>4</td><td>6</td><td>6</td><td>9</td></tr></table>	1	8	2	1	4	6	6	9
1	8	2	1	4	6	6	9										
1	8	2	1	4	6	6	9										

Sources of Funds

Paid-up Capital including Warrants	Reserves & Surplus														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>6</td><td>5</td><td>0</td><td>6</td><td>1</td><td>6</td></tr></table>	6	5	0	6	1	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>3</td><td>3</td><td>3</td><td>7</td><td>8</td><td>2</td></tr></table>	4	3	3	3	7	8	2	
6	5	0	6	1	6										
4	3	3	3	7	8	2									
Secured Loans	Unsecured Loans														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>7</td><td>6</td><td>6</td><td>2</td><td>3</td><td>3</td><td>6</td></tr></table>	7	6	6	2	3	3	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>5</td><td>4</td><td>7</td><td>1</td><td>6</td><td>1</td></tr></table>	4	5	4	7	1	6	1
7	6	6	2	3	3	6									
4	5	4	7	1	6	1									
Deferred Tax Liability (Net)															
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>0</td><td>2</td><td>0</td><td>7</td><td>7</td><td>4</td></tr></table>	1	0	2	0	7	7	4								
1	0	2	0	7	7	4									

Application of Funds

Net Fixed Assets (Including Capital Work-in-progress)	Investments														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>9</td><td>2</td><td>5</td><td>5</td><td>6</td><td>4</td><td>3</td></tr></table>	9	2	5	5	6	4	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>0</td><td>5</td><td>7</td><td>5</td><td>8</td><td>6</td></tr></table>	2	0	5	7	5	8	6
9	2	5	5	6	4	3									
2	0	5	7	5	8	6									
Net Current Assets	Misc. Expenditure														
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>6</td><td>9</td><td>0</td><td>1</td><td>4</td><td>4</td><td>0</td></tr></table>	6	9	0	1	4	4	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L				
6	9	0	1	4	4	0									
N	I	L													

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

Turnover (Including Other Income)	Total Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>2</td><td>9</td><td>8</td><td>7</td><td>5</td><td>0</td><td>0</td></tr></table>	1	2	9	8	7	5	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>1</td><td>2</td><td>3</td><td>2</td><td>0</td><td>9</td><td>1</td><td>4</td></tr></table>	1	2	3	2	0	9	1	4
1	2	9	8	7	5	0	0										
1	2	3	2	0	9	1	4										
Profit before Tax	Net Profit After Tax																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>6</td><td>6</td><td>6</td><td>5</td><td>8</td><td>6</td></tr></table>	6	6	6	5	8	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>2</td><td>1</td><td>4</td><td>8</td><td>2</td></tr></table>	4	2	1	4	8	2				
6	6	6	5	8	6												
4	2	1	4	8	2												
Earning Per Share (in Rs.)	Dividend Rate %																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>.</td><td>8</td><td>5</td></tr></table>	8	.	8	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>4</td><td>0</td></tr></table>	4	0										
8	.	8	5														
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

	UFLEX LIMITED			
1. Name of the Subsidiary Company	Flex America Inc.	Flex Middle East FZE	Flex Europe Private Limited	U Tech Developers Ltd.
2. Financial Year of the Subsidiary	31st March, 2007	31st March, 2007	31st March, 2007	31st March, 2007
3. Issued, Subscribed and Paid-up Capital of the Subsidiary Company as on 31st March, 2007	1,00,000 shares of US \$ 1 each	78 shares of AED 1 Million each	75,000 share of GBP 1 each	10,00,00,000 shares of Rs.10/- each
4. Extent of interest of UFLEX LIMITED in Subsidiary as on 31st March, 2007	100%	100%	100%	100%
5. Net aggregate amount of profits/ (losses) of the Subsidiary so far 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 \$ 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
b) Previous year	US \$ 66,799 equivalent to Rs. 42.01 lacs	US \$ 49,51,209 equivalent to Rs. 2,193.73 lacs	GBP (7110) equivalent to Rs. (5.56) lacs	-
6. Net aggregate amount of profits/ (losses) of the Subsidiary so far as it concerns the member of UFLEX LIMITED and is dealt with in the accounts of UFLEX LIMITED for the Financial Year of previous Financial Years	NIL	NIL	NIL	NIL
7. As the end of the Financial Year of the Subsidiaries ended 31st March, 2007 coincides with the end of the Financial Year of the Holding Company, Section 212 (5) of the Companies Act, 1956 is not applicable.				

(55)

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
Date : 14th August, 2007



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 it's wholly owned subsidiaries Flex America Inc., Flex Middle East FZE, Flex Europe Pvt. Ltd. & U Tech Developers Ltd., [here-in-after called "Subsidiaries" and along with Company called "Group"] as at March 31, 2007, 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 the subsidiaries whose financial statements reflects total assets of US\$ 46774099, GBP 65640 and INR 1323831886 (equivalent to aggregate amount of Rs. 33747.18 Lacs) as at 31st March 2007 and total revenue of US\$ 61432215, GBP 960 and INR 147079934 (equivalent to aggregate amount of Rs. 29109.97 Lacs) for the year ended 31st March 2007. 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, it's subsidiaries and it's 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 March 31, 2007;
- 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

[S.V. SEHGAL]
Partner

Membership No.080329

Place : NOIDA
Dated : 14th August, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

				(Rs. in lacs)	
	Schedule Number		As At 31.03.2007		As At 31.03.2006
I. SOURCES OF FUNDS					
Shareholders' Funds					
a)	1	Share Capital	5158.66	4902.59	
b)	2	Warrants	1347.50	-	
c)	3	Reserves & Surplus	<u>49480.00</u>	<u>37436.56</u>	42339.15
Loan Funds					
a)	4	Secured Loans	76623.36	61357.85	
b)	5	Unsecured Loans	<u>45471.61</u>	<u>1925.65</u>	63283.50
	6	Deferred Tax Liability (Net)	<u>10181.17</u>		7311.16
		TOTAL :	<u><u>188262.30</u></u>		<u><u>112933.81</u></u>
II. APPLICATION OF FUNDS					
Fixed Assets					
	7	Gross Block	161184.71	132206.61	
		Less : Depreciation	<u>62313.14</u>	<u>45037.60</u>	
		Net Block	<u>98871.57</u>	<u>87169.01</u>	
		Capital Work-in-Progress	<u>5259.31</u>	<u>1705.87</u>	88874.88
	8	Investments	<u>1856.18</u>		3707.60
Current Assets, Loans & Advances					
a)	9	Inventories	16312.77	6262.13	
b)	10	Sundry Debtors	28731.54	19536.68	
c)	11	Cash & Bank Balances	50086.98	2114.06	
d)	12	Other Current Assets	118.88	195.90	
e)	13	Loans & Advances	<u>18029.33</u>	<u>10604.76</u>	
			<u>113279.50</u>	<u>38713.53</u>	
Less : Current Liabilities & Provisions					
a)	14	Current Liabilities	27455.28	17579.31	
b)	15	Provisions	<u>3548.98</u>	<u>782.89</u>	
			<u>31004.26</u>	<u>18362.20</u>	
		Net Current Assets	<u>82275.24</u>		20351.33
		TOTAL :	<u><u>188262.30</u></u>		<u><u>112933.81</u></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 : 14th August, 2007

S.V. Sehgal
Partner

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in lacs)

	Schedule Number	For the Year Ended 31.03.2007	For the Year Ended 31.03.2006
A. INCOME			
Gross Sales & Job Work	16	189486.67	126007.27
Less : Inter unit Sales & Job Work		36591.76	9729.04
Less : Excise Duty		13692.03	9667.16
Net Sales & Job Work		139202.88	106611.07
Other Income	17	10052.26	7022.01
Share of Profit of Associate for the Current Year		219.12	147.46
Increase/(Decrease) in Finished Goods & Work-in-progress	18	(322.83)	1021.83
TOTAL (A) :		<u>149151.43</u>	<u>114802.37</u>
B. EXPENDITURE			
Material Cost	19	88452.96	72276.20
Other Manufacturing Expenses	20	16483.90	11593.80
Payments & Benefits to Employees	21	7297.65	5117.53
Administrative, Selling & Other Expenses	22	13726.16	9789.62
Interest & Financial Charges	23	4893.41	2951.77
Depreciation		8148.40	6444.37
TOTAL		<u>139002.48</u>	<u>108173.29</u>
Less : Expenses Allocated to Self Constructed Assets	24	129.42	-
TOTAL (B) :		<u>138873.06</u>	<u>108173.29</u>
Profit (A-B)		<u>10278.37</u>	<u>6629.08</u>
(Less): Provision for Taxation			
- For Income Tax		(869.48)	(366.68)
- For Fringe Benefit Tax		(172.46)	(153.00)
- For Wealth Tax		(26.01)	(22.00)
(Less) : Provision for Deferred Tax (Charge)		(1483.45)	(572.45)
Profit After Tax		<u>7726.97</u>	<u>5514.95</u>
Add / (Less) : Excess/(Short) Provision for earlier years			
- For Wealth Tax		0.33	-
- For Income Tax		(23.95)	-
- For Expenses		29.86	19.31
Amount available for Appropriations		<u>7733.21</u>	<u>5534.26</u>
Appropriations			
Interim Dividend		1032.61	-
Dividend Distribution Tax		144.82	-
Proposed Dividend		1104.10	-
Proposed Dividend Distribution Tax		187.64	-
General Reserve		425.00	-
Debenture Redemption Reserve		163.96	-
Balance carried to Balance Sheet		<u>4675.08</u>	<u>5534.26</u>
		<u>7733.21</u>	<u>5,534.26</u>
Basic Earning Per Share (Rs.)		16.24	11.28
Diluted Earning Per Share (Rs.)		13.98	11.28

- 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 : 14th August, 2007

S.V. Sehgal
Partner

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	(Rs. in lacs)	
	For the Year Ended 31.03.2007	For the Year Ended 31.03.2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax & exceptional items	10278.37	6629.08
Adjustment for :		
Depreciation / Amortisation	8158.63	6444.37
Exchange rate fluctuations	(657.61)	2.02
(Profit) / Loss on assets sold (Net)	(1896.58)	(4.72)
Interest & Financial Charges	4893.41	2951.77
Interest received from Banks / others	(336.56)	(200.99)
Dividend received on Non-Trade Investments	(7.89)	(7.81)
Profit on sale of Investments (Net)	(0.33)	-
Sundry Credit Balances Written Back (Net)	(41.53)	(129.99)
Expenses For Earlier Years	29.86	-
Fixed Assets written-off	11.10	-
Bad & Doubtful Debts (Provision)	76.04	11.25
Operating Profit before Working Capital changes	<u>10228.54</u>	<u>9065.90</u>
	20506.91	15694.98
Adjustment for :		
Trade and other receivables	(7685.71)	(6541.43)
Inventories	(7831.18)	(845.54)
Trade and other payables	5377.22	36.77
Cash generated from operating activities	<u>10139.67</u>	<u>(7350.20)</u>
	10367.24	8344.78
Wealth Tax	(25.68)	(22.00)
Fringe Benefit Tax	(172.46)	(153.00)
Dividend Distribution Tax	(144.82)	-
Income Tax	(893.43)	(366.68)
Foreign Currency Translation Reserve	(90.47)	(171.90)
Exchange rate fluctuations	657.61	(2.02)
Net Cash from operating activities (A)	<u>9697.99</u>	<u>7629.18</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) of Fixed Assets	(7487.67)	(9946.26)
Sale proceeds of Fixed Assets	2071.12	264.30
(Outflow) on Investments (Net)	(209.56)	(147.46)
Interest received from Banks / others	336.56	200.99
Dividend received on Investments	7.89	7.81
Net Cash used in Investing Activities (B)	<u>(5281.66)</u>	<u>(9620.62)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Receipt of Securities Premium Account	6805.31	0.57
Receipts from issue of Warrants	1347.50	-
FCCB Issue Expenses	(906.44)	-
Share Capital Received	412.42	-
Interest & Financial Charges	(4893.41)	(2951.77)
Additions of Borrowings (Net)	40538.69	3088.02
Net Cash used in Financing Activities (C)	<u>43304.07</u>	<u>136.82</u>
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	47720.40	(1854.62)
Opening Cash and Cash equivalents	2366.58 @	3968.68
Closing Cash and Cash equivalents	50086.98	2114.06

@ Includes Rs.252.52 lacs in respect of entities merged with Holding Company.

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

Place : NOIDA
Dated : 14th August, 2007

S.V. Sehgal
Partner

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET

1. SHARE CAPITAL

	(Rs. in lacs)	
	As At <u>31.03.2007</u>	As At <u>31.03.2006</u>
AUTHORISED		
1,90,00,000 (Previous Year 1,60,00,000)		
Preference Shares of Rs.100/- each	19000.00	16000.00
15,00,00,000 (Previous Year 5,00,00,000)		
Equity Shares of Rs.10/- each	<u>15000.00</u>	<u>5000.00</u>
	<u>34000.00</u>	<u>21000.00</u>
ISSUED, SUBSCRIBED & PAID-UP		
5,16,30,646 (Previous Year 4,90,70,537)		
Equity Shares of Rs.10/- each, fully called-up	5163.06	4907.05
Less : Amount Unpaid	<u>4.40</u>	<u>4.46</u>
	<u>5158.66</u>	<u>4902.59</u>
TOTAL :	<u>5158.66</u>	<u>4902.59</u>

Notes :

5,16,30,646 (Previous Year 4,90,70,537) 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) 1,24,52,062 (Previous Year Nil) Equity Shares allotted to Equity Shareholders of the transferee companies in accordance with the Approved Scheme of Merger.
- iii) 26,00,000 (Previous Year Nil) Equity Shares allotted on conversion of equivalent number of Warrants issued during the year.
- iv) 15,23,656 (Previous Year Nil) Equity Shares on conversion of 60 Nos. of Foreign Currency Convertible Bonds and
- v) 1,40,15,609 (Previous Year Nil) Equity Shares were cancelled in accordance with the Approved Scheme of Merger.

(Rs. in lacs)

2. WARRANTS

	As At <u>31.03.2007</u>	As At <u>31.03.2006</u>
Amount received @Rs.17.50 each on allotment of 1,03,00,000 Warrants during the year	1802.50	-
Less :Amount in respect of 26,00,000 Warrants converted into Equity Shares	<u>455.00</u>	<u>-</u>
TOTAL :	<u>1347.50</u>	<u>-</u>

Note:

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 warrants 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.

3. RESERVES & SURPLUS

	(Rs. in lacs)					
	Balance As At 01.04.2006	Additions on Merger	Additions During the year	Deductions on Merger	Deductions During the year	Balance As At 31.03.2007
Capital Reserve	20.00	0.23	-	20.23	-	-
Revaluation Reserve	-	3.69	-	-	0.08	3.61
Foreign Currency Translation Reserve (arising on consolidation)	(89.72)	-	(90.47)	-	-	(180.19)
Debenture Redemption Reserve	3206.02	983.74	163.96	-	-	4353.72
Securities Premium Account	23932.73	2761.06	6805.31	767.20	906.44	31825.46
General Reserve @	4111.19	1207.13	425.08	5461.59	-	281.81
Profit & Loss Account	6256.34	3832.00	4675.08	1567.83	-	13195.59
TOTAL :	<u>37436.56</u>	<u>8787.85</u>	<u>11978.96</u>	<u>7816.85</u>	<u>906.52</u>	<u>49480.00</u>
Previous Year	(32073.67)	-	(5362.89)	-	-	(37436.56)

@ Includes Rs. 0.08 lacs (Previous Year Nil) 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.

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET

4. SECURED LOANS

	(Rs. in lacs)	
	As At 31.03.2007	As At 31.03.2006
A. OPTIONALLY FULLY CONVERTIBLE DEBENTURES (OFCDs)		
From Financial Institutions	1315.20	-
B. ZERO RATE DEBENTURES		
From Financial Institutions	12345.45	9066.34
C. 18% CUMULATIVE DEBENTURES		
From Financial Institutions	1451.34	1217.04
D. TERM LOAN		
From Financial Institutions	6266.25	-
From Bank	2411.10	2722.22
Add: Interest accrued & due	21.50	20.81
	8698.85	2743.03
E. ZERO RATE LOANS		
From Financial Institutions	35405.75	31786.95
From Others	776.54	776.54
	36182.29	32563.49
F. CUMULATIVE RUPEE LOANS		
From Financial Institutions	3924.94	3291.30
From Others	225.77	189.32
	4150.71	3480.62
G. WORKING CAPITAL FACILITIES		
From Banks	12479.52	12287.33
TOTAL :	76623.36	61357.85

5. UNSECURED LOANS

Fixed Deposits	0.24	0.97	
Add : Interest accrued & Due	0.12	0.03	1.00
	0.36	1.00	
Foreign Currency Convertible Bonds			-
Short Term Loans			
From Banks	10384.46	1474.65	
From Others	650.69	450.00	1924.65
TOTAL :	45471.61	1925.65	

6. DEFERRED TAX LIABILITY (NET)

Opening Balance	7311.16	6738.71
Add : Acquired on Merger	1386.56	-
Add : Provision of Deferred Tax charge for the year	1483.45	572.45
TOTAL :	10181.17	7311.16

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET

7. FIXED ASSETS

(Rs. in lacs)

Particulars	GROSS BLOCK				Value/cost As at 31.03.2007	DEPRECIATION BLOCK				NET BLOCK		
	Value/Cost As at 01.04.2006	Additions on Merger	Additions during the year	Deductions during the year		Upto 31.03.2006	Adjustment on Merger	For the year	Deductions	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
A. TANGIBLE ASSETS												
Freehold Land	254.23	106.26	142.00	49.58	452.91	-	-	-	-	-	452.91	254.23
Leasehold Land	2796.71	619.47	-	-	3416.18*	-	-	-	-	-	3416.18	2796.71
Building	12769.63	4558.27	630.75	4.14	17954.51**	3404.60	1168.13	528.79	1.55	5099.97	12854.54	9365.03
Plant & Machineries	107182.44	18840.54	2172.00	150.71	128044.27	39478.59	7676.80	6873.98	89.93	53939.44	74104.83	67703.85
Electrical Installation	2884.74	592.32	76.43	-	3553.49	1184.83	201.91	168.01	-	1554.75	1998.74	1699.91
Office Equipments	994.40	260.01	272.76	4.74	1522.43	366.55	105.78	118.79	2.63	588.49	933.94	627.85
Furniture & Fixtures	443.94	218.77	34.19	19.54	677.36	258.56	98.14	41.94	14.56	384.08	293.28	185.38
Vehicles (Including Aircraft)	4771.86	152.80	391.33	126.32	5189.67	335.51	45.77	341.65	60.72	662.21	4527.46	4436.35
B. INTANGIBLE ASSETS												
Software	108.66	-	265.23	-	373.89	8.96	-	75.24	-	84.20	289.69	99.70
TOTAL	132206.61	25348.44	3984.69	355.03	161184.71***	45037.60	9296.53	8148.40	169.39	62313.14	98871.57	87169.01
Previous Year	112541.66	-	20208.62	543.67	132206.61	38882.01	-	6444.37	288.78	45037.60		
CAPITAL WORK-IN-PROGRESS**										5259.31#***	1705.87	
										104130.88	88874.88	

* Includes Rs.365.42 lacs (Previous Year Rs.362.37 lacs) pending execution of Title Deed.

** Includes Rs. 5.30 lacs (Previous Year Rs.41.70 lacs) acquired on ownership basis, Rs.19.85 lacs (Previous Year Rs. 20.19 lacs) pending execution of title deed.

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

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

During the year the Holding Company has surrendered 26.23 hectares of lease hold land situated at L-1, Ghirongi Industrial Area, Malanpur (M.P.) in terms of order passed by the Madhya Pradesh Audyogik Vikas Nigam (Gwalior) Ltd. on 11.05.06. Revised lease deed in respect of the same is yet to be executed.

8. INVESTMENTS

(Rs. in lacs)

	<u>As At 31.03.2007</u>	<u>As At 31.03.2006</u>
LONG TERM INVESTMENTS		
Fully Paid-up		
1. Equity Investments in Associate		
Carrying Value of Investment	443.73	291.73
Add : Share of Post acquisition Profits	<u>1046.98</u>	<u>827.86</u>
	1490.71	1119.59
2. Others		
(a) Quoted Equity Shares	295.44	2541.98
(b) Unquoted Equity Shares	39.00	15.00
(c) Trust Securities and Mutual Funds	<u>31.03</u>	<u>31.03</u>
TOTAL :	<u>1856.18</u>	<u>3707.60</u>
9. INVENTORIES		
Stores, Packing Material & Fuel	587.48	381.67
Raw Materials	4554.04	1456.33
Work-in-progress	3114.27	1721.87
Finished Goods	1677.07	2348.30
Traded Goods	5951.88	1.87
Material-in-transit *	<u>428.03</u>	<u>352.09</u>
TOTAL :	<u>16312.77</u>	<u>6262.13</u>

* Includes Rs. 143.67 Lacs (Previous Year Rs.116.18 lacs) in respect of material in transit at customs with Inter Group Companies.

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET
10. SUNDRY DEBTORS

(Unsecured, Considered Good)

(Rs. in lacs)

	As At 31.03.2007	As At 31.03.2006
A. Debts outstanding for a period exceeding six months	5650.50	2727.17
B. Other debts	23404.56	17152.49
	<u>29055.06</u>	19879.66
Less : Provision for Bad & Doubtful Debts	323.52	342.98
TOTAL :	<u>28731.54</u>	<u>19536.68</u>

11. CASH & BANK BALANCES

Cash in hand	83.26	23.99
Balances with Scheduled Banks:		
- On Current Accounts	1874.40	1065.38
- On Interim Dividend Account	1032.61	-
- On Cash Credits Accounts	30.02	-
- On Fixed Deposits Accounts*	15149.50	772.15
- In Margin Money Accounts	925.31	95.10
Balances with Foreign Banks:		
- On Fixed Deposits Accounts	30991.88	-
Remittance in Transit	-	157.44
TOTAL :	<u>50086.98</u>	<u>2114.06</u>

*Includes :

Rs. 317.47 lacs (Previous Year Rs. 595.35 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	36.05	177.94
- Deposits with Banks	80.04	15.17
TOTAL :	<u>118.88</u>	<u>195.90</u>

13. LOANS AND ADVANCES

(Unsecured, Considered Good)

Income Tax Paid (Net of provision)	100.56	243.21
Advances recoverable in cash or in kind or for value to be received	15293.23	4754.08
Security & Other Deposits	692.72	1842.72
Balances with Excise Authorities	1704.70	3374.30
Loans to Employees and others	238.12	390.45
TOTAL :	<u>18029.33</u>	<u>10604.76</u>

14. CURRENT LIABILITIES

Acceptances other than SSI	5986.51	5555.36
Sundry Creditors		
SSI	265.55	361.41
Others	14032.80	9516.06
Advances from Customers	3033.03	1285.18
Unclaimed Matured Deposits*	0.21	0.19
Unclaimed Matured Debentures*	10.24	17.64
Other Liabilities	1324.74	843.20
Book overdrafts	274.29	-
Advance received against Sale of Assets	2349.45	-
Interest accrued but not due on Loans/Debentures	178.46	0.27
TOTAL :	<u>27455.28</u>	<u>17579.31</u>

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

SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET
15. PROVISIONS

	(Rs. in lacs)	
	As At 31.03.2007	As At 31.03.2006
Income Tax (Net of Payments)	103.75	2.06
Fringe Benefit Tax (Net of Payments)	1.36	28.85
Wealth Tax	26.01	22.00
Interim Dividend	1032.61	-
Proposed Dividend	1104.10	-
Proposed Dividend Distribution Tax	187.64	-
Leave Encashment	542.05	432.25
Staff Benefits	93.91	3.55
Warranty	0.62	-
Interest on Deferred Liabilities	456.93	294.18
TOTAL :	3548.98	782.89

SCHEDULE FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT
16. SALES & JOB WORK

	(Rs. in lacs)		
	For the Year ended 31.03.2007		For the Year Ended 31.03.2006
Gross Sales	187205.23	124534.40	
Less : Inter Unit Sales	35011.78	8701.88	
	152193.45	115832.52	
Less : Excise Duty	13564.00	9580.24	106252.28
Gross Job Work	2281.44	1472.87	
Less : Inter Unit Job Work	1579.98	1027.16	
	701.46	445.71	
Less : Excise Duty	128.03	573.43	86.92
TOTAL :	139202.88	106611.07	

17. OTHER INCOME

Design & Art Work Recovery	649.54	470.94	
Less : Excise Duty Recovery	33.45	616.09	24.15
Packing, Forwarding and Insurance Recoveries	40.52		446.79
Exchange Rate Fluctuation (Net)	657.61		13.66
Export Incentive	998.00		-
Profit on sale of assets (Net)	1896.58		3451.20
Profit on sale of Investments (Net)	0.33		4.72
Miscellaneous Income	3454.74		-
Technical Fees	2002.41		2378.14
Sundry Balances Written Back (Net)	41.53		388.71
Interest :			129.99
-from Banks			
[TDS Rs 39.17 lacs (Previous Year Rs.26.43 lacs)]	294.03		117.47
-from Others			
[TDS Rs.1.16 lacs (Previous Year Rs.19.63 lacs)]	42.53		83.52
Investment Income:			
- Dividend received on Non-Trade Investments	7.89		7.81
TOTAL :	10052.26	7022.01	

SCHEDULE FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

18. INCREASE/(DECREASE) IN FINISHED GOODS & WORK-IN-PROGRESS	(Rs. in lacs)	
	For the Year ended 31.03.2007	For the Year Ended 31.03.2006
Closing Stock :		
Finished Goods	1677.07	2348.30
Work-in-Progress	<u>3114.27</u>	<u>1721.87</u>
	4791.34	4070.17
Less : Opening Stock : @		
Finished Goods	2518.80	1466.56
Work-in-Progress	<u>2595.37</u>	<u>1581.78</u>
	5114.17	3048.34
TOTAL :	<u>(322.83)</u>	<u>1021.83</u>

@ Finished Goods and Work-in-Progress Includes Rs.170.50 lacs (Previous year Rs. Nil) and Rs.873.50 lacs (Previous year Rs. Nil) respectively, in respect entities merged with holding company.

19. MATERIAL COST

A. Raw Material Consumed			
Opening Stock #	2337.31	1636.22	
Add : Purchases	<u>121784.21</u>	<u>77979.33</u>	
	124121.52	79615.55	
Less : Inter Unit Purchases	<u>32368.07</u>	<u>8266.94</u>	
	91753.45	71348.61	
Less : Closing Stock	<u>4554.04</u>	<u>1456.33</u>	
TOTAL (A) :	87199.41		69892.28
B. Material Cost of Traded Goods Sold			
Opening Stock @	1.89	15.05	
Add : Purchases	<u>7203.54</u>	<u>2370.74</u>	
	7205.43	2385.79	
Less : Closing Stock	<u>5951.88</u>	<u>1.87</u>	
TOTAL (B) :	1253.55		2383.92
TOTAL (A) + (B):	<u>88452.96</u>		<u>72276.20</u>

#Includes Rs. 880.98 lacs (Previous year Rs. Nil) in respect entities merged with holding company.

@ Includes Rs. 0.02 lacs (Previous year Rs. Nil) in respect entities merged with holding company.

20. OTHER MANUFACTURING EXPENSES

Power & Fuel Consumed	8979.76	5783.33
Repair & Maintenance-Machineries	1922.71	966.89
Stores Consumed	1502.49	1321.31
Tools, Jigs & Dies	143.79	94.75
Packing Material Consumed	2819.96	1925.86
Cylinders / Processing Charges for Cylinders	1447.89	1401.85
Less : Inter Unit Charges	<u>1197.76</u>	<u>250.13</u>
	250.13	1220.40
Design & Development Charges	5.88	-
Excise Duty	40.17	19.62
Job Work Charges	767.46	694.18
Licence Fees	-	562.50
Other Direct Expenses	51.55	43.91
TOTAL :	<u>16483.90</u>	<u>11593.80</u>

21. PAYMENTS & BENEFITS TO EMPLOYEES

Salaries,Wages,Bonus,Benefits and Amenities	6625.32	4629.48
Contribution to Provident Fund and Other Funds	402.96	265.32
Employees Welfare Expenses	<u>269.37</u>	<u>222.73</u>
TOTAL :	<u>7297.65</u>	<u>5117.53</u>

SCHEDULE FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT
22. ADMINISTRATIVE, SELLING & OTHER EXPENSES

(Rs. in lacs)

	For the Year ended 31.03.2007	For the Year Ended 31.03.2006
Rent,Rates & Taxes	285.56	297.61
Insurance charges	461.38	303.42
Electricity & Water charges	162.46	146.49
Printing & Stationery	147.24	83.18
Postage,Telegram,Telephone & Fax Expenses	327.35	298.95
Vehicle Running & Maintenance Expenses	164.14	137.38
Conveyance & Travelling Expenses	1639.80	1375.26
Repair & Maintenance :		
- Building	275.76	147.99
- Others	324.45	184.66
Legal & Professional Charges	598.72	261.38
Directors' sitting fees	21.95	9.20
General Expenses	841.10	683.96
Commission on Sales	603.65	408.91
Advertisement & Publicity	429.24	198.87
Entertainment Expenses	180.77	173.50
Sales Tax	648.67	173.45
Charity & Donation	4.41	10.28
Rebate & Discount	651.15	153.59
Freight & Forwarding charges	5794.82	4700.12
Loss due to Fire	-	28.15
Fixed Assets Written -off	11.10	-
Exchange Rate Fluctuations (Net)	-	2.02
Premilinary Expenses Written-off	66.17	-
Amortisations	10.23	-
Bad & Doubtful Debts (Provision)	76.04	11.25
TOTAL :	13726.16	9789.62

23. INTEREST & FINANCIAL CHARGES

Interest			
- On Loans for Fixed Period	2102.55		848.91
- On Other Loans / Liabilities	1850.42		1390.51
- On Deferred Liabilities	69.12	4022.09	46.83
Discounting & Financial Charges		871.32	665.52
TOTAL :		4893.41	2951.77

24. EXPENSES ALLOCATED TO SELF CONSTRUCTED ASSETS

Material Cost	65.17		-
Salary & Wages	29.29		-
Other Manufacturing Expenses	10.30		-
Administrative & Other Expenses	13.51		-
Interest & Financial Charges	3.54		-
Depreciation	7.61		-
TOTAL :	129.42		-

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." and U Tech 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

1. AMALGAMATION OF COMPANIES

- a In terms of the Scheme of Arrangement ("Scheme") sanctioned by the High Court of Judicature at Delhi vide their order dated 6th October, 2006 read with order dated 9th November, 2006, Flex Securities Limited (wholly owned subsidiary of Flex Engineering Limited) engaged in Non Banking Financial activities, Flex Engineering Limited engaged mainly in manufacture and sale of Converting and Packaging Machinery and FCL Technologies and Products Limited engaged mainly in manufacture of Polyester Chips, Industrial Ink & Adhesives have been merged with the company with effect from 4th December, 2006. Accordingly above mentioned companies stand dissolved without winding up and all assets and debts, outstanding, credits, liabilities, benefits under Income Tax, Excise, Sales Tax (including Deferment of Sales Tax), benefits for and under STPI, duties and obligations, have been transferred to and are vested in the Company retrospectively with effect from April 1, 2006, being the appointed date.
- b Pursuant to the Scheme coming into effect, every shareholder of erstwhile Flex Engineering Limited holding fully paid up 3 equity shares was allotted 2 Equity Share of Rs. 10/- each in the Company, credited as fully paid up (Equity Shares issued 1,06,81,041) and every shareholder of erstwhile FCL Technologies & Products Ltd. holding 3 fully paid up equity shares was allotted 1 Equity Share of Rs.10/- each in the Company, credited as

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (CONTINUED)

fully paid up (Equity Shares issued 17,71,021). Since Flex Securities Limited was the wholly owned subsidiary of Flex Engineering Ltd., no share was exchanged to effect the merger. Fractional entitlements, if any were rounded off to the nearest figure.

- c. Further pursuant to the Scheme 13,15,200 Optionally Fully Convertible Debenture of Rs. 100/- each are issued upon cancellation of 54.80 lacs equity shares aggregating Rs. 548.00 lacs of Equity Share Capital and Rs. 767.20 lacs of Securities Premium Account.
- d. The Company has adopted the "Pooling of Interest Method" to effect the merger in accordance with Accounting Standard 14 on "Accounting for Amalgamations" issued by the ICAI.
- e. Change in Accounting Policy of FCL Technologies & Products Limited.

The Company has changed the Accounting Policy in respect of cost method adopted for valuation of Finished Goods & Work-in-progress of the erstwhile FCL Technologies & Products Limited, from the First in First Out Method to Weighted Average Method. However the impact of such change is not material considering the total turnover of the Company.

	(Rs. in lacs)	
	As At	As At
	31.03.2007	31.03.2006
2 A. Contingent liabilities not provided for in respect of :		
i) Guarantees issued by Banks	974.74	183.29
ii) Import duty obligations on outstanding export commitment under Advance Licence / EPCG Schemes	14277.98	6773.45
iii) Letters of Credit (Unexpired) issued by Banks (Net of Margin)	1153.80	1968.10
iv) Show cause notice / demands of Excise Authorities not acknowledged by the Company and are contested/appealed/replied.	2936.84	414.81
v) Additional demands raised by the Income Tax Department, which are under rectification & appeal	118.94	145.51
vi) Additional demands raised by the Sales Tax Department, which are under rectification & appeal	931.81	44.22
vii) a) Undertaking to Financial Institutions / Others for compensating NPV Loss	4340.40	26143.70
b) Indemnity issued in terms of Negotiated Settlement Scheme to ICICI Bank Ltd. for meeting shortfall arising on non-fulfillment of residual NPV loss*.	3450.05	2355.00
viii) Amount of penalty imposed by Enforcement Directorate under erstwhile FERA which is contested & appealed	315.60	115.50
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.	195.87	-
x) Amount demanded by the erstwhile workers of the Company and are pending in labour Court	73.57	52.01
xi) a) Premium on Redemption of outstanding Foreign Currency Convertible Bonds**	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 24.25 lacs shares by promoters from ICICI Bank Ltd. under Negotiated Settlement Scheme.		
** The Company expects that the holders of FCCBs and OFCDs would opt for the conversion rather than redemption and in that case no premium/interest would be payable. On this basis the amount of premium as well as interest 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. The share in the aggregate contingent liability of the Associate	409.51	275.21

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (CONTINUED)

	(Rs. in lacs)	(Rs. in lacs)
	As At 31.03.2007	As At 31.03.2006
3. Capital Commitments :		
a) The estimated amount of contracts remaining to be executed on capital account (Net of advances) and not provided for :	19310.84	4354.76
b) The share in the aggregate capital commitments of the Associate	8.54	1.54
		(Rs. in lacs)
4. Managerial Remuneration :	Current Year	Previous Year
i) Salaries including HRA	557.04	494.81
ii) Contribution to Provident Fund	44.85	41.58
iii) Commission to Chairman & Managing Director	25.00	25.00
iv) Medical re-imburement	2.86	0.66
v) Perquisite value of electricity, car, furniture & fixtures and rent free accommodation provided, evaluated as per Income Tax Rules, 1962 (Net of recovery)	2.38	2.42
vi) Sitting Fees	21.95	9.20
TOTAL :	654.08	573.67
5. 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.		
6. 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 ZRDs held by the IFCI for which DRR has been credited as provided in the Trust Deed.		
7. a) Rupees have been rounded off to the nearest thousand. b) Previous Year figures have been recasted / regrouped, wherever considered necessary. c) Figures of the current year include figures of the merged entities and are therefore to that extent are not comparable with those of previous year.		
8. The name of the Company stands changed from Flex Industries Limited to UFLEX LIMITED with effect from 19th March, 2007.		
9. 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 :-		
	Current Year	Previous Year
(A) Profit for the year, after Adjustments, with no extra-ordinary items (viz. Numerator) (Rs. in lacs)	7733.21	5534.26
(B) (i) Opening Balance of Equity Shares	47506990@	49070537
Add :		
Weighted Factors for 26,00,000 Shares issued on Conversion of Warrants on 17.03.07	106849	-
Weighted Factors for 12,69,714 Shares issued on Conversion of FCCBs on 22.03.07	34787	-
Weighted Factors for 2,53,942 Shares issued on Conversion of FCCBs on 23.03.07	6261	-
Adjustment for unpaid Equity Shares (to the extent of their paid up value for which Dividend is not Paid)	(43822)	-
Weighted Average Number of Equity Shares (viz. denominator) for Basic Earning Per Share	47611065	49070537

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS (CONTINUED)

	<u>Current Year</u>	<u>Previous Year</u>
(ii) Opening Balance of Equity Shares	47506990	49070537
Add :		
Adjustment for issue of 54,80,000 OFCDs Issued to Financial Institutions	5480000	-
Weighted Factors for 70,00,000 Warrants on 20.02.07	767123	-
Weighted Factors for 26,00,000 Warrants issued on 20.02.2007 & Converted into Equity Shares on 17.03.2007	284932	-
Weighted Factors for FCCBs of US\$ 66 Million Issued on 08.03.2007	1102042	-
Weighted Factors for FCCBs of US\$ 6 Million Issued on 08.03.2007 and Converted into 1523656 Equity Shares	100186	-
Weighted Factors for FCCBs US\$ 13 Million Issued on 21.03.2007	99490	-
Adjustment for unpaid Equity Shares (to the extent of their paid up value for which Dividend is not Paid)	(43822)	-
Weighted Average Number of Equity Shares (viz. denominator) for Diluted Earning Per Share	<u>55296941</u>	<u>49070537</u>
(C) Nominal Value Per Share	Rs. 10/-	Rs. 10/-
(D) (i) Basic Earning Per Share (A/B(i)) (Rs.)	16.24	11.28
(ii) Diluted Earning Per Share (A/B(ii)) (Rs.)	13.98	11.28

@ After considering the effect of Approved Scheme of Merger.

10. 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.

11. 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 Limited

ii) **Key Management Personnel (also exercising significant influence over the Company)** :

Mr. Ashok Chaturvedi, Chairman & Managing Director, Mr. S.K. Kaushik, Whole-time Director, Mr. Vipin Mittal, Manager (upto 03.12.2006). and Mrs. Rashmi Chaturvedi, Director

iii) **Enterprises in which the persons referred in (ii) along with their relatives exercise significant influence:** Flex International (P)Ltd., Anshika Investments (P) Ltd., Ultimate Flexipack Ltd., A.R. Infrastructures & 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 Pvt. Ltd., AR Aerotech Pvt. Ltd., AR Airways Pvt. Ltd., Kaya Kalpa Medical Services Pvt. Ltd., AC Infrastructures Pvt. Ltd., AKC Developers Pvt. Ltd. and Club One Airways Pvt. 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)

Transaction	Associate	Key Management Personnel	Enterprises as referred to in 'a (iii)' above	Enterprises in which Key Management Personnel is common @	Total
i) Trade Transactions					
Sale of Goods/Services (Net)	22.00 17.20	-	697.66 358.30	-	719.66 397.70
Purchase of Goods/Services (Net)	-	-	2621.35 1505.40	22.20	2621.35 35437.55
Sale of Fixed Assets	-	-	0.01 288.66	-	0.01 288.66
Purchase of Fixed Assets	-	-	-	-	-
Reimbursement of advances paid to suppliers on transfer of contract	-	-	1010.63	-	1010.63
Lease Charges Paid	-	-	-	-	-
Licence Fees Paid	-	-	1.36	-	1.36
	-	-	168.75	-	168.75

NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS-11 (b) (CONTINUED)

Transaction	Associate	Key Management Personnel	Enterprises as referred to in 'a (iii)' above	Enterprises in which Key Management Personnel is common @	Total
Advance Licence Fees Paid	-	-	-	-	-
Refund of Advance Licence Fees	-	-	-	-	-
Rent Received	-	30.00	581.25	-	581.25
Rent Paid	-	30.00	1.20	46.00	77.20
Security Deposit Given	-	-	3.60	-	3.60
Refund of Security Deposit	-	-	15.00	-	15.00
Interest Paid on Loans	45.00	-	1000.00	-	1000.00
Interest Received	36.29	-	500.00	-	500.00
Interest Paid on Debentures	-	-	35.67	-	35.67
Remuneration	-	609.69	64.07	-	64.07
	-	564.47	-	-	-
ii) Non Trade Transactions					
Loan Taken	450.00	-	1250.00	-	1700.00
Amount paid for Loan Taken	-	-	1250.00	-	1250.00
Amount received for Loan Given	-	-	210.00	-	210.00
Share Capital / Share Warrants	-	-	3272.50	-	3,272.50
Total	67.00	639.69	7613.48	-	8320.17
	503.49	594.47	7228.89	34000.35	42327.20
Balance as on 31.03.2007					
Debit	6.74	-	112.27	-	119.01
	5.06	-	1645.72	-	1650.78
Credit	450.00	8.67	824.86	-	1283.53
	450.00	17.77	1068.84	3219.77	4756.38

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.3450.05 lacs by Anshika Investments (P) Ltd. and A. R. Leasing (P) Ltd, enterprises referred in (a) (iv) above.

Note:

i) Previous Year figures have been given in Italic.

@ Transactions relates to erstwhile FCL Technologies & Products Ltd. which is now merged with the Holding Company.

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 : 14th August, 2007

S.V. Sehgal
Partner

FLEX AMERICA, INC.



CHARLES W. KNAPP & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

202 CORNELL BOULEVARD
SOMERVILLE, NEW JERSEY 08876
(908) 722-1810

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors and Stockholder of :

Flex America, Inc.
19300 Statesville Road, Suite 102
Cornelius, NC 28031

We have audited the balance sheet of Flex America, Inc., as of March 31, 2007 and 2006, and the related statements of operations, changes in stockholder's equity, and cash flows 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 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, 2007 and 2006, and the results of its operations and its cash flows for the above mentioned period then ended, in conformity with accounting principles generally accepted in the United States of America.

Charles W. Knapp, C.P.A
April 23, 2007

BALANCE SHEET AT MARCH 31,

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
CURRENT ASSETS:				
Cash in Bank	93,752	40.65	11,006	4.77
Accounts Receivable (Notes B&C)	3,611,689	1,566.03	1,468,465	636.73
Prepaid Expenses	—	—	22,091	9.58
Inventories (Notes B&D)	1,317,294	571.18	2,909,754	1,261.67
Other Receivables	2,282	0.99	5,314	2.30
TOTAL CURRENT ASSETS	5,025,017	2,178.85	4,416,630	1,915.05
FIXED ASSETS:				
Property & Equipment (Notes B&E)	58,044	25.17	45,977	19.94
TOTAL FIXED ASSETS	58,044	25.17	45,977	19.94
OTHER ASSETS:				
Security Deposits	5,338	2.31	5,338	2.31
TOTAL OTHER ASSETS	5,338	2.31	5,338	2.31
TOTAL ASSETS	5,088,399	2,206.33	4,467,945	1,937.30
LIABILITIES & STOCKHOLDER'S EQUITY				
CURRENT LIABILITIES:				
Accounts Payable (Note F)	4,628,645	2,006.98	4,090,808	1,773.77
Accrued Expenses	14,500	6.29	9,500	4.12
Taxes Payable	13,614	5.90	4,650	2.02
TOTAL CURRENT LIABILITIES	4,656,759	2,019.17	4,104,958	1,779.91
STOCKHOLDER'S EQUITY				
Capital Stock	100,000	43.36	100,000	43.36
Retained Earnings	331,640	143.80	262,987	114.03
TOTAL STOCKHOLDER'S EQUITY	431,640	187.16	362,987	157.39
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	5,088,399	2,206.33	4,467,945	1,937.30

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

All the figures have been converted by using closing rate as on 31st March, 2007 i.e Rs. 43.36/ \$.

STATEMENT OF OPERATIONS FOR THE YEARS ENDED MARCH 31,

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
NET SALES	14,820,039	6,425.97	10,704,588	4,641.51
Cost of Goods Sold - Schedule	14,035,351	6,085.73	9,956,492	4,317.13
GROSS PROFIT	<u>784,688</u>	<u>340.24</u>	<u>748,096</u>	<u>324.37</u>
OPERATING EXPENSES				
Wages	285,240	123.68	212,320	92.06
Consulting Service	7,500	3.25	450	0.20
Advertising and Promotion	13,822	5.99	18,618	8.07
Automobile Expenses	693	0.30	2,887	1.25
Bank Fees	15,561	6.75	15,524	6.73
Demurrage Charges	—	—	3,525	1.53
Inspection and Other Fees	406	0.18	—	—
Custom Clearing Charges	33,988	14.74	62,728	27.20
Licenses and Permits	1,834	0.80	2,556	1.11
Sales Commissions	—	—	750	0.33
Depreciation Expense	14,951	6.48	7,589	3.29
Freight Out	43,437	18.83	24,202	10.49
Insurance	40,230	17.44	42,359	18.37
Interest Expense	2,304	1.00	—	—
Office Expense	20,663	8.96	18,692	8.10
Payroll Tax Expense	22,431	9.73	20,638	8.95
Professional Fees	17,207	7.46	30,927	13.41
Rent & Warehousing	38,930	16.88	70,846	30.72
Dues/ Fees	11,582	5.02	4,258	1.85
Write- offs & Damaged Goods	9,778	4.24	16,238	7.04
Communication Expenses	27,805	12.06	23,625	10.24
Travel Expense	82,443	35.75	79,390	34.42
TOTAL OPERATING EXPENSES	<u>690,805</u>	<u>299.53</u>	<u>658,122</u>	<u>285.36</u>
NET INCOME BEFORE PROVISION FOR				
CORPORATE INCOME TAXES	93,883	40.71	89,974	39.01
PROVISION FOR CORP, INCOME TAXES	25,230	10.94	23,175	10.05
NET PROFIT FOR YEAR	<u>68,653</u>	<u>29.77</u>	<u>66,799</u>	<u>28.96</u>

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

All the figures have been converted by using closing rate as on 31st March, 2007 i.e Rs. 43.36/ \$.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007 AND 2006

STATEMENTS OF STOCK HOLDER'S EQUITY FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

	Common Stock			Accumulated			
	Shares	Amount US \$	Amount Rs. in Lacs	Income US \$	Income Rs. in Lacs	Total US \$	Total Rs. in Lacs
Balance, March 31, 2004	10,000	10,000	4.34	153,072	66.37	163,072	70.71
Net Profit for the year-03/31/05				43,116	18.70	43,116	18.70
Capital Stock Issued	90,000	90,000	39.02	—	—	90,000	39.02
Balance, March 31, 2005	100,000	100,000	43.36	196,188	85.07	296,188	128.43
Net Profit for the year - 03/31/06				66,799	28.96	66,799	28.96
Balance, March 31, 2006	100,000	100,000	43.36	262,987	114.03	362,987	157.39
Net Profit for the Year- 03/31/07				68,653	29.77	68,653	29.77
Balance, March 31, 2007	100,000	100,000	43.36	331,640	143.80	431,640	187.16

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

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED MARCH 31,

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
Cash Flows form Operating Activities :				
Net Earnings	68,653	29.77	66,799	28.96
Non - Cash Charges to net Earnings				
Depreciation	14,951	6.48	7,589	3.29
Bad Debts on Receivables	9,778	4.24	3,756	1.63
Changes in Working Capital :				
Account Receivable	(2,153,002)	(933.54)	(202,563)	(87.83)
Prepaid Expenses	22,091	9.58	93,400	40.50
Receivables Other	3,032	1.31	17,525	7.60
Inventories	1,592,460	690.49	(2,218,203)	(961.81)
Security Deposits	—	—	(2,218)	(0.96)
Accounts Payable	537,837	233.21	2,299,085	996.88
Accrued Expenses	5,000	2.17	(8,883)	(3.85)
Advance from Customer	—	—	(14,363)	(6.23)
Taxes Payable	8,964	3.89	(5,473)	(2.37)
Net Cash Provided by Operating Activities	109,764	47.59	36,451	15.81
Cash Flows from Investing Activities :				
Purchase of Property and equipment	(27,018)	(11.72)	(27,663)	(11.99)
Net Cash Provided by investing Activities	(27,018)	(11.72)	(27,663)	(11.99)
Net Change in Cash and Cash Equivalents	82,746	35.88	8,788	3.81
Cash and Cash Equivalents - 4/1/06	11,006	4.77	2,218	0.96
Cash and Cash Equivalents - 3/31/07	93,752	40.65	11,006	4.77

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

PRINCIPLES REFLECTED IN FINANCIAL STATEMENTS

NOTE A- BUSINESS ORGANIZATION

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTS RECEIVABLE

An allowance is recorded for doubtful accounts which may become uncollectible. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the balance sheet net of such allowances.

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.

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 such as depreciation calculations, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SALES RETURNS

Sales returns are adjusted from the sales of the year in which the returns take place.

NOTE C - ACCOUNTS RECEIVABLE

Account Receivable is stated as follows :

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
Trade Accounts	3,611,689	1,566.03	1,468,465	636.73
Less : Allowance for Uncollectible Accounts				
Total Accounts Receivable	3,611,689	1,566.03	1,468,465	636.73

NOTE D - INVENTORIES

Inventories are stated as follows :

Finished goods in transit	834,811	361.97	850,441	368.75
Finished goods in transit	482,483	209.20	2,059,313	892.92
Total Inventory	1,317,294	571.18	2,909,754	1,261.67

NOTE E - PROPERTY AND EQUIPMENT

Property and Equipment is stated as follows :

Description	Original Cost			Accumulated Depreciation			Net Assets			
	Balance	Additions	Deletions	Balance	Depreciation		Balance	03/31/06	03/31/07	
	03/31/06			03/31/06	Additions	Deletions	03/31/07			
Automobiles	51,796	23,700	—	75,496	14,788	12,603	—	27,391	37,008	48,105
Equipment	9,440	3,318	—	12,758	2,128	2,049	—	4,177	7,312	8,581
Furniture & Fixtures	2,097	—	—	2,097	440	299	—	739	1,657	1,358
Total	63,333	27,018	—	90,351	17,356	14, 951	—	32,307	45,977	58,044

NOTE E - PROPERTY AND EQUIPMENT

Property and Equipment is stated as follows : (in INR)

Rs. in Lacs

Description	Original Cost			Accumulated Depreciation			Net Assets			
	Balance	Additions	Deletions	Balance	Depreciation		Balance	03/31/06	03/31/07	
	03/31/06			03/31/07	03/31/06	Additions	Deletions			03/31/07
Automobiles	22.46	10.28	—	32.74	6.41	5.46	—	11.18	16.05	20.86
Equipment	4.09	1.44	—	5.53	0.92	0.89	—	1.81	3.17	3.72
Furniture & Fixtures	0.91	—	—	0.91	0.19	0.13	—	0.32	0.72	0.59
Total	27.46	11.72	—	39.18	7.52	6.48	—	14.01	19.94	25.17

NOTE F - RELATED PARTY TRANSACTIONS

For merchandise purchased from the Parent Company and its subsidiary, Flex Middle East, FZE, the purchase price for the Company is in an arms length price. The amount payable to UFLEX LIMITED and its related company at March 31, 2007 is \$4,628,645 and \$4,090,808 at March 31, 2006.

NOTE G - 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 H - STOCKHOLDER'S EQUITY

UFLEX LIMITED (Parent Company) owns all of the issued and outstanding shares.

NOTE I - CONTINGENCIES LITIGATION

There are no legal actions pending against the Company.

COST OF GOODS SOLD FOR THE YEARS ENDED MARCH 31,

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
Opening Inventory	2,909,754	1,261.67	691,551	299.86
Purchases - Net of Returns	12,091,599	5,242.92	11,852,546	5139.25
Anti- Subsidy Duty	-	-	16,600	7.20
Anti- Dumping Duty	-	-	4,674	2.03
Customs Duty	334,825	145.18	275,351	119.39
Hatbor Maintenance Fee	6,280	2.72	10,030	4.35
Merchandising Processing Fee	10,187	4.42	15,494	6.72
Total Costs	15,352,645	6,656.91	12,866,246	5,578.80
Less Ending Inventory	1,317,294	571.18	2,909,754	1,261.67
Total Costs of Sales	14,035,351	6,085.73	9,956,492	4,317.13

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

REPORT OF THE AUDITORS TO THE SHAREHOLDER OF FLEX MIDDLE EAST FZE

We have audited the accompanying financial statements of **FLEX MIDDLE EAST FZE** for the year ended 31 March 2007 set out on pages 2 to 14.

Respective responsibilities of the owners and auditors:

These financial statements are the responsibility of management of the establishment. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion:

We conducted our audit in accordance with International Standards on Auditing. 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.

Opinion:

In our opinion, the financial statements present fairly in all material respect, the financial position of **FLEX MIDDLE EAST FZE** as of 31 March, 2007 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 or the articles of association of the concern have occurred during the period, which would have had a material effect on the business of the concern or on its financial position.

KSI SHAH & ASSOCIATES

CHARTERED ACCOUNTANTS

Dubai

7 July, 2007

BALANCE SHEET 31 MARCH, 2007

	Notes	2007		2006	
		US \$	Rs. in Lacs	US \$	Rs. in Lacs
ASSETS					
Non current assets					
Property, Plant & equipment	3	26,239,384	11,377.40	23,128,290	10,028.43
Other financial assets	4	523,716	227.08	546,448	236.94
		<u>26,763,100</u>	<u>11,604.48</u>	<u>23,674,738</u>	<u>10,265.37</u>
Current assets					
Inventories	5	1,363,468	591.20	1,773,559	769.02
Trade & other receivables	6	11,943,640	5,178.76	7,756,872	3,363.38
Prepayments		16,048	6.98	63,741	27.64
Cash & bank balances	7	1,599,444	693.52	739,626	320.70
Total current assets		<u>14,922,600</u>	<u>6,470.46</u>	<u>10,333,798</u>	<u>4,480.74</u>
Total assets		<u>41,685,700</u>	<u>18,074.94</u>	<u>34,008,536</u>	<u>14,746.11</u>
EQUITY AND LIABILITIES					
Capital and reserve					
Shareholder's funds					
Share capital	8	21,311,475	9,240.66	21,311,475	9,240.66
Share application money		98,470	42.70	98,470	42.70
Retained earnings		10,701,951	4,640.37	4,951,209	2,146.84
Proposed dividend		1,172,132	508.24	-	-
Total shareholder's funds		<u>33,284,028</u>	<u>14,431.97</u>	<u>26,361,154</u>	<u>11,430.20</u>
Non current liabilities	9	<u>208,936</u>	<u>90.60</u>	<u>7,980</u>	<u>3.46</u>
Current liabilities					
Trade & other payables	10	7,610,173	3,299.77	6,069,481	2,631.73
Accounts payable- capital expenditure	11	582,563	252.60	1,569,921	680.72
Total current liabilities		<u>8,192,736</u>	<u>3,552.37</u>	<u>7,639,402</u>	<u>3,312.45</u>
Total equity and liabilities		<u>41,685,700</u>	<u>18,074.94</u>	<u>34,008,536</u>	<u>14,746.11</u>

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

Approved by the Shareholder Company on 7 July 2007 and signed on its behalf by :

Sanjay Tiku

Business Manager

Pradeep Tyle

Director

All the figures have been converted by closing rate as on 31st March, 2007 i.e. Rs.43.36/\$

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH, 2007

	Notes	2007		2006	
		US \$	Rs. in Lacs	US \$	Rs. in Lacs
Revenue	12	46,612,176	20211.04	33,964,011	14726.80
Expenditure					
Cost of materials	13	(27,169,017)	(11,780.49)	(20,210,585)	(8,763.31)
Other manufacturing expenses	14	(5,039,658)	(2,185.20)	(4,427,567)	(1,919.79)
Payment & benefits to employees		(1,248,219)	(541.23)	(950,085)	(411.96)
Administrative & selling expenses	15	(4,930,782)	(2,137.99)	(3,137,633)	(1,360.48)
Finance cost	16	(342,610)	(148.56)	(286,932)	(124.41)
Net profit for the year		7,881,890	3,417.57	4,951,209	2,146.85

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	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
	As at 31 March 2005	15,510,204	6,725.22	–	–	–	–	–	–	15,510,204
Addition during the year	5,801,271	2,515.43	98,470	42.70	–	–	–	–	5,899,741	2,558.13
Net profit for the year	–	–	–	–	4,951,209	2,146.84	–	–	4,951,209	2,146.84
As at 31 March 2006	21,311,475	9,240.65	98,470	42.70	4,951,209	2,146.84	–	–	26,361,154	11,430.19
Proposed dividend	–	–	–	–	(2,131,148)	(924.07)	2,131,148	924.07	–	–
Dividend paid	–	–	–	–	–	–	(959,016)	(415.83)	(959,016)	(415.83)
Net profit for the year	–	–	–	–	7,881,890	3,417.59	–	–	7,881,890	3,417.59
As at 31 March 2007	21,311,475	9,240.65	98,470	42.70	10,701,951	4,640.36	1,172,132	508.24	33,284,028	14,431.95

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	Notes	2007		2006	
		US \$	Rs. in Lacs	US \$	Rs. in Lacs
Cash flow from operating activities					
Net profit for the year		7,881,890	3,417.59	4,951,209	2,146.84
Adjustments for:					
Depreciation		1,191,691	516.72	1,167,774	506.35
Amortisation		22,732	9.86	–	–
Finance cost		342,610	148.56	286,932	124.41
Provision for staff end of service benefits		14,176	6.15	7,980	3.46
Operating profit before working capital changes		9,453,099	4,098.88	6,413,895	2,781.06
(Increase)/Decrease in inventories		410,091	177.82	(783,823)	(339.87)
(Increase)/Decrease in trade & other receivables		(4,186,768)	(1,815.38)	(7,337,960)	(3,181.74)
(Increase)/Decrease in prepayments		47,693	20.68	(9,126)	(3.96)
Increase/(Decrease) in trade and other payables		1,540,692	668.04	4,070,132	1,764.81
Increase/(Decrease) in capital creditors		(800,578)	(347.13)	(5,709,330)	(2,475.57)
Cash generated from/ (used in) operations		6,464,229	2,802.91	(3356,212)	(1,455.27)
Finance cost paid		(342,610)	(148.56)	(286,932)	(124.41)
Net cash from/ (used in) operating activities		6,121,619	2,654.33	(3,643,144)	1,579.68
Cash flows from investing activities					
Payments for purchase of fixed assets		(4,302,785)	(1,865.70)	(1,633,296)	(708.20)
Increase/(Decrease) in margin deposits		(109,290)	(47.39)	(10,880)	(4.72)
Net cash from/ (used in) investing activities		(4,412,075)	(1,913.09)	(1,644,176)	(712.92)

	Notes	2007		2006	
		US \$	Rs. in Lacs	US \$	Rs. in Lacs
Cash flow from financing activities					
Share capital & application money introduced		–	–	5,899,741	2,558.13
Dividend paid		(959,016)	(415.83)	–	–
Net cash from/ (used in) financing activities		<u>(959,016)</u>	<u>(415.83)</u>	<u>5,899,741</u>	<u>2,558.13</u>
Net increase/(decrease) in cash and cash equivalents		750,528	325.43	612,421	265.53
Cash and cash equivalents at beginning of year		656,020	284.45	43,599	18.92
Cash and cash equivalents at end of year	17	<u>1,406,548</u>	<u>609.88</u>	<u>656,020</u>	<u>284.45</u>

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, 2007

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, **FLEX INDUSTRIES LIMITED** now renamed as **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 are prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are as follows:

a) Property, plant & equipment:

Property, plant & equipment are recorded at cost together with any related expenses of acquisition or construction. Capital work-in-progress and advances are stated at cost. On the completion of item(s) of property, plant & equipment, capital work-in-progress and the expenditure incurred on start up and commissioning of the project including the expenditure incurred on test runs are capitalized as indirect element of construction cost and transferred to cost block of respective item of property, plant & equipment. The Property, Plant & Equipments are depreciated on Straight Line Method over the useful life of asset.

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) Inventories:

Raw materials and consumables are stated at cost including direct expenses using first in first out method. Work in progress is valued, by reference to the stage of completion, at the lower of cost and net realisable value. Finished goods are valued at the lower of cost and net realisable value. Cost comprises material cost, labour and attributable overheads. Net realisable value is based on estimated selling price less any estimated cost to completion and disposals.

d) Accounts receivable:

Provision is made for doubtful debts. Bad debts are written off as they arise.

e) Accounts payable and accruals:

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

f) 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.

g) 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.

h) 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.

i) 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.

j) Financial instruments:

Financial assets and financial liabilities are recognised when, and only when, the company 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 flows 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.

k) 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 Company'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 Company 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 STATEMENT FOR THE YEAR ENDED 31 MARCH, 2007

	Opening Balance		Addition		Transfer/Deposals		Closing Balance	
	US\$	Rs. in Lacs	US\$	Rs. in Lacs	US\$	Rs. in Lacs	US\$	Rs. in Lacs
3. Property, Plant & equipment								
Cost								
Capital work in progress and advances :								
- Buildings	@ 1,275,430	553.03	[^] 1,946,871	844.16	(1,275,430)	(553.03)	1,946,871	844.17
- Machinery and equipment	29,739	12.89	[^] 2,200,024	953.93	(29,739)	(12.89)	2,200,024	953.93
Buildings :								
- Staff accommodation	-	-	1,278,162	554.21	-	-	1,278,162	554.21
- Factory and administrative	2,483,878	1,077.01	-	-	-	-	2,483,878	1,077.01
Machinery & equipment	20,322,820	8,811.97	107,218	46.49	-	-	20,430,038	8,858.46
Furniture, fixtures & office equipment	107,462	46.60	30,460	13.21	-	-	137,922	59.80
Vehicles	76,735	33.27	45,219	19.61	-	-	121,954	52.88
Total Cost	24,296,064	10,534.77	5,607,954	2,431.61	(1,305,169)	(565.92)	28,598,849	12,400.46
Depreciation								
Capital work in progress and advances :								
- Buildings	-	-	-	-	-	-	-	-
- Machinery and equipment	-	-	-	-	-	-	-	-
Buildings :								
- Staff accommodation	-	-	208,34	9.03	-	-	20,834	9.03
- Factory and administrative	77,862	33.76	79,710	34.56	-	-	157,572	68.32
Machinery & equipment	1,055,269	457.56	1,061,673	460.34	-	-	2,116,942	917.91
Furniture fixtures & office equipment	27,802	12.05	19,013	8.24	-	-	46,815	20.30
Vehicles	6,841	2.97	10,461	4.54	-	-	17,302	7.50
Total Depreciation	1,167,774	506.34	1,191,691	516.71	-	-	2,359,465	1,023.06
Net book value								
Capital work in progress and advances :								
- Buildings	1,275,430	553.03	-	-	-	-	1,946,871	844.17
- Machinery and equipment	29,739	12.89	-	-	-	-	2,200,024	953.93
Buildings :								
- Staff accommodation	-	-	-	-	-	-	1,257,328	545.18
- Factory and administrative	2,406,016	1,043.25	-	-	-	-	2,326,306	1,008.69
Machinery & equipment	19,267,551	8,354.41	-	-	-	-	18,313,096	7,940.55
Furniture, fixtures & office equipment	79,660	34.55	-	-	-	-	91,107	39.50
Vehicles	69,894	30.30	-	-	-	-	104,652	45.38
Total Net book value	23,128,290	10,028.43	-	-	-	-	26,239,384	11,377.40

@ Represents amount paid to the consultants for the construction & contractors of residential building for employees' accommodation.

[^] Represents amount paid to the consultants & contractors for the construction of polyester film manufacturing plant, Phase II.

	2007	
	US \$	Rs. in Lacs
4. Other financial assets		
Operating lease		
Lease amount paid in advance	546,448	236.94
Amortisation		
Upto 31. 03. 2006	-	-
for the year	22,732	9.86
Upto 31.03.2207	22,732	9.86
Unexpired portion of operating lease		
As at 31.03.2007	523,716	227.08
As at 31.03.2006	546,448	236.94

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
5. Inventories				
Raw materials	948,978	411.48	312,507	135.50
Materials in transit	160,413	69.56	491,400	213.07
	<u>1,109,391</u>	<u>481.04</u>	<u>803,907</u>	<u>348.57</u>
Consumables	38,285	16.60	26,168	11.35
Packing Materials	72,541	31.45	40,538	17.58
Work in Process	56,326	24.42	150,519	65.27
Finished goods	86,925	37.69	752,427	326.25
	<u>1,363,468</u>	<u>591.20</u>	<u>1,773,559</u>	<u>769.02</u>
6. Trade and other receivables				
Trade receivables (refer note 19 & 20) [^]	@ ~ 11,681,245	5064.99	7,527,175	3,263.78
Advance to Suppliers	10,452	4.53	-	-
Advance to Staff	81,361	35.28	51,097	22.16
Deposits	170,582	73.96	178,600	77.44
	<u>11,943,640</u>	<u>5,178.76</u>	<u>7,756,872</u>	<u>3,363.38</u>
[^] Includes US \$ 2,840,512 (previous year US \$ 2,246,183) due from a related party @ 0-180 days US \$ 11,543,467, > 180 days US \$ 137,778. ~ Subsequent recovery US \$ 3,449,549				
7. Cash and bank balances				
Cash in hand	10,559	4.58	4,832	2.10
Bank balances in :				
Current accounts	1,395,989	605.30	651,188	282.35
Margin deposits	192,896	83.64	83,606	36.25
	<u>1,599,444</u>	<u>693.52</u>	<u>739,626</u>	<u>320.70</u>
8. Share capital				
Opening balance	21,311,475	9,240.66	15,510,204	6,725.22
Introduced during the year	-	-	5,801,271	2,515.43
Closing balance #	<u>21,311,475</u>	<u>9,240.66</u>	<u>21,311,475</u>	<u>9,240.65</u>
(1 US \$ = AED 3.66)				
# 78 shares of AED 1 million each (previous year 78 shares of AED 1 million each)				
9. Non Current liabilities				
Provision for staff end- of - benefits	22,156	9.61	7,980	3.46
Capital creditors- retentions (refer note 11)	186,780	80.99	-	-
	<u>208,936</u>	<u>90.60</u>	<u>7,980</u>	<u>3.46</u>
10. Trade and other payables				
Trade paybles (refer note 19& 20) @ #	6,632,108	2,875.68	5,671,831	2,459.31
Advance from customers	10,785	4.68	4,735	2.05
Accruals	967,280	419.41	392,915	170.37
	<u>7,610,173</u>	<u>3,299.77</u>	<u>6,069,481</u>	<u>2,631.73</u>
@ Includes US \$ 480, 476 (previous year US \$ 2,527,563) payable to related parties # Include acceptance documents US \$ 4,999,817 (Previous year US \$ 4,215,578)				

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

11. Account payable - capital expenditure

This represents amount payables to the consultants and suppliers of machinery, consultants & contractors for construction of building in progress per below :

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
Capital creditors - Retentions :				
Total amount outstanding	769,343	333.59	1,569,921	680.72
Less : Non- Current portion- Payable after next 12 months (refer note 9)	186,780	80.99	—	—
Current portion - payable within next 12 months	582,563	252.60	1,569,921	680.72
12. Revenue				
Sales	46,220,267	20,041.11	33,112,995	14,357.79
Technical service fees	325,310	141.05	780,212	338.30
Other income	66,599	28.88	70,804	30.70
	46,612,176	20,211.04	33,964,011	14,726.79
13. Cost of material				
Opening stock	1,215,453	527.02	984,630	426.94
Purchase	27,045,793	11,727.06	20,441,408	8,863.39
Closing Stock	(1,092,229)	(473.59)	(1,215,453)	(527.02)
	27,169,017	11,780.49	20,210,585	8,763.31
14. Other manufacturing expenses				
Power & fuel consumed	1,596,262	692.14	1,495,661	648.52
Machinery repairs & maintenance	163,260	70.79	93,713	40.63
Stores consumed	41,436	17.97	80,956	35.10
Job work charges	654,458	283.77	663,363	287.63
Packing materials consumed	1,328,277	575.94	861,202	373.42
Other direct expenses	114,582	49.68	99,541	43.16
Depreciation (Refer note 15)	1,141,383	494.90	1,133,131	491.33
	5,039,658	2,185.19	4,427,567	1,919.79
15. Administrative & Selling expenses				
Rent	341,290	147.98	199,841	86.65
Other administration expenses	1,061,647	460.33	621,061	269.29
Selling expenses	3,454,805	1,498.00	2,282,088	989.51
Amortisation	22,732	9.86	—	—
Depreciation (Per below)	50,308	21.81	34,643	15.02
	4,930,782	2,137.98	3,137,633	1,360.47
Depreciation :				
Total depreciation charge (refer note 3)	1,191,691	516.72	1,167,774	506.35
Less : Taken to other manufacturing expenses (refer note 14)	1,141,383	494.90	1,133,131	491.33
	50,308	21.82	34,643	15.02

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
16. Finance cost				
Interest on cheques and bills discounting	143,518	62.23	28,566	12.39
Bank charges & commission	199,092	86.33	258,366	112.03
	<u>342,610</u>	<u>148.56</u>	<u>286,932</u>	<u>124.42</u>
17. Cash and cash equivalents				
Cash in hand	10,559	4.58	4,832	2.10
Bank balances :				
In Current Accounts	1,395,989	605.30	651,188	282.36
	<u>1,406,548</u>	<u>609.88</u>	<u>656,020</u>	<u>284.46</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

There is no interest rate risk, since there are no fund based bank borrowings as at the year end.

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 :

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
Foreign currency financial assets :				
Euro	3,815,489	1,654.40	2,395,734	1,038.79
Great Britain Pound	1,388,207	601.93	249,914	108.36
	<u>5,203,696</u>	<u>2,256.33</u>	<u>2,645,648</u>	<u>1,147.15</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 Company 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	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
	Dr/(Cr)		Dr/(Cr)	
Flex America Inc.	2,840,512	1,231.65	2,246,183	973.94
UFLEX Limited.	(480,476)	(208.33)	(2,290,385)	(993.11)
FCL Technologies & Products Ltd.	-	-	(237,178)	(102.84)
Mrs. Rashmi Chaturvedi (Salary)	(20,000)	(8.67)	(40,000)	(17.34)

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

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

	2007		2006	
	US \$	Rs. in Lacs	US \$	Rs. in Lacs
Flex America - Sales at Normal price	882,558	382.68	6,905,850	2,994.38
UFLEX Limited - Purchases at normal price	5,704,742	2,473.58	4,738,418	2,054.58
UFLEX Limited - Sales at normal price	2,950,250	1,279.23	42,553	18.45
UFLEX Limited - Technical supervision services fees	750,000	325.20	-	-
UFLEX Limited - Capital introduced	-	-	5,899,741	2,558.13
FCL Technologies & Products Ltd. - Purchases at normal price	-	-	11,557,850	5,011.48
Mrs. Rashmi Chaturvedi - Salary & expenses	253,918	110.10	260,000	112.74

21. Contingent liabilities

Letters of credit	31,089,203	13,480.28	2,316,039	1,004.23
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22. Capital commitments

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\$ 27,245,333 (Previous year US\$ Nil)

23. Bank facilities

During the financial year establishment is sanctioned, but not utilized or availed, project related loan/credit facilities from a group of commercial banks comprising Abu Dhabi Commercial Bank, Bank of Baroda and United Arab Bank sharing securities against the borrowings ranking pari-passu.

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	18000 (18.000)

Previous year figures have been given in brackets.

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

Unit	Production		Sales		Op. Stock			Cl. Stock		
	Qty (MT)	Qty (MT)	Value		Qty (MT)	Value		Qty (MT)		Value
			(US\$)	Rs. in Lacs		(US\$)	Rs. in Lacs	(US\$)	Rs. in Lacs	
MT	21,410 (15,958)	21,807 (15,815)	46,044,397 (33,112,995)	19,964.85 (14,357.79)	467 (324)	752,427 (886,820)	326.25 (384.53)	70 (467)	86,925 (752,427)	37.69 (326.25)

Previous year figures have been given in brackets.

(c) information in respect of raw materials consumed

Description	Current Year			Previous Year		
	Qty (MT)	Value (US\$)	Value (Rs. in Lacs)	Qty (MT)	Value (US\$)	Value (Rs. in Lacs)
Polyester Film	1,150	2,153,231	933.64	206	365,346	158.41
Polyester Chips	20,333	23,544,225	10,208.78	15860	19,388,781	8,406.98
Chemicals	10	101,402	43.97	11	120,123	52.09
Others	-	154,097	66.82	-	336,335	145.83

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

Description	Current Year			Previous Year		
	Qty (MT)	Value (US\$)	Value (Rs. in Lacs)	Qty (MT)	Value (US\$)	Value (Rs. in Lacs)
Polyester Film Purchase	90	168,120	72.90	–	–	–
Polyester Film Sale	90	175.870	76.26	–	–	–

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, 2007

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, 2007.

DIRECTORS

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

	<u>Ordinary Shares of £1 Each</u>	
	<u>2007</u>	<u>2006</u>
A C Srivastava (appointed on 7th July, 2006)	<u>0</u>	<u>0</u>
A Prasad	<u>0</u>	<u>0</u>

On 7th July, 2006, Mr. S. Kumar resigned as a Director of the Company.

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:-

- a) select suitable accounting policies and apply them consistently;
- b) make reasonable and prudent judgements and estimates;
- c) 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.

BY ORDER OF THE BOARD

A C SRIVASTAVA
DIRECTOR

13th June, 2007

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FLEX EUROPE PRIVATE LIMITED
FOR THE YEAR ENDED 31ST MARCH, 2007**

We have audited the financial statements of Flex Europe Private Limited, for the year ended 31st March 2007, 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, 2007 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 June, 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

		2007		2006	
		£	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		960	0.82	771	0.66
		960	0.82	771	0.66
ADMINISTRATION EXPENSES		5,690	4.85	7,881	6.71
OPERATING LOSS	(Note 3)	-4,730	-4.03	-7,110	-6.05
TAXATION	(Note 4)	0	0	0	0
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		-4,730	-4.03	-7,110	-6.05
DIVIDENDS		0	0	0	0
		-4,730	-4.03	-7,110	-6.05
DEFICIT BROUGHT FORWARD		-11,621	-9.89	-4,511	-3.84
DEFICIT CARRIED FORWARD		-16,351	-13.92	-11,621	-9.89

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

BALANCE SHEET AS AT 31ST MARCH, 2007

	2007	2006		£	Rs. in Lacs
		£	Rs. in Lacs		
FIXED ASSETS		0	0	0	0
CURRENT ASSETS					
Debtors	(Note 5)	24,531	20.88	24,584	20.93
Cash at Bank		40,929	34.84	45,781	38.97
		65,460	55.72	70,365	59.90
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(Note 6)	6,811	5.80	6,986	5.95
NET CURRENT ASSETS/(LIABILITIES)		58,649	49.92	63,379	53.95
		58,649	49.92	63,379	53.95
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(Note 7)	0	0	0	0
TOTAL ASSETS LESS CURRENT LIABILITIES		58,649	49.92	63,379	53.95
CAPITAL AND RESERVES					
CALLED UP SHARE CAPITAL	(Note 9)	75,000	63.84	75,000	63.84
RESERVES		-16,351	-13.92	-11,621	-9.89
		58,649	49.92	63,379	53.95

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 June, 2007.

A C SRIVASTAVA

Director

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

All the figures have been converted by using closing rates as on 31.03.2007 i.e. Rs.85.12 / GBP.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

COMPLIANCE WITH ACCOUNTING STANDARDS

The accounts have been prepared in accordance with the Financial Reporting Standards for smaller entities (effective June 2002).

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:-

	2007		2006	
	£	Rs. in Lacs	£	Rs. in Lacs
Director's Remuneration	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

No Directors' remuneration was paid for the year ended 31st March, 2007 nor for the year ended 31st March, 2006.

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

	2007		2006	
	£	Rs. in Lacs	£	Rs. in Lacs
Due from Related Company	24,209	20.61	24,209	20.61
VAT Repayable	322	0.27	375	0.32
	<u>24,531</u>	<u>20.88</u>	<u>24,584</u>	<u>20.93</u>

NOTE-6

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007		2006	
	£	Rs. in Lacs	£	Rs. in Lacs
Trade Creditors and Accruals	<u>6,811</u>	<u>5.80</u>	<u>6,986</u>	<u>5.95</u>

NOTE-7

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007		2006	
	£	Rs. in Lacs	£	Rs. in Lacs
Due to Parent Company	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

NOTE-8

PARENT COMPANY

The parent company is Uflex Limited (formerly known as Flex Industries Limited), a company incorporated in India.

NOTE-9

CALLED UP SHARE CAPITAL

	2007		2006	
	£	Rs. in Lacs	£	Rs. in Lacs
Authorised				
100,000 Ordinary Shares of £1 Each	<u>100,000</u>	<u>85.12</u>	<u>100,000</u>	<u>85.12</u>
Issued and Fully Paid				
75,000 Ordinary Share of £1 Each	<u>75,000</u>	<u>63.84</u>	<u>75,000</u>	<u>63.84</u>

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 1st Annual Report together with the Audited Accounts of the Company for the period ended 31st March 2007.

FINANCIAL RESULTS

The financial results for the period ended 31st March, 2007 are as follows:

	(Rs. In lacs)
	Period Ended
	<u>31.03.2007</u>
Sales & Operational Income	1425.00
Other Income	46.00
Profit before Interest, Financial Charges & Tax	241.00
Interest & Financial Charges	0.05
Profit after Tax	<u>158.00</u>

The Company was incorporated on 18th December, 2006 with the Registrar of Companies, NCT of Delhi & Haryana and became entitled to commence business on 8th January, 2007. Within a short span of its existence, the Company has performed commendably. The Company achieved a turnover of Rs.1471.00 lacs including other income of Rs.46.00 lacs and earned a net profit of Rs.158.00 lacs. 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 31st March, 2007.

DIRECTORS

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

Mr. Ashok Chaturvedi was appointed as Managing Director of the Company w.e.f. 1st May, 2007.

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 period ended 31st March, 2007, 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 Period and of the profits of the Company for the period 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 & Managing Director**

**Place : New Delhi
Date : 1st August ,2007**

ANNEXURE 'A' DIRECTOR'S 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	Qualifications	Experience	Date of Appointment	Last Employment (Position held)
01.	Shri Jain Ravindra	60	Vice President	5,84,580/-	B Tech, MBA	35	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

**ASHOK CHATURVEDI
Chairman & Managing Director**

Place : New Delhi

Date : 1st August ,2007

AUDITORS' REPORT

**To the Member of
U TECH DEVELOPERS LIMITED**

1. We have audited the attached Balance Sheet of U TECH DEVELOPERS LIMITED, as at March 31, 2007, the Profit and Loss Account and also the Cash Flow Statement for the period from December 18, 2006 (the date of incorporation) to March 31, 2007, 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 purpose 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 for the period from December 18, 2006 (the date of incorporation) to March 31, 2007 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, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 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, 2007;
 - ii. In the case of the Profit and Loss Account, of the Profit for the period from December 18, 2006 (the date of incorporation) to March 31, 2007; and
 - iii. In the case of the cash Flow Statement, of the cash flows for the period from December 18, 2006 (the date of incorporation) to March 31, 2007.

**For CHATURVEDI & PARTNERS
Chartered Accountants**

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

**Place : New Delhi
Date : 1st August ,2007**

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

- i. The company has not acquired any fixed assets, accordingly clauses (i) (a) to (i) (c) of Para 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the current period.
- 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 with regard to the sale of goods and services. However, there were no purchases of fixed assets. 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 there under.
- vii. The Company is not a listed Company and did not have paid up share capital and reserves in excess of Rs 50 Lakhs as at the commencement of the current financial period or an average annual turnover exceeding five crores rupees for a period of three consecutive financial years immediately preceding the current period as the Company has been incorporated during the current period. Accordingly, provisions of clause 4(vii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- 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 for the products of the Company.
- 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, 2007 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 period 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 incorporated during the period i. e. on December 18, 2006. Accordingly, provisions of clause 4 (x) of the Companies (Auditor's Report) Order, 2003 is 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.

U TECH DEVELOPERS LIMITED



- xvi. The Company has not raised any term loans during the period. 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 period. 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 period. 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
Date : 1st August ,2007**

BALANCE SHEET AS AT 31ST MARCH, 2007

PARTICULARS	Schedule No		As At 31-Mar-07 (Rupees)
SOURCES OF FUNDS			Shareholders' Funds
Share Capital			
a) Share Capital	1	1,000,000,000	
b) Reserve & Surplus	2	<u>15,803,810</u>	1,015,803,810
Deferred Tax Liability (Net)			-
TOTAL			<u><u>1,015,803,810</u></u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block			
		-	
Less: Depreciation			
		<u>-</u>	
Net Block			
			-
Current Assets, Loans & Advances			
a) Stock In Trade	3	595,000,000	
b) Cash & Bank Balances	4	270,885,963	
c) Other Current Assets	5	1,369,478	
d) Loans & Advances	6	<u>453,919,445</u>	
		1,321,174,886	
Less: Current Liabilities & Provisions			
PROVISIONS			
a) Current Liabilities	7	297,900,318	
b) Provisions	8	<u>10,127,758</u>	
		308,028,076	
Net Current Assets			1,013,146,810
Deferred Tax Assets (Net)			2,657,000
Miscellaneous Expenditure			-
(To the extent not written off or adjusted)			
TOTAL			<u><u>1,015,803,810</u></u>

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 16 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
(Chairman & Managing Director)

RASHMI CHATURVEDI
(Director)

R N CHATURVEDI
Partner
Membership No.092087

PRABHAT NANDA
(Company Secretary)

Place : New Delhi
Date : 1st August ,2007

PROFIT & LOSS ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2007

PARTICULARS	Schedule No	As At 31-Mar-07 (Rupees)
INCOME		
Sales & operational income		142,500,000
Other Income	10	4,579,934
Increase(Decrease) in stock	11	595,000,000
Total (A)		742,079,934
EXPENDITURE		
Purchases	12	700,000,000
Payments & Benefits to Employees	13	1,400,349
Administrative, Selling & Other Expenses	14	16,593,851
Interest & Financial Charges	15	4,924
Total (B)		717,999,124
Profit for the year before taxation (A-B)		24,080,810
Provision for Taxation		
a. Current Tax		10,813,000
b. Deferred Tax(Asset)		(2,657,000)
c. Fringe Benefit Tax		121,000
PROFIT AFTER TAXATION CARRIED TO BALANCE SHEET		15,803,810
Basic Earning Per Share (Rs.)		0.74
Diluted Earning Per Share (Rs)		0.74

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 16 are annexed and form an integral part of the Profit & Loss Account.

For and on behalf of the Board of Directors

ASHOK CHATURVEDI
(Chairman & Managing Director)

RASHMI CHATURVEDI
(Director)

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

R N CHATURVEDI
 Partner
 Membership No.092087

PRABHAT NANDA
(Company Secretary)

Place : New Delhi
 Date : 1st August ,2007

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2007

PARTICULARS	As At 31-Mar-07 (Rupees)
A CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit /(Loss) before tax	24,080,810
Adjustment for:	
Interest & Financial Charges	4,924
Interest received from banks / others	<u>(4,579,934)</u> (4,575,010)
Operating Profit before Working Capital Charges	19,505,800
Adjustment for:	
Trade and other receivables	(455,288,923)
Inventories	(595,000,000)
Trade and other payables	<u>308,028,076</u>
Cash generated from Operating Activities	<u>(742,260,847)</u> (722,755,047)
Income Tax	(10,813,000)
Fringe Benefit Tax	<u>(121,000)</u>
Net Cash from Operating Activities (A)	<u>(733,689,047)</u>
B CASH FLOW FROM INVESTING ACTIVITIES	
Interest received from banks / others	<u>4,579,934</u>
Net Cash from / (used in) invest Activities (B)	4,579,934
C CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from Share Capital	1,000,000,000
Interest & financial Charges	<u>(4,924)</u>
Net Cash used in Financing Activities (C)	999,995,076
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	270,885,963
Opening Cash and Cash equivalents	-
Closing Cash and Cash equivalents	270,885,963

Note: Cash and Cash Equivalents represent Cash and Bank balance.

For and on behalf of the Board of Directors

ASHOK CHATURVEDI
(Chairman & Managing Director)

RASHMI CHATURVEDI
(Director)

PRABHAT NANDA
(Company Secretary)

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

R N CHATURVEDI
Partner
Membership No.092087

Place : New Delhi
Date : 1st August ,2007

PARTICULARS	As At 31-Mar-07 (Rupees)
SCHEDULE : 1	
SHARE CAPITAL	
AUTHORISED	
(150000000 Equity Shares of Rs 10/-each)	1,500,000,000
	<u>1,500,000,000</u>
ISSUED ,SUBSCRIBED AND PAID UP	
(100,000,000 Equity Shares of Rs 10/-each fully paid-up in cash)	1,000,000,000
	<u>1,000,000,000</u>
SCHEDULE : 2	
RESERVE AND SURPLUS	
Profit & loss account	15,803,810
	<u>15,803,810</u>
SCHEDULE : 3	
STOCK-IN-TRADE	
	<u>595,000,000</u>
SCHEDULE : 4	
CASH & BANK BALANCES	
Cash In Hand	5,671
Balance with Scheduled Bank	
In Current Account	11,380,292
In Fixed Deposits	259,500,000
	<u>270,885,963</u>
SCHEDULE : 5	
OTHER CURRENT ASSETS	
Interest Accrued but not due	1,369,478
	<u>1,369,478</u>
SCHEDULE : 6	
LOANS & ADVANCES	
	453,919,445
	<u>453,919,445</u>
SCHEDULE : 7	
CURRENT LIABILITIES	
Sundry Creditors	
Trade Creditors	297,500,000
Creditors for Expenses	80,763
Duty & Taxes	
TDS Payable	319,555
	<u>297,900,318</u>
SCHEDULE : 8	
PROVISIONS	
Provision for Taxation	9,785,265
Provision for FBT	121,000
Others	221,493
	10,127,758

SCHEDULE : 9

MISCELLANEOUS EXPENDITURE

(To the extent not written off)

Preliminary Expenses	6,616,700	
Less: Written off during the year	<u>6,616,700</u>	<u>—</u>

SCHEDULE : 10

OTHER INCOME

Interest on Fixed Deposits with Banks	<u>4,579,934</u>	
[Gross, Tax Deducted at source Rs.10,27,735/-]		<u>4,579,934</u>

SCHEDULE : 11

INCREASE/(DECREASE) IN STOCK

Closing Stock	595,000,000	
Less: Opening Stock	<u>—</u>	<u>595,000,000</u>

SCHEDULE : 12

PURCHASES

	<u>700,000,000</u>	<u>700,000,000</u>
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SCHEDULE : 13

EMPLOYEES REMUNERATION & BENEFITS

Salaries & Allowances	1,177,226	
Staff Welfare Expenses	<u>223,123</u>	<u>1,400,349</u>

SCHEDULE : 14

ADMINISTRATIVE ,SELLING & OTHER EXPENSES

Advertisement Expenses	243,377	
Auditor remuneration	44,944	
Fees & Taxes	3,250,000	
Legal & Professional Charges	20,610	
Printing & Stationary	54,373	
Telephone & Fax	58,722	
Travelling Expenses	6,138,547	
Preliminary Expenses w/o	6,616,700	
Miscellaneous Expenses	<u>166,578</u>	<u>16,593,851</u>

SCHEDULE : 15

INTEREST & FINANCIAL CHARGES

Bank Charges		<u>4,924</u>
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SCHEDULE 16**Significant accounting policies and Notes to accounts****Company overview**

The Company, U Tech Developers Limited, is engaged in the business of urban infrastructure development i.e. development of projects relating to townships, housing, mega malls and real estate property development, its purchase and sales etc. These financial statements have been prepared for the period December 18, 2006 (the date of incorporation of the Company) to March 31, 2007. These being the first accounts, prior period comparatives are not applicable.

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, 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 loans / payables / liabilities for acquisition of fixed assets are adjusted in the carrying amount of the respective fixed assets, and for any other foreign currency transactions, 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 for trade transactions and in respective fixed assets for forward contracts pertaining to them.
- d) Profit or loss on cancellation of forward contracts for transactions relating to acquisition of fixed assets are adjusted in carrying amount of the respective fixed assets and for any other transaction, 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. LEAVE ENCASHMENT

Leave encashment is provided on the basis of leave entitlement of employees remaining unutilized 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 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

1. Sundry Creditors do not include amount payable to Small Scale Industrial Undertakings ('SSI') or to Micro, Small and Medium enterprises as at March 31, 2007.
2. Payments to auditors (on accrual basis)

Particulars	Period ended March 31, 2007 Rupees
Towards Statutory Audit fees	28,090
Towards Tax Audit fees	16,854
Total	44,944

3. 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):

Component	As at March 31, 2007
Deferred Tax Assets	
Difference in preliminary Expenses treatment.	2657000
Total	Total (Net) 2657000

4. Earnings per Share (EPS)

Particulars	Period ended March 31, 2007
Weighted average number of Equity Shares of Rupees 10 each outstanding during the year	2,13,98,544
Net Profit as per Profit & Loss Account available for equity share holders	1,58,03,810
Basic and Diluted Earnings Per Share (in Rupees)	0.74

5. **Related Party Disclosures**

List of Related Parties and Relationship

- i. **Holding Company**

UFLEX LIMITED (Formerly known as Flex Industries Limited)

- ii. **Fellow Subsidiaries**

- a) Flex America Inc.
- b) Flex Middle East FZE
- c) Flex Europe Pvt Ltd

- iii. **Individual owning indirect interest in voting power of the company**

Sri Ashok Chaturvedi

- iv. **Enterprises in which the persons referred in (iii) along with their relative exercise significant influence:**

Ultimate Flexipack Ltd., Flex Foods Limited, Cinflex Infotech Pvt. Ltd., Club One Airways 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., AR Airways Pvt. Ltd., A.R. Infrastructures & Projects Pvt. Ltd., AR Aerotech Pvt. Ltd., AC infrastructures Pvt. Ltd. and AKC Developers Pvt. Ltd.

The Following are the details of transactions with the related parties:

Particulars	For the period ended March 31, 2007 (Rupees)
Transaction during the year	801908
Expenses reimbursed	801908
UFLEX LIMITED (Formerly Known as Flex Industries Limited)	
Investment By the Holding Company	
Equity Shares	1,000,000,000
Balances Outstanding	NIL

6. 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
-	-	95	7000	10	1425	85	5950
-	-	95	7000	10	1425	85	5950

(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 16 form an integral part of accounts.

For and on behalf of the Board of Directors

As per our report of even date attached

ASHOK CHATURVEDI
(Chairman & Managing Director)

RASHMI CHATURVEDI
(Director)

For CHATURVEDI & PARTNERS
Chartered Accountants

R N CHATURVEDI
Partner
Membership No.092087

PRABHAT NANDA
(Company Secretary)

Place : New Delhi
Date : 1st August ,2007

BALANCE SHEET ABSTRACT COMPANY'S GENERAL BUSINESS PROFILE

1 Registration Details				
Registration No.	U45200DL2006PLC156675	State Code		55
Balance Sheet Date	31.03.2007			
2. Capital raised during the year				(Rs. in Thousand)
Public Issue	Nil	Right Issue		Nil
Bonus Issue	Nil	Private Issue		1,000.000
3. Position of Mobilisation & Deployment of Funds				(Rs. in Thousand)
Total Liabilities	1,015,804	Total Assets		1,015,804
Sources of Funds				
Paid-up capital	1,000,000	Reserve & Surplus		15,804
Unsecured Loan	-			
Application of Funds				
Net Fixed Asset	-	Investment		-
Net Current Assets	1,013,147	Deferred Tax Assets		2,657
4. Performance of the company				(Rs. in Thousand)
Turnover (incl. Other Income)	142,504,580	Dividend rate		Nil
Profit/ (Loss) before Taxes	24,081	Profit/(Loss) after taxes		15,804
Earning per share in Rs.	0.74	Total Expenditure		717,999
5. Generic Names of three principal products/ services of company	Not Applicable			

ASHOK CHATURVEDI
(Chairman & Managing Director)

RASHMI CHATURVEDI
(Director)

PRABHAT NANDA
(Company Secretary)

Place : New Delhi
Date : 1st August ,2007



UFLEX LIMITED

Regd. Office :
110, First Floor, Bhanot Corner, Pamosh Enclave,
Greater Kailash - I, New Delhi - 110 048

DP ID*

Client ID*

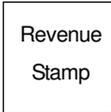
PROXY FORM

Proxy No. :

Regd. Folio No..... No. of shares/We
..... of in the district
of being a Member/embers of the above
named Company hereby appoint
..... of In the district
the of failling him/her of
in the district of as my/our proxy to vote for me/us on my/our behalf at the 18th
Annual General Meeting of the Company to be held on Thursday, the 13th September, 2007 at 10.00 A.M. at Air
Force Auditorium, Subroto Park, New Delhi-110 010 and at any adjournment thereof.

Signed this day of 2007.

Signature Revenue



*** Applicable for investors holding shares in electronic form.**

Note : This form in order to be effective should be duly stamped, completed and signed 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 :
110, First Floor, Bhanot Corner, Pamosh Enclave,
Greater Kailash - I, New Delhi - 110 048

ATTENDANCE SLIP

TO be handed over at the entrance of the Meeting Hall

DP ID*

Client ID*

Name of attending Member (In Block Letters)	Regd. Folio No.
Name of Proxy (in Block Letters) (To be failed in if the Proxy attends instead of the Member)	Number of Shares held

I hereby record my presence at the 18th Annual General Meeting of the Company being held at Air Force Auditorium, Subroto Park, New Delhi- 110 010 on Thursday, the 13th September, 2007 at 10.00 A.M.

.....
Member's/Proxy Signature
(To be signed at the time of handing over slip)

Note : 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 attendances slip will be issued at the time of the Meeting.
ii) Members/Proxy holders desiring to attend the Meeting should bring their copy the Annual Report for reference at the Meeting.

***Applicable for investors holding shares in electronic form**