23rd Annual Report

2006 - 2007

Tasty Bite Eatables Limited

204, Mayfair Towers, Shivajinagar, Pune

Tasty Bite Eatables Limited

Regd. Off. : 204, Mayfair Towers, Wakdewadi, Shivajinagar, Pune - 411 005
Phone : +91-20-2551 0685
Fax : + 91-20-2551 2695

Contents

CORPORATE INFORMATION

DIRECTORS

Mr. Ashok Vasudevan	:	Chairman
Mr. Ravi Nigam	:	Executive Director
Mrs. Meera Vasudevan	:	Director
Mr. K. P. Balasubramaniam	:	Director
Dr. V. S. Arunachalam	:	Director
Mr. Sohel Shikari	:	Alternate Director

AUDITORS

M/s Kalyaniwalla Mistry And Associates, Chartered Accountants, Pune

BANKERS

ICICI Bank Ltd.
Bank of Baroda

REGISTERED OFFICE

204, Mayfair Towers,
Wakdewadi, Shivajinagar,
Pune - 411005
Telephone: 91-20-2551 0685
Fax: 91-20-2551 2695

WORKS

Village Bhandgaon, Taluka Daund
Dist. Pune, Maharashtra

SHARE TRANSFER AGENT

M/S Karvy Computershare Pvt. Ltd.
“Karvy House”, 46, Avenue 4, Street no.1
Banjara Hills, Hyderabad - 500034

FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

FINANCIAL HIGHLIGHTS	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Months	**12**	12	12	12	12	12
Statement of Income						
Revenue	**3,075.48**	2,682.66	2,292.66	1,339.45	1,712.48	1,444.88
Cost of Revenue	**1,686.44**	1,302.07	1,210.17	607.28	678.75	508.20
Gross Profit	**1,389.04**	**1,380.59**	**1,082.49**	**732.17**	**1,033.73**	**936.68**
Operating Expenses	**1,146.22**	1,071.16	948.24	863.12	739.38	649.46
Depreciation	**67.12**	64.93	70.04	69.50	58.06	55.70
Interest	**32.00**	77.18	104.69	70.77	50.13	39.09
Extra-Ordinary (Income)/Expenses	**20.27**	26.75	1.08	47.93	-	(42.21)
Provision for Tax	**36.79**	84.76	(14.74)	(75.81)	10.00	5.48
Net Profit	**86.64**	**55.81**	**(26.82)**	**(243.34)**	**176.16**	**229.16**
Assets Employed						
Fixed Assets - Gross	**1,885.95**	1,286.61	1,241.27	1,219.40	1,211.14	1,135.23
Fixed Assets - Net	**1,032.00**	632.45	463.11	511.10	567.22	547.45
Investments	**0.50**	0.50	0.50	0.50	-	-
Current Assets	**1,730.77**	1,488.69	1,908.73	1,534.99	1,665.42	1,171.10
Current Liabilities	**(852.94)**	(746.63)	(629.05)	(529.62)	(488.03)	(319.60)
Deferred Revenue Expenditure	**0.18**	0.36	0.53	0.70	0.87	1.45
Deferred Tax Asset / (Liabilities)	**(21.48)**	10.35	91.29	76.54	0.73	59.32
	1,889.03	**1,385.72**	**1,835.11**	**1,594.21**	**1,746.21**	**1,459.72**
Net Current Assets	**877.83**	742.06	1,279.68	1,005.37	1,177.39	851.50
Financed By						
Share Capital	**316.13**	316.13	316.13	316.13	316.13	316.13
Reserves	**1,312.92**	1,312.92	1,312.92	1,312.92	1,312.92	1,312.92
Shareholders' Funds	**1,629.05**	**1,629.05**	**1,629.05**	**1,629.05**	**1,629.05**	**1,629.05**
Profit / (Loss) Carried Forward	**(402.25)**	(488.89)	(544.70)	(517.88)	(274.54)	(391.43)
Loan Funds	**662.23**	245.56	750.76	483.04	391.70	222.10
	1,889.03	**1,385.72**	**1,835.11**	**1,594.21**	**1,746.21**	**1,459.72**
Ratios						
Current Ratio	**2.03**	1.99	3.03	2.90	3.41	3.66
Working Capital Turnover	**3.50**	3.62	1.79	1.33	1.45	1.70
Gross Profit % To Revenue	**45%**	51%	47%	55%	60%	65%
Net Profit % To Revenue	**2.82%**	2.08%	-1.17%	-18.17%	10.29%	15.86%
Debt Equity Ratio	**0.41**	0.15	0.46	0.30	0.24	0.14
Capital Turnover	**1.63**	1.94	1.25	0.84	0.98	0.99
Fixed Assets to Shareholders' Funds	**0.63**	0.39	0.28	0.31	0.35	0.34
Earnings Per Share	**3.38**	2.17	(1.05)	(9.48)	4.56	7.29*
Net Worth	**1,226.80**	**1,140.16**	**1,084.35**	**1,111.17**	**1,354.51**	**1,237.62**

* Exclding Extraordinary income

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

It is my pleasure to inform you that for the fourth year running your company has continued its growth in both total revenues and exports. From 2003-04 through 2006-07 the company's revenue has registered an average 32% compound annual growth rate (CAGR). Exports in the same period have grown 38% annually. The EBIDTA loss in 2003-04 seems a distant memory and since then EBITDA has grown nearly 35% annually.

Here are a few notable highlights before I discuss some of the major developments both in the environment and in the company.

- Gross revenue of Rs. 30.75 crores is up 15% over last year.
- In terms of volume, this year the company produced nearly 2650 tons of processed foods. This was 31% higher than last year.
- Profit after tax is up 55% at Rs. 86.64 lakhs compared to last year.
- Independent rating agencies place Tasty Bite's market share in the US at 78% in natural supermarkets and 61% in the mainstream grocery markets.
- The company commissioned a state-of-the-art prepared frozen foods (PFF) facility to cater to the domestic institutional and food service industry. PFF revenues grew 122% over last year and it represents a major area of growth in sales and profitability over the next several years.
- TBEL's parent company Preferred Brands International received the coveted C-TPAT certification (Customs-Trade Partnership against Terrorism) and TBEL became the first Indian food company to participate in this certification that is a global effort to ensure supply chain security.

It appears clear that the strategy we put in place and have been mentioning repeatedly in the last three years' annual report has clearly resulted in building a strong foundation for continued leadership in the processed foods industry. Truly, these results speak louder than our words. However, the company continues to face challenges from the environment, many of which will need us to be ever watchful and ready to respond with new strategies and viable plans. Let me mention three of these.

The first is the weakening US dollar. For the last several months the currency has lost value against most major currencies in the world and the rupee is no exception. The opinions and sentiments continue to be that this downward pressure may not reverse anytime soon. While all exporters to the

US are affected, TBEL is particularly vulnerable since the majority of our revenues are in US dollars. Your company has implemented a three-pronged approach to insulate us from this. Firstly, we will continue our growth in volumes and market share in the US resulting in greater economies of scale. The continuous margin improvement program we implemented last year will result in increased efficiencies and improved productivity. And finally, our thrust into new markets through our existing products and our recently launched PFF initiative will diversify our revenue base. It is the management's considered view that these measures will see the company emerge stronger and better poised.

The second major concern is the fear of domestic inflation fueled by increasing local seasonal demand and rising oil prices. Fortunately, your company is positioned well vis-à-vis the competition due to our vertical integration including the farm and our capacious cold store facility that allows us to preserve and store perishables for long periods of time. This does however create a working capital pressure but we believe your company is reasonably well poised to meet this incremental requirement.

The third is the increasing competitive landscape in all markets around the world for shelf-stable, natural and specialty foods. While Tasty Bite has pioneered this segment in several markets and continues to enjoy the first mover advantage, the threat of competition is real. Staying ahead will demand continual product, process and ingredient innovation. The Tasty Bite Research Center (TBRC) is committed to the company's promise to offer its consumers great taste, good value and a range of cuisine. The development of several new products at TBRC helped the company launch a range of new SKUs in entrees and pilafs spanning several cuisines including Indian, Thai, Pan-Asian, Mediterranean, Italian and Mexican. Clearly, product innovation remains your company's key competitive advantage and our focus on research will serve us well in the years to come.

Several years ago, we started the company's journey in the US with the slogan "From Mashed Potatoes to Bombay Potatoes-Taking Indian Food Mainstream". Today, we stand poised for a new mission that's not just about taking Indian food mainstream but taking "Food from India Mainstream".

Ashok Vasudevan
Chairman

NOTICE

Notice is hereby given that the Twenty-Third Annual General Meeting of the Members of Tasty Bite Eatables Limited will be held on Friday, 14th September 2007 at 11.00 a.m. at the Registered office of the Company to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007, the Profit & Loss Account for the financial year ended on that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. Meera Vasudevan, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Dr. V.S.Arunachalam, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and to pass with or without modification, the following resolution as an Ordinary Resolution.

   "RESOLVED THAT M/s Kalyaniwalla Mistry And Associates, Chartered Accountants, Pune who retire at this Annual General Meeting and being eligible, offer themselves for re-appointment, be and are hereby appointed as Auditors of the company for holding the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and that the Audit committee of the Board of Directors be and is hereby authorized to determine the remuneration payable to the said auditors."

BY ORDER OF THE BOARD OF DIRECTORS
OF TASTY BITE EATABLES LIMITED

Dated : May 24, 2007
Place : Pune

Ravi Nigam
Executive Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. Proxies in order to be effective must be deposited at the registered office of the company not less than 48 hours before the meeting, duly stamped and signed.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from 8th September 2007 to 14th September 2007 (Both days inclusive).

4. The persons who have become members of the company before the book closure are also entitled to attend the AGM.

5. Members desirous of obtaining any detailed information concerning the accounts and operations of the Company are requested to address their queries to the Executive Director to reach the Company at least seven days before the date of the AGM so that the required information may be made available at the meeting.

6. Members are requested to bring their own copy of the Annual Report to the meeting: No extra copies of the Annual Report will be distributed at the meeting.

7. Members / proxies should bring their attendance slip sent herewith duly filled in for attending the Meeting.

PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT, A BRIEF RESUME OF THE DIRECTORS PROPOSED TO BE RE-APPOINTED VIDE ITEM NO. 2 & 3 MENTIONED IN THE NOTICE IS DETAILED BELOW :

Mrs. Meera Vasudevan Aged 49 is Non- Executive Director of your Company. She has a Bachelor's Degree in English and post-graduate qualifications in Marketing and Advertising. Co-founded Quantum Market Research, India's first and largest specialist qualitative research company.
She has researched established brands with corporations like Unilever, Colgate, Cadburys, Johnson & Johnson, British American Tobacco, and done market entry research with PepsiCo, Gillette, Mars, Mattel, Nabisco, Citibank, etc. She has also worked closely with Government departments and UNICEF on social research projects. She holds Directorship in Preferred Brands Foods (India) Ltd, ASG Omni India Pvt. Ltd, Preferred Brands Austalia Pty.Ltd. and is a Member of ASG Omni LLC.

Dr. V.S.Arunachalam Aged 71 is an Independent director of your Company. He has served as a Distinguished Services Professor at the Carnegie Mellon University in Engineering & Public Policy, Department of Materials Science and Robotics Institute. Dr. Arunachalam's career includes serving as the head of DRDO and being the Scientific Advisor to the Defense Minister (Government of India). He has won several awards including the Padma Vibhushan, the Padma Bhushan and the Shanti Swarup Bhatnagar Prize for Engineering Sciences. He is the Chairman of C STEP (Center for Study of Science Technology and Policy) and Trustee- Director of Birla Sun Life Insurance Co. Ltd

DIRECTORS' REPORT

To The Members,

Your Directors are pleased to present their 23rd Annual Report on the business and operations of your company for the year ended 31st March 2007.

1. Financial Results:

(Rs. In lacs)

Particulars	Year Ended March 31, 2007	Year Ended March 31, 2006
Total Revenue	**3075.48**	**2682.67**
Operating Profit (loss) – **PBDIT**	242.82	309.43
Interest	32.00	77.18
Depreciation	67.12	64.93
Profit (Loss) before Tax	143.70	167.32
Provision for Taxation (MAT Credit Entitlement)	(2.35)	-
Provision for Deferred Tax	(31.82)	(80.94)
Fringe Benefit Tax	(2.62)	(3.82)
Prior Period Income /(Expenses)	(20.27)	(26.75)
Net Profit	**86.64**	**55.81**
Appropriation	-	-
Dividend on Preference Shares (inclusive of tax)	-	-
Profit/(Loss) transferred to Balance Sheet	**86.64**	**55.81**

2. Operations:

The Significant developments in the Company during the year 2006-07 are as follows:

1. Gross Revenues have grown to Rs. 3075 Lacs in 2006-07 up from Rs. 2683 Lacs 2005-06, a growth of 15%.
2. Exports Revenues have grown to Rs 2466 Lacs in 2006-07 up from Rs. 2129 Lacs in 2005-06, a growth of 16%.
3. The company made a Profit before depreciation, financial costs and taxes (EBITDA) of Rs. 243 Lacs in 2006-07 as against a profit of Rs. 309 Lacs in 2005-06.
4. The Company made a profit after-tax of Rs. 86.64 Lacs in 2006-07 as against a profit of Rs.55.81 in 2005-06.

3. Dividend:

In view of the accumulated losses of previous years, your directors are unable to recommend any dividend.

4. Fixed Deposits:

The Company has not accepted or invited any deposits from the public during the year under review.

5. Directors:

Mrs. Meera Vasudevan & Dr. V.S.Arunachalam who retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. Brief profile of these Directors is given in the Notice of the ensuing AGM.

6. Corporate Governance:

Your Company attaches considerable significance to good Corporate Governance as an important step towards building investors' confidence, improve investors' protection and maximize long-term shareholders' value.

Accordingly, it has taken adequate steps to ensure that the provisions of Corporate Governance as prescribed under the Listing Agreement with the Stock Exchange are complied with.

A detailed report on Corporate Governance with the Auditors' Certificate on compliance by the company forms part of this Annual Report. (Annexure A)

General Shareholder Information is appearing as a part of Corporate Governance Report.

7. Code of Conduct:

The Company affirms that the code of conduct for the Board of Directors and the Senior Management has been framed, circulated and is being followed.

8. Directors' Responsibility Statement:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act 1956, with respect to the Directors' Responsibility Statement it is hereby confirmed:

(i) That in preparation of the accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;

(ii) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 and loss of the company for the year under review;

(iii) That directors have taken proper & sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

(iv) That the directors have prepared the annual accounts for the financial year ended 31st March 2007 on a 'going concern' basis.

9. Auditors:

M/s Kalyaniwalla Mistry And Associates, Chartered Accountants, Statutory Auditors, hold office until conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

10. Energy, Technology and Foreign Exchange:

Information in accordance with provisions of Sec 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the **Annexure B** forming part of this report.

11. Personnel:

During the year under review, industrial relations of the company continued to be cordial and peaceful.

The particulars of employees required to be disclosed under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are provided herewith as **Annexure C** for the employees in receipt of remuneration exceeding Rs.24 lakhs per annum.

12. Acknowledgement:

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Bankers during the year under review.

Your directors appreciate the support and confidence reposed in the company by the Members, Suppliers & Customers of the company.

Your Directors wish to place on record their deep sense of appreciation for the devoted services of the executives, staff and workers of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF TASTY BITE EATABLES LIMITED

Ravi Nigam
Executive Director

Sohel Shikari
Alternate Director

Date : May 24, 2007
Place : Pune

ANNEXURE TO DIRECTORS REPORT

Annexure - A

The Members of
Tasty Bite Eatables Limited

Re: Corporate Governance Certificate

We have examined the compliance of conditions of Corporate Governance by Tasty Bite Eatables Limited (the Company) for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

As per the records of the Company, there were no investor grievances remaining unattended for a period exceeding one month against the Company

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 and on behalf of
Kalyaniwalla Mistry And Associates
Chartered Accountants

Anil A. Kulkarni
Partner
Membership No.: 47576

Date : May 24, 2007
Place : Pune

ANNEXURE – B

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE EARNINGS & OUTGO:

A. CONSERVATION OF ENERGY:

a) Energy Conservation measures taken:-

The Company continues to place significant emphasis on Energy conservation measures and the following measures were taken in this respect.

1. Power produced from captive power is maintained at 2.78 units /litre of Fuel by undertaking preventive maintenance on a regular basis.
2. The Company converted its furnace oil powered boiler to a multi -fuel boiler using briquettes as its main input. This investments of Rs.17.38 Lacs. has resulted in lowering steam cost and eliminating use of fossil fuel.

(b) No Additional investment for reduction of consumption of energy being proposed.

(c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: steam cost for manufacturing products has been reduced by approx. 50%

ANNEXURE TO DIRECTORS' REPORT

FORM A

Disclosure of particulars with respect to Conservation of Energy.

(A) Power and Fuel Consumption:

		Current Period	Previous Period
1.	Electricity		
a)	Purchased Unit (in KWH)	18,39,947	21,49,072
	Total Amount (in Rupees)	1,00,86,890	90,63,047
	Rate/Unit (In Rupees)	5.48	4.21

b) Own Generation Through Diesel Generator : A very small amount of electric power was generated through 430 KVA D.G. Sets installed as stand-by arrangements, whenever there is power shortage from MSEB mainly through sustained running of the cold-storage plant.

		Current Period	Previous Period
2.	Furnace Oil		
	Qty. (Ton)	1,71.772	312.402
	Total Amount (In Rupees)	35,17,405	54,39,818
	Avg. Rate (In Rupees / Ton)	20,477	17,413
3.	Others (Briquettes) (Specific Quality and where used)		
	Qty. (Ton)	6,54.270	NIL
	Total Amount (In Rupees)	21,06,107	NIL
	Avg. Rate (Per Ton)	3219.01	NIL

(B) Consumption Per Unit Production:

	Current Period	Previous Period
Standard products with details (if any)		
Electricity: KWH/KG of RTS & FVS	0.69	1.08
Furnace oil: K.G./ KG of RTS & FVS	0.16	0.18
Briquettes: K.G./ KG of RTS & FVS	0.42	-
(Both above are inclusive of RTS/FVS productions)		

B: RESEARCH & DEVELOPMENT

With continuous change in business and technology, investments in research and development need to be made. In its strive to achieve innovation through R&D, the Company had set-up a modern in-house R&D research center lab within its corporate office at 204, Mayfair Towers, Pune.

The Company developed in its Research & Development Centre (TBRC) several new products such as ready meals, pilafs, and nutritionally engineered meals for its customers worldwide.

Further, the Company has also made developments in packaging. The Company has introduced larger family pack for the stores in U.S.A.

Benefit derived as a result of above R & D:

The above developments have benefited in a growth of Exports to Rs. 2466 Lacs in the current year from Rs.2129 Lacs in the previous year.

Future plan of action:

The future plan of action for the Company is to develop new products in institutional & shelf-stable and frozen range of products.

Expenditure on Research and Development

a) Capital Nil.
b) Recurring Rs.1,80,381/-
c) Total Rs.1,80,381/-

TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION.

1. Efforts are being made towards technology, absorption, adaptation and innovation. The plant is the first of its kind in India, Imported machinery installed with the help of foreign technicians (from suppliers) and Indian personnel trained by them. It did not involve import of technology. The methodology and operation of imported machinery has been adapted by our employees.

2. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished.

a)	Technology imported	Nil
b)	Year of import	Not Applicable
c)	Has technology been absorbed?	Not Applicable
d)	If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	2006-07 (Rs. Lacs)	2005-06 (Rs Lacs)
CIF Value of Imports		
1. Capital Goods	53.75	113.15
2. Packing Material	339.14	202.76
3. Raw Material	7.06	9.29
4. Spares	Nil	Nil
Expenditure Incurred in Foreign Currency		
1. Foreign travel.	5.26	16.04
2. Interest (Including Capital Expenditure)	52.11	11.95
3. Others	19.35	12.22
Earnings in Foreign Currency		
1. Export of goods on FOB basis.	2261.79	1888.23
2. Interest Earnings	13.26	17.96

ANNEXURE – C

Particulars of employees pursuant to the provision of section 217 (2A) of the Companies Act 1956 and forming part of the Directors Report for the Year ended 31st March 2007

A) Employees who were employed throughout the Financial Year and were in receipt of remuneration in aggregate of not less than Rs.24,00,000/- per annum

NIL

B) Employees who were employed for a part of the Financial Year and were in receipt of remuneration in aggregate of not less than Rs.2,00,000/- per month.

Sr. No	Name	Designation	Gross Remuneration	Qualification	Age	Total Experience Rupees	Date of Commencement of Employment	List of Employment & Designation
1.	Sanjay M. Dalvi	Group . C.F.O	Rs.24,06,468/-	B.Com, PGDM.-I.I.M. Ahmedabad	52	28	16.03.06	1. A.F.Print Nigeria PLC – Executive Director – Nov 2004 to Jan 2006 2.Madura Coats Ltd –Senior V.P. - June 1979 to Sept 2004

CORPORATE GOVERNANCE REPORT

The Directors present the Company's Report on Corporate Governance.

1. COMPANY'S GOVERANCE PHILOSOPHY:

Tasty Bite Eatables Ltd. is committed to best business practices coupled with excellence in Corporate Governance. The principles of transparency, accountability, integrity and innovation constitute the foundation on which the edifice of the organization is built. The Company firmly believes in the right of all its stakeholders to information regarding Company's business and financial performance.

2. BOARD OF DIRECTORS:

The Board of Directors manages the Company with a Non-Executive Chairman, a Non-Executive Director, an Executive Director, two eminently qualified Independent Directors and an Alternate Director.

The Board formulates the Policy, the Company Goals, the Strategy and regularly reviews the performance of the Company.

Details of Composition of Board of Directors and the Board Meetings are as given below:

Srl. No.	Name of the Director	Category Of Directorship	Attendance in Board Meetings Durings 2006-07	Attendance at last AGM held on 25.09.06	No. of other Directorships as on date 31.3.2007	No. of other Committee positions held as on 31.3.2007 (Other Companies)**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Mr. Ashok Vasudevan	N.E.D.	3	Yes	3	NIL
2.	Mrs. Meera Vasudevan	N.E.D.	1	Yes	3	NIL
3.	Mr. Ravi Nigam	E.D.	2	Yes	2	NIL
4.	Mr. K. P. Balasubramaniam	N.E.D., I.D.	4	Yes	5	1
5.	Mr. Dr. V. S. Arunachalam	N.E.D., I.D.	4	Yes	2	NIL
6.	Mr. Sohel Shikari *	A.D.	2	N.A	2	NIL

NED – Non-Executive Director,
ED – Executive Director,
AD – Alternate Director
ID – Independent Director

* Mr. Sohel Shikari is an Alternate Director to Mrs. Meera Vasudevan.
** On the basis of declarations given by directors.

3. AUDIT COMMITTEE:

The Composition of the Audit Committee is as follows:

Mr. K. P. Balasubramaniam	Chairman	Non-Executive & Independent Director
Dr. V.S.Arunachalam	Member	Non-Executive & Independent Director
Mr. Ravi Nigam	Member	Executive Director

The Group C.F.O., Company Secretary, Internal Auditors and Statutory Auditors are invitees to attend the meetings.

Terms of reference:

The powers, duties and terms of reference of the Audit Committee are as mentioned in clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and Section 292A of the Companies Act, 1956 which are:

(a) Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, adequate and credible.

(b) Recommend the appointment and removal of external auditors and fixation of audit fees and charges for other services.

(c) Review the quarterly, half yearly and annual financial statements before submission to the Board or to the Members.
(d) Review the adequacy and quality of internal control systems.
(e) Review and comment on draft audit report / Report to management & qualifications.
(f) Review any change in Accounting Policies and practices.
(g) Compliance with stock exchange – listing requirements.
(h) Compliance with other Corporate and Foreign Exchange laws vis-à-vis remittances made & received.
(i) Discussion with external auditors on the nature, time period and scope of the audit and post-audit review on any areas of concern.
(j) Reviewing the Company's financial and risk management policies.
(k) Look into reasons for defaults if any in the payment to creditors/ suppliers/government.
(l) Look into reasons for defaults by Company's customers, dealers, distributors & credit control.

The minutes of the Audit Committee Meeting(s) are noted by the Board of Directors at subsequent Board Meeting(s).

Meetings and attendance – Audit Committee

SR No.	MEMBER	DATE OF AUDIT COMMITEE MEETING			
		17.05.06	22.08.06	30.10.06	24.01.07
1	Mr. K.P. Balasubramaniam	YES	YES	YES	YES
2	Dr. V. S.Arunachalam	YES	YES	YES	YES
3	Mr. Ravi Nigam	NO	NO	YES	NO

4. REMUNERATION POLICY:

The Board of Directors has fixed the remuneration of the Whole-time Directors, subject to the approval of the shareholders. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the corporate world, financial position of the company etc. The remuneration structure comprises basic salary, perquisites and allowances, contribution to provident fund and other funds in accordance with section 198 & 309 of the Companies Act. The non-executive directors do not draw any remuneration from the Company except sitting fees for each meeting of the Board & professional fees.

Details of remuneration paid to Directors (Excluding Alternate Director) of the Company during the year ended March 31, 2007 are given below

Particulars	Rupees
Salary	23,86,075
Performance linked Incentive / Commission /Bonus	Nil
Professional fees [Non-executive Directors]	1,60,000
Sitting fees [Non-executive Directors]	40,000
Total	**43,68,269**

Note : The agreement with Mr. Ravi Nigam, Executive Director is for a period of five years. The Company or the Executive Director shall be entitled to determine the agreement at any time by giving "Three months" advance notice in writing in that behalf to the other party .

Salary includes allowances. No commission or performance bonus has been paid to directors.

No stock option scheme has been launched by the company till now.

Mr. K. P. Balasubramaniam, Non- Executive Director holds 1500 Equity Shares of Rs.10/- each in the Company.

Mr. Ravi Nigam holds 200 Equity Shares of Rs.10/- each in the Company.

5. **Code of Conduct:**

The Board of Directors of the Company have laid down a Code of Conduct for all its Members and Senior Management personnel of the Company, who have affirmed their Compliance therewith.

6. **SHAREHOLDERS' GRIEVANCE COMMITTEE:**

The Shareholders' Grievance Committee of the Board was constituted on 25th May 2002 to look into the redressal of shareholder complaints like share transfers, non-receipt of Annual Reports and issue of duplicate shares.

The Committee comprises of:

Mr. Ashok Vasudevan	Chairman	Non-Executive Director
Mr. Sohel Shikari	Member	Alternate Director
Mr. Ravi Nigam	Member	Executive Director

The Compliance Officer is Mr. Prashant Patil, Company Secretary*.

The Company has received 7 complaints during the year 2006-07 of which 6 were resolved and 1 complaint was pending as on March 31, 2007.

There was no complaint to resolve or attend pending more than 30 days and complaint pending as on 31st March 2007 has been resolved subsequently.

We provide herewith the details of the complaints/requests/reminders received during the year.

Nature of Complaint	Received	Resolved	Pending
Number of Complaints received during the year	3	3	0
Out of which the Complaints resolved	2	2	0
Number of Complaints pending as on 31.03.2006	2	1	1
Total	**7**	**6**	**1**

* Resigned w.e.f. 22nd June 2007

7. **GENERAL BODY MEETINGS:**

Location and time of General Meetings held in the last 3 years.

Year	Type	Date	Venue	Time	Special Resolution Passed
2005-06	AGM	25th Sept.06	Registered Office	11.00 am	1
2004-05	AGM	12th Aug 05	Registered Office	11.00 am	3
2003-04	AGM	27th Aug 04	Registered Office	11.30 am	0

The Registered Office of the company is situated at 204, Mayfair Towers, Shivajinagar, Wakdewadi, Mumbai-Pune Road, Pune- 411005.

All resolutions moved at the last Annual General Meeting were passed by a show of hands by the members present at the meeting. During the pervious year, the Company did not pass any special resolution through postal ballot.

8. DISCLOSURES:

1. Related Parties and transactions with them as required under Accounting Standard 18 (AS-18) are furnished in the Notes to Accounts attached with the financial statements for the year ended March 31, 2007.

   The transactions with related parties do not have potential conflict with the interests of the company at large.

2. There have neither been any instances of non-compliance nor any penalty, strictures have been imposed on the Company by Stock Exchanges or by Securities & Exchange Board of India or by any other statutory authority on any matter related to the capital markets during the last three years.

3. The Company affirms that it has internal policy on access to Audit Committee by Whistle Blowers that is against the personnel who observe unethical or improper practice and the Whistle Blowers have full access to the audit committee.

9. MEANS OF COMMUNICATION:

1. Half-yearly /Quarterly Results are not being sent to the Shareholders.

2. The Quarterly Results of the Company are published in the following leading newspapers: Asian Age & Dainik Prabhat.

   These newspapers are selected on the basis of having maximum circulation in the areas where vast majority of our shareholders are located and also on the basis of cost effectiveness.

3. Financial Results are displayed on "www.bseindia.com"

4. A Management Discussion and Analysis report that forms part of the Annual Report is given by means of a separate annexure and is attached to the Directors' Report.

10. GENERAL SHAREHOLDER INFORMATION:

A. Annual General Meeting

Date and Time	:	**14th September, 2007 at 11:00 a.m**
Venue	:	**Registered Office of the Company** **204, Mayfair Towers, Wakdewadi** **Shivajinagar, Pune 411 005.**

B. Financial Calendar for 2007-08 (tentative and subject to change)

Financial reporting for the quarter ending June 30, 2007	July 30, 2007
Financial reporting for the quarter ending September 30, 2007	October 31, 2007
Financial reporting for the quarter ending December 31, 2007	January 31, 2008
Financial reporting for the quarter ending March 31, 2008	June 30, 2008
Annual General Meeting for the year ending March 31, 2008	September 2008

C. Financial Year: April 1 to March 31.

D. Dates of Book Closure

8th September, 2007 to 14th September 2007 (Both Days Inclusive) for the purpose of Share Transfers and updation of Register of Members.

E. Dividend Payment

The Board of Directors has not recommended any dividend payment for the financial year 2006-07.

F. Listing on Stock Exchange

The Company's Equity Shares are listed on the Bombay Stock Exchange Limited, Mumbai at Phiroze Jeejibhoy Towers, Dalal Street, Mumbai- 400 001. The shares are listed in "B2" Group.

G. Stock Code

Mumbai Stock Exchange : 519091
ISIN : INE 488B01017

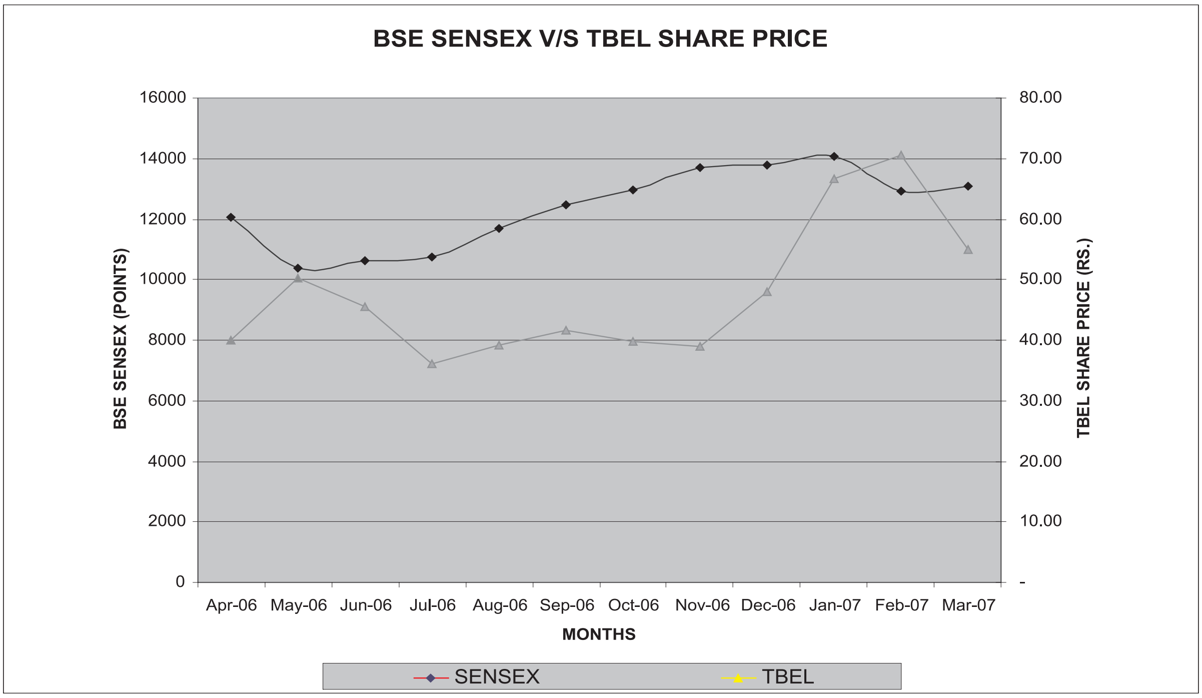
H. Market Price Data

The Market Price and Volume of the Company's Equity Shares traded on the Stock Exchange, Mumbai during the year 2006-07 were as follows:

Month	High (Rs)	Low (Rs)	Volume (Nos)
April 06	28.90	25.10	9327
May 06	38.45	24.50	66628
June 06	48.05	36.15	126580
July 06	60.60	41.00	81951
Aug 06	51.00	40.00	41628
Sept 06	52.00	36.60	29653
Oct 06	39.95	30.70	6803
Nov 06	40.20	31.30	8459
Dec 06	34.20	31.00	11626
Jan 07	42.60	31.40	15207
Feb 07	44.15	37.70	26310
Mar 07	48.20	38.20	129328

Note: The above data has been downloaded from the official website of the Bombay Stock Exchange Limited.

The performance of the Company's Scrip on the BSE as compared to the BSE Sensex:



The above points of Tasty Bite Eatables Ltd. are plotted on the basis of the monthly closing price.

I. Registrar and Transfer Agents:

M/S Karvy Computershare Pvt. Ltd.
"Karvy House", 46, Avenue 4, Street no.1
Banjara Hills, Hyderabad – 500034
Ph: 040-23312454
e-mail: mahendra.singh@karvy.com

J. Share Transfer System

In respect of transfer of shares, shareholders are advised to contact M/S Karvy Computershare Pvt. Ltd directly. Every effort is made to clear share transfers/transmissions and split/consolidation requests within 15 days. Requests for issue of duplicate share certificates are normally cleared within 25 days, subject to the documents being clear in all respects.

K. Distribution of Shareholding

As of March 31, 2007, the distribution of the Company's shareholding was as follows:

S.NO	CATEGORY FROM TO	NO.OF CASES	% OF CASES	AMOUNT Rs.	% OF AMOUNT
1	1-5000	1404	88.53	21,94,520	8.55
2	5001-10000	84	5.30	7,02,800	2.74
3	10001-20000	47	2.96	7,00,090	2.73
4	20001-30000	13	0.82	3,23,490	1.26
5	30001-40000	6	0.38	2,08,670	0.81
6	40001-50000	7	0.44	3,36,630	1.31
7	50001-100000	14	0.88	9,79,730	3.82
8	100001 And Above	11	0.69	2,02,14,070	78.78
	Total	**1586**	**100.00**	**2,56,60,000**	**100.00**

L. Shareholding Pattern as on March 31, 2007

Sr. No.	Category	No of Shares held	% of Shareholding
A.	**Promoters' Holding**		
1.	Promoters		
-	Indian Promoters	19,04,510	74.22%
-	Foreign Promoters	-	-
2.	Persons acting in concert	-	-
	Sub-Total	1904510	74.22%
B	**Non-Promoters Holding**		
1.	**Institutional Investors**		
a.	Mutual Funds and Unit Trust of India	-	-
b.	Banking/ Financial Institutions/ Insurance Companies (Central/ State Government institutions/non-governments)	-	-
c.	Foreign Institutional Investor's (FII's)	-	-
	Sub-total		
2.	**Others**		
a.	Private Corporate Bodies	62,094	2.41%
b.	Indian Public	5,81,000	22.64%
c.	Non-Resident Indians (NRIs)/ Overseas Corporate Bodies (OCBs)	2,096	0.08%
d.	Foreign Banks	-	-
e.	HUF	16,198	0.63
f.	Clearing	102	0.02%
	Sub-total	6,61,490	25.78%
	GRAND TOTAL	25,66,000	100%

M. <u>Dematerialization of shares and liquidity as on 31.03.2007</u>

Sr.No	Description	No of Shareholders	Shares	% to Equity
1	Central Depository Services (India) Limited (CDSL)	127	1,14,075	4.45
2	National Securities Depository Limited (NSDL)	549	3,55,014	13.84
3	PHYSICAL	910	20,96,911	81.71
	TOTAL	1,586	25,66,000	100.00

N. <u>Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and likely impact on equity</u>

Not Applicable

O. <u>Plant Location</u>

Bhandgaon Village, Taluka – Daund, Dist- Pune - 412144, Maharashtra.

P. <u>Address for Correspondence</u>

204, Mayfair Towers, Wakdewadi, Shivajinagar, Pune - 411005
Ph: 91-20-2551 0685, Fax: 91-20-2551 2695
e-mail – tanuja@tastybite.com.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF TASTY BITE EATABLES LIMITED

Ravi Nigam
Executive Director

Sohel Shikari
Alternate Director

Date : May 24, 2007
Place : Pune

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A INDUSTRY OVERVIEW AND KEY ANNUAL HIGHLIGHTS
B REVENUES FOR THE YEAR 2006-07 AND SEGMENT-WISE PERFORMANCE
C DISCUSSION ON KEY OPERATING INDICATORS
D HUMAN RESOURCES, INDUSTRIAL RELATIONS, SAFETY AND ENVIRONMENT
E OPPORTUNITIES, THREATS, RISKS AND CONCERNS
F INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

A. INDUSTRY OVERVIEW AND KEY ANNUAL HIGHLIGHTS

Tasty Bite Eatables Limited manufactures and markets "*Tasty Bite*," a range of shelf stable, all-natural, Ready-to-Serve (RTS) Indian food products. As a brand, *Tasty Bite* is the No. 1 brand in the ethnic dishes, entrées and mixes category in the United States. Aside from the US, Tasty Bite is marketed in several countries globally. In India, the Company also develops and manufactures a range of products for institutional users such as hotels, quick-service restaurants and other retail and corporate customers.

The Company's growth over the past 10 years has been driven by three industry mega trends in the global food industry. These involve (1) Convenience Foods (US market $16 billion growing at 10%), (2) Natural Foods ($ 5 billion-17%) and Specialty Foods ($2 billion-30%). Tasty Bite occupies the 'sweet spot' across these three industry mega-trends.

The Company's stated mission statement is '***TBEL will be a value-driven organization that provides attractive returns to shareholders by manufacturing and marketing natural, convenient and specialty foods and food intermediates that offers consumers great taste, good value and a range of cuisine through product innovation, low cost manufacturing, versatility, vertical integration and customer partnerships in a knowledge driven, fun and energetic work environment.***'

All key management functional areas have developed their independent missions statement that are aligned with the Company's mission statement and a balanced score card methodology is being used to align key decision making in the context of the mission statement.

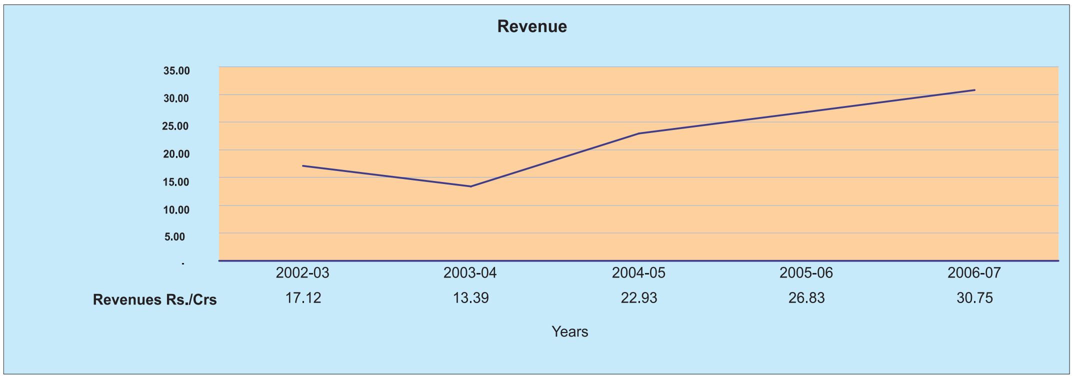
Results of this focused strategy have begun to yield results with a top line growth of 15% during the year. This was achieved through expansion of the company's product offerings, increased presence and market share in key markets, and strategic investments in the Tasty Bite Research Centre (TBRC). The momentum generated by the new mission statement and the implementation of the resultant strategy is expected to produce sustained growth in both revenues and profitability over the next few years.

TBEL manufacturers its products in a world-class, versatile manufacturing facility located near Pune, India. The versatility of the plant encompasses manufacture of products in multiple formats (shelf-stable, frozen), multiple packaging (pouches, trays), multiple cuisines and multiple pack sizes. The Company prides itself on its quality and has constantly endeavored to set industry standards of quality assurance. Tasty Bite in the last year has completed one of its largest capital expenditure programs to expand capacity and modernize the facility. It now has the capability of manufacturing over 70,000 meals per day.

TBEL also set-up a separate vegetable processing facility at its campus wherein all the sorting, cleaning, grading and cutting activity of vegetables are being undertaken. The separation of these activities from the main manufacturing areas of the factory has improved quality and productivity. TBEL has built a clean-room, temperature controlled facility for the production of a range of prepared frozen foods.

The engine of growth of the Company has really been its ability to bring innovative products in a timely manner to its customers. The Tasty Bite Research Center (TBRC) has a team of skilled professionals who drive the development of new recipes, product forms, new formulations etc. all with a single-minded focus of delivering on the company's promise to bring consumers great taste, good value and a range of cuisine. Aside from in-house professionals, TBRC works closely with food and technology experts across the globe to access new technologies and add value to its product portfolio. Product innovation is seen as the key differentiator in the Company's strategy and will be the factor that will provide sustained competitive advantage to it in the future.

B. FINANCIAL PERFORMANCE OF THE COMPANY



(CHART 1: Revenue of the Company over the past 5 years)

Some salient features of the Company's financial performance in 2006-07 are:

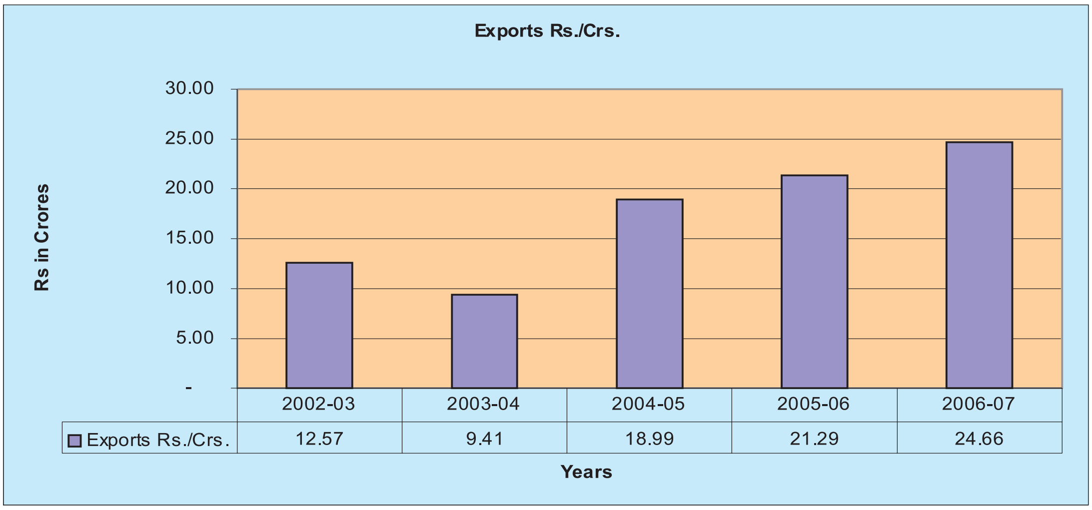
1. Gross revenues have grown 15% to Rs. 30.75 Crores in 2006-07 up from Rs. 26.83 Crores 2005-06.
2. Total Sales have grown 19% to Rs.29.68 Crores in 2006-07 up from Rs. 24.85 Crores in 2005-06.
3. The company has reported earnings before depreciation, interest, depreciation and taxes (EBITDA) of Rs. 2.43 Crores in 2006-07 as against Rs. 3.09 Crores in 2005-06.
4. Profit after-tax for the year increased 55% over the previous financial (Rs. 86.64 Lakhs in 2006-07 against Rs. 55.81 Lakhs in 2005-06).

The company's product portfolio comprises prepared meals and food intermediates. A bulk of the business comes from shelf-stable Ready-to-Serve meals that the Company manufactures and exports in its brand in several international markets. The Company has expanded its number of SKUs in all of its markets that has resulted in greater shelf-space for the Company's products in supermarkets and independent grocery stores.

The Company also commissioned a prepared frozen foods line (PFF) in 2006-07 that has the capability of doing a variety of formed, battered, and fried frozen products. Several products have been developed on this line and marketing of a few of them has begun in the domestic market in the last quarter of the financial.

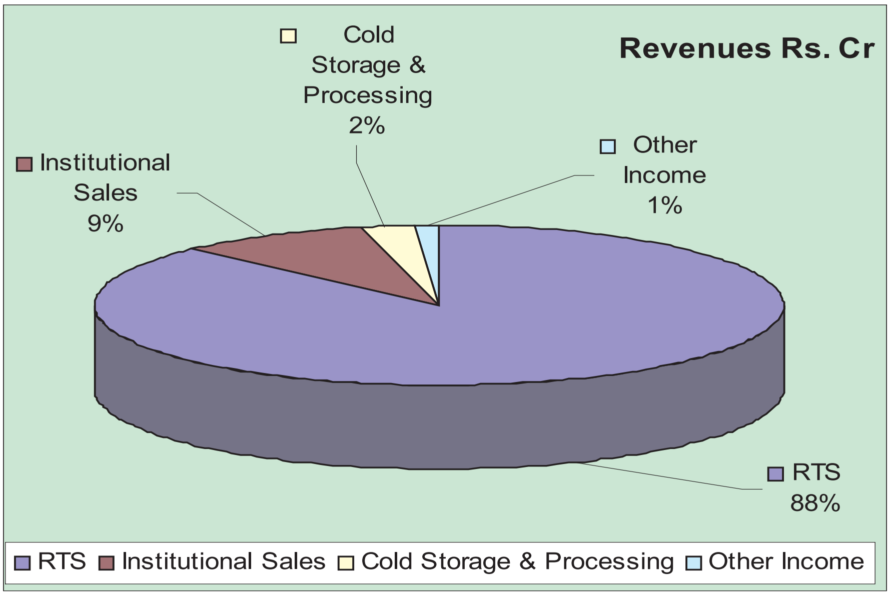
The growth of the Company's exports over the past 5 years

(Rs. Crores)



Apart from its RTS and PFF business, the company has a frozen vegetable section (FVS) that includes an IQF plant and a cold store. The Company uses this facility for procuring, freezing and storing vegetables in season for its own use as well as acting as a "converter" to other players in the domestic market for a processing and warehousing fee.

A chart showing the division of last year revenues between the Company's main business divisions is given below.



C. DISCUSSION ON KEY OPERATING INDICATORS

(Rs. Crores)

Revenues	2006-07	2005-06	%change
Exports Sales & Incentives	26.78	23.57	14%
Institutional Sales	2.83	1.25	126%
Cold Storage & Processing	0.75	1.37	-45%
Other Income	0.40	0.66	-39%
Total	**30.75**	**26.82**	**15%**

Revenues increased by 15% over last year on the back of a 14% increase in export sales and a 126% increase in institutional sales in India. The latter has been driven by the commissioning of the PFF line in the last quarter of 2006-07. The same is therefore expected to see significant growth in 2007-08 wherein full year's revenues are expected against this line.

Processing Income and Cold Storage income declined in the financial given the Company's focus on the RTS and PFF businesses. Other income ,that mainly comprised overdue interest on export receivables also declined since most of the Company's receivables are now being received on a timely basis.

The Company also availed various export incentives including duty drawback and the Vishesh Krishi Upaj Yojana scheme. As per the accounting policy adopted by the Company, all income from these schemes is accrued as revenues at the time of sale.

Expenditure Analysis:

1) Material Costs:

Material costs as a % of sales went up from 57.5% in the previous financial to 60.49% in the current financial. Most of the increase in costs is on account of lower realization of the company's export sales that are mainly in US dollars. A large portion of the company's exports are to the United States and the strong appreciation of the rupee against the US dollar has affected the profitability of the company. The company has and continues to take various hedging instruments such as forward contracts and options to mitigate the impact of currency movements. Secondly, the institutional business of the company has also grown significantly in 2006-07 over 2005-06 (122% increase) wherein margins are normally lower than those of the retail business.

The company also buys a bulk of its raw materials such as vegetables and pulses from mandis and traders. The Company is exposed to variations in prices of raw vegetables such as onions, tomatoes, spinach, potatoes etc, and price escalation of the same does have an impact on the gross margins of the business.

Particulars of Material Consumption during the year:

(Rs. Crores)

Particulars	2006-07	2005-06
Sales	27.56	22.59
Material Consumed	16.67	12.99
% COGS	**60.49%**	**57.50%**

2) Freight Costs:

The Company had indicated last year that it was looking at entering into freight contracts with a few shipping companies that would help it reduce freight costs in 2006-07. This has resulted in reduction of these costs by approximately 2% in 2006-07 as compared to 2005-06. The Company has and continues to negotiate bulk-contracts and is actively looking at reducing these costs since it accounts for almost 10% of export sales.

3) Fuel and Electricity Costs:

The Company requires a significant amount of steam for the preparation of its products and is one of the largest components of the Company's consumable expenses. The conversion of the Company's boiler from a furnace oil driven boiler to a briquettes based one has resulted in lowering the steam cost per ton of material manufactured by nearly 40%. The payback from the investment made by the company in converting its boiler to this dual fuel system has been approximately 8 months. Aside from reducing the cost of steam the Company has reduced its consumption of fossil based fuels to a more environmentally friendly fuel that is sourced from small-scale local enterprises. Power costs have increased with the increase in the demand load, which has increased with the increased connected load at the factory. The Company is in the process of upgrading its transformer and other electrical installations that will allow the Company to run all its production lines simultaneously and also allow for expansion. For instance, our transformer capacity is being upgraded from 750 KW to 2250 KW. This is expected to be completed by the third quarter of 2007-08.

D. HUMAN RESOURCES, INDUSTRIAL RELATIONS, SAFETY AND ENVIRONMENT

Human Resources: The mission statement underlines the commitment of the company to create a “knowledge-driven, fun and energetic work environment”.

The Company’s success over the long-term lies in its ability to attract, hire and retain qualified and motivated people in all functional areas. Given the growth in industry in general and the emergence of several competitors who have recently entered this area, the challenge of hiring and retaining quality talent is enormous.

In order to provide a fulfilling career to its employees and a knowledge driven, fun and energetic work environment as stated in its mission statement, the Company invests in several programs at all levels of the organization. This includes internal and external training programs, cross-functional training and exercises on the job that reduces work monotony and fatigue. Continuous training programs in the organization have resulted in increased productivity, lesser manufacturing defects and increased product and process innovation. Almost 80% of the factory workers have been covered under these training programs. Additionally, a Fun@Work program is run periodically company-wide to foster team building and develop leadership. All of these efforts have resulted in a highly energetic and entrepreneurial work environment both at the factory and at the corporate office.

The Company’s management firmly believes in the power of education. To that effect it has instituted a program for children of factory workers wherein education for any child seeking higher education (post 12th grade) will be subsidized by the Company.

Industrial relations at the plant continued to be cordial and the committed efforts of the team and the sustained motivation of the employees has resulted in the Company posting significant productivity gains and achieving several production records. For instance, total volume of manufactured products in 2006-07 was 2648 MT against 2024 MT manufactured in 2005-06, an increase of 31%.

The management records its sincere appreciation of the efforts of all its employees.

Quality: The Company’s stated mission for quality is to “rise beyond certifications”. The Company continues to be certified for ISO-9001/2000, HACCP (Hazard Analysis & Critical Control Points) and ISO-14001 compliant. It has begun working towards meeting the requirements of Integrated Management Systems that would satisfy the certifications of all the above in addition to Occupational Health and Safety (OHSAS 18001) and ISO 22000 thereby addressing food safety, associate safety, environment safety and overall quality of products all under one certification. This is expected sometime in the second quarter of 2007-08. The certification received last year by the Company’s parent, Preferred Brands International LLC (PBI) for C-TPAT (Customs Trade Partnership against Terrorism) has allowed the Company to export its goods without too much delay or inspections into the United States of America.

Environment: The Company is certified for Environmental Management Systems (ISO-14001) and the management and employees continue to be deeply committed towards doing our little bit to preserve the environment. We believe it also often makes business sense. For instance, the conversion to a more eco-friendly briquettes based boiler provide significant cost efficiencies as witnessed by the lower cost of steam generation and a payback of only eight months.

We recognize that by nature, the food processing industry is a prodigious consumer of water, another increasingly scarce resource. Your company has invested a lot of resources in effluent treatment through biological intervention rather than polluting chemicals. More importantly, the effluent treatment plant becomes a valuable source of irrigation allowing us to recycle water to our agricultural farm where we grow vegetables and herbs that are important raw materials in our processing plant.

E. OPPORTUNITIES, THREATS, RISKS & CONCERNS:

The international market for convenient, natural and specialty foods especially in the Indian and Thai category continued to see robust growth in 2006-07. The Tasty Bite brand occupies a 78% market share in natural supermarkets and a 61% market share in the mainstream grocery markets. Overall the brand has grown 31% in the natural trade and nearly 40% in the mainstream trade. The Management believes that consumer trends will continue to drive growth at similar rates in these export markets.

The institutional business for the Company in India has also grown significantly showing a 122% growth over the previous financial. The increasing purchasing power of the Indian consumer and lifestyle trends is increasing the demand for convenient and eating-out options such as fast-food restaurants. This is reflected in the increase of quick-service restaurants and the emergence of a new category of products on the shelves of 'modern' retail in the country.

The management remains optimistic of the Company's performance moving ahead and estimates that profit will further increase in 2007-08. Growth in revenue will be driven by width of distribution in key markets, increased product offering allowing for new uses of the Company's products as well as increasing frequency of usage.

In the Indian market, your Company will continue to focus upon the institutional business wherein it will look at providing intermediate and finished products to institutions and the food service industry. Strong customer partnerships will continue to be forged with leading food companies in the country.

One of the risks the Company faces, is the continuing decline of the US dollar against the Indian rupee. Given the predominance of the US as the largest revenue generator for the company, a roughly 10% decline in the US dollar has had a materially adverse impact on the Company's revenues and profitability.

The Company has taken forward contracts and option contracts to help lock-in rates that are advantageous but these are limited to a period of 1-year. The Company has also replaced its rupee debt with a US$1.3 million term loan facility from its parent, Preferred Brands International LLC (taken as an External Commercial Borrowing) which provides a natural hedge against the depreciating dollar.

The Company also imports a significant portion of its packaging material, which provides a further hedge against its exports.

Other concerns as seen by the management are increasing prices of several commodities such as oil, rice and vegetables. The Company mitigates this risk by getting into rate-contracts for some of its key input materials as well as buying and storing the same during peak season. The Company has a large cold store which is well utilized for this purpose.

F. INTERNAL CONTROL SYSTEMS

Tasty Bite Eatables Limited has in place adequate systems and processes for internal controls to provide reasonable assurance with regard to information and maintenance of proper accounting records, reliability of financial information, and efficient utilization of the Company's resources and safeguarding of assets.

The Company uses an ERP system that allows the procurement, manufacturing, sales & logistics and finance & accounting function to be integrated. The Company intends on upgrading this with a system that would also allow integration with the systems of its associate companies with which the Company has direct trade relationships. This would allow tighter control on the entire supply chain of the business. The Company has been evaluating several solutions and expects to begin implementation of such a system sometime in 2007-08.

The Company also utilizes the services of a qualified and experienced accounting firm to perform the internal audit function of the Company. A summary of the internal audit observations, recommendations and responses to the same are presented and reviewed during the Audit Committee Meetings of the Company. Aside from internal audits, the management has a review mechanism in place to budget, forecast and compare actual performance of the Company on a monthly basis. This allows corrective action to be taken in a very short time.

An important feature in the adoption of a companywide mission statement has been the decision to follow 'Balanced Score Card' as a tool to measure performance of individual functions. Balanced Scorecard is a very focused method of looking at individual and group performance. We believe that in the years to come, this will significantly enhance performance all across the company.

Measurement of key indices are tracked on a monthly basis. These include key financial indices as well as manufacturing productivity and utility consumption indices.

FINANCIAL & COMMERCIAL

Particulars	Year 2006-07	Year 2005-06
Raw Material % to Sales	27%	23%
Packing Material % to Sales	34%	36%
Gross Margin as % of Total Revenue	45%	41%
EBITDA as % of Total Revenue	8%	11%
Working Capital % to Sales	32%	33%

MANUFACTURING

Particulars	Year 2006-07	Year 2005-06
No. of Pouches per day	30543	24374
Metric Tons per day	9.39	6.1
Material Wastage	0.85%	1.18%

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's results include, among others, economic conditions affecting demand / supply, price conditions in the domestic and overseas markets in which the Company operates, competitive pressures in these markets, changes in Government regulations, tax laws and other statutes and incidental factors.

AUDITORS' REPORT

TO,

THE MEMBERS OF TASTY BITE EATABLES LIMITED

1. We have audited the attached Balance Sheet of ***TASTY BITE EATABLES LIMITED*** as at March 31, 2007 and also the Profit and Loss Account of the Company for the year ended as on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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 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.

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 annex hereto 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 these books.

   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   d) In our opinion, the Balance Sheet, the Profit and Loss Account and the 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) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the 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:

      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 of the Company for the year ended on that date; and

      iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the 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.

For and on behalf of
Kalyaniwalla Mistry And Associates
Chartered Accountants

Anil A. Kulkarni
Partner
Membership No.47576
Date : May 24, 2007
Place : Pune

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **Tasty Bite Eatables Limited** ended March 31, 2007.

1) (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

(ii) As explained to us, the Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification and the same have been properly dealt with in the accounts.

(iii) There was no disposal of fixed assets during the year.

2) (i) The Management has conducted physical verification of inventory at reasonable intervals. In our opinion, the frequency of verification is reasonable.

(ii) In our opinion, 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.

(iii) The Company is maintaining proper records of inventory. As informed to us, no material discrepancies were noticed on verification between the physical stocks and the book records and the same have been properly dealt with in the accounts.

3) (i) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(ii) The question of commenting on the rates of interest and other terms and conditions of the loans granted being prejudicial to the interest of the Company, regular receipt of principal and interest and reasonable steps taken for recovery of principal and interest does not arise.

(iii) There is no overdue amount of loans taken from, or granted to companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(iv) The Company has taken loans of Rs.5,81,67,000/- from two parties listed in the register maintained under section 301 of the Companies Act, 1956. The total loan amount outstanding at the year end is Rs.5,66,67,000/-.

(v) In our opinion, the rate of interest and other terms and conditions of loans taken from Companies and parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

(vi) The Company is regular in repaying the principal amounts as stipulated and has also been regular in the payment of interest.

4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchases of inventory, 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 controls.

5) (i) Based upon the audit procedures applied by us and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register maintained under that section.

(ii) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs.5,00,000 in respect of any party during the year, have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time.

6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A, 58AA, or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.

7) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

8) According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, for any of the activities of the Company.

9) (i) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues including dues pertaining to Provident Fund, Employees' State Insurance, Income-tax, Value Added Tax, Custom Duty, Cess and any other statutory dues with the appropriate authorities.

We have been also informed that there are no undisputed dues which have remained outstanding at the end of the financial year for a period of more than six months from the date they became payable.

(ii) According to the information and explanations given to us, there are no dues of Sales Tax, Value Added Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty or cess outstanding on account of any dispute, other than the following.

Name of Statute	**Nature of Dues**	**Amount (Rs.)**	**Period to which the amount relates**	**Forum where dispute is pending**
Central Sales Tax Act,1956	Disallowances	3,38,036	1999-2000	Sales Tax Tribunal
Employees' Provident Funds and Miscellaneous Provisions Act, 1952	Damages	2,15,095	1991-1997	Employees' Provident Fund Tribunal

10) In our opinion and according to the information and explanations given to us, the Company has accumulated losses as at the end of the financial year. However, such losses do not exceed fifty percent of its net worth. The Company has not incurred cash losses in the current financial year and immediately preceding financial year.

11) According to the information and explanations given to us and based on the documents and records produced before us, there has been no default in repayment of dues to banks. There are no dues to financial institutions or debenture holders.

12) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / societies.

14) The Company does not deal or trade in shares, securities, debentures and other investments.

15) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16) In our opinion and according to the information and explanations given to us, the term loan obtained by the Company was applied for the purpose for which the loan was obtained.

17) According to the information and explanations given to us and on an overall examination of the Balance Sheet, Cash Flow Statement and other records examined by us, the Company has not used funds raised on short-term basis for long-term investment.

18) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

19) The Company did not issue any debentures during the year.

20) The Company has not raised any money through a public issue during the year.

21) According to the information and explanations given to us by the Management and to the best of our knowledge and belief, no fraud on, or by the Company has been noticed or reported during the year.

For and on behalf of
Kalyaniwalla Mistry And Associates
Chartered Accountants

Anil A. Kulkarni
Partner
Membership No.47576
Date : May 24, 2007
Place : Pune

BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	Rs. '000	Current Year Rs. '000	Previous Year Rs. '000
SOURCES OF FUNDS:				
1. SHAREHOLDERS' FUNDS				
a) Share Capital	1	**31,613**		*31,613*
b) Reserves and Surplus	2	**131,292**		*131,292*
			162,905	*162,905*
2. LOAN FUNDS				
a) Secured Loans	3	**56,667**		*19,188*
b) Unsecured Loans	4	**9,556**		*5,368*
			66,223	*24,556*
3. DEFERRED TAX LIABILITY			**2,148**	*(1,035)*
TOTAL			**231,276**	*186,426*
APPLICATION OF FUNDS:				
4. FIXED ASSETS	5			
a) Gross Block		**188,595**		*128,661*
b) Less: Depreciation		**91,021**		*84,309*
c) Net Block		**97,574**		*44,352*
d) Capital Work-in-Progress		**5,626**		*22,242*
			103,200	*66,594*
5. INVESTMENTS	6		**50**	50
6. CURRENT ASSETS, LOANS AND ADVANCES	7			
a) Inventories		**34,814**		*29,270*
b) Sundry Debtors		**84,504**		*76,424*
c) Cash and Bank Balances		**13,214**		*5,479*
d) Other Current Assets		**17**		*17*
e) Loans and Advances		**40,528**		*34,330*
		173,077		*145,520*
7. Less: CURRENT LIABILITIES AND PROVISIONS	8			
a) Current Liabilities		**81,913**		*71,564*
b) Provisions		**3,381**		*3,099*
		85,294		*74,663*
8. NET CURRENT ASSETS			**87,783**	*70,857*
9. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	9		**18**	*36*
10. PROFIT AND LOSS ACCOUNT		**50,584**		*59,248*
Less : Deduction from Reserves as per contra		**10,359**		*10,359*
			40,225	*48,889*
TOTAL			**231,276**	*186,426*
NOTES TO ACCOUNTS	17			

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report attached

For and on behalf of

KALYANIWALLA MISTRY AND ASSOCIATES
CHARTERED ACCOUNTANTS

Anil A. Kulkarni
PARTNER
Membership No. 47576
Date : May 24, 2007
Place : Pune

Signatures to the Balance Sheet and Schedules 1 to 9 & 17.

For and on behalf of the Board

Ravi Nigam — **Executive Director**

Sohel Shikari — **Alternate Director**

Prashant Patil — **Company Secretary**

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

	Schedule		Current Year Rs. '000	Previous Year Rs. '000
INCOME:				
1. Sales (Net of Returns)		**275,579**		*225,913*
2. Operational Income	10	**28,678**		*36,573*
3. Other Income	11	**3,291**		*5,780*
			307,548	*268,266*
EXPENDITURE:				
4. Materials Consumed	12	**166,714**		*129,893*
5. Manufacturing and Other Expenses	13	**114,622**		*107,116*
6. Interest and Finance Charges	14	**3,200**		*7,718*
7. Depreciation		**6,712**		*6,493*
		291,248		*251,220*
8. Inventory Change	15	**1,930**		*314*
			293,178	*251,534*
PROFIT/ (LOSS) BEFORE TAX:			**14,370**	*16,732*
Provision for Tax				
9. Current Tax (including Fringe Benefit Tax)			**262**	*382*
10. MAT Credit Entitlement			**235**	-
11. Deferred tax			**3,182**	*8,094*
PROFIT/(LOSS) AFTER TAX:			**10,691**	*8,256*
12. Prior Period Items (Net)	16		**2,027**	*2,675*
			8,664	5,581
13. Deficit Brought Forward			**(59,248)**	*(64,829)*
DEFICIT CARRIED FORWARD			**(50,584)**	*(59,248)*
Basic and Diluted Earnings per share (Rs.) face value Rs. 10 per share	17		**3.38**	*2.17*
NOTES TO ACCOUNTS	17			

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our Report attached

Signatures to the Profit and Loss Account & Schedules 10 to 17.

For and on behalf of
KALYANIWALLA MISTRY AND ASSOCIATES
CHARTERED ACCOUNTANTS
Anil A. Kulkarni
PARTNER
Membership No. 47576
Date : May 24, 2007
Place : Pune

For and on behalf of the Board

Ravi Nigam	*Sohel Shikari*	*Prashant Patil*
Executive Director	**Alternate Director**	**Company Secretary**

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

		Current Year Rs. '000	Previous Year Rs. '000
SCHEDULE 1: SHARE CAPITAL			
1.	**AUTHORISED:**		
	4,400,000 Equity shares of Rs. 10/- each.	**44,000**	*44,000*
	60,000 1% Non-Cumulative, Non-Convertible Redeemable Preference Shares of Rs. 100/- each	**6,000**	*6,000*
		50,000	*50,000*
2.	**ISSUED, SUBSCRIBED AND PAID UP**		
	- 2,566,000 Equity shares of Rs. 10/- each fully paid up	**25,660**	*25,660*
	- 59,530 1% Non-Cumulative, Non-Convertible Redeemable Preference Shares of Rs. 100/- each fully paid up.	**5,953**	*5,953*
	TOTAL	**31,613**	*31,613*

Note:

a) Out of the above 1,904,510 Equity shares and 59,530 Preference Shares are held by the Holding Company - Preferred Brands Foods India Limited.

b) 1% Non-Cumulative, Non-Convertible Redeemable Preference Shares are redeemable on August 31, 2008 at a premium of Rs. 1,950/- per share

SCHEDULE 2: RESERVES AND SURPLUS

			Current Year Rs. '000	Previous Year Rs. '000
1.	**CAPITAL RESERVE**		**5,734**	*5,734*
2.	**SECURITIES PREMIUM ACCOUNT**			
	As per last Balance Sheet	**25,598**		*38,496*
	Less: Transfer to Capital Redemption Reserve	**(12,898)**		*(12,898)*
			12,700	*25,598*
3.	**CAPITAL REDEMPTION RESERVE**			
	As per last Balance Sheet	**99,960**		*87,062*
	Add: Transfer from Securities Premium Account	**12,898**		*12,898*
			112,858	*99,960*
		TOTAL	**131,292**	*131,292*

Note:

Capital Redemption Reserve created of Preference Shares is of only Share Premium amount of Rs. 1,950/- per share.

The face value of Rs.100/- per share of the same is not being provided.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 3: SECURED LOANS

	Current Year Rs. '000	Previous Year Rs. '000
Loan from Holding Companies (Refer Note No. 2 of Schedule 17 :Notes To Accounts)	**56,667**	*19,188*
TOTAL	**56,667**	*19,188*

Note :

Borrowings are secured by way of first priority charge and mortgage over all the movable and immovable properties, present and future, all rights in the contracts of the borrower, borrowers right, title and interest in all receivables, returns from investments.

SCHEDULE 4: UNSECURED LOANS

	Current Year Rs. '000	Previous Year Rs. '000
Loan from Banks (Clean Overdraft)	**9,556**	-
Inter Corporate Deposit	**-**	*5,000*
Interest Accrued and Due	**-**	*368*
TOTAL	**9,556**	*5,368*
Amount repayable within one year	**9,556**	*5,368*

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 5: FIXED ASSETS

Rs. '000

ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1-Apr-06	Additions*	Deductions	**As on 31-Mar-07**	Up to 1-Apr-06	For the Year	On Deductions	**Upto 31-Mar-07**	**As on 31-Mar-07**	*As on 31-Mar-06*
Freehold Land	1,255	-	-	**1,255**	-	-	-	**-**	**1,255**	*1,255*
Buildings	17,965	16,192	-	**34,157**	8,578	733	-	**9,311**	**24,846**	*9,387*
Plant and Machinery	98,329	40,758	-	**139,087**	67,895	5,144	-	**73,039**	**66,048**	*30,434*
Office Equipment	1,789	425	-	**2,214**	461	91	-	**552**	**1,662**	*1,328*
Computers	5,009	248	-	**5,257**	3,825	641	-	**4,466**	**791**	*1,184*
Furniture & Fixtures	3,834	183	-	**4,017**	3,500	55	-	**3,555**	**462**	*334*
Vehicles	44	-	-	**44**	37	2	-	**39**	**5**	*7*
Electrical Installations	436	2,128	-	**2,564**	13	46	-	**59**	**2,505**	*423*
TOTAL	128,661	59,934	-	**188,595**	84,309	6,712	-	**91,021**	**97,574**	-
Previous Year	*124,127*	*4,534*	-	***128,661***	*77,816*	*6,493*	-	***84,309***	**-**	*44,352*
Capital Work in Progress										
A Capital Work-in Progress									**1,631**	*18,893*
B. Advance for Capital Goods (Unsecured, Considered Good)									**3,995**	*3,349*
TOTAL									**5,626**	*22,242*

* Additions include foreign exchange fluctuation of Rs. 128 thousand (Previous year - Nil)

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

		Rs. '000	Current Year Rs. '000	*Previous Year Rs. '000*
SCHEDULE 6: INVESTMENTS				
	AT COST			
	TRADE			
	LONG TERM			
	EQUITY SHARES (fully paid up)			
	Unquoted:			
	The Shamrao Vithal Co-Operative Bank Ltd. (2,000 Shares of Rs.25 each)		**50**	*50*
			50	*50*
SCHEDULE 7: CURRENT ASSETS, LOANS AND ADVANCES				
1.	**INVENTORIES**			
	a) Raw Materials	**9,564**		*7,792*
	b) Stores and Spares	**1,352**		*1,152*
	c) Packing Material	**22,575**		*17,073*
	d) Work-in-Progress	**621**		*2,482*
	e) Finished Goods	**702**		*771*
			34,814	*29,270*
2.	**SUNDRY DEBTORS**			
	(Unsecured - Considered good, unless otherwise stated)			
	a) Debts outstanding for a period exceeding six months (Including doubtful debts Rs. 1,304 thousand; - previous year Rs. 1,211 thousand)	**6,187**		*7,979*
	b) Other Debts (includes dues from Preferred Brands Foods India Limited being a Company under the same management Rs. 20 thousand; previous year: Nil)	**79,621**		*69,656*
		85,808		*77,635*
	c) Less : Provision for Doubtful Debts	**1,304**		*1,211*
			84,504	*76,424*
3.	**CASH AND BANK BALANCES**			
	a) Cash in Hand	**135**		*61*
	b) Balances with Scheduled Banks			
	- in Current Accounts	**3,615**		*3,353*
	- in Deposit Account	**9,464**		*2,024*
	c) Balances with Other Banks			
	- in Current Account with Pune District Central Co-operative Bank Ltd., Yewat Branch. (Maximum Balance during the year Rs. 41 thousand) - previous year Rs. 41 thousand)	**-**		*41*
			13,214	*5,479*
4.	**OTHER CURRENT ASSETS**		**17**	*17*
5.	**LOANS AND ADVANCES**			
	(Unsecured - considered good, unless otherwise stated)			
	a) Advances recoverable in cash or in kind or for value to be received. (includes dues from Preferred Brands Foods India Limited being a Company under the same management Rs. 3 thousand; previous year: Rs. 3 thousand)	**35,016**		*29,613*
	b) Sundry Deposits	**3,194**		*2,553*
	c) Advance payment of Taxes (including MAT Credit Entitlement Rs. 235 thousand; previous year: Nil)	**2,318**		*2,164*
			40,528	*34,330*
	TOTAL		**173,077**	*145,520*

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

		Rs. '000	Current Year Rs. '000	Previous Year Rs. '000
SCHEDULE 8: CURRENT LIABILITIES AND PROVISIONS				
1.	**CURRENT LIABILITIES**			
a)	Acceptances	**2,914**		*4,348*
b)	Sundry Creditors	**64,365**		*48,523*
c)	Advances and Deposits	**20**		-
d)	Other Liabilities	**14,614**		*18,693*
			81,913	*71,564*
2.	**PROVISIONS**			
a)	For Preference Dividend	**119**		*119*
b)	For Dividend Tax	**8**		*8*
c)	For Gratuity	**2,790**		*2,972*
d)	For Taxation	**464**		-
			3,381	*3,099*
	TOTAL		**85,294**	*74,663*

		Rs. '000	Current Year Rs. '000	Previous Year Rs. '000
SCHEDULE 9: MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)				
1.	Share Issue Expenses			
	As per last Balance Sheet	**36**		*53*
	Less: Written off during the year	**18**		*17*
			18	*36*
	TOTAL		**18**	*36*

		Current Year Rs. '000	Previous Year Rs. '000
SCHEDULE 10: OPERATIONAL INCOME			
1.	Cold Storage Rent	**5,042**	*6,479*
2.	Processing Charges	**2,452**	*7,214*
3.	Export Incentives	**21,184**	*22,880*
	TOTAL	**28,678**	*36,573*

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 11: OTHER INCOME

		Rs. '000	Current Year Rs. '000	Previous Year Rs. '000
1.	Interest (Gross) (Tax Deducted at Source Rs. 9,137; previous year Rs. 22,909)		**1,733**	*1,899*
2	Dividend Income		**10**	*9*
3	Sundry Balances Written Back		**56**	*2,127*
4	Excess Provision Written Back		**521**	*1,702*
5	Miscellaneous Income		**971**	*43*
	TOTAL		**3,291**	*5,780*

SCHEDULE 12: MATERIALS CONSUMED

	Rs. '000	Current Year Rs. '000	Previous Year Rs. '000
RAW MATERIALS INCLUDING PACKING MATERIAL			
Opening Inventory		**24,865**	*19,836*
Add: Purchases		**173,988**	*134,922*
		198,853	*154,758*
Less: Closing Inventory		**32,139**	*24,865*
TOTAL		**166,714**	*129,893*

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

	Rs. '000	Current Year Rs. '000	*Previous Year Rs. '000*
SCHEDULE 13: MANUFACTURING AND OTHER EXPENSES			
Salaries, Wages, Bonus and Gratuity		39,176	*31,959*
Contribution to Provident and Other Funds		1,362	*1,093*
Workmen and Staff Welfare Expenses		1,497	*1,009*
Stores and Spares Consumed		13,818	*11,409*
Power and Fuel		10,373	*9,786*
Repairs and Maintenance:			
a) Plant and Machinery	1,926		*1,139*
b) Buildings	599		*207*
c) Others	848		*531*
		3,373	*1,877*
Rent, Rates and Taxes		2,002	*3,162*
Telephone and Postage		1,586	*2,069*
Travelling and Conveyance		5,103	*5,522*
Legal and Professional Charges		3,787	*2,665*
Printing and Stationary		758	*810*
Insurance		568	*554*
Freight		24,666	*24,178*
Sales Promotion		91	*471*
Selling and Distribution Expenses		478	*258*
Provision for Doubtful Debts		93	*502*
Miscellaneous Expenditure Written Off		18	*17*
(Gain)/ Loss on Exchange Rate Fluctuations (Net)		(1,369)	*(1,499)*
Auditor's Remuneration		695	*543*
Sundry Balances Written Off		26	*5,487*
Miscellaneous Expenses		6,521	*5,244*
TOTAL		114,622	*107,116*
SCHEDULE 14: INTEREST AND FINANCE CHARGES			
1. Interest			
- on other loans			
Banks	352		*3,262*
Others	1,933		*3,198*
		2,285	*6,460*
2. Other Finance Charges		915	*1,258*
TOTAL		3,200	*7,718*

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

		Rs. '000	Current Year Rs. '000	*Previous Year Rs. '000*
SCHEDULE 15: INVENTORY CHANGE				
1.	Opening Inventory			
	a) Finished Goods	**771**		*1,632*
	b) Work-in-Progress	**2,482**		*1,935*
			3,253	*3,567*
2.	Less : Closing Inventory			
	a) Finished Goods	**702**		*771*
	b) Work-in-Progress	**621**		*2,482*
			1,323	*3,253*
3.	(Increase) / Decrease in Inventory		**1,930**	*314*

SCHEDULE 16: PRIOR PERIOD ITEMS

		Current Year Rs. '000	*Previous Year Rs. '000*
1.	Short Provision for Income	**-**	*(494)*
2.	Short Provision for Sales Tax Liability	**1,125**	*1,122*
3.	Short Provision for Expenses	**902**	*2,047*
		2,027	*2,675*

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 17: NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Accounting:**

The financial statements have been prepared on accrual basis under the historical cost convention, in conformity in all material aspects with the generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956.

b) **Fixed Assets and Depreciation:**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes all expenses related to acquisition and installation of the concerned assets and any attributable cost of bringing the asset to the condition of its intended use.

Depreciation is provided under the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956, pro-rata to the period of use. Assets installed on Leasehold Premises are depreciated over the period of Lease.

c) **Inventories:**

Raw materials, packing materials, stores and spares are valued at standard cost.

Work-in-progress and Finished Goods are valued at standard cost or net realisable value, which ever is lower. The standard cost comprises of direct material, direct labour and factory overheads.

Trading goods are valued at lower of cost or net realisable value.

d) **Investments:**

Long-term investments are valued at cost less provision for diminution in value, if the diminution is other than temporary.

Current Investments are stated at lower of cost or fair value.

e) **Foreign Exchange Transactions:**

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Assets and liabilities related to foreign currency transactions, remaining unsettled at the year-end, are stated at the year-end rates. Exchange gains / losses are recognized in the Profit and Loss Account in case of revenue items and capitalized in case of capital items.

f) **Revenue Recognition:**

Sale of goods is recognized on dispatch to customers. Sales are net of returns and sales tax.

Income from cold storage is recognized on accrual basis on time proportionate basis and income from processing activities is recognized on accrual basis as and when the services are rendered.

Interest income is recognised on the time proportion method.

Dividend income on investments is accounted for when the right to receive the income is established.

g) **Research and Development Expenditure:**

Revenue expenditure on research and development is charged to the Profit and Loss Account in the year in which it is incurred.

h) **Export Incentives:**

Export incentives receivable under the Duty Drawback Scheme, DEPB, APEDA Scheme and VKUY Scheme are accounted for on accrual basis as on actual date of shipment from the factory to the extent the management is certain of income.

i) Retirement Benefits:

Retirement benefits to employees comprise payments under approved provident fund plans and gratuity to eligible employees, which are charged against revenue. The liability in respect of future payment of gratuity to retiring employees is provided on the basis of actuarial valuation at the end of each year and leave encashment is paid in the year when the leave accrues.

j) Miscellaneous Expenditure:

Preliminary expenditure is being amortised over a period of ten years.

k) Deferred tax:

Income Taxes are computed using the tax effect accounting method, where taxes are accrued in the same period as the related revenue and expenses arise. Deferred tax assets and liabilities are recognised for the expected future tax consequences attributable to timing differences between the taxable income and accounting income for a period. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the timing differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities will be recognised in Profit and Loss Account in the period of change. Deferred tax assets are recognised only to the extent management is virtually certain as to the sufficiency of future taxable income against which the tax assets can be realised.

l) Impairment of Assets:

Carrying amount of cash generating units / assets is reviewed at balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognized whenever carrying amount exceeds the recoverable amount.

m) Provisions and Contingencies

A provision is recognised when the company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the same. Provisions are determined based on best estimates required to settle the obligation at the balance sheet date.

Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made as to the outcome of an event, a disclosure is made as contingent liability. Contingent assets are not recognised in the accounts.

n) Borrowing Costs

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the date the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which these are incurred.

2. SECURED LOANS

The Company (TBEL) has taken ECB of $ 1.3 million from Preferred Brands International LLC, U.S.A. (PBI), its ultimate holding company, for capacity expansion and modernisation of the existing manufacturing infrastructure. TBEL has received RBI approval ref. FED.CO.ECBD. / 03.02.766 / 2005-06 dated November 09, 2005. As per the agreement between TBEL and PBI, the whole amount of $ 1.3 million is earmarked by PBI for TBEL and hence, TBEL is required to pay the interest at agreed rates on the whole amount irrespective of actual draw downs. As a result, TBEL has provided for interest on the complete amount of $ 1.3 million. TBEL has drawn down entire amount of the loan at the Balance Sheet date. As per the terms of the loan agreement, the loan is repayable at any time after the third anniversary of the date of first disbursement upon the written demand by the lender.

3. CONTINGENT LIABILITIES

a) Claims against the Company not acknowledged as debts and not provided for:

i) Sales tax demands disputed by the Company and under appeal Rs. 7,88,036/- (previous year Rs. 9,03,826/-).

ii) Income tax claims disputed by the Company and under appeal Rs. 2,81,439/- (previous year Rs. 2,81,439/-).

iii) Provident Fund demand disputed by the Company and under appeal Rs. 4,30,191/- (Previous year Rs. 4,30,191/-).

b) Guarantees given by the Company's bankers against counter guarantees given by the Company of Rs. 9,50,000/- (previous year Rs.9,50,000/-) secured by deposit of Rs. 18,42,646/- (previous year Rs. 17,59,615/-) held by the bank.

4. Estimated amount of contracts remaining to be executed on Capital Account and not provided for Rs. 1,42,67,343/- (Previous year Rs.77,87,495/-)

5. SUNDRY DEBTORS

Sundry debtors other than Preferred Brands International LLC, USA and Preferred Brands Australia Pty. Ltd. are subject to confirmations, reconciliation and adjustments, if any.

6. LIABILITIES

i) Sundry creditors and advances from parties are subject to confirmations, reconciliation and adjustments, if any.

ii) There are no parties that can be classified as small-scale industrial undertakings, which are outstanding for more than thirty days. The Auditors have accepted the representation of the Management in this matter in the absence of a database identifying the creditors, which are small-scale industrial undertakings.

7. The Company was hitherto, recognizing gratuity liability on the basis of actual calculations at the end of each year. The Company has now refined the accounting policy and accounts for the gratuity liability on the basis of actuarial valuation report. Consequent thereto, there is reduction in the gratuity liability of the Company as a result of which, the profit for the year is higher by an amount of Rs.11,58,188/- and the provision for gratuity is lower by a similar amount.

8. Export incentives receivable under the Duty Drawback Scheme, DEPB and VKUY scheme were hitherto being recognized on accrual basis, as and when the claims have been filed with the Custom Authorities. In line with the basis for recognizing the sales, the Company has changed its method of accounting and such income is now recognized in the Profit and Loss Account on accrual basis as on actual date of shipment from the factory to the extent the management is certain of income. Consequent thereto, the income for the year is lower by an amount of Rs.3,29,623/- and the export incentives receivables is lower by a similar amount.

9. DEFERRED TAXATION

In accordance with the Accounting Standard 22 on Accounting for Taxes on Income, the Company has made adjustments in its accounts for deferred tax liabilities/assets.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities are:

Particulars	**As at 31st March 2007 (Rs. In thousands)**	**As at 31st March 2006 (Rs. In thousands)**
Deferred Tax Asset		
Unabsorbed Depreciation and losses	**6,549**	8,768
Provision for Gratuity	**939**	1,000
Others	**821**	767
Deferred Tax Liability		
Depreciation on Fixed Assets	**(10,457)**	(9,500)
Deferred Tax Asset / Liability	**(2,148)**	1,035

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 17: NOTES TO ACCOUNTS (Contd.)

10. RELATED PARTY DISCLOSURE

1. Relationships :

   (i) HOLDING COMPANY
   Preferred Brands Foods India Limited.

   (ii) ULTIMATE HOLDING COMPANY
   Preferred Brands International, LLC

   (iii) FELLOW SUBSIDIARY
   Preferred Brands Australlia Pty. Ltd.

   (iv) Key Management Personnel
   Mr. Ravi Nigam - Executive Director

2. Following transactions were carried out with the related parties in the ordinary course of business:

   (i) Details Relating to parties referred to in items 1 (i), (ii) & (iii) above (Rupees in Thousands) :

Sr. No.	Particulars	Holding Company		Ultimate Holding Company		Fellow Subsidiary	
		2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
1	Sales	**-**	-	**188,573**	122,286	**46,304**	80,093
2	Interest Income	**-**	-	**1,237**	1,796	**89**	-
3	Expenses Charged to Other Companies	**-**	-	**1,332**	364	**3,965**	886
4	Expenses Charged by Other Companies	**-**	-	**999**	-	**973**	1,222
5	Interest on Loan taken	**-**	-	**5,211**	1,195	**-**	-
6	Interest Accrued and due	**-**	-	**-**	1,017	**-**	-
7	Outstanding Receivables	**23**	3	**44,141**	38,502	**23,382**	19,060
8	Loan Taken	**-**	-	**56,667**	19,188	**-**	-

(ii) Details Relating to parties referred to in items 1 (iv) above (Rupees in Thousands) :

	Particulars	Key Management Personnel	
		2006-07	2005-06
1	Remuneration	**2,386**	4,085
2	Interest paid /payable	**36**	384
3	Loans Accepted	**1,500**	3,400
4	Outstanding Loans	**-**	-
5	Receiving of Services	**-**	-
6	Interest Accrued & Due	**-**	84

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 17: NOTES TO ACCOUNTS (Contd.)

11. SEGMENT INFORMATION FOR THE YEAR ENDED MARCH 31, 2007

i) Information about Primary Business Segments (Rupees in Thousands)

PARTICULARS	RTS		COLD STORAGE & PROCESSING		UNALLOCATED		TOTAL	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue								
External	**296,764**	*248,492*	**7,494**	*13,693*	**3,290**	*6,082*	**307,548**	*268,267*
Inter-segment	**-**	-	**-**	-	**-**	-	**-**	-
Total revenue	**296,764**	*248,492*	**7,494**	*13,693*	**3,290**	*6,082*	**307,548**	*268,267*
Result								
Segment result	**49,900**	*73,159*	**1,345**	*5,785*	**-**	-	**51,245**	*78,944*
Unallocated expenditure net of unallocated income	**-**	-	**-**	-	**(36,667)**	*(56,402)*	**(36,667)**	*(56,402)*
Interest expenses	**-**	-	**-**	-	**(1,951)**	*(7,718)*	**(1,951)**	*(7,718)*
Interest income	**-**	-	**-**	-	**1,733**	*1,899*	**1,733**	*1,899*
Dividend income and profit on sale of investments	**-**	-	**-**	-	**10**	*9*	**10**	*9*
Profit before taxation and exceptional items	**49,900**	*73,159*	**1,345**	*5,785*	**(36,875)**	*(62,212)*	**14,370**	*16,732*
Provision for taxation - MAT Credit Entitlement	**-**	-	**-**	-	**(235)**	-	**(235)**	-
Provision for taxation - Fringe Benefit Tax	**-**	-	**-**	-	**(262)**	*(382)*	**(262)**	*(382)*
Deferred tax	**-**	-	**-**	-	**(3,182)**	*(8,094)*	**(3,182)**	*(8,094)*
Prior period items	**-**	-	**-**	-	**(2,027)**	*(2,675)*	**(2,027)**	*(2,675)*
Exceptional items	**-**	-	**-**	-	**-**	-	**-**	-
Profit after taxation and exceptional items	**49,900**	*73,159*	**1,345**	*5,785*	**(42,581)**	*(73,363)*	**8,664**	*5,581*
Tax credit	**-**	-	**-**	-	**-**	-	**-**	-
Net profit	**49,900**	*73,159*	**1,345**	*5,785*	**(42,581)**	*(73,363)*	**8,664**	*5,581*
Other information								
Segment assets	**231,113**	*159,743*	**13,922**	*11,640*	**25,679**	*41,854*	**270,714**	*213,237*
Segment liabilities	**132,347**	*66,775*	**20**	-	**15,669**	*32,444*	**148,036**	*99,219*
Capital expenditure	**32,115**	*21,401*	**4,476**	*250*	**6,727**	*1,776*	**43,318**	*23,427*
Depreciation	**4,419**	*3,493*	**650**	*440*	**1,643**	*2,560*	**6,712**	*6,493*
Non cash expenses other than depreciation	**-**	-	**-**	-	**18**	*17*	**18**	*17*

ii) Information about Secondary Business Segments (Rupees in Thousands)

Revenue by geographical market	India		Outside India		Total	
	2007	2006	**2007**	2006	**2007**	2006
External	**71,534**	*63,856*	**236,014**	*204,411*	**307,548**	268,267
Inter-segment	**-**	-	**-**	-	**-**	-
Total	**71,534**	***63,856***	**236,014**	***204,411***	**307,548**	268,267
Carrying amount of segment assets	**203,193**	*154,291*	**67,521**	*58,946*	**270,714**	213,237
Additions to fixed assets	**37,943**	*4,534*	**5,375**	-	**43,318**	4,534

iii) NOTES:

a) The Company is organised into two main business segments, namely: 'Ready to serve' (RTS) which also includes Frozen Products. Cold Storage comprising of providing cold storage on rental basis and Processing activities. Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure and the internal financial reporting systems.

b) Segment Revenue and Expenses: Segment revenue and expenses are directly attributable to the segment. It does not include loss on sale of assets, interest expenses and common expenses which cannot be allocated on a reasonable basis.

c) Segment Assets and Liabilities: All segment assets that are not directly attributable to any segment are referred to as Unallocated Assets. Segment assets include all operating assets used by the segment and consist principally of fixed assets including capital work in progress, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus and deferred tax.

d) The Segment Revenue in the geographical segments considered for disclosure are as follows:

Revenue within India includes sales to customers located within India and earning in India. Revenue outside India includes sales to customers located outside India and earnings outside India.

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 17: NOTES TO ACCOUNTS (Contd.)

12. ANNUAL CAPACITIES AND PRODUCTION

Sr. No.	Item	Installed Capacity		Actual Production	
		Current Year MT	*Previous Year MT*	Current Year MT	*Previous Year MT*
1.	Ready to Serve Foods	**5,000**	*5,000*	**2,343**	*2,024*
2.	Frozen Products	**12,200**	*10,000*	**305**	-

Notes :
Installed capacities are as certified by the Management.

Licenced Capacity has not been mentioned as the product have been delicenced

13. INVENTORY OF FINISHED GOODS

Sr. No.	Item	March 31, 2007		March 31, 2006	
		Quantity MT	Value Rs. '000	Quantity MT	Value Rs.'000
1.	Ready to Serve Foods	**1**	**80**	*4*	*346*
2.	Frozen Products	***19***	**622**	*2*	*425*
			702		*771*

14. SALES TURNOVER

Sr. No.	Item	Current Year		*Previous Year*	
		Quantity MT	Value Rs. '000	Quantity MT	Value Rs.'000
1.	Ready to Serve Foods	**2,188**	**246,986**	*1,988*	*224,611*
2.	Frozen Products	**446**	**28,593**	*46*	*1,302*
	TOTAL		**275,579**		*225,913*

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 17: NOTES TO ACCOUNTS (Contd.)

15. MATERIALS CONSUMED

Sr. No.	Item	Current Year		*Previous Year*	
		Quantity MT	Value Rs. '000	Quantity MT	Value Rs.'000
1.	Raw Material and Packing Material		166,714		*129,893*
	TOTAL		**166,714**		*129,893*

Note:

Considering the varied number of items, quantitative information has not been given.

		Current Year Rs. '000	Previous Year Rs. '000
16.	**MANAGERIAL REMUNERATION**		
a)	Whole Time Directors Salaries and Bonus	**2,307**	*3,999*
	Contribution to Provident Fund	**79**	*85*
b)	Non-Whole Time Directors Professional Fees	**160**	*160*
	Directors Sitting Fees	**40**	*40*
		2,586	4,284
17.	**AMOUNTS PAID TO AUDITORS (Excluding Service Tax)**		
a)	Audit Fees	**250**	250
b)	Audit under other statutes	**150**	50
c)	Certificates	**220**	*170*
d)	Out of Pocket Expenses	**-**	*16*
	TOTAL	**620**	486

18. DISCLOSURE IN RESPECT OF LEASES

The total of future minimum lease payments under non-cancelable operation leases:

a)	Not later than one year	**1584**	*1217*
b)	Later than one year and not later than five years	**720**	*1502*
c)	Later than five years	**-**	-

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

SCHEDULE 17: NOTES TO ACCOUNTS (Contd.)

19. CONSUMPTION OF RAW MATERIALS AND STORES

Particulars	Current Year		Previous Year	
	Rs. '000	%	Rs.'000	%
a) Raw Materials including Packing Material				
- Imported	**24,359**	**15**	*21,341*	*16*
- Indigenous	**142,355**	**85**	*108,552*	*84*
	166,714	**100**	*129,893*	*100*
b) Stores and Spare Parts				
- Imported	**-**	**-**	-	-
- Indigenous	**13,818**	**100**	*11,409*	*100*
TOTAL	**13,818**	**100**	*11,409*	*100*

20. VALUE OF IMPORTS ON C.I.F. BASIS

a) Raw Materials & Packing Materials	**34,621**	*21,205*
b) Plant & Machinery	**5,375**	*11,315*
TOTAL	**39,996**	*32,520*

21. EXPENDITURE IN FOREIGN CURRENCY

- Travel	**526**	*1,604*
- Interest (including capital expenditure)	**5,211**	*1,195*
- Others	**1,935**	*1,222*
TOTAL	**7,672**	*4,021*

22. EARNINGS IN FOREIGN CURRENCY

- F.O.B. Value of Exports	**226,179**	*188,823*
- Interest Income	**1,326**	*1,796*
TOTAL	**227,505**	*190,619*

23. EARNING PER SHARE

Profit after tax in Profit & Loss Account (Rs/000) (excluding extraordinary income and Dividend on Preference Shares)	**8,664**	5,581
Weighted Average No. of Equity shares outstanding	**2,566,000**	2,566,000
Basic and Diluted EPS (Rs.)	**3.38**	2.17

24. PREVIOUS YEAR FIGURES

Figures for the previous period have been regrouped / rearranged / restated wherever necessary.

25. Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956 :
Balance Sheet Abstract for the Year Ended March 31, 2007 and Company's General Business Profile

I) Registration Details:		
Registration No.	:	37347
State Code	:	11
Balance Sheet Date	:	March 31, 2007
II) Capital Raised During the Year: (Amount in Rs. Thousand)		
Public Issue	:	NIL
Right Issue	:	NIL
Bonus Issue	:	NIL
Private Placement	:	NIL
III) Position of Mobilisation and Deployment of Funds: (Amount in Rs. Thousand)		
Total Liabilities	:	231,276
Total Assets	:	231,276
Sources of Funds		
Paid-up Capital	:	31,613
Reserves and Surplus	:	131,292
Secured Loans	:	56,667
Unsecured Loans	:	9,556
Applicaiton of Funds		
Net Fixed Assets	:	103,200
Investments	:	50
Net Current Assets	:	87,783
Misc. Expenditure	:	18
Accumulated Losses	:	40,225
IV) Performance Of Company: (Amount in Rs. Thousand)		
Turnover	:	307,548
Total Expenditure	:	293,178
Profit/Loss Before Tax	:	14,370
Profit/Loss After Tax	:	10,691
Earning Per Share in Rs.	:	3.38
Dividend Rate %	:	NIL

V) Generic Names Of 3 Principal Products / Services of Company:
(As per monetary terms)

a) Item Code No. (ITC Code)	:	20059000
Product Description	:	Ready to Serve Meals Fresh Frozen vegetables and fruits Processing Charges and Cold Storage Rentals

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	Rs. '000	Current Year Rs. '000	*Previous Year Rs. '000*
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit Before Tax and Extraordinary Items		**14,370**	*16,732*
Adjustment for:			
Depreciation	**6,712**		*6,493*
Interest Expense	**3,200**		*7,718*
Interest Income	**(1,733)**		*(1,899)*
Loss / (Gain) from Foreign Exchange Transactions (Net)	**(1,369)**		(1,499)
Miscellaneous Expenditure written off	**18**		*17*
		6,828	*10,830*
Operating Profit Before Working Capital Changes		**21,198**	*27,562*
Adjustments for:			
Trade and Other Receivables	**(12,908)**		*51,160*
Inventories	**(5,544)**		*(4,398)*
Trade Payables	**10,631**		*11,758*
		(7,821)	*58,520*
Cash Generated from Operations		**13,377**	*86,082*
Income Tax Paid :			
Minimum Alternate Tax		**(235)**	-
Fringe Benefit Tax		**(262)**	*(382)*
Cash Flow Before Extraordinary Items		**12,880**	85,700
Prior Period Items		**(2,027)**	*(2,675)*
Net Cash Flow from Operating Activities		**10,853**	83,025
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of Fixed Assets		**(43,318)**	*(23,427)*
Net Cash Used in Investing Activities		**(43,318)**	*(23,427)*
Balance carried forward		**(32,465)**	*59,598*

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007

	Rs. '000	Current Year Rs. '000	*Previous Year Rs. '000*
Balance Brought Forward		**(32,465)**	*59,598*
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Change in borrowings	**41,667**		(50,520)
Interest Expense	**(3,200)**		*(7,718)*
Interest Income	**1,733**		*1,899*
Net Cash Used in Financing Activities		**40,200**	*(56,339)*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:		**7,735**	***3,259***
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING			
Cash and Bank Balances	**5,479**		*2,220*
		5,479	*2,220*
CASH AND CASH EQUIVALENTS AS AT THE ENDING			
Cash and Bank Balances	**13,214**		*5,479*
		13,214	*5,479*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:		**7,735**	*3,259*

NOTES

1. The Cash Flow statement has been prepared following the indirect method except in case of taxes paid which have been considered on the basis of actual movement of cash.
2. Purchase of fixed assets includes movements in Capital Work-in-process between the beginning and end of year.
3. Change in borrowings are shown net of receipts and payments.
4. Cash and cash equivalent represent cash and bank balances only.
5. Previous year's figures have been regrouped / reclassified wherever necessary.
6. Figures in brackets represent outflows.

For and on behalf of
KALYANIWALLA MISTRY AND ASSOCIATES
CHARTERED ACCOUNTANTS
Anil A. Kulkarni
PARTNER
Membership No. : 47576
Date : May 24, 2007
Place : Pune

For and on behalf of the Board

Ravi Nigam	*Sohel Shikari*	*Prashant Patil*
Executive Director	**Alternate Director**	**Company Secretary**

Financial Statement

Prepared in accordance
with

United States
Generally Accepted Accounting Principles
(US GAAP)

Report of the Management

The management is responsible for preparing the Company's financial statements and related information that appears in this annual report for the years ended March 31, 2007, and March 31, 2006. The management believes that the financial statements fairly reflect the form and substance of transactions, and reasonably present the Company's financial condition and results of operations in conformity with United States of America Generally Accepted Accounting Principles. The management has included, in the Company's financial statements, amounts that are based on estimates and judgments, which it believes are reasonable under the circumstances.

The Company maintains a system of internal procedures and controls intended to provide reasonable assurance, at appropriate cost, that transactions are executed in accordance with Company authorization and are properly recorded and reported in the financial statements, and that assets are adequately safeguarded.

Kalyaniwalla Mistry And Associates audits the Company's financial statements in accordance with the generally accepted auditing standards in the United States of America and provides an objective, independent review of the Company's internal controls and the fairness of its reported financial condition and results of operations.

Ravi Nigam
Executive Director

Sohel Shikari
Alternate Director

Place : Pune
Dated : May 24, 2007

Independent Auditors' Report

To the Board of Directors and Stockholders of

Tasty Bite Eatables Limited

We have audited the accompanying balance sheets of Tasty Bite Eatables Limited ("the Company") as of March 31, 2007 and March 31, 2006 and the related statements of income, stockholders' equity and cash flows for each of the years in the two-year period ended March 31, 2007. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

The financial statements are presented in the Company's functional currency which is the Indian Rupee.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tasty Bite Eatables Limited as of March 31, 2007 and March 31, 2006, and the results of its operations and its cash flows for each of the years in the two year period ended March 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Kalyaniwalla Mistry & Associates
Chartered Accountants

Place : Pune
Dated : May 24, 2007

Balance Sheets as at March 31,

	Rs '000 2007 TOTAL	Rs '000 2006 TOTAL
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**13,214**	5,479
Trade accounts receivable, net of allowances	**84,504**	76,424
Inventories	**34,814**	29,270
Investments (Available for Sale)	**50**	50
Prepaid expenses and other current assets	**35,033**	29,630
Prepaid income taxes	**2,318**	2,164
Total current assets	**169,933**	143,017
Property,plant and equipment - net	**103,200**	66,594
Deferred tax assets	**(2,148)**	1,035
Other assets	**3,194**	2,553
TOTAL ASSETS	**274,179**	213,199
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**67,279**	52,871
Borrowings - Short Term	**9,556**	5,368
Other liabilities	**17,424**	23,692
Taxes payable	**464**	-
Redeemable preferred stock dividends payable	**128**	128
Total current liabilities	**94,851**	82,059
Long Term Debt	**56,667**	19,188
Redeemable preferred stock		
Rs. 100 par value		
Issued and outstanding - 59,530		
Non-cumulative, non-convertible, non-participating	**5,953**	5,953
STOCKHOLDERS' EQUITY		
Common Stock, Rs. 10 par value :		
Authorized - 4,400,000		
Issued and outstanding - 2,566,000	**25,660**	25,660
Additional paid-in-capital	**12,700**	25,598
Retained Earnings	**78,348**	54,741
Accumulated other comprehensive income		
Total stockholders' equity	**116,708**	105,999
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**274,179**	213,199

Statements of Income for the years ended March 31

	Rs '000 2007 TOTAL	Rs '000 2006 TOTAL
REVENUE		
Revenue	**300,488**	262,486
Cost of revenue	**234,870**	185,463
Gross profit	**65,618**	77,023
OPERATING EXPENSES		
Selling, general and administrative expenses	**48,378**	53,869
Depreciation	**6,712**	6,493
Total operating expenses	**55,090**	60,362
Operating income	**10,528**	16,661
Other income, net	**91**	(1,938)
Income before income taxes	**10,619**	14,723
Provision for income taxes	**(3,679)**	(8,476)
Income after income taxes	**6,940**	6,247
Cumulative effect on prior years (to March 31, 2006) of changing to a different method of accounting for export incentives	**3,769**	-
Net income	**10,709**	6,247
EARNINGS PER EQUITY SHARE (RS.)		
Basic		
On Income before extraordinary items	**2.70**	2.43
On extraordinary items	**-**	-
On Cumulative effect on prior years (to March 31, 2006) of changing to a different method of accounting for export incentives	**1.47**	-
Net Income per share	**4.17**	2.43
Assuming Dilution		
On Income before extraordinary items	**2.70**	2.43
On extraordinary items	**-**	-
On Cumulative effect on prior years (to March 31, 2006) of changing to a different method of accounting for export incentives	**1.47**	-
Net Income per share	**4.17**	2.43
Weighted equity shares used in computing earnings per equity share		
Basic	**2,566,000**	2,566,000
Diluted	**2,566,000**	2,566,000

STATEMENT OF STOCKHOLDERS' EQUITY

Rs. '000s

	Equity shares		Additional paid-in capital	Retained Earnings	Other Comprehensive Income	Total stockholders' equity
	Shares	Par value				
Balance as of March 31, 2006	**2,566,000**	**25,660**	**25,598**	**54,741**	**-**	**105,999**
Common stock issued	-	-	-	-	-	-
Net income	-	-	-	10,709	-	10,709
Transfer to Retained Earnings	-	-	(12,898)	12,898	-	-
Cash dividends declared	-	-	-	-	-	-
Balance as of March 31, 2007	**2,566,000**	**25,660**	**12,700**	**78,348**	**-**	**116,708**

PROFIT RECONCILIATION

(STATUTORY ACCOUNTS & ACCOUNTS AS PER US GAAP)

Rs. 000's

	Year ended March 31	
	2007	2006
Profit/Loss as per statutory accounts	**8,664**	5,582
Misc. expenditure written off	**18**	18
Preference Dividend	**-**	-
Prior year adjustments	**2,027**	647
Profit/Loss as per US GAAP	**10,709**	6,247

STATEMENTS OF CASHFLOWS FOR THE YEARS ENDED MARCH 31

	Rs. '000 2007	Rs. '000 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	**10,709**	6,247
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**6,712**	6,493
(Profit) \ Loss on sale of fixed assets	**-**	-
Deferred Tax Charge (Benefit)	**3,183**	8,094
Changes in assets and liabilities		
Trade Accounts Receivable (Net)	**(8,080)**	56,631
Prepaid Expenses & Other Current Assets	**(5,403)**	(3,911)
Prepaid Income Taxes (net of taxes payable)	**310**	63
Inventory	**(5,544)**	(4,398)
Other Assets	**(641)**	225
Accounts Payable	**14,408**	7,607
Other Liabilities	**(6,268)**	3,504
Redeemable preferred stock dividends payable		
Net cash provided by operating activities	**9,386**	80,555
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on property plant & equipment	**(43,318)**	(26,776)
Expenditure on Investments	**-**	-
Proceeds from sale of property plant & equipment	**-**	-
Net cash (used in) investing activities	**(43,318)**	(26,776)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in borrowings	**41,667**	(50,520)
Net cash provided by financing activities	**41,667**	(50,520)
Net increase in cash and cash equivalents during the year	**7,735**	3,259
Cash and cash equivalents at the beginning of the year	**5,479**	2,220
Cash and cash equivalents at the end of the year	**13,214**	5,479

Notes to the Financial Statements

1. Significant accounting policies

a. The company

Tasty Bite Eatables Limited (“the Company”) is primarily in the business of selling “Ready-to-serve” Indian food both in India and in the International market. The Company is organized into two main business segments, namely :

(i) Ready to serve which includes frozen products

(ii) Cold Storage comprising of providing cold storage on rental basis and processing activities.

b. Basis of preparation of financial statements

The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“US GAAP”). All amounts are stated in Indian Rupees.

c. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include provision for expenses, bad and doubtful debts, future obligations under employee benefit plans, employee ex-gratia & useful lives of property, plant and equipment. Actual results could differ from those estimates.

d. Property, plant and equipment

Property, plant and equipment are stated at cost. The company depreciates all property, plant and equipment using the straight line method. The estimated useful lives of the asset are as follows

Building	28 years
Plant & Machinery	21 years
Office Equipment	13 years
Computers	3 years
Furniture & Fixtures	10 years
Vehicles	10 years

Capital work in progress consists of cost of capital projects not completed and not put to use.

e. Impairment of long-lived assets

The company evaluates the recoverability of its long-lived assets and certain identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

f. Investments

Investment securities in which the Company controls less than 20% voting interest are currently classified as “available for sale” securities. Non-readily marketable equity securities for which there are no readily determinable fair values are recorded at cost. Investment securities designated as “available-for-sale” are carried at their fair value. Fair value is based on quoted market prices. Unquoted securities are carried at cost, adjusted for declines in value judged to be other than temporary. Temporary unrealized gains and losses, net of the related tax effect are reported as a separate component of stockholders’ equity until realized. Realized gains and losses and declines in value judged to be other than temporary on “available-for-sale” securities are included in the statements of income. The cost of securities sold is based on the weighted average method. Interest and dividend income is recognized when earned.

g. Cash and cash equivalents

The company considers Cash and cash equivalents to include cash in hand and balances in current account and deposit accounts (with maturity of three months or less) with banks.

h. Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

i. Fair value of financial instruments

The carrying amounts of cash, cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to short maturities of these instruments.

j. Revenue Recognition

The Company recognizes income from sale of products on dispatch to customers.

Income from cold storage rent is recognized on accrual basis on time proportionate basis and income from processing activities is recognized on accrual basis as and when the services are rendered.

Interest income is recognized on the time proportion method.

Dividend income on investments is accounted for when the right to receive the income is established.

Export incentives are accounted for on accrual basis as on actual date of shipment from the factory to the extent the management is certain of income.

k. Earnings per share

The basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, except where the results would be anti-dilutive.

l. Research and Development

Research and Development costs are expensed as incurred.

m. Retirement benefits to employees

Retirement benefits to employees comprise payments under approved provident fund plans and gratuity to eligible employees, which are charged against revenue. The liability in respect of future payment of gratuity to retiring employees is provided on the basis of actuarial calculations at the end of each year and leave encashment is paid in the year when the leave accrues.

n. Foreign currency transactions

The company records income and expenditure in foreign currency at the exchange rates prevailing on the date of the transactions. Assets and Liabilities related to foreign currency transactions remaining unsettled at the year end are stated at year end rates. Exchange gains/losses are recognised in the Profit and Loss Account.

o. Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The Company's cash resources are invested with corporations and banks with high investment grade credit ratings. Limitations have been established by the company as to the maximum amount of cash that may be invested with any such single entity. To reduce its credit risk, the company performs ongoing credit evaluations of clients.

p. Inventories

Raw materials, packing materials, stores and spares are valued at standard cost.

Work-in-progress and Finished Goods are valued at standard cost or net realisable value, which ever is lower. The standard cost comprises of direct material, direct labour and factory overheads.

Trading goods are valued at lower of cost or net realisable value.

2. **Property, plant & equipment**

- **Property, plant and equipment - net**

	2007	2006
		Rs. '000s As at March 31
Land	1,255	1,255
Buildings	34,157	17,965
Plant & Machinery	141,651	98,765
Computers	5,257	5,009
Office Equipment	2,214	1,789
Furniture & Fixtures	4,017	3,834
Vehicles	44	44
	188,595	128,661
Accumulated Depreciation	91,021	84,309
	97,574	44,352
Capital Work in Progress	5,626	22,242
	103,200	66,594

Depreciation expenses amounted to Rs.6,712 thousand, and Rs.6,493 thousand, for the financial years ended March 31, 2007 and March 31 2006 respectively.

3. **Cash & cash equivalents**

The cost & fair values for cash and cash equivalents as at March 31, 2007 and March 31, 2006 are as follows

Cost and fair value (in Rs.'000)	**2007**	**2006**
Cash on hand	135	61
Balance with Bank on Current & Deposit accounts	13,079	5,418
	13,214	**5,479**

Balance with bank on current & deposit accounts include Rs.1,843 thousand and Rs.1,760 thousand as at March 31, 2007 and March 31, 2006 being deposit against guarantees given by the Company's bankers against counter guarantees given by the Company.

4. **Accounts Receivable**

The accounts receivable as of March 31, 2007 amounted to Rs.84,504 thousand net of allowance for doubtful debts of Rs.1,304 thousand. The accounts receivable as of March 31, 2006 amounted to Rs.76,424 thousand net of allowance for doubtful debts of Rs.1,211 thousand. The age profile is as given below:

Period in days	**2007**	**in % 2006**
0 – 30	34.43	40.91
31 – 60	35.93	30.01
61 – 90	16.77	16.58
More than 90	12.87	12.50
	100.00	**100.00**

5. **Inventories**

Inventories as at March 31, 2007 and March 31, 2006 include the following:

	2007	**Rs. '000s 2006**
Raw Materials	9,564	7,792
Stores and Spares	1,352	1,152
Packing Material	22,575	17,073
Work-in-Progress	621	2,482
Finished Goods	702	771
	34,814	**29,270**

6. Investments

Investments consist of the following:

	2007	Rs. '000s 2006
2,000 shares of Rs. 25 each in The Shamrao Vithal Co-operative Bank Ltd.	50	50
	50	**50**

Investments are made for obtaining finance from Bank.

7. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	2007	Rs. '000s 2006
Advances recoverable	35,016	29,613
Other current assets	17	17
	35,033	**29,630**

Advances recoverable include payments to vendors for supply of goods and services.

8. Other Assets

Other assets represent the non-current portion of deposits placed.

9. Related Parties

The major export revenue of the Company is derived from transactions with Preferred Brands International, LLC, the ultimate Holding Company. The Company thus places significant reliance on its ultimate Holding Company for the same.

	2007	Rs. '000s 2006
Exports to Preferred Brands International, LLC	188,573	122,286
Interest Income – Preferred Brands International, LLC	1,237	1,796
Expenses charged to other Companies - Preferred Brands International, LLC	1,332	364
Expenses charged by other Companies - Preferred Brands International, LLC	999	-
Interest paid to Preferred Brands International, LLC	5,211	1,195
Loan taken from Preferred Brands International, LLC	56,667	19,188
Outstanding Receivables - Preferred Brands International, LLC	44,141	38,502

10. Stockholders' Equity

The Company has two classes of capital stock referred to herein as common stock and preferred stock. The preferred stock issued by the Company are of a non-convertible type and are redeemable at a value of Rs. 1,950 in excess of the par value of the stock on August 31, 2008. Rs. 12,898 thousand is transferred to a Sinking Fund, termed the Capital Redemption Reserve from the Retained earnings every year, towards this liability.

Voting

Each holder of common stock is entitled to one vote per stock. The holders of preference stock are not entitled to vote.

Dividends

Dividends will be paid, as and when declared, in Indian Rupees. As per the guidelines issued by the Securities & Exchange Board of India, common stock issued by Company are to rank *pari-passu* in all respects.

The preferred stocks are entitled to dividend at the rate of 1% on a non-cumulative basis. Accordingly, the Company has declared a preference cash dividend of Rs. Nil and Rs. Nil for the financial years ended *March 31 2007 and March 31, 2006* respectively.

Liquidation

In the event of liquidation of the Company, the holders of the Common Stock shall be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

The preferred stock holders have a preferential right on liquidation which shall not exceed the stated par value of the preferred stock.

Stock Options

There are no stock options issued by the Company.

11. Restricted Retained Earnings

Retained earnings as at March 31, 2007 include profits aggregating to Rs. 114,858 ('000s), which are not distributable as dividends under Indian Company Law.

Indian statutes mandate that dividends be declared out of distributable profits only after transfer of upto 10% of net income, computed in accordance with current regulations, to a general reserve. Additionally, the remittance of dividends outside India is governed by Indian statutes on foreign exchange transactions.

12. Other accrued liabilities and dividend

		Rs. '000s As at March 31
	2007	**2006**
Post Retirement Benefits	**2,790**	2,972
Accrued preferred stock dividends (including tax thereon)	**128**	128
Advances from Customers and deposits	**20**	-
Other liabilities	**14,614**	20,720
	17,552	23,820

13. Employee post-retirement benefits

Gratuity

In the financial years ended March 31, 2007 and March 31, 2006, the Company contributed Rs. 44 thousand and Rs. 228 thousand respectively to the gratuity plan.

Provident Fund

The Company contributed Rs. 1,219 thousand and Rs. 931 thousand to the provident fund plan in the financial years ended March 31, 2007 and March 31, 2006 respectively.

Leave Encashment

The Company provided Rs. 1,217 thousand and Rs. 747 thousand as Leave Encashment for the years March 31, 2007 and March 31, 2006 respectively.

14. Long Term Debt

The Company (TBEL) has taken ECB of $ 1.3 million from Preferred Brands International LLC, U.S.A. (PBI), its ultimate holding company, for capacity expansion and modernisation of the existing manufacturing infrastructure. TBEL has received RBI approval ref. FED.CO.ECBD. / 03.02.766 / 2005-06 dated November 09, 2005. As per the agreement between TBEL and PBI, the whole amount of $ 1.3 million is earmarked by PBI for TBEL and hence, TBEL is required to pay the interest at agreed rates on the whole amount irrespective of actual draw downs. As a result, TBEL has provided for interest on the complete amount of $ 1.3 million. TBEL has drawn down entire amount of the loan at the Balance Sheet date. As per the terms of the loan agreement, the loan is repayable at any time after the third anniversary of the date of first disbursement upon the written demand by the lender.

15. Earnings per share

The following is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

	As at March 31 2007	Rs. '000s 2006
Basic earnings per equity share - weighted average number of common shares outstanding	**2,566,000**	2,566,000
Effect of dilutive common equity shares –	**-**	-
Diluted earnings per equity share – weighted average number of common shares and common equivalent shares outstanding	**2,566,000**	2,566,000

16. Segment Reporting

(i) Information about Primary Business Segments (Rupees in Thousands)

PARTICULARS	RTS		COLD STORAGE & PROCESSING		UNALLOCATED		TOTAL	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue								
External	**292,994**	*248,492*	**7,494**	*13,693*	**-**	*301*	**300,488**	*262,486*
Inter-segment	**-**	-	-	-	-	-	**-**	-
Total revenue	**292,994**	*248,492*	**7,494**	*13,693*	-	*301*	**300,488**	*262,486*
Result								
Segment result	**46,131**	*73,159*	**1,345**	*5,785*	**-**	-	**47,477**	*78,944*
Unallocated expenditure net of unallocated income	**-**	-	**-**	-	**(36,306)**	*(59,660)*	**(36,306)**	*(59,660)*
Interest expenses	**-**	-	**-**	-	**(2,285)**	*(6,460)*	**(2,285)**	*(6,460)*
Interest income	**-**	-	**-**	-	**1,733**	*1,899*	**1,733**	*1,899*
Profit before taxation and exceptional items	**46,131**	73,159	**1,345**	*5,785*	**(36,858)**	*(64,221)*	**10,619**	*14,723*
Provision for taxation - Current Tax	**-**	-	**-**	-	**-**	-	**-**	-
Deferred tax	**-**	-	**-**	-	**(3,679)**	*(8,476)*	**(3,679)**	*(8,476)*
Prior period items	**-**	-	**-**	-	**-**	-	**-**	-
Exceptional items	**-**	-	**-**	-	**-**	-	**-**	-
Profit after taxation and exceptional items	**46,131**	73,159	**1,345**	5,785	**(40,537)**	*(72,697)*	**6,940**	*6,247*
Cumulative effect on prior years (to March 31, 2006) of changing to a different method of accounting for export incentives	**3,769**	-	**-**	-	**-**	-	**3,769**	-
Tax credit	**-**	-	**-**	-	**-**	-	**-**	-
Net profit	**49,900**	*73,159*	**1,345**	*5,785*	**(40,537)**	*(72,697)*	**10,709**	*6,247*
Other information								
Segment assets	**231,113**	*159,743*	**13,922**	*11,640*	**29,143**	*41,814*	**274,179**	*213,197*
Capital expenditure	**32,115**	*21,401*	**4,476**	*250*	**6,727**	*5,125*	**43,318**	*26,776*
Depeciation	**4,419**	*3,493*	**650**	*440*	**1,643**	*2,560*	**6,713**	*6,494*

(ii) Information about Secondary Business Segments (Rupees in Thousands)

Revenue by geographical market	India		Outside India		Total	
	2007	2006	**2007**	2006	**2007**	2006
External	**64,473**	*58,075*	**236,014**	*204,411*	**300,488**	262,486
Inter-segment	**-**	-	**-**	-	**-**	-
Total	**64,473**	*58,075*	**236,014**	*204,411*	**300,488**	262,486
Carrying amount of segment assets	**206,658**	*154,251*	**67,521**	*58,946*	**274,179**	213,197
Additions to fixed assets	**43,318**	26,776	**-**	-	**43,318**	26,776

iii) NOTES:

a) The Company is organised into two main business segments, namely: 'Ready to serve' (RTS) which also includes Frozen Products. Cold Storage comprising of providing cold storage on rental basis and Processing activities. Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure and the internal financial reporting systems.

b) Segment Revenue and Expenses: Segment revenue and expenses are directly attributable to the segment. It does not include loss on sale of assets, interest expenses and common expenses which cannot be allocated on a reasonable basis.

c) Segment Assets and Liabilities: All segment assets that are not directly attributable to any segment are referred to as Unallocated Assets. Segment assets include all operating assets used by the segment and consist principally of fixed assets including capital work in progress, inventories, sundry debtors, loans and advances and operating cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus and deferred tax.

d) The Segment Revenue in the geographical segments considered for disclosure are as follows:
Revenue within India includes sales to customers located within India and earning in India. Revenue outside India includes sales to customers located outside India and earnings outside India.

17. Other Income – Net

Other income, net, consists of the following :

		Rs. '000s
		Year ended March 31
	2007	**2006**
Interest income	**1,733**	1,899
Other Income	**1,548**	3,872
Preference dividend (including tax)	**10**	9
Interest expense	**(3,200)**	(7,718)
	91	(1,938)

18. Export incentives receivable under various schemes of the Government of India were hitherto being recognized on accrual basis, as and when the claims have been filed with the authorities. Effective April 1, 2006, the Company changed its method of accounting in line with the basis of recognizing the sales and such income is now recognized on accrual basis as on actual date of shipment from the factory to the extent the management is certain of income. The new method has been applied retroactively for all prior periods.

The effect of the change on the net income for the year ended March 31, 2007 was Rs. 330 thousands. The cumulative effect of the change aggregating toRs. 3,769 thousands to apply retroactively the new method has been included in the statement of income for the year ended March 31, 2007.

The previously reported amounts and proforma amounts, assuming the method is applied retroactively, are set out below :

		Rs. '000s
		Year ended March 31
	Actual	**Proforma**
Income before extraordinary items	6,247	10,016
Earnings per share – Basic (Rs.)	2.43	3.90
– Diluted (Rs.)	2.43	3.90
Net Income	6,247	10,016
Earnings per share – Basic (Rs.)	2.43	3.90
– Diluted (Rs.)	2.43	3.90

19. Research & Development

The cost incurred on account of Research & Development in the financial year ended March 31, 2007 and March 31, 2006 has been apportioned to the respective heads of expense.

20. Income Taxes

The provision for Income Taxes is composed of :

	Rs. '000s Year ended March 31 2007	2006
Current Taxes		
Domestic Taxes	**235**	-
Foreign Taxes	**-**	-
Fringe Benefit Tax	**262**	382
	497	382
Deferred Taxes		
Domestic Taxes	**3,182**	8,094
Foreign Taxes	**-**	-
	3,182	8,094
Aggregate Taxes	**3,679**	8,476

- The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the financial statement items that created these differences are :

	Rs. '000s Year ended March 31 2007	2006
Deferred Tax Assets/(Liabilities)		
Property, plant & equipment	**(10,457)**	(9,500)
Operating losses carried forward	**6,549**	8,768
Gratuity	**939**	1,000
Others	**821**	767
Net deferred tax Assets	**(2,148)**	1,035

Reconciliation of tax rates

	Rs. '000s Year ended March 31 2007	2006
Income before taxes	**10,619**	14,723
Statutory tax rate	**33.66%**	33.66%
Income tax (income) / expense at the statutory tax rate	**3,574**	4,956
Increases/(Reductions) in taxes on account of :		
Accelerated/specific tax deductions	**(1,391)**	(132)
Expenses disallowed for tax purposes	**440**	1,696
Other Items	**1,056**	(1,956)
Current Domestic tax expense reported	**3,679**	8,476

21. Tax Contingencies

- Income tax claims disputed by the Company and under appeal for Rs.281 thousand.
- Sales tax demand disputed by the Company and under appeal for Rs.788 thousand.

22. Other commitments and contingencies

- Provident fund demand disputed by the Company and under appeal Rs.430 thousand.
- Against outstanding guarantees Rs.950 thousand.

23. Figures for the previous period have been regrouped / restated wherever necessary.

PROXY FORM

TASTY BITE EATABLES LIMITED

Regd.Office : **204, Mayfair Towers, Wakdewadi, Shivajinagar, Pune – 411 005**

I/We………………………………………………….........……… of……………………...................................………
in the State of …………………….........................……… being a Member/Members of the above named Company hereby appoint Mr./Ms. ………………………………………...............................…….. of ……………….......................…… in the State of ………….........…………….. as my/our proxy to vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company, to be held on Friday, the 14th September, 2007 at 11.00 A.M. and at any adjournment thereof.

Affix One Rupee Revenue Stamp here

Regd.Folio No/ DP ID & Client ID No..............................   Signature…………………………….

Address……………………………………

………………………………………………

No. of shares held…………………………………………….

Notes : (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself.

(2) The proxy duly signed across revenue stamp of One Rupee must reach the Registered Office of the Company not less than 48 hours before the time of meeting.

TASTY BITE EATABLES LIMITED

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall.

Name of the attending Member ………………………………………...………
(IN BLOCK LETTERS)

Member's Folio No/DP ID Client ID……………………............No. of shares held by the Member……..................…….

Name of Proxy……………………………...……………….
(IN BLOCK LETTERS) (To be filled in if the Proxy attends instead of Member)
I hereby record my presence at the 23rd ANNUAL GENERAL MEETING held at 204, Mayfair Towers, Wakdewadi, Shivajinagar, Pune, Maharashtra - 411 005 .

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

For Office use only

TASTY BITE

Registered Office
204, Mayfair Towers,
Wakdewadi, Shivajinagar,
Pune - 411 005
Phone : +91-20-2551 0685
Fax : + 91-20-2551 2695

PRABODH
24477503