

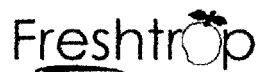
Freshdrop



FRESHTROP FRUITS LIMITED

Annual Report 2005 - 2006





Dear Shareholders,

Agro-industry's structure in our country has undergone a very significant change during the year 2005-06. Retail trade in India is moving from unorganized road side outlets to well organized Malls and Supermarkets. Many Indian Corporates have committed large investments to development of this sector. Groceries and food products are a very important part of these new and upcoming retail outlets.

Large wastage of agricultural produce is well known to all of us. It occurs both in terms of loss of freshness and weight. It is also known that use of cold chain for movement of agricultural produce from farm to consumers would considerably reduce this wastage. As this is a chain operation, all links have to be in place for it to be effective. One of the main links in this cold chain is appropriate retail outlets. Organized retailing would be this link; the other links are then expected to fall in place. We can expect to get more nutritional and fresh agricultural produce available in our markets in the near future.

Your Company has been in the business of supplies of fresh Indian fruits to the world's largest and fastest growing Supermarkets like Walmart and Tesco. We expect to use our knowledge and experience of this business for supplies to the domestic retailers as well.

Exports continue to grow at a steady pace. Availability of fresh produce in required quality has been the limiting factor for the growth of this business. 2005-06 was the first year where we saw increased availability and consequent reduction in procurement price of grapes. This is a healthy sign as we can be more competitive in the international market while our farmers continue to get good returns more out of larger production and better yield than higher price.

Food safety continues to play a very important role in international trade of fresh produce and traceability of the produce is the first requirement of food safety. Your Company is the first in India and amongst the few in the world to offer 100% traceability of its products through an online internet based front-end to its ERP and SCM system which allows every entity of the fresh produce supply chain to track and know the complete history of the product and its origin. Your Company is also perhaps the only one in India to deploy such advanced tools for business growth as of today.

During the year your Company commissioned its third state-of-the-art post harvest handling facility at Kaledhone in Satara district, in the state of Maharashtra. This facility was set up in just 4 months and has a capacity to pack and pre-cool 15 Metric Tons of grapes per day. While it did contribute to an increase in exports of grapes which grew by overall 59.11% , its full impact is expected to be observed in the year 2006-07.

Your Company is committed to the growth of its farmers. We organize field excursions and interaction between the farmers and national and international agriculture scientists to help them improve quality and yield of their produce. Higher realizations for their produce results in their increasing area under cultivation of export quality products which in turn helps us increase sales. This also helps them improve their living standards along with contributing to the literacy levels in the area. For example, an English medium school has been set up in a remote village of Savlej, 50 kilometers from Sangli, with a population of no more than 20000 people and is now attended by children from adjoining villages as well! Savlej is home to your Company's second unit which was established in 2002-2003.

In the fresh produce business dedication and hard work of all the employees, especially during the season has contributed significantly to your Company becoming the most preferred supplier of Indian fresh produce to the most demanding customers in the world. Every employee of your Company is committed to this endeavor and contributes effectively to its growth in this sector which is now throwing up opportunities earlier thought to be a distant dream in the Indian landscape. The management on its part is exploring how these opportunities can be harnessed to take your Company into its next round of growth.

We look forward to your support in taking your Company forward in these very exciting times.

Ashok Motiani
Chairman & Managing Director

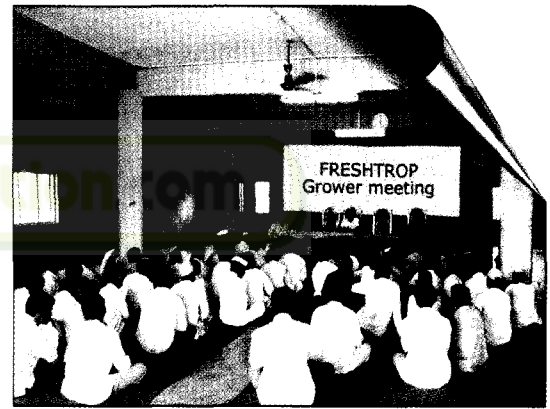


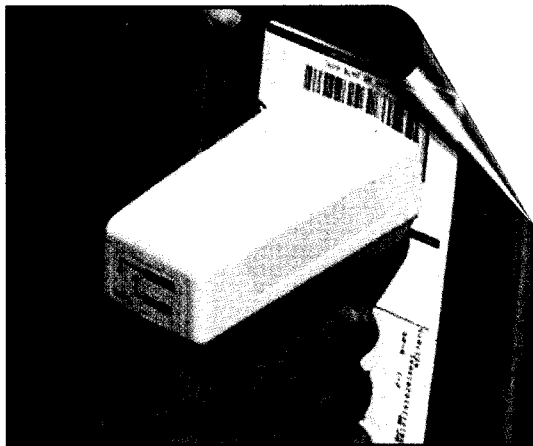
Freshdrop growers interacting with growers in other parts of the world

Freshdrop is committed to the growth of its farmers. It continuously organizes field excursions and interactions with experts around the world and also within India so that its growers are exposed to new techniques and technology which can help improve yield while adopting environment friendly practices.

Growers' meet

Extensive contact programs with groups of growers in all the major Grape and Pomegranate growing areas are undertaken to create awareness about food safety concerns and requirements of consumers in the EU markets. Freshdrop also assists its growers in identifying and cultivating crops that increase their per-hectare realization through responsible farming thereby improving their living standards.





Traceability

Freshdrop became the first company in India and amongst the few in the world to offer 100% traceability of its products through an online internet based system in January 2004. The initial trials were very successful and the system features have been significantly enhanced since then. Freshdrop has invested very heavily in implementing this system that provides utmost transparency as well as traceability for all its fresh produce operations. This internet based online system provides an easy to use interface allowing

every entity of the fresh produce supply chain to track and know the product and its origin.

Freshdrop's Third Post Harvest Handling Facility

Freshdrop commissioned its third state-of-the-art Post Harvest Handling facility in Kaledhone, Satara district this year primarily to handle grapes. While it did contribute to an increase in exports of grapes which grew by overall 59.11%, its full impact is expected to be observed in the year 2006-07.





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ANNUAL REPORT 2005 - 2006

BOARD OF DIRECTORS

Mr. Ashok V. Motiani — *Chairman & Mg. Director*
Mrs. Nanita A. Motiani — *Executive Director*
Mr. Ramchandra Joshi
Mr. Mayur Shah

AUDITORS

M/S. Mayank Shah & Associates
Chartered Accountants,
706, Mahakant,
Opp. V. S. Hospital, Ellisbridge,
Ahmedabad - 380 006

BANKERS

Bank of India
Citi Bank
ICICI Bank
HSBC Bank
UTI Bank

REGISTERED OFFICE

A-603, Sapath IV,
Opp. Karnavati Club,
S.G. Road,
Ahmedabad - 380 051. Gujarat, India.

PLANT - I

Gat. No. 171, Village Jaulke,
Ta. : Dindori, Bombay Agra Road,
Dist. : Nasik-422 207
Maharashtra, India.

PLANT - II

Survey No. 1366, Savlej-Wayfale Road,
Siddhewadi, Post Savlej, Taluka Tasgaon,
Dist. Sangli - 416 311, Maharashtra, INDIA

PLANT - III

Gat No. 2425, 2426, 2430 & 2431
Malharpet, Pandharpur Road,
Post. Kaledhone, Tal. Khatav, Dist. Satara,
Maharashtra, INDIA

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the meeting

NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the Members of Freshtrop Fruits Limited, will be held on Friday, 29th September, 2006 at 11.00 a.m. at Karnavati Club Limited, Sarkhej Gandhinagar Road, Ahmedabad-380 051 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and Profit and Loss Account for the period ended on that date together with the Director's Report and Auditor's Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Mr. Ramchandra Joshi, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modifications, the following resolution as **Ordinary Resolution** :

"RESOLVED THAT pursuant to Section 269, 198, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals if any, as may be required, the consent and approval of the company be and is hereby accorded to the re-appointment of Mr. Ashok Motiani as Managing Director of the company for a period of 5 years w.e.f. 01st August, 2006 on the terms and conditions stated in the Explanatory Statement annexed hereto.

"FURTHER RESOLVED THAT in the event of any statutory amendment or modification under the Companies Act, 1956, Board of Directors be and are hereby authorized to vary, enlarge, increase and modify the remuneration including salary, commission, perquisites, allowances, etc. within such prescribed limit or ceiling and aforesaid draft agreement between the Company and Mr. Ashok Motiani, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General Meeting.

"FURTHER RESOLVED THAT Board of Directors be and are hereby authorized to take such steps as may be necessary to give effect to this Resolution."

Date: 30-06-2006

Regd. Office:

A-603, Sapath IV,
Opp. Karnavati Club,
S G Road,
Ahmedabad-380051

By order of the Board
For Freshtrop Fruits Ltd.

Ashok Motiani
Chairman & Managing Director

NOTES

1. Explanatory Statement pursuant to 173 (2) of the Companies Act, 1956 is annexed as a part of this Notice.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company.

Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.

3. The Proxies should be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 19th September, 2006 to Friday, 29th September, 2006 (both days inclusive).

FRESHTROP FRUITS LIMITED

5. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 11.00 a.m. to 5.00 p.m. up to the date of Annual General Meeting.
6. Any query relating to Accounts must be sent to the Company's registered office at A-603, Sapath IV, Opp. Karnavati Club, S.G. Road, Ahmedabad - 380 051 at least 7 days before the date of the meeting.
7. Additional details in terms of Clause 49 of Listing Agreement in respect of Directors being re-appointed are given as under:

Shri Ramchandra Joshi

Mr. Ramchandra Joshi, aged about 62 years is B.Com, L.L B. He has vast experience in public relation, legal and administration which helps the company.

Mr. Ramchandra Joshi is the chairman of Audit Committee as well as Remuneration Committee of the FFL. He is not on the Board of any other Public Limited Company as a Director, Member or as a Chairman.

EXPLANATORY STATEMENT

[pursuant to Section 173 (2) of the Companies Act, 1956]

ITEM NO. 5

Mr. Ashok Motiani, Managing Director was appointed by the Company and his term expires on 31st July 2006. The Board at its meeting held on 30th June 2006 has decided to re-appoint him for a further period of 5 years, on the terms and conditions, as mentioned in the draft agreement, with effect from 1st August 2006, subject to approval of the shareholders.

The appointment and terms of remuneration payable to Mr. Ashok Motiani as a Managing Director of the Company, as mentioned below, are within the permissible limits under schedule XIII of the Companies Act, 1956. The remuneration package will be as follows :

- (a) Salary : Rs. 200000/- p.m.
- (b) Commission : Not exceeding 1% of the net profits of the Company calculated and payable at the end of the financial year, up to the date of his retirement.
- (c) Perquisites : In addition to salary, the following perquisites shall be allowed to the Managing Director.

CATEGORY - "A"**i) Housing :**

The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of Rs. 20000/- per month, Subject to a limit of 20% of his salary.

The Company shall provide equipments and appliances, furniture, fixtures and furnishing at the residence of the Managing Director at the entire cost of the Company.

The Company shall reimburse the expenses of gas, electricity, water etc. The expenditure on these, valued in accordance with the Income-tax Rules, shall not exceed 10% of the salary.

ii) Medical Reimbursement :

Reimbursement of medical expenses incurred including premium paid on health insurance policies whether in India or abroad, for self and family including hospitalization, surgical charges, nursing charges and domiciliary charges for self and for family.

iii) Leave Travel Concession :

The Company shall provide leave travel fare for the Managing Director and his family once in a year.

iv) Personal Accident Insurance :

The Company shall pay Personal Accident Insurance premium upto Rs. 5000/- per annum.

v) Club Fee :

The Company shall pay and / or Reimburse Fees and Expenses (excluding admission and Life membership fees) of clubs, subject to a maximum of two clubs.

CATEGORY - "B"

- i) The Company shall contribute towards Provident Fund / Superannuation Fund/ annuity Fund provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the Income-tax Act.
- ii) The Company shall pay Gratuity at the rate not exceeding half month's salary for each completed year of service.
- iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.
- iv) The perquisite under this Category shall not be included in the computation of ceiling on remuneration.

CATEGORY - "C"

1. The company shall provide a Car with Driver at the entire cost of the Company for use for the business of the Company. Use of car for personal purposes shall be billed by the Company.
2. The Company shall provide telephone including mobile phone, internet at the residence of the Managing Director at the entire cost of the Company. Personal long distance calls shall be billed by the Company.
3. The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however, be reimbursed the actual traveling, lodging and boarding expenses incurred by him for attending meetings of the Board of Directors and/ or committees thereof.
4. The total remuneration as referred above is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company on the remuneration of the Managing Director and other Executive Directors of the Company taken together. Provided, however, that in the event of absence or inadequacy of profit, the Managing Director shall be entitled to remuneration mentioned under (a) above and perquisites as above within the minimum remuneration specified in Schedule XIII to the Companies Act, 1956.
5. In the event of cessation of office during any financial year, a ratable proportion of the aforesaid remuneration shall be payable by the Company.
6. The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.
7. "Family" means the spouse, dependent children and dependent parents of Managing Director.
8. Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be allowed.

All other powers, authorities and responsibilities of the Managing Director shall remain the same as per the earlier agreement.

The Board recommends the resolution for approval of Shareholders. Except Mr. Ashok Motiani, himself and Mrs. Nanita Motiani, his relative, none of the other Directors are interested or concerned in this resolution.

Date: 30-06-2006

Regd. Office:

A-603, Sapath IV,
Opp. Karnavati Club,
S G Road,
Ahmedabad-380051

By order of the Board
For Freshrop Fruits Ltd.

Ashok Motiani
Chairman & Managing Director

DIRECTORS' REPORT

Dear Members,

The Managing Director presents the 14th Annual Report and the Audited Statement of Accounts of the Company for the period ended March 31, 2006.

FINANCIAL RESULTS:

The working results of the Company for the period ended 31st March, 2006 are as follows

	2005-2006 (Rs.)	2004-2005 (Rs.)
Total Income	32,41,81,373	23,37,95,633
Gross Profit/ (Loss) before depreciation and tax.	4,87,76,996	3,80,89,681
Less : Depreciation	37,89,136	27,57,102
Net Profit/ (Loss) after depreciation	4,49,87,860	3,53,32,579
Less : Deferred Taxation	(1,70,266)	24,08,838
Less : Provision for Current Taxation	60,00,785	22,16,352
Profit after Taxation	3,91,57,340	3,07,71,823
Add/ (Less) : Balance of (Loss) of previous years	2,13,27,398	(6,69,386)
Prior Period Items	3,26,089	12,35,369
Amount transferred from General Reserve	2,00,00,000	35,00,000
Proposed Dividend	1,00,45,000	56,53,125
Dividend Tax	14,08,811	7,92,851
Balance of Profit/ (Loss) carried to Balance Sheet	2,87,04,837	2,13,27,397

OPERATIONS:

The Companies performance in 2005-06 continued to show a robust growth of 33.64% over previous year. Export sales increased from Rs. 232.75 million to Rs. 311.05 million. The growth, in terms of quantities exported, was even higher at 37.16%. It increased from 1690.95 Metric Tons to 2319.34 Metric Tons.

During the year 2005-06 the company planned and set up its third Post Harvest handling facility in just 6 months. Land was purchased in September 2005. Construction started mid October and Commercial production started on 4th March 2006. While this contributed significantly to an increase in the production (Packing and pre-cooling) of Grapes which grew by 59.11% overall from 1284.05 M. Tons to 2043.10 M. Tons, its realy potential is likley to be realised only in the coming season.

Grapes continue to dominate the growth of Companies exports, Sales increased by 59.60% from 1443.24 M Tons to 2303.38 M Tons. Packing of Grapes in plastic packages, known as Punnets, continues to add significant value to our business. Additional packing lines are being set up to be able to maintain the growth.

Pomegranates did not add as much value as was expected. A new disease known as Bacterial Blight was detected at many of our grower's farms. This slowed down our exports and we had to look for new growers and new areas of Pomegranate cultivation.

Food Safety requirements continue to influence International trade of Fresh Produce significantly. 100% of our consignments are tested at Indian Laboratories while 25% of our consignments are tested at very well reputed International Laboratories in addition to the local tests. Discrepancies if any in the test results are shown and discussed with Indian labs to help them achieve the desired standards.

Quality standards as required by EurepGAP and BRC continue to be strictly followed by all concerned agencies at Freshtrop. Our technical personnel help farmers set up systems as required for EurepGAP Certification. They constantly interact with the growers throught the cultivation cycle to ensure that these standards are being actually followed.

The quantity of grapes exported by Freshtrop is still very small as compared to exports of seedless grapes to EU markets from other countries like South Africa and Chile. The availability of export quality grapes in India is also increasing very significantly. As for Pomegranates, they are now recognized by many European consumers as a health fruit and the market is growing at a very fast pace. The exports of Pomegranates constitute less than 1% of the production of in India. There is a vast scope for growth