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Corporate Information

NAVNEET PUBLICATIONS (INDIA) LIMITED

Board of Directors

| | |
|---------------------|-----------------------------------------|
| Shivji K. Vikamsey | Chairman |
| Amarchand R. Gala | Managing Director |
| Jaisinh K. Sampat | Joint Managing Director |
| Dungarshi R. Gala | Director – Educational Books Publishing |
| Shantilal R. Gala | Director – Educational Books Publishing |
| Harakhchand R. Gala | Director – Sales & Distribution |
| Jitendra L. Gala | Director – Marketing |
| Ashok M. Nadkarni | Director |
| Kamlesh S. Vikamsey | Director |
| Liladhar D. Shah | Director |
| Dr. R. Varadarajan | Director |
| Vijay Rai | Director |
| Hasmukh Gadhecha | Director |

Company Secretary

Manoj J. Thakar

Auditors

Ghalla & Bhansali
Chartered Accountants, Mumbai

Bankers

EXIM Bank
ICICI Bank Ltd
ABN AMRO
BNP Paribas
Bank of Nova Scotia
Kotak Mahindra Bank Ltd.

Registered Office

Navneet Bhavan, Bhavani Shankar Road,
Dadar (West), Mumbai - 400 028.

Ahmedabad Office

Navneet House, Gurukul Road,
Memnagar, Ahmedabad - 380 052.

Works

- Village Dantali, Behind Kasturi Nagar,
District and Taluka - Gandhinagar, Gujarat.
- Gokhiware, Chinchpada,
Vasai (East), Dist. Thane.
- Village Sayali, Silvassa.
- Dabhel, Nani Daman
U.T. Daman & Diu
- Rakanpur, Taluka Kalol
Dist. Mehsana

e-mail

investors@navneet.com

Website

www.navneet.com

Dear Shareowners,

The last 3 years has seen the Indian economy on the growth phase. The overall increase in disposable income at the hands of the spending citizen coupled with the Central and State Governments' thrust on improving education levels across the country has been a good sign. The qualitative improvement in the teaching material and facilities provided by the respective Government year after year has been heartening. Besides, there have been plenty of initiatives taken by various companies in the private sector as well as by various State Governments in dissemination of knowledge. This has helped students to garner education in various ways. India is poised to become a significant knowledge pool.

As strategically planned by your Company, the proportion of Company's publishing business in the total revenues of the Company, is steadily growing year after year. This will help your Company to improve on overall margins together with a confident growth with relatively lesser competition. Curriculum change in Maharashtra and Gujarat is on course with both the State Governments keenly enthusiastic. This will allow all educational publishers including your Company to show better performance.

Acquisition in Spain shows positive signs, the initial set up issues in a new country notwithstanding. Registration with most of the big chain stores is complete and introduction of new titles are well accepted. Your Company's decision of starting a base in Europe for children books market and for stationery market is proving to be a step in the right direction. In about 2 years' time, your Company is expected to start reaping the benefits of this acquisition.

Your Company has for the second year in succession, got a set back in its exports of stationery products. Anti dumping duty levied in USA for stationery exports out of India, China and Indonesia has restricted exports to that country. Exports to USA were the largest component of exports of your Company. To utilize the excess capacity now available, your Company has been focusing in other areas and other ways to ensure optimum plant utilization. On the other hand the percentage of revenues from Domestic stationery market has been steadily increasing year after year.

Your Company's subsidiary "Navneet Edutainment Ltd" (NED) has been amalgamated in Navneet Publications (India) Ltd. (NPIL). All carry forward losses of NED has been transferred in NPIL, pursuant to Scheme of amalgamation approved by Hon. Bombay High Court. Your Company continues to sell and update the products developed by NED.

In the first quarter of the current year, publication sales have improved as envisaged. Demand for these publications will continue in the 2nd quarter. Exports of stationery have declined, whereas Domestic stationery business is showing improvements. From the current year, your Company has decided to leverage its strong brands by selling other stationery products. These other stationery products will be outsourced from various manufacturers.

Over all, your Company is growing steadily in its core activity. I am sure this will augur well for Company's' stakeholders.

Shivji K. Vikamsey

(I) NAVNEET'S POLICY ON DIVIDEND

The Company continues with its liberal dividend policy and accordingly the Company has paid 85% dividend for the year under review against 75% paid last year. However, the dividend pay out for the year under review works out to 45.40%, against your company's policy of distribution of minimum of 25% of profit after tax.

(II) CREATING SHAREHOLDER VALUE

To improve the liquidity in the volume of shares traded on the stock exchanges where shares of company are listed the Company has decided to sub-divide shares of the Company from Rs. 10/- Paid-up to Rs. 2/- Paid-up.

The Net worth of the Company has increased year after year and has increased from Rs. 174 Crores to Rs. 184 Crores.

The dividend payout has increased from 27.75% in 1999-2000 to 45% during the year under review.

(III) MARKET CAPITALISATION

Market capitalisation of the Company has increased by 25% from Rs.461 Crores as at 31st March 2005 to Rs.575 Crores as at 31st March 2006.

(IV) BUSINESS OVERVIEW

The Company has two major business divisions namely "Book Publishing Division" and "Paper Stationery Division" :-

(A) Book Publishing Division

"Educational Books" and "Children's and General Books" are the two major categories of books published by this division. With the

definite plans of change in the curriculum of Gujarat and Maharashtra, the Company is poised for a decent growth in the revenues from this division.

Children's and General Books category has also been gaining ground constantly and has been launching value added products for domestic as well as international markets.

The turnover of this division has posted a growth of 8% from Rs.167 crores to Rs.180 Crores.

(B) Paper Stationery Division

The Paper Stationery Division has two different markets Domestic and International Markets mainly manufacturing value added quality stationery products for the students as well as for the offices.

(i) Domestic Market

Your Company has emerged as a leading, trustworthy and a quality manufacturer and supplier of a wide range of stationery products with an excellent distribution network across India.

(ii) International Market

Your Company has been exporting various stationery products in the international markets since last 10 years to America, Europe and African Countries. The Company has been successful in creating the value added stationery products for which the Company has been receiving repeated orders. However, the appreciation in the Domestic currency has impacted the growth of the exports business.

The turnover of this division grew by 6% from Rs. 106 Crores to Rs. 112 Crores.

Frequently Asked Questions (F.A.Q.s) about industry outlook, opportunities, threats, risks and concerns.

What was the performance of the Company in the year under review?

The publication segment revenue rose by 8%, and the stationery segment revenue grew by 5%. The operating margin has reduced marginally on account of higher staff cost considering the syllabus change in Maharashtra and Gujarat.

The growth in publication segment is mainly on account of syllabus change in Gujarat for standard X. The stationery exports continue its declining trend and the management expects the trend to continue. The Company has planned to increase penetration in domestic market, to compensate sagging exports.

What is the expected performance of the company in the current year?

As expected, both the states (Maharashtra & Gujarat) are witnessing growth in Publication business because of change in syllabus of few standards every year for next couple of years. The task for the Company is to bring publications with quality content and create awareness. As witnessed in past, the Company is confident of achieving the task with great success on this occasion as well. The outcome will be known in the 1st half.

The company expects declining trend in Paper Stationery exports due to the cut-throat competition from neighbouring countries.

Paper stationery business in Domestic market is showing encouraging signs both in terms of volume and profitability. The management has started focusing more on domestic markets and expects better utilization of capacities in near future.

Your Company has a strong brand image, in Domestic markets. To capitalize on the same, your Company has decided to venture into other stationery products, over and above paper stationery range of the Company. Your Company has tied up with renowned manufacturers and will initiate marketing efforts from the current year.

How were the operating margins during the year? Is it likely to improve henceforth?

The operating margins of your Company will improve mainly on account of change in product mix as compared to several years in past. The growth rate of Publication business would be higher than paper stationery business and historically, publication business generated higher profits as compared to paper stationery business.

With various progressive initiatives undertaken together with focused attention on Publications revenues, your Company is likely to earn better operating margins in the coming times.

What has been the trend in paper prices in the current year?

Overall paper consumption is increasing day by day in the country; simultaneously new capacities are coming up in next couple of years offsetting the mismatch of demand and supply. Paper prices do fluctuate during the year but over all your Company has been able to manage inventory well due to past experience in the business. An upward trend is expected in paper prices from 3rd quarter of the year; however the Company would be able to fully pass on the price rise.

What are Capex plans of the Company in the current year?

In the scenario of changing syllabus, it becomes very important for the Company to have facilities to print all required publications in a short span of time. In order to overcome the constraint, the Company will modernize few of its printing facilities in the current year. Over all the capex of the Company will be around Rs. 10 Crores.

What has been the progress of the Company's subsidiary "Navneet Edutainment Ltd"?

The Honorable Bombay High Court has approved merger of Navneet Edutainment Limited with the Company effective from 30th June 2005. Your Company will continue to market and update existing product range and focus more on technology once it is accepted widely.

What has been the progress of Spanish acquisition?

"Grafalco" was acquired in mid-2005, by the Wholly Owned Subsidiary set up by the Company in Spain. Accounts of the subsidiary are part of this annual report. Being the first experience of its kind, stabilizing in a new country would take a little longer time than expected. The Company's focus has been on introducing new products and tying-up with supermarkets having presence across the country. Although the growth plans are delayed a bit but based on the encouraging response from the market, the management is confident of a consistent growth and success of this venture.

Why is there substantial rise in inventory levels? Is increase in borrowings, a result of increase in inventory levels?

The increase in inventory is mainly in publication segment. As mentioned above, in the changing syllabus scenario, the Company has to produce sizable production in a short span of time for standards for which the syllabus has changed. Considering this fact, the Company had preponed the production schedule for non-changing standards. Moreover, the Company had invested additional amount in raw material as well to make the resource available at an appropriate time.

The Company has continued its "Just-in-time" production strategy for its stationery segment and has improved upon the inventory management for the segment. The Company does not intend to extend this strategy to its publication segment in the scenario of changing syllabus.

Although the Company is debt free, due to seasonal nature of business, in September each year, the company does borrow for its working capital requirements. Increase in inventory levels is the main reason for increase in borrowing levels as well.

Why the debtors for more than six months remain at such high level?

The main reason for rise in debtors for more than six months is the slowdown in the US market, leading to delay in realization of export proceeds. The Company has been able to scale down the high level of debtors, post balance sheet date and is optimistic of improving these levels from current year.

(1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company attributes its success to the ethical, moral and transparent dealings with all its stakeholders on sustainable basis. Internally driven need for practising the principles of Good Corporate Governance ensures not only warm and cordial relationship with all stakeholders but also helps maintain their trust in the Company. The Company feels that Corporate Governance be practised by companies voluntarily in its true spirit and not as a mere statutory compliance.

(2) BOARD OF DIRECTORS

2.1 Composition

The Board of Directors comprises of 13 directors. The Company has 6 Independent Directors, 1 Non-Executive Director and 6 Promoter / Executive Directors. The Chairman of the Board is an Independent Director.

2.2 Attendance / Remuneration of Directors

The details of attendance of Directors at the meeting of the Board of Directors of the Company / last Annual General Meeting and remuneration paid to the Directors for the year is given below :-

| Sr. No. | Name of Director | Type | Board Meetings held | Board Meetings Attended | Salary | Other Benefits | Contri. to PF | Sitting Fee | Total Remuneration | Last AGM attended |
|---------|--------------------|------|---------------------|-------------------------|---------|----------------|---------------|-------------|--------------------|-------------------|
| 1. | A. M. Nadkarni | ID | 6 | 6 | – | – | – | 44000 | 44000 | YES |
| 2. | A. R. Gala | PD | 6 | 6 | 1500000 | 1054167 | 180000 | – | 2734167 | YES |
| 3. | D. R. Gala | PD | 6 | 6 | 1500000 | 1054167 | 180000 | – | 2734167 | YES |
| 4. | Dr. R. Varadarajan | ID | 6 | 3 | – | – | – | – | – | NO |
| 5. | H. R. Gala | PD | 6 | 5 | 1500000 | 1054167 | 180000 | – | 2734167 | NO |
| 6. | H.U. Gadhecha* | ID | – | – | – | – | – | – | – | – |
| 7. | J. K. Sampat | PD | 6 | 6 | 1500000 | 1054167 | 180000 | – | 2734167 | YES |
| 8. | J. L. Gala | PD | 6 | 6 | 1500000 | 1054167 | 180000 | – | 2734167 | YES |
| 9. | K. S. Vikamsey | ID | 6 | 4 | – | – | – | 31000 | 31000 | YES |
| 10. | L. D. Shah | ID | 6 | 6 | – | – | – | 34000 | 34000 | YES |
| 11. | S. K. Vikamsey | ID | 6 | 6 | – | – | – | 34000 | 34000 | YES |
| 12. | S. R. Gala | PD | 6 | 4 | 1500000 | 1054167 | 180000 | – | 2734167 | NO |
| 13. | V. D. Rai | NED | 6 | 4 | – | – | – | 16000 | 16000 | YES |

* Appointed w.e.f. 31st July, 06

ID – Independent Director

PD – Promoter Director /Executive Director

NED – Non-Executive Director

2.3 Directorships in Other Public Limited Companies of the Directors as at 31st March, 2006:

| Sr. No. | Name of the Directors | No. of Directorships of other Companies | No. of Committee Positions Held | No. of Committees Chaired |
|---------|-----------------------|-----------------------------------------|---------------------------------|---------------------------|
| 1 | Shivji K. Vikamsey | 1 | 1 | 1 |
| 2 | Amarchand R. Gala | - | - | - |
| 3 | Jaisinh K. Sampat | - | - | - |
| 4 | Dungarshi R. Gala | - | - | - |
| 5 | Shantilal R. Gala | - | - | - |
| 6 | Harakhchand R. Gala | - | - | - |
| 7 | Jitendra L. Gala | - | - | - |
| 8 | Ashok M. Nadkarni | - | - | - |
| 9 | Liladhar D. Shah | - | - | - |
| 10 | Dr. R. Varadarajan | - | - | - |
| 11 | Kamlesh S. Vikamsey | 3 | 4 | 2 |
| 12 | Vijay D. Rai | 5 | 4 | 1 |
| 13 | Hasmukh U.Gadhecha | - | - | - |

2.4 Number of Board Meetings held and dates on which held:-

- | | |
|-----------------------------------|-----------------------------------|
| (1) 30 th April 2005 | (2) 21 st July 2005 |
| (3) 21 st October 2005 | (4) 7 th November 2005 |
| (5) 31 st January 2006 | (6) 10 th March 2006 |

2.5 A brief resume of Directors seeking re-appointment:-

Vijay Rai

Vijay Rai is a Mechanical Engineer B.Tech., from IIT Kharagpur, a Management Consultant having wide experience of 36 years in several industries.

He has been the MD of a major Tata Company and member of several business associations.

Shantilal R Gala

Shantilal R Gala is a Commerce Graduate, having 38 years of experience in the field of Educational Book Publishing. He is actively involved in the co-ordination with authors and publishing of educational books.

Jaisinh K Sampat

Jaisinh K Sampat is a Science graduate, having 39 years experience in the field of marketing of Educational Books. He is actively involved in formulating the Marketing strategy for marketing of educational books.

Hasmukh U Gadhecha

Hasmukh U Gadhecha is a Chartered Accountant having an overall experience of 22 years out of which 12 years in practising as Chartered Accountant and 10 years as a businessman.

(3) CODE OF CONDUCT FOR DIRECTORS & SENIOR MANAGEMENT PERSONNEL

The Board at its meeting held on 7th November, 2005 have adopted the Code of Conduct for the Directors and Senior Management Personnel.

A copy of Code of Conduct has been put on the Company's Website www.navneet.com.

Code of Conduct has been circulated to all the Members of the Board and Senior Management Personnel of the Company and compliance of the same is affirmed by them. A declaration signed by the Managing Director of the Company is given below:-

I hereby confirm that:

The Company has obtained from all the Members of the Board and Senior Management an affirmation that they have complied with the Code of Conduct during the Financial Year 2005-2006.

Amarchand R Gala
Managing Director

(4) AUDIT COMMITTEE

4.1 Composition

Shivjibhai K. Vikamsey, Kamlesh S. Vikamsey and Ashok M. Nadkarni, Independent Directors of the Company are the Members of the Audit Committee. Kamlesh S. Vikamsey a Senior Chartered Accountant, who is an immediate past President of the Institute of Chartered Accountants of India is the Chairman of the Audit Committee.

4.2 Manoj J. Thakar, Company Secretary is Secretary to the Audit Committee.

4.3 Attendance

Four Audit Committee Meetings were held during the year under review on 30th April 2005, 21st July 2005, 21st October 2005 and 31st January 2006 which were attended by all the Committee

Members, except one Committee meeting held on 21st October, 2005, at which Kamlesh Vikamsey was granted leave of absence.

| Name of Directors | Meetings Held | Meeting Attended |
|---------------------|---------------|------------------|
| Shivji K. Vikamsey | 4 | 4 |
| Kamlesh S. Vikamsey | 4 | 3 |
| Ashok M. Nadkarni | 4 | 4 |

4.4 Powers of Audit Committee

- (1) To investigate any activity within its terms of reference.
- (2) To seek information from any employee
- (3) To obtain outside legal or other professional advice
- (4) To secure attendance of outsiders with relevant expertise, if it considers necessary.

4.5 Broad Terms of References of the Audit Committee

- (1) To review with the management the Management discussion and analysis of financial condition and results of operations.
- (2) To review Statement of significant related party transactions (as defined by the Audit Committee) submitted by management.
- (3) To review Management letters / letters of internal control weaknesses issued by the statutory auditors.
- (4) To review Internal Audit Reports relating to internal control weaknesses.
- (5) To review appointment, removal and terms of remuneration of the Chief internal auditor.
- (6) To overview the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- (7) To recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- (8) To approve payment to statutory auditors for any other services rendered by the statutory auditors.
- (9) To review with the management, the annual financial statements before submission to the board for approval, with particular reference to :

- a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transaction(s).
 - g) Qualifications in the draft Audit Report.
- (10) To review with the management, the quarterly financial statements before submission to the board for approval.
 - (11) To review with the management, performance of statutory, internal auditors, and adequacy of the internal control system.
 - (12) To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - (13) To discuss with internal auditors any significant findings and follow up there on.
 - (14) To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 - (15) To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - (16) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 - (17) To carry out any other function as may be added by the Board of Directors in the terms of reference of the Audit Committee from time to time.

(5) SUBSIDIARY COMPANIES

The Indian Subsidiary of the Company namely Navneet Edutainment Limited, was merged with the Company with effect from 30th June, 2005, pursuant to the amalgamation of the same with the Company, as approved by the Order of Hon. Bombay High Court on 20th January, 2006.

Chaplin Disenos S.L., a Wholly Owned Subsidiary of the Company in Spain, acquired the Brand GRAFALCO, and the intellectual Property rights in respect of titles of Children Publications in Spanish Language. The Board of directors of the Company periodically reviewed the investments and transactions of its Wholly Owned Subsidiary in Spain.

(6) SHAREHOLDERS' GRIEVANCE COMMITTEE

6.1 Composition

Shareholders' Grievance Committee consists of the following Independent Directors:-

- (a) Liladhar D. Shah (Chairman)
- (b) Kamlesh S. Vikamsey
- (c) Ashok M. Nadkarni

6.2 Terms of Reference

Shareholders' Grievance Committee meets periodically for the redressal of Shareholders' Grievance Committee and complaints related to share transfers, transmissions, transpositions, re-materialisation, split and issue of duplicate of share certificates, non-receipt of Annual Report, non-receipt of declared dividends and such other related issues.

6.3 Attendance

Four Shareholders' Grievance Committee meetings were held on 30th April 2005, 21st July 2005, 21st October 2005 and 31st January 2006.

| Name of Directors | Meetings Held | Meeting Attended |
|---------------------|---------------|------------------|
| Liladhar D. Shah | 4 | 4 |
| Kamlesh S. Vikamsey | 4 | 3 |
| Ashok M. Nadkarni | 4 | 4 |

6.4 Number and nature of complaints received during the year under review are as follows :-

| Description | Received | Resolved | Pending |
|-------------------------------------|-----------|-----------|------------|
| Transfer / Demat | 3 | 3 | NIL |
| Non-receipt of Share Certificate | 8 | 8 | NIL |
| Non-receipt of Dividend Warrant | 35 | 35 | NIL |
| General Correspondence / Complaints | 7 | 7 | NIL |
| Total | 53 | 53 | NIL |

(7) REMUNERATION COMMITTEE

7.1 Composition

The Remuneration Committee of the Company was constituted on 27th April 2004 comprising of the following Members:-

- Shivji K. Vikamsey (Chairman)
- Kamlesh S. Vikamsey
- Liladhar D. Shah

7.2 Broad Terms of Reference

The Broad Terms of Reference of the Remuneration Committee are to evaluate and appraise the performance of the Managing / Executive Directors, and Senior Management Personnel, determine and recommend to the Board the compensation payable to them.

7.3 Attendance

One Remuneration Committee Meeting was held during the year under review on 30th April 2005 which was attended by all the Committee Members.

(8) GENERAL BODY MEETINGS

8.1 The details of the last three Annual General Meetings held are given below:-

| Meeting No. | Date & Time |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Nineteenth | 3 rd September 2005 |
| Venue : | 3:30 P.M. |
| Mini Theatre, 3 rd Floor, P.L.Deshpande Maharashtra Kala Academy, Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai – 400025. | |
| Eighteenth | 6 th September, 2004 |
| Venue : | 3:30 P.M. |
| Mini Theatre, 3 rd Floor, P.L.Deshpande Maharashtra Kala Academy, Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai – 400025. | |
| Seventeenth | 15 th September, 2003 |
| Venue : | 4:30 P.M. |
| S. S. Hall, Garware Club House, Wankhede Stadium, 'D' Road, Churchgate, Mumbai – 400020. | |

8.2 The details of Court Convened Meeting / Extraordinary General Meeting of Shareholders.

| Meeting Type | Date & Time |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Court Convened | 7 th November, 2005 |
| Venue : | 11.00 A.M. |
| Textile Committee Auditorium, Textile Committee Building, P. Balu Road, Near Tata Press, Prabhadevi Chowk, Mumbai – 400025. | |
| Board Convened | 7 th November, 2005 |
| Venue : | 12.00 Noon |
| Textile Committee Auditorium, Textile Committee Building, P. Balu Road, Near Tata Press, Prabhadevi Chowk, Mumbai – 400025. | |

(9) DISCLOSURES

9.1 There were no transactions of material nature between the Company and its promoters, directors or the management, other subsidiaries or relatives that may have the potential conflict with the interest of the Company. The Register of contracts containing the transactions in which the directors are interested was placed before the Board regularly for its approval and concurrence.

9.2 There were no materially significant related party transactions which have potential conflict with the interest of the Company at large.

9.3 The Company complied with various rules and regulations prescribed by the Stock Exchanges and SEBI, relating to the capital markets during the last three years.

9.4 Risk assessment and its minimisation procedures have been laid down by the Company and the same have been informed to the Board Members. These procedures are periodically reviewed to ensure that the Executive Management controls risk through means of a properly defined framework.

9.5 The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the listing agreement with the Stock Exchanges:

9.5.1 The Company has set up a Remuneration Committee. Please see the Para on Remuneration Committee for the details.

(10) MEANS OF COMMUNICATIONS

10.1 Un-audited Financial Results and Press Releases were put up on the Website of the Company at www.navneet.com, shortly after its submission to Stock Exchanges.

10.2 The Company generally publishes its Quarterly Results in "Economic Times", Mumbai and "Sakaal", Mumbai.

10.3 Management Discussion and Analysis forms part of the Annual Report, which is being mailed to the shareholders of the Company.

(11) SHAREHOLDERS' INFORMATION

11.1 Date, Time and Venue of 20th Annual General Meeting :

4th September 2006 at 3:30 p.m.

Venue:

Textile Committee Auditorium,
Textile Committee Building,
P. Balu Road, Near Tata Press,
Prabhadevi Chowk, Mumbai – 400025.

11.2 Date of Book Closures :

The Register of Members and Share Transfer Books will remain closed from 29th August 2006 to 4th September 2006 (both days inclusive).

11.3 Dividend Payment (Ex-dividend Dates) :

1st Interim Dividend

Stock ex-dividend on BSE / NSE from : 27th October, 2005

2nd Interim Dividend

Stock ex-dividend on BSE / NSE from : 16th March, 2006

11.4 Dividend paid for the year under review :

First Interim Dividend of Rs.5/- per share (50%) was paid on 8th November, 2005.

Second Interim Dividend of Rs.3.50 per share (35%) was paid on 25th March, 2006.

Accordingly the Company has paid / declared a total dividend of 85 % for the year under review.

11.5 Company's Shares are listed on :

Shares of the Company are listed on National Stock Exchange of India Limited and Bombay Stock Exchange Ltd.

11.6 Stock Codes on Stock Exchanges :

BSE : 508989

NSE : NAVNETPUBL

Listing Fees for 2006-2007 have been paid to both the Stock Exchanges where the shares of the Company are listed.

11.7 Volume of Shares traded on a month to month basis :

| Month | BSE | NSE |
|-----------------|----------------|----------------|
| April, 2005 | 123907 | 133581 |
| May, 2005 | 134477 | 162684 |
| June, 2005 | 397813 | 566750 |
| July, 2005 | 444685 | 425385 |
| August, 2005 | 1345962 | 1714288 |
| September, 2005 | 254070 | 385353 |
| October, 2005 | 122133 | 233955 |
| November, 2005 | 127699 | 248508 |
| December, 2005 | 199322 | 218573 |
| January, 2006 | 135907 | 127127 |
| February, 2006 | 239126 | 205582 |
| March, 2006 | 346120 | 265214 |
| TOTAL | 3871221 | 4687000 |

11.8 Volume of Shares traded during the year under review as a percentage of the number of Shares outstanding:

NSE volume as a percentage to total shares outstanding : 20.31%

BSE volume as a percentage to total shares outstanding : 24.59%

11.9 Price related Shares data:

| | |
|----------------------------------------------------------|--------|
| Market Price as on 31 st March, 2006 (on NSE) | 301.80 |
| Highest Market Price during the year under review (NSE) | 320.35 |
| Lowest Market Price during the year under review (NSE) | 234.95 |
| Dividend yield (Full Year) | 45.65 |
| P/E (x) | 16.21 |

11.10 Three year's High / Low : (Rs.)

| Year | High | Low |
|-----------|--------|--------|
| 2005-2006 | 320.35 | 234.95 |
| 2004-2005 | 289.00 | 115.00 |
| 2003-2004 | 257.90 | 100.00 |

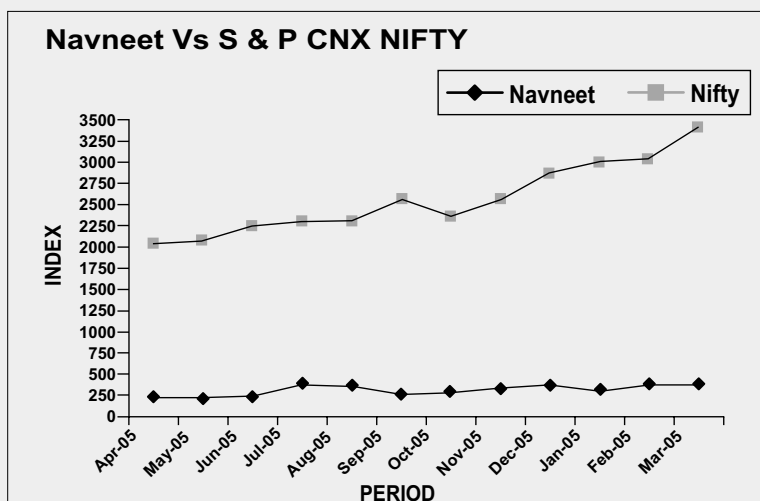
Corporate Governance Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

11.11 Stock price movement on a month to month basis :

| Month | NSE (High) | NSE (Low) | BSE (High) | BSE (Low) |
|-----------------|---------------|--------------|---------------|--------------|
| April, 2005 | 264.40 | 242.30 | 269.00 | 239.00 |
| May, 2005 | 246.95 | 237.35 | 251.45 | 230.00 |
| June, 2005 | 252.20 | 235.00 | 270.00 | 233.00 |
| July, 2005 | 268.55 | 234.95 | 276.95 | 233.80 |
| August, 2005 | 315.60 | 250.25 | 323.20 | 240.05 |
| September, 2005 | 316.75 | 276.35 | 325.00 | 270.00 |
| October, 2005 | 304.55 | 256.10 | 313.20 | 255.00 |
| November, 2005 | 284.05 | 265.05 | 288.90 | 246.00 |
| December, 2005 | 319.95 | 275.05 | 329.00 | 267.05 |
| January, 2006 | 320.35 | 286.60 | 326.95 | 285.00 |
| February, 2006 | 302.15 | 272.75 | 310.00 | 270.00 |
| March, 2006 | 317.25 | 290.05 | 328.00 | 286.00 |

NAVNEET PUBLICATIONS VS NIFTY FOR YEAR ENDED 31.03.2006



11.12 Market Capitalisation V/s. Indices :

| | Beginning of Year (1.4.05) | End of Year (31.3.06) | Performance |
|------------------------------------------------------------------|----------------------------------|-----------------------------|-------------|
| BSE SENSEX (Index) | 6492.82 | 11279.96 | 73.73 ↑ |
| NIFTY (Index) | 2035.65 | 3402.55 | 67.15 ↑ |
| Navneet's Market Capitalisation (Rs. in Crore) (On B.S.E.) | 461.09 | 575.15 | 24.74 ↑ |

11.13 Distribution of Shareholding as on 31st March 2006 :

| No of equity shares held | No. of Shareholders | Percentage of Shareholders | No. of Shares | Percentage of Shareholding |
|--------------------------------|------------------------|----------------------------------|------------------|-------------------------------|
| 001-500 | 9137 | 85.46% | 1357422 | 7.12% |
| 501-1000 | 833 | 7.79% | 640954 | 3.36% |
| 1001-5000 | 577 | 5.40% | 1237063 | 6.49% |
| 5001-10000 | 55 | 0.52% | 393899 | 2.07% |
| 10001 and Above | 89 | 0.83% | 15427862 | 80.96% |
| Total | 10691 | 100.00% | 19057200 | 100.00% |

11.14 Shareholding Profile of the Company, Position as at 31st March 2006.

| Category | % to Paid-up Share Capital |
|----------------------------------------|----------------------------|
| Foreign Institutional Investors (FIIs) | 2.09 |
| Non-Resident Indians (NRIs) | 1.11 |
| Overseas Body Corporates (OCBs) | 2.29 |
| Mutual Funds | 5.16 |
| Domestic Companies | 7.57 |
| Promoters | 61.86 |
| Public | 19.92 |
| Total | 100.00 |

11.15 Registrar & Share transfer Agent:

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mill Compound,

L. B. S. Marg, Bhandup (West),

Mumbai – 400078

Tel : (91-022) 2596 3838

Fax : (91-022) 2594 6969

E-mail : raghunath@intimespectrum.com

11.16 Dematerialisation of Shares of the Company.

The percentage of Shareholding in electronic form is as follows :

In 2005-2006 - 95.13%

In 2004-2005 - 94.62%

In 2003-2004 - 93.63%

In 2001-2003 - 92.84%

Latest information on shares dematerialised is available on the Company's website at www.navneet.com .

11.17 Investors Contact Information

Mr. Raghunath Pujari

Email Address : raghunath@intimespectrum.com

11.18 Outstanding GDRs / ADRs / Warrants:

The Company has not allotted any GDR(s) / ADR(s) / Warrants / Convertible instruments.

11.19 Plant Locations:

The Company's Plants are located at the following places:

- ❖ Village Dantali, Dist. & Tal. Gandhinagar, Gujarat.
- ❖ Village Sayali, Silvassa.
- ❖ Vasai, Dist. Thane
- ❖ Daman
- ❖ Santej

11.20 Registered Office :

Navneet Bhavan, Bhavani Shankar Road

Dadar (West), Mumbai 400028

Tel : +91-022-66626565

Fax : +91-022-66626470

E-mail : members@navneet.com

11.21 Compliance Officer :

Company Secretary and

Compliance Officer : Mr.Manoj J.Thakar

E-mail : manoj.thakar@navneet.com

11.22 Build up of Equity Capital

| Sr. No. | Particulars | Date of Allotment | No of Shares |
|-----------------------------------------|------------------------------------------|-------------------|--------------------|
| 1 | Subscribers to Memorandum of Association | 18.09.1984 | 70 |
| 2 | Initial Public Issue | 10.12.1984 | 499930 |
| 3 | Rights Issue | 01.04.1987 | 1200000 |
| 4 | Preferential Issue | 30.04.1993 | 1500000 |
| 5 | Public Issue | 11.06.1994 | 1552400 |
| 6 | Conversion of Convertible Debentures | 21.06.1995 | 1600000 |
| 7 | Bonus Issue I | 12.08.1996 | 3176200 |
| 8 | Bonus Issue II | 20.06.2000 | 9528600 |
| Total No of Equity Shares Issued | | | 1,90,57,200 |

11.23 Financial Calendar

Board Meeting to be tentatively held for approving quarterly results:

| Particulars | Date |
|-----------------------------------------------|----------------------------------|
| Quarterly Results for 1 st Quarter | 31 st July 2006 |
| Quarterly Results for 2 nd Quarter | 4 th Week of Oct 2006 |
| Quarterly Results for 3 rd Quarter | 4 th Week of Jan 2007 |
| Quarterly Results for 4 th Quarter | 4 th Week of Apr 2007 |

12. Details of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting : (In pursuance of Clause 49 of the Listing Agreement)

| Name of Directors | Date of Birth | Date of Appointment | Experience in specific functional areas | Qualification | Directorship held in other Public Ltd. Cos. | Committee Positions held |
|--------------------|---------------|---------------------|------------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hasmukh U Gadhecha | 13/06/1962 | 31/07/2006 | He is a C. A. having experience of 22 years. | F.C.A. | – | – |
| Jaisinh K Sampat | 01/07/1942 | 18/09/1984 | He is having experience of 36 years in field of marketing of Educational Books. | B.Sc. | NIL | NIL |
| Shantilal R Gala | 29/06/1942 | 15/03/1986 | He is having experience of 35 years in Educational Books. | B.Com. | NIL | NIL |
| Vijay D Rai | 13/10/1946 | 30/04/2003 | He is a Management Consultant having experience of 36 years in several Industries. | B.Tech. (Mech. Engg.) from IIT Kharagpur | 1. Punjab Chemicals Ltd. 2. English Indian Clays Ltd. 3. Greaves Leasing & Fin. Ltd. 4. Greaves Cotton Ltd. 5. Akola Chemicals Ltd. (Chairman of Board) | Member & Chairman of Audit & Remuneration Committee Member & Chairman of Audit Committee NIL Member of Investor Grievance / Audit committee NIL |

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the members of Navneet Publications (India) Ltd.,

We have examined the compliance of Corporate Governance by Navneet Publications (India) Limited, for the year ended 31st March, 2006 as stipulated in clause 49 of the listing agreement of the said Company with stock exchanges in India.

The compliance of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of 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, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that generally no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the registrar & share transfer agent of the Company and reviewed by the Shareholder's Grievance Committee.

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.

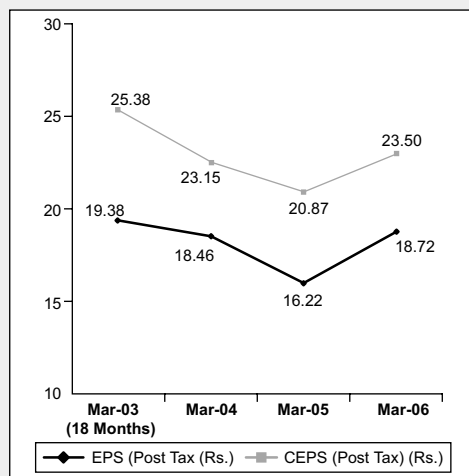
For **Ghalla & Bhansali**
Chartered Accountants

Place : Mumbai
Date : 31st July, 2006

Haresh K.Chheda
Partner
Membership No. 38262

Ratios & Ratio Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED



| Profitability Ratios | Mar-03 18 Months | Mar-04 | Mar-05 | Mar-06 | Mar 04 without extraordinary income | Mar 05 without extraordinary loss |
|---------------------------|---------------------|--------|--------|--------|-------------------------------------------|-----------------------------------------|
| ROACE & ANW % (Post Tax) | 28.52 | 23.62 | 18.63 | 19.97 | 20.63 | 19.41 |
| ROACE & ANW % (Pre Tax) | 41.11 | 34.86 | 28.09 | 27.95 | 32.06 | 28.84 |
| ROFA % (Post Tax) | 53.99 | 51.88 | 43.84 | 52.50 | 44.56 | 45.88 |
| ROFA % (Pre Tax) | 77.82 | 76.55 | 66.12 | 73.49 | 69.23 | 68.16 |
| Operating Margin % | 19.64 | 21.50 | 20.58 | 20.06 | 21.50 | 20.58 |
| Profit After Tax Margin % | 11.42 | 13.91 | 11.26 | 12.12 | 11.95 | 11.79 |

ROACE : Return on average capital employed

ROANW : Return on average net worth

ROFA : Return on fixed assets

NOTES :

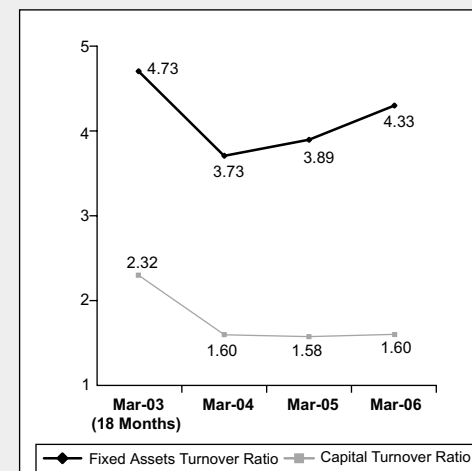
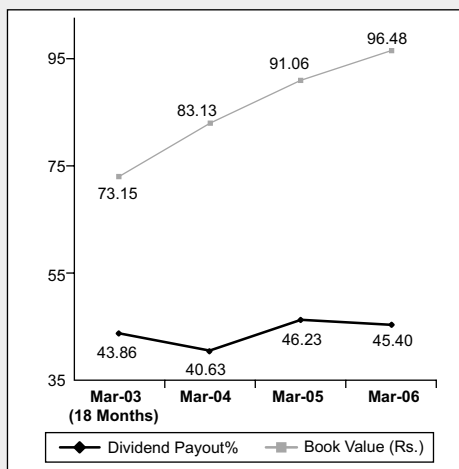
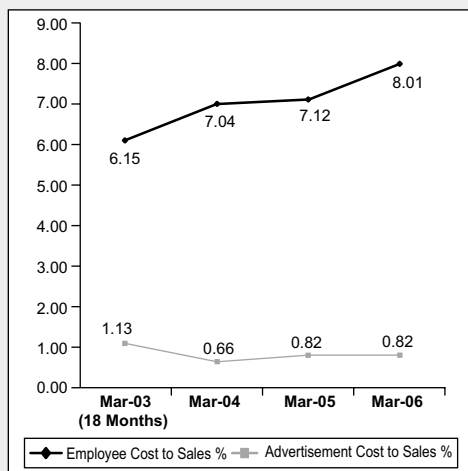
- 1) Ratios for March 03 are not annualized.
- 2) Loans of Rs. 5036 lacs (Rs.3966 lacs) are of short term in nature and have been treated as current liability above and not included in capital employed.
- 3) Extraordinary Income / loss pertains to Exchange Fluctuation.

| Solvency Ratio | Mar-03 | Mar-04 | Mar-05 | Mar-06 |
|----------------|--------|--------|--------|--------|
| Debt-equity | 0.00 | 0.00 | 0.00 | 0.00 |

| Liquidity Ratio | Mar-03 | Mar-04 | Mar-05 | Mar-06 |
|-----------------|--------|--------|--------|--------|
| Current | 1.65 | 1.79 | 2.89 | 2.70 |

Ratios & Ratio Analysis

NAVNEET PUBLICATIONS (INDIA) LIMITED



| Miscellaneous Ratios | Mar-03 18 Months | Mar-04 | Mar-05 | Mar-06 | Mar 04 without extraordinary income | Mar 05 without extraordinary loss |
|---------------------------------|---------------------|--------|--------|--------|-------------------------------------------|-----------------------------------------|
| EPS (Post Tax)(Rs) | 19.38 | 18.46 | 16.22 | 18.72 | 15.85 | 16.98 |
| EPS (Pre Tax) (Rs) | 27.94 | 27.24 | 24.47 | 26.21 | 24.63 | 25.22 |
| CEPS (Post Tax) (Rs) | 25.38 | 23.15 | 20.87 | 23.50 | 20.54 | 21.62 |
| CEPS (Pre Tax) (Rs) | 33.94 | 31.92 | 29.11 | 30.98 | 29.32 | 29.87 |
| Dividend Payout % | 43.86 | 40.63 | 46.23 | 45.40 | | |
| Price Earning (x) | 5.42 | 8.02 | 15.04 | 16.13 | | |
| Book Value (Rs) | 73.15 | 83.13 | 91.06 | 96.48 | | |
| Employee Cost to Sales % | 6.15 | 7.04 | 7.12 | 8.01 | | |
| Advertisement Cost to Sales % | 1.13 | 0.66 | 0.82 | 0.82 | | |
| Fixed Assets Turnover Ratio (x) | 4.73 | 3.73 | 3.89 | 4.33 | | |
| Capital Turnover Ratio (x) | 2.32 | 1.60 | 1.58 | 1.60 | | |
| Average Collection (Days) | 59 | 63 | 63 | 57 | | |
| Average Payment (Days) | 20 | 23 | 32 | 23 | | |

NOTES :

- 1) March 03 figures are worked on the basis of 18 months.
- 2) Ratios for March 03 are not annualized.

Financial Highlights (Rs. in Lacs)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | 2000-01 Sep - 01 | 2001-03 Mar - 03 (18 Months) | 2003-04 Mar - 04 | 2004-05 Mar - 05 | 2005-06 Mar - 06 |
|----------------------------|---------------------|------------------------------------|---------------------|---------------------|---------------------|
| Revenue | 21,735 | 32,345 | 25,285 | 27,454 | 29,439 |
| Gross Profit (PBDT) | 5,166 | 6,461 | 6,084 | 5,548 | 5,905 |
| Depreciation | 519 | 1,144 | 893 | 885 | 910 |
| Tax | 1,426 | 1,630 | 1,673 | 1,571 | 1,426 |
| Net Profit (PAT) | 3,222 | 3,693 | 3,518 | 3,092 | 3,568 |
| Dividend | 1,048 | 1,620 | 1,429 | 1,429 | 1,620 |
| Dividend (%) | 55 | 85 | 75 | 75 | 85 |
| Retained Profit | 2,067 | 1,927 | 1,901 | 1,511 | 1,033 |
| Book Value | 63 | 73 | 83 | 91 | 96 |
| Equity Capital | 1,906 | 1,906 | 1,906 | 1,906 | 1,906 |
| Reserves & Surplus | 10,061 | 12,035 | 13,936 | 15,447 | 16,481 |
| Borrowings (Short term) | 39 | 7,041 | 7,815 | 3,966 | 5,036 |
| Capital Employed | 12,000 | 13,939 | 15,842 | 17,353 | 18,386 |
| Gross Block | 7,195 | 10,909 | 11,911 | 12,877 | 13,632 |
| Net Block | 4,484 | 6,841 | 6,781 | 7,052 | 6,792 |
| Net Current & Other Assets | 6,587 | 6,225 | 6,780 | 10,091 | 11,729 |

NOTES :

1) Figures for 2001-03 are for 18 months ended 31st March 2003.

2) Loan of Rs. 5036 Lacs (Rs. 3966 Lacs) are of short term in nature and have been treated as current liability and not included in capital employed.

Financial Highlights (US \$ Mn)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | 2000-01 (Sep-01) | 2001-03 (Mar-03) (18 Months) | 2003-04 (Mar-04) | 2004-05 (Mar-05) | 2005-06 (Mar-06) |
|----------------------------|------------------|---------------------------------|------------------|------------------|------------------|
| Revenue (USD-Mn) | 49.40 | 73.51 | 57.47 | 62.39 | 66.91 |
| Gross Profit (PBDT) | 11.74 | 14.68 | 13.83 | 12.61 | 13.42 |
| Depreciation | 1.18 | 2.60 | 2.03 | 2.01 | 2.07 |
| Tax | 3.24 | 3.70 | 3.80 | 3.57 | 3.24 |
| Profit After Tax (USD-Mn) | 7.32 | 8.39 | 7.99 | 7.03 | 8.11 |
| Dividend | 2.38 | 3.68 | 3.25 | 3.25 | 3.68 |
| Dividend (%) | 55.00 | 85.00 | 75.00 | 75.00 | 85.00 |
| Retained Profit | 4.70 | 4.38 | 4.32 | 3.44 | 2.35 |
| Reserves (USD-Mn) | 22.87 | 27.35 | 31.67 | 35.11 | 37.46 |
| Book Value (USD) | 1.43 | 1.66 | 1.89 | 2.07 | 2.19 |
| Equity Capital | 4.33 | 4.33 | 4.33 | 4.33 | 4.33 |
| Borrowings (Short term) | 0.09 | 16.00 | 17.76 | 9.01 | 11.45 |
| Capital Employed | 27.27 | 31.68 | 36.00 | 39.44 | 41.79 |
| Gross Block | 16.35 | 24.79 | 27.07 | 29.27 | 30.98 |
| Net Block | 10.19 | 15.55 | 15.41 | 16.03 | 15.44 |
| Net Current & Other Assets | 14.97 | 14.15 | 15.41 | 22.93 | 26.66 |

NOTES :

(1) Figures in the table have been recalculated taking US \$1 = INR 44/-.

(2) Figures for 2001-03 are for 18 months ended 31st March 2003.

(3) Loans of USD 11.45 Mn (USD 9.01 Mn) are of short term in nature and have been treated as current liability and not included in capital employed.

Financial Highlights (Rs. in Lacs)

| | 2003-04 (Mar-04) | | 2004-05 (Mar-05) | | 2005-06 (Mar-06) | |
|---------------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Sales | | | | | | |
| Book Publishing Division | | | | | | |
| Educational Books | 11,951 | | 14,416 | | 15,704 | |
| Children's General Books (including Export) | 2,230 | 14,181 | 2,055 | 16,471 | 1,955 | 17,659 |
| Paper Stationery Division | | | | | | |
| Export (Including incentives) | 4,989 | | 4,464 | | 2,782 | |
| Paper Stationery (Domestic) | 5,612 | 10,602 | 6,002 | 10,467 | 8,240 | 11,022 |
| Others | | | | | | |
| Labour Charges | | 71 | | 61 | | 103 |
| Trading Paper | | 68 | | 86 | | 209 |
| Power Generation Income | | 39 | | 51 | | 40 |
| Media Charges | | 24 | | 40 | | 39 |
| Scrap / Waste and Other Sales | | 300 | | 278 | | 366 |
| | | <u>25,285</u> | | <u>27,454</u> | | <u>29,439</u> |

Notice

NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF NAVNEET PUBLICATIONS (INDIA) LIMITED will be held on Monday, the 4th September 2006, at 3:30 p.m., at Textile Committee Auditorium, Textile Committee Building, P. Balu Road, Near Tata Press, Prabhadevi Chowk, Mumbai – 400025 to transact the following businesses:-

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Directors' Report and the Audited Profit and Loss Account for year ended 31st March, 2006 and the Balance Sheet as at that date together with the Directors' Report and Auditors' Report thereon.
- 2) To confirm interim dividend already paid.
- 3) To appoint a Director in place of Shri Vijay Rai who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri Shantilal R Gala who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint a Director in place of Shri Jaisinh K Sampat who retires by rotation and being eligible, offers himself for re-appointment.
- 6) To appoint M/s. Ghalla & Bhansali, Chartered Accountants, as Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

- 7) **To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Shri Has Mukh Gadhecha, in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, signifying his intention to propose Shri Has Mukh Gadhecha's candidature for the office of the Director of the Company, be and is hereby appointed as the Director of the Company.”

- 8) **To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 94(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and Article 9 of the Company's Articles of Association and subject to such consents and such other approvals as may be necessary, each of the 2,00,00,000 equity shares of the Company having a nominal face value of Rs.10/- (Rupees Ten Only) in the present Authorised Capital of the Company be sub-divided into 10,00,00,000 (Ten Crores) equity shares of the nominal face value of Rs.2/- (Rupees Two Only) each.

RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this resolution) be and is hereby authorised to issue new share certificates representing the sub-divided equity shares with new distinctive numbers consequent to the sub-division of equity shares as aforesaid subject to the rules laid down under the Companies (Issue of Share Certificates) Rules, 1960 and also to inform Depositories for giving effect of sub-division of equity shares held in demat form.

RESOLVED FURTHER THAT the Board be and is hereby authorised to sign and execute all such documents, deeds and writings and to do all such acts, deeds, matters and things as may be necessary for giving effect to the above resolution.”

- 9) **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT on the approval accorded for Sub-division of the nominal face value of equity shares by the Members, existing Clause V of the Memorandum of Association of the Company be substituted by new Clause V as follows:

'V. The Authorised Share Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs. 2/- (Rupees Two Only) each.

Any shares of the original or increased capital may from time to time be issued with guarantee or any right of preference whether in respect of dividend or repayment of capital or both or any other special privilege or advantage over any shares previously issued or then about to be issued or with deferred or qualified rights as compared with any shares previously issued or subject to any provision or conditions and with any special right or limited right or without any right of voting, and generally on such terms as the Company may from time to time determine.

The rights of the holders of any class of shares, for the time being forming part of the capital of the Company, may be modified, affected, varied, extended or surrendered either with the consent of the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares.

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

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing regulation 3 of the Articles of Association of the Company be substituted by the following:

3. The Authorised Share Capital of the Company shall be as stated in Clause V of the Memorandum of Association of the Company.”

By Order of the Board of Directors

Place : Mumbai
Date : 31st July 2006.

Manoj J. Thakar
Company Secretary

NOTES:

- [A] A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- [B] The proxy form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding of the aforesaid meeting.
- [C] Only bonafide members of the Company whose names appear on the Register of Members/Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
- [D] The Register of Members and the Transfer Books of the Company will be closed from 29th August 2006 to 4th September 2006 (both days inclusive).
- [E] Members holding shares in physical form, are requested to promptly intimate about the change of address, if any, to the Registrar and Transfer Agent M/s. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mill Compound, L. B. S. Road, Bhandup (West), Mumbai – 400078.
- [F] Those Members who are holding shares in de-materialised form are requested to inform their respective Depository Participant about the change in their address and/or bank details, if any.
- [G] The Members are requested to note that there was unclaimed Dividend of Rs.8,92,419/- (1998-1999 Interim/final), Rs.4,59,297/- (1999-2000), Rs.5,82,122/- (2000-2001), Rs.8,53,545/- (2001-2003 Interim), Rs.8,75,418/- (2003-2004 Interim/final), Rs.10,94,038/- (2004-2005 Interim), Rs.75,61,152/- (2005-06 Interim) as on 31st March, 2006.

[H] Those shareholders who have not claimed the dividend so far are requested to claim the same by sending a communication in writing in this regard to M/s. Intime Spectrum Registry Limited at the address mentioned above.

[I] Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/ unpaid dividends up to the financial year ended 30th September 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not yet encashed their dividend warrant(s) for the said period are requested to forward their claims to:-

The Office of The Registrar of Companies
Central Government Office Building, 'A' Wing,
2nd Floor, Next to Reserve Bank of India,
CBD Belapur, Navi Mumbai – 400 614

[J] Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid/unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investors Education & Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Accordingly, the unclaimed interim dividend and the unclaimed final dividend for the year 1998-99 shall be transferred to the IEPF on 5th September 2006 and 13th April 2007 respectively.

[K] As per the amended Section 205C of the Companies Act, 1956, the unclaimed interim dividend and the unclaimed final dividend for the year 1997-1998 was transferred to the Investor Education & Protection Fund on 22nd September 2005 and 21st April 2006 respectively.

[L] **Members are requested to note that all correspondence, including dividend, shall be addressed directly to the Registrar and Transfer Agent, M/s. Intime Spectrum**

Registry Limited at their address mentioned above. Members are also requested to quote their respective Registered Folio Numbers in case of shares held in physical form and Demat Account details such as DPID No. and Client ID Number, in all their correspondence.

[M] Members who have got their shares dematerialised are requested to correspond with the respective Depository Participant(s) with whom they have opened their account(s).

[N] Members desiring any information, as regards the Accounts are requested to write to the Company at least seven days before the date of Annual General Meeting to enable the Management to keep the information ready.

[O] Members with Non-Resident Indian Status are requested to inform change in their residential status on return to India for permanent settlement. The Non-Resident shareholders are also requested to provide their NRE A/c. No. with complete name, address and Pin Code of the branch, and account type, to the Registrar and Transfer Agent.

[P] Members desirous of receiving all the future Dividend amounts directly by way of ECS are requested to communicate their intention to their respective Depository Participant(s) (for demat holdings) or the Registrar and Transfer Agent of the Company (for physical holdings) with full particulars of their demat and bank account details.

[Q] Members holding the shares in de-materialised form are requested to inform their respective Depository Participants with whom they have opened a Demat A/c., to forward the Bank A/c. details alongwith the Bank Branch Code, MICR No. etc. to their respective Depository.

[R] As per the provisions of the Companies Act, 1956, the facility for making nominations is also available to individuals holding physical shares in the Company. Those who desire to avail this facility may send their request for nomination to the Share Transfer Agent.

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

Item No. 7

Shri Hasmukh Gadhecha was appointed as an Additional Director of the Company at the Board meeting held on 31st July, 2006 and accordingly his tenure of office ceases at the ensuing Annual General Meeting and in respect of whose candidature a request from a member of the Company has been received, along with the prescribed deposit amount. Shri Hasmukh Gadhecha is a Chartered Accountant having an experience of 22 years.

None of the Directors are concerned or interested in the resolution.

The Board recommends his appointment.

Item No. 8, 9 and 10

Currently, the nominal value of the equity shares of the Company is Rs.10/- per share. In order to bring down the unit market value of the shares and to increase liquidity of the Company's shares in the stock market, which may widen the ownership base of the Company's shares, it is proposed to sub-divide the nominal face value of the Company's equity shares from Rs.10/- per share to Rs. 2/- per share. Capital clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company are, therefore, proposed to be consequentially altered.

Consent of the Members is being sought for the Sub-division of Equity Shares as aforesaid in terms of the provisions of Section 94(1)(d) of the Companies Act, 1956 and Article 9 of the Articles of Association of the Company. Consent is also being sought to the

consequential alterations in Clause V of the Memorandum of Association and Article 3 of the Articles of Association of the Company. Authority to the Board of Directors of the Company (including a Committee thereof) is sought to issue new Share Certificates, representing the sub-divided equity shares in place and in lieu of the existing Share Certificates of the nominal value of Rs.10/- (Rupees Ten Only) each and to take consequential action with the Depositories in respect of Members who hold shares in demat form and to do all such acts as may be necessary to give effect to the Resolution.

The Directors recommend the passing of Resolutions at Item No.8, 9 and 10 of the Notice convening the meeting for approval of the Members. The Directors of the Company may be deemed to be concerned or interested in the Resolutions in their capacity as shareholders of the Company in general, like all other shareholders of the Company, to the extent of equity shares held by them in the Company.

By Order of the Board of Directors

Place : Mumbai

Date : 31st July 2006.

Manoj J. Thakar

Company Secretary

Registered Office:

Navneet Bhavan

Bhavani Shankar Road

Dadar (West), Mumbai 400 028.

Directors' Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

Dear Shareowners,

The Directors have pleasure in presenting their Twentieth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 2006.

(1) FINANCIAL RESULTS

| | (Rs. in Lacs) | |
|-----------------------------------------------------------|-----------------------------|------------------------------|
| | Current Year (12 Months) | Previous Year (12 Months) |
| (a) Profit before interest, Depreciation and Tax | 6133.50 | 5794.42 |
| (b) Less : Interest | 228.79 | 246.73 |
| (c) Profit before Depreciation and Tax | 5904.71 | 5547.69 |
| (d) Less : Depreciation | 910.37 | 884.98 |
| (e) Profit before Tax | 4994.34 | 4662.71 |
| (f) Less : (i) Provision for Tax | 1497.00 | 1570.00 |
| (ii) Provision for deferred tax | (70.56) | 1.06 |
| (g) Profit after Tax | 3567.90 | 3091.65 |
| (h) (i) Add / (Less) : Provision of tax for earlier years | (19.67) | 40.48 |
| (ii) Add : Balance brought forward from last year | 8447.01 | 7935.52 |
| (iii) Add : Subsidiary Merger (Loss) / Profit | (667.91) | - |
| (i) Profit available for Appropriation | 11327.33 | 11067.65 |
| APPROPRIATIONS : | | |
| (a) 1st Interim Dividend | 952.86 | 952.86 |
| 2nd Interim Dividend | 667.00 | 476.43 |
| (b) Corporate tax on Dividend | 227.19 | 191.35 |
| (c) General Reserve | 1000.00 | 1000.00 |
| (d) Balance Carried to Balance Sheet | 8480.28 | 8447.01 |
| | 11327.33 | 11067.65 |

(2) DIVIDEND :

Your Directors have pleasure in informing you that the Company had paid First Interim Dividend of 50% in November, 2005, and Second Interim Dividend of 35% on 25th March 2006, making the total dividend for the year under review of Rs. 8.50 per share (85%) on 1,90,57,200 equity shares of Rs.10/- each. Your Directors have pleasure in informing you that the dividend pay-out for the year works out to 45.40% as against your Company's policy of distribution of minimum of 25% of profit after tax.

(3) OPERATIONS :

- (i) Sales and Other Income from the operations of the Company increased from Rs.27599 Lacs to Rs.29667 Lacs.
- (ii) The Profit before depreciation & taxes for the year under review stood at Rs. 5905 Lacs.
- (iii) After providing Rs.910 Lacs and Rs.1426 Lacs for depreciation and tax respectively, the profit after tax stood at Rs.3568 Lacs.

(4) CORPORATE GOVERNANCE :

Your Company has complied with the clause 49 of the Listing Agreement with the Stock Exchanges, in letter and spirit. The detailed Corporate Governance Report with the Auditor's Report thereon is set out elsewhere in this Report.

(5) PERFORMANCE OF DIVISIONS :

Book Publishing Division

Company's Book Publication division has two distinct categories of Books. Educational Books based on the syllabus of various states, which are supplementary reading books and general books such as activity books, drawing, craft, etc.

The growth in this division of the Company will get impetus due to change in the syllabus of the four standards in Maharashtra and the syllabus of SSC in Gujarat. The change in syllabus leads to

higher sales in view of un-usability of second-hand books. The management expects healthy sales growth in this division for next three years.

The turnover of this division increased from Rs. 16752 Lacs to Rs.18034 Lacs, showing growth of 8 % over the previous year.

Paper Stationery Division

The Paper Stationery Division produces varied varieties of the paper stationery products for student community and for the use by offices. The Paper Stationery Division comprises of two divisions. One Division caters to the needs of the Domestic Market and the other division produces the Paper Stationery suited to the respective foreign countries. The company has been exporting the quality paper stationery mainly to Europe and Africa. There has been a substantial shift of market by the Company from America to European and African Countries during the year under review and in the current financial year.

The turnover of this division has increased from Rs. 10565 lacs to Rs. 11155 Lacs, showing a growth of 6 % over the previous year.

(6) MANAGEMENT DISCUSSION AND ANALYSIS :

The Management Discussion and Analysis has been given in the separate section of the Annual Report.

(7) SUBSIDIARY COMPANIES :

The Indian Wholly Owned Subsidiary of the Company namely 'Navneet Edutainment Limited' was amalgamated with your Company, pursuant to the Order of the Hon. Bombay High Court dated 20th January, 2006. The assets and liabilities of the said subsidiary were merged with that of the Company with effect from 30th June, 2005, being the effective date mentioned in the amalgamation scheme.

As informed at the last Annual General Meeting of the Company, the Company has set up a Wholly Owned Subsidiary of the Company in Spain, and the Company, publishing the children books in Spanish titles which have a very good demand in Spain and America. The financial statements of the Wholly Owned Subsidiary in Spain have been given in the Annual Report in a separate Section and the same has been included in the Consolidated Financial Statements as required by the Accounting Standard and the Listing agreement with the Stock Exchanges.

(8) NETWORTH AND BORROWING :

Net worth of your Company increased from Rs.17353 Lacs to Rs. 18386 Lacs. Your Company does not have any long term debt. Company utilises the credit facilities from the Banks and other short term finances for the working capital requirements of the Company.

(9) EXPORT AWARD :

Your Company has been receiving the Exports Awards for the past six years. The Company maintains its consistent track record of exporting quality books and Paper Stationery exported by the Company.

(10) CRISIL RATING :

Your Company continued to be rated as P1+ (pronounced as P one Plus) for its short term debt programmes by CRISIL. This rating indicates very strong degree of safety with regard to timely payment of interest and principal on instrument.

(11) DIRECTORATE :

Shri Vijay D. Rai, Shri Shantilal R. Gala and Shri Jaisinh K. Sampat are retiring by rotation at the ensuing Annual General Meeting and have offered themselves for their re-appointment. The brief resume in respect of them is set out in the Corporate Governance Report.

Shri Hasmukh Gadhecha was appointed as an Additional Director of the Company at the Board Meeting held on 31st July, 2006 and in respect of whose candidature a request from a member of the Company has been received, along with the prescribed deposit amount.

The Board recommends their re-appointments.

(12) CORPORATE SOCIAL RESPONSIBILITY :

Your Company uses eco-friendly paper for all its products catering to environmental needs. Moreover, your Company donates mainly for the social causes like charities for education, rehabilitation and medical. For the year under review, your company donated Rs.121 lacs for medical help, Rs.28 lacs for rehabilitation and Rs.3 lacs towards education. The management will continue to discharge its voluntary commitment to society year after year.

(13) CEO / CFO CERTIFICATE :

Managing Director, being the CEO of the Company, and President (Finance), being the CFO of the Company, have submitted a Certificate to the Board regarding the Financial Statements and other Matters as required under Clause 49 (V) of the Listing Agreement.

(14) DE-MATERIALISATION OF SHARES :

1, 81, 42,744 Shares representing 95.21 % of paid up equity share capital were de-materialised as at 30th June, 2006.

(15) FIXED DEPOSITS :

Your Company has not accepted any fixed deposit during the year under Review.

(16) STATUTORY INFORMATION :

- (a) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

The information as required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is given in Annexure A to this Report.

- (b) PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure B to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the accounts are being sent to all shareholders of the Company excluding Annexure B. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

(17) AUDITORS :

M/s. Ghalla & Bhansali, Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting. The Company has received a Certificate from them to the effect that their re-appointment if made would be within prescribed limit of Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

(18) INDUSTRIAL RELATIONS :

During the year under review there was harmonious relationship between management and employees at all levels.

(19) DIRECTORS' RESPONSIBILITIES STATEMENT :

Your Directors hereby state:

- (a) that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (b) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- (c) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (d) that the directors have prepared the Annual Accounts on a going concern basis.

(20) ACKNOWLEDGEMENTS :

Your Directors take this opportunity to place on record their warm appreciation of the valuable contribution, untiring efforts and spirit of dedication demonstrated by the employees and officers at all levels, in the sure and steady progress of the Company.

Your Directors also express their deep gratitude to the Bankers, Financial Institutions, Authorities of the States of Maharashtra and Gujarat. They are also thankful to all stakeholders including Customers for their co-operation and trust reposed in the Company.

On behalf of the Board of Directors

Shivji K. Vikamsey
(Chairman)

Amarchand R. Gala
(Managing Director)

Place : Mumbai

Date : 31st July, 2006

Annexure 'A' to the Directors' Report

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) Conservation of Energy

Company's plant was designed to achieve high efficiency in the utilisation of energy. The key areas with regards to reduction of energy are identified and constant efforts are made towards energy conservation.

(B) Technology Absorption

Efforts made in Technology Absorption :

FORM - B

Form of Disclosure of Particulars with respect to Technology Absorption

Research & Development

Your Company has content creation and design development activity at Mumbai, Ahmedabad and Vasai.

(1) Efforts in brief towards technology absorption, adaptation & innovation

Through visits of technical personnel to developed Western countries, the Company keeps abreast with the advanced Technology Development and through specific programmes introduces, adopts and absorbs these sophisticated technologies.

(2) Benefits derived as a result of the above efforts

In view of the above, the Company has been able to achieve a higher production, accuracy and perfection in printing.

(3) In case of Imported Technology

(1) Technologies Imported

(2) Year of Import

(3) Has the technology been fully absorbed?

None, The

Company has not imported any

Technology

(C) Foreign Exchange Earnings and Outgo

The Company's export turnover has scaled up to Rs. 3196 Lacs.

Total Foreign Exchange used and earned:

(i) Foreign Exchange earned : Rs. 3196 Lacs

(ii) Foreign Exchange used : Rs. 177 Lacs

On behalf of the Board of Directors

Shivji K. Vikamsey
(Chairman)

Amarchand R. Gala
(Managing Director)

Place : Mumbai

Date : 31st July, 2006

Auditor's Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

To The Members of Navneet Publications (India) Limited,

We have audited the attached Balance Sheet of NAVNEET PUBLICATIONS (INDIA) LIMITED, as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. 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 give in the Annexure attached here to, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.;
 - c) The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the balance sheet, of the state of affairs of the Company as at 31st March 2006;
 - ii. In the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Ghalla & Bhansali**
Chartered Accountants

Place : Mumbai
Date : 31st July, 2006

Haresh K.Chheda
Partner
Membership No. 38262

(Referred to in paragraph 1 of our report of even date on the accounts for the year ended 31st March, 2006 of Navneet Publications (India) Limited)

1.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - b) All the assets have not been verified by the management during the year but, according to the information and explanations given to us, and in our opinion the intervals for verification are reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c) In our opinion, fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2.
 - a) In our opinion, the inventory of the Company has been physically verified by the management at reasonable intervals. In respect of inventory lying with third parties, these have substantially been confirmed by them.
 - b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c) In our opinion and according to the information and explanation given to us, the Company has maintained proper records of its inventories and discrepancies noticed on such physical verification between stock and the book records were not material.
3.
 - a) According to information and explanations given to us, the Company has neither granted any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable.
 - b) In our opinion and according to information and explanation given to us, and as it appears from Register maintained under section 301 of the Companies Act, 1956, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the said Register. Consequently, the provisions of clause 4(iii)(f) & (g) of the Companies (Auditor's Report) Order, 2003 are not applicable.
4. In our opinion and according to the information and explanations given to us, the Company has adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase of inventories and fixed assets and for the sale of goods and services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of continuing failure to correct major weaknesses in internal control.
5.
 - a) In our opinion and to the best of our knowledge and belief, and according to information and explanation given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register maintained under section 301 of the Companies Act, 1956.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding 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. The Company has not accepted any deposits from the public within the meaning of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.

7. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business. The Company has also outsourced internal audit function to independent internal auditors.
8. According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, for the industry in which the Company operates.
9.
 - a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, VAT, wealth tax, service tax, customs duty, excise duty, cess and others as applicable have been regularly deposited by the Company during the year with the appropriate authorities.
 - b) According to information and explanation given to us, there are no dues outstanding of VAT, income tax, customs duty, wealth tax, service tax, excise duty and cess, which have not been deposited on account of any dispute, except for following :

| Name of the statute | Nature of dues | Amount (Rs. In lacs) | Forum where disputes is pending |
|---------------------|-------------------------|----------------------|---------------------------------|
| I. T. Act, 1961 | Assmt. dues A. Y. 98-99 | 7.62 | Comm. of I. T. (Appeals) |
| I. T. Act, 1961 | Assmt. dues A. Y. 01-02 | 96.15 | Comm. of I. T. (Appeals) |
| I. T. Act, 1961 | Assmt. dues A. Y. 03-04 | 53.33 | Comm. of I. T. (Appeals) |

10. The Company has neither accumulated losses as at March 31, 2006, nor it has incurred any cash losses during the financial year ended on that date and the immediately preceding financial year.
11. According to information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders during the year.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit or a nidhi/mutual benefit fund/society, therefore, the clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. Hence clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
15. According to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not obtained any term loans. Accordingly, clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. According to the information and explanations given to us, the Company has issued unsecured debentures and thus was not required to create any security or charge in respect of debentures issued.
20. The Company has not raised any money by public issue during the year. Hence clause 4(xx) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
21. According to the information and explanations given to us, during the year, no fraud by or on the Company has been noticed or reported during the course of our audit.

For **Ghalla & Bhansali**
Chartered Accountants

Place : Mumbai
Date : 31st July, 2006

Haresh K.Chheda
Partner
Membership No. 38262

Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | Schedule | As at | |
|---------------------------------------------------------------------------------------------------|----------|------------------|----------------------|
| | | 31st March, 2006 | 31st March, 2005 |
| | | Rs. In Lacs | Rs. In Lacs |
| Sources of Funds | | | |
| Shareholders' Funds | | | |
| Share Capital | A | 1,906 | 1,906 |
| Reserves & Surplus | B | <u>16,480</u> | <u>15,447</u> |
| | | | 18,386 |
| | | | <u>17,353</u> |
| Loan Funds | | | |
| Secured Loans | C | 3,036 | 3,466 |
| Unsecured Loans | D | <u>2,000</u> | <u>500</u> |
| | | | 5,036 |
| | | | <u>3,966</u> |
| Deferred Tax Liability | | | <u>435</u> |
| Total Funds Employed | | | <u><u>23,857</u></u> |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | | 13,632 | 12,877 |
| Less: Depreciation | E | <u>6,839</u> | <u>5,974</u> |
| Net Block | | 6,792 | 6,904 |
| Capital Work-in-Progress | | <u>4</u> | <u>149</u> |
| | | | 6,796 |
| | | | <u>7,052</u> |
| Investments | F | | 715 |
| Current Assets, Loans and Advances | G | | 296 |
| Inventories | | 12,217 | 9,703 |
| Sundry Debtors | | 4,604 | 4,763 |
| Cash and Bank Balances | | 184 | 185 |
| Loans and Advances | | <u>1,734</u> | <u>1,692</u> |
| | | 18,740 | 16,343 |
| Less: Current Liabilities and Provisions | H | | |
| Current Liabilities | | 1,894 | 1,681 |
| Provisions | | <u>80</u> | <u>605</u> |
| | | 1,975 | 2,286 |
| Net Current Assets | | | 16,765 |
| Deferred Revenue Expenditure | | | 0 |
| (To the extent not written off or adjusted) | | | 0 |
| Total Funds Utilised | | | <u><u>23,857</u></u> |
| Significant Accounting Policies and Notes forming part of the Accounts and Contingent Liabilities | P | | <u><u>21,824</u></u> |

As per our report of even date attached hereto
For and on behalf of : **Ghalla & Bhansali** (Chartered Accountants)

For and on behalf of the Board

Haresh K. Chheda
Partner
Mumbai : 31st July, 2006

M. J. Thakar
Company Secretary

A. R. Gala
Managing Director

S. K. Vikamsey
Chairman

Profit and Loss Account

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | Schedule | For the year ended | |
|-----------------------------------------------------------------------------------------------|----------|--------------------|------------------|
| | | 31st March, 2006 | 31st March, 2005 |
| | | Rs. In Lacs | Rs. In Lacs |
| Income | | | |
| Sales and Income from Operations | | | 27,454 |
| Other Income | I | 228 | 145 |
| Increase/(Decrease) in stocks | J | 1,037 | (1,595) |
| | | <u>30,704</u> | <u>26,004</u> |
| Expenditure | | | |
| Cost of Materials | K | 16,181 | 12,783 |
| Manufacturing Expenses | L | 1,713 | 1,433 |
| Salaries, Wages & Employee Benefits | M | 2,358 | 1,955 |
| Administrative and Selling Expenses | N | 4,318 | 4,039 |
| Interest | O | 229 | 247 |
| | | <u>24,800</u> | <u>20,456</u> |
| Profit before Depreciation and Tax | | 5,905 | 5,548 |
| Depreciation | E | 910 | 885 |
| Profit after Depreciation | | 4,994 | 4,663 |
| Less : Provision for Taxation + FBT | | 1,497 | 1,570 |
| Less : Provision for Deferred Tax | | (71) | 1 |
| Profit after Tax | | 3,568 | 3,092 |
| Add/(Less) : Excess/(Short) Provision of Earlier Year W/off/Back | | (20) | 40 |
| Add : Balance brought forward from last year | | 8,447 | 7,936 |
| Add : Subsidiary Merger (Loss)/Profit | | (668) | 0 |
| Profit available for Appropriation | | <u>11,327</u> | <u>11,068</u> |
| Appropriations | | | |
| Dividend (First interim) | | 953 | 953 |
| Dividend (Second interim) | | 667 | 476 |
| | | <u>1,620</u> | <u>1,429</u> |
| Corporate Tax on Dividend | | 227 | 191 |
| General Reserve | | 1,000 | 1,000 |
| | | <u>2,847</u> | <u>2,621</u> |
| Surplus carried to Balance Sheet | | <u>8,480</u> | <u>8,447</u> |
| Basic and Diluted Earning per share of Rs. 10/- each | | | |
| [Refer Note 20 of Schedule 'P'] | | | |
| Before Extraordinary Items | | 18.62 | 16.44 |
| After Extraordinary Items | | 18.62 | 16.44 |
| Significant Accounting Policies and Notes forming Part of Accounts and contingent liabilities | P | | |

As per our report of even date attached hereto
For and on behalf of : **Ghalla & Bhansali** (Chartered Accountants)

For and on behalf of the Board

Haresh K. Chheda
Partner
Mumbai : 31st July, 2006

M. J. Thakar
Company Secretary

A. R. Gala
Managing Director

S. K. Vikamsey
Chairman

Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | | As at 31st March, 2006 | As at 31st March, 2005 |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------|---------------------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| SCHEDULE A: SHARE CAPITAL | | | |
| Authorised : | | | |
| 2,00,00,000 Equity Shares of Rs.10/- each | | 2,000 | 2,000 |
| Issued, Subscribed & Paid Up : | | | |
| 1,90,57,200 Equity Shares of Rs.10/- each | | 1,906 | 1,906 |
| Total | | 1,906 | 1,906 |
| Note : | | | |
| Of the above 1,27,04,800 Shares were allotted as fully paid-up Bonus Shares by Capitalisation of Share Premium and General Reserve. | | | |
| SCHEDULE B: RESERVES & SURPLUS | | | |
| Capital Reserve | | | |
| As per last Balance Sheet | | 0 | 0 |
| General Reserve | | | |
| As per last Balance Sheet | 7,000 | | 6,000 |
| Add : Set aside this Year | 1,000 | | 1,000 |
| | | 8,000 | 7,000 |
| Surplus in Profit and Loss Account | | 8,480 | 8,447 |
| Total | | 16,480 | 15,447 |

Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | As at 31st March, 2006 | As at 31st March, 2005 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| | Rs. In Lacs | Rs In Lacs |
| SCHEDULE C : SECURED LOANS | | |
| Loans from Banks : | | |
| Working Capital Borrowings : | | |
| - Rupee Loans | 1,678 | 563 |
| - Foreign currency loan | 1,343 | 2,854 |
| - Other loans | 15 | 48 |
| Total | <u>3,036</u> | <u>3,466</u> |
| Notes : | | |
| (a) All rupee loans and foreign currency loans equivalent to Rs. 3,022/- Lacs (Previous year Rs. 3,417/- Lacs) are secured against : | | |
| (1) Hypothecation & first charge over stock of raw materials, work-in-process, finished goods, stores and spares not relating to plant and machinery and book debts. | | |
| (2) Hypothecation and first charge over movable plant and machinery, machinery spares, tools and accessories both present and future of the Company. | | |
| (b) Other loans are secured against hypothecation of respective assets. | | |
| SCHEDULE D : UNSECURED LOANS | | |
| Debentures : | | |
| Non-Convertible Debentures | 2,000 | 500 |
| Total | <u>2,000</u> | <u>500</u> |

Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

SCHEDULE E : FIXED ASSETS AS AT 31ST MARCH, 2006

Rs. In Lacs

| Sr. No. | Description of Assets | Gross Block | | | Depreciation | | | | Net Block | | |
|---------|-----------------------|-----------------------|---------------------------|------------------------------|-----------------------|---------------------------|--------------|-----------------------------|------------------------|------------------|------------------|
| | | Cost as on 01.04.2005 | Additions during the year | Deductions on sale /Transfer | Cost as on 31.03.2006 | Provided up to 01.04.2005 | For the Year | Deductions on Sale/Transfer | Total up to 31.03.2006 | As on 31.03.2006 | As on 31.03.2005 |
| 1 | Land - Freehold | 340 | 0 | 0 | 340 | 0 | 0 | 0 | 0 | 340 | 340 |
| 2 | Land - Leasehold | 84 | 0 | 0 | 84 | 6 | 6 | 0 | 13 | 71 | 77 |
| 3 | Building | 3,470 | 208 | 0 | 3,678 | 980 | 169 | 0 | 1,149 | 2,529 | 2,490 |
| 4 | Plant & Machinery | 7,147 | 451 | 63 | 7,536 | 3,993 | 490 | 25 | 4,457 | 3,078 | 3,154 |
| 5 | Office Equipment | 166 | 14 | 0 | 180 | 96 | 12 | 0 | 107 | 72 | 70 |
| 6 | Furniture & Fixtures | 868 | 72 | 0 | 940 | 467 | 80 | 0 | 548 | 392 | 401 |
| 7 | Vehicles | 603 | 40 | 23 | 620 | 297 | 85 | 20 | 362 | 259 | 306 |
| 8 | Trade Mark | 2 | 54 | 0 | 57 | 1 | 5 | 0 | 6 | 51 | 1 |
| 9 | SAP | 190 | 0 | 0 | 190 | 127 | 63 | 0 | 190 | 0 | 63 |
| 10 | Software | 7 | 1 | 0 | 7 | 7 | 1 | 0 | 7 | 0 | 0 |
| | Total | 12,877 | 840 | 85 | 13,632 | 5,974 | 910 | 45 | 6,839 | 6,792 | 6,904 |
| | <i>Previous Year</i> | <i>11,911</i> | <i>1,041</i> | <i>75</i> | <i>12,877</i> | <i>5,142</i> | <i>885</i> | <i>54</i> | <i>5,974</i> | <i>6,904</i> | <i>-</i> |

Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | | As at 31st March, 2006 | As at 31st March, 2005 |
|----------------------------------------------------------------------|-------------------|---------------------------|---------------------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| SCHEDULE F : INVESTMENTS | | | |
| Long Term-Non Trade | | | |
| Other Investments | | | |
| Unquoted | | | |
| In Subsidiary | | | |
| Navneet Edutainment Limited | | | |
| — (73,00,000) Equity Shares of Rs.10/- each | 0 | | 715 |
| Chaplin – Disenos S.L. | 270 | | 0 |
| — 5,03,006 (–) Equity Shares of Euro 1/each. | <u> </u> | 270 | <u> </u> |
| Current Investment | | | |
| Mutual Fund | | | |
| Units of Rs. 10/- each fully paid up | | | |
| – (2,28,207.8390) LICMF Liquid Fund | 25 | | 0 |
| – (8,719.4998) SBI Mutual Fund | <u> </u> | | <u> </u> |
| | | 26 | <u> </u> |
| | | | 0 |
| | | | <u> </u> |
| Note : | | | |
| Market Value of Quoted Investment Rs. 26 Lacs (Previous Year Rs. –) | | | |
| Aggregate Book Value of Investments : Total | | <u> </u> | <u> </u> |
| | | 296 | 715 |

Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | As at 31st March, 2006 | As at 31st March, 2005 |
|-------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| | Rs. In Lacs | Rs. In Lacs |
| SCHEDULE G : CURRENT ASSETS, LOANS & ADVANCES | | |
| Current Assets | | |
| Inventories (At Lower of Cost or Net Realisable value) (Certified and valued by the Management) | | |
| Stores, Spares and Consumables | 242 | 192 |
| Raw Materials | 5,088 | 3,662 |
| Finished Goods | 6,300 | 5,140 |
| Work In Process | <u>586</u> | <u>709</u> |
| | | 12,217 |
| Sundry Debtors (Unsecured, considered good) | | |
| Over six months | 1,592 | 1,450 |
| Others | <u>3,013</u> | <u>3,314</u> |
| | | 4,604 |
| Cash and Bank Balances | | |
| Cash on hand | 23 | 25 |
| Balance with Scheduled Banks | | |
| - In Current Account | 36 | 83 |
| - In Fixed Deposit Account | 1 | 1 |
| - In Dividend Account | <u>124</u> | <u>76</u> |
| | | 184 |
| Loans and Advances (Unsecured, considered good) | | |
| Loans | | |
| Staff Loan | 148 | 122 |
| Corporate Deposits | 235 | 42 |
| Other Deposits | <u>184</u> | <u>266</u> |
| | <u>567</u> | <u>430</u> |

Schedules forming part of the Balance Sheet

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | Rs. In Lacs | As at 31st March, 2006 Rs. In Lacs | As at 31st March, 2005 Rs. In Lacs |
|------------------------------------------------------------------------|--------------|------------------------------------------|------------------------------------------|
| SCHEDULE G : CURRENT ASSETS, LOANS & ADVANCES (Cont.) | | | |
| Advances | | | |
| Advances Recoverable in Cash or in Kind or for value to be received | 716 | | 940 |
| Deposits with Public Bodies, Govt., etc. | 53 | | 52 |
| Deposits with Others | 26 | | 30 |
| Advance Tax paid (Net) | 372 | | 240 |
| Interest Accrued But Not Due | 0 | | 0 |
| | <u>1,167</u> | | <u>1,262</u> |
| Total | | <u>1,734</u> <u>18,740</u> | <u>1,692</u> <u>16,343</u> |
| SCHEDULE H : CURRENT LIABILITIES AND PROVISIONS | | | |
| Current Liabilities | | | |
| Sundry Creditors | 1,104 | | 1,172 |
| Advances Received | 82 | | 19 |
| Unclaimed Dividend | 124 | | 76 |
| Other Liabilities | 564 | | 409 |
| Interest Accrued But Not Due | 21 | | 4 |
| | | <u>1,894</u> | <u>1,681</u> |
| Provisions | | | |
| For Leave Encashment Benefit | 80 | | 62 |
| Dividend (Proposed Dividend / 2nd Interim) | 0 | | 476 |
| Corporate Tax on Proposed Dividend (Interim Dividend) | 0 | | 67 |
| | | <u>80</u> | <u>605</u> |
| Total | | <u>1,975</u> | <u>2,286</u> |

Schedules forming part of the P & L Account

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended
31st March, 2006

For the year ended
31st March, 2005

| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
|------------------------------------------------------|--------------|---------------|----------------|
| SCHEDULE I : OTHER INCOME | | | |
| On Current Investments (Gross) | | | |
| Dividend | | 46 | 58 |
| Profit/Loss on Sale of Investments | | 6 | 18 |
| Miscellaneous Income | | (17) | 3 |
| Interest and Financial Income | | 194 | 67 |
| [TDS Rs.15,97,195/-; (Previous year Rs.18,84,415/-)] | | | |
| Total | | <u>228</u> | <u>145</u> |
| SCHEDULE J : INCREASE/(DECREASE) IN STOCK | | | |
| Closing Stock | | | |
| Work in Process | 586 | | 709 |
| Finished Goods | <u>6,300</u> | | <u>5,140</u> |
| | | 6,886 | 5,849 |
| Opening Stock | | | |
| Work in Process | 709 | | 717 |
| Finished Goods | <u>5,140</u> | | <u>6,727</u> |
| | | 5,849 | 7,444 |
| Total | | <u>1,037</u> | <u>(1,595)</u> |
| SCHEDULE K : COST OF MATERIAL | | | |
| Raw Materials Consumed | | 15,997 | 12,647 |
| Freight and Octroi | | 96 | 86 |
| Purchase of Finished Goods / Trading Goods | | 87 | 49 |
| Total | | <u>16,181</u> | <u>12,783</u> |
| SCHEDULE L : MANUFACTURING EXPENSES | | | |
| Printing Expenses | | 534 | 483 |
| Binding Expenses | | 273 | 255 |
| Other Manufacturing Expenses | | 525 | 408 |
| Power and Fuel | | 155 | 135 |
| Stores and Spares Consumed | | 136 | 85 |
| Repairs to Plant and Machinery | | 91 | 65 |
| Total | | <u>1,713</u> | <u>1,433</u> |

Schedules forming part of the P & L Account

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended
31st March, 2006

For the year ended
31st March, 2005

| | Rs. In Lacs | Rs. In Lacs |
|-------------------------------------------------------------|--------------|--------------|
| SCHEDULE M : SALARIES, WAGES & EMPLOYEE BENEFITS | | |
| Salaries, Wages and Bonus | 1,999 | 1,661 |
| Contribution to Provident and Other Funds | 204 | 180 |
| Staff Welfare | 155 | 114 |
| Total | <u>2,358</u> | <u>1,955</u> |
| SCHEDULE N : ADMINISTRATIVE & SELLING EXPENSES | | |
| Rates & Taxes | 51 | 28 |
| Sales Tax | 317 | 317 |
| Rent | 122 | 95 |
| Royalty | 570 | 561 |
| Building Repairs & Maintainance | 114 | 147 |
| Other Repairs | 65 | 66 |
| Insurance | 91 | 78 |
| Transportation Expenses | 765 | 730 |
| Commission | 48 | 55 |
| Advertisement | 240 | 226 |
| Marketing Expenses | 414 | 385 |
| Sales Promotion Expenses | 248 | 317 |
| Discount & Rebate | 189 | 115 |
| Bad debts and other irrecoverable advance w/off | 0 | 6 |
| Donation | 159 | 162 |
| Bank Charges | 23 | 30 |
| Prior Period items | 1 | 3 |
| Other Administrative and Selling Expenses | 901 | 718 |
| Total | <u>4,318</u> | <u>4,039</u> |
| SCHEDULE O : INTEREST & FINANCIAL CHARGES | | |
| -Debentures | 37 | 25 |
| Others | 192 | 222 |
| Total | <u>229</u> | <u>247</u> |

For the year ended 31st March, 2006

SCHEDULE P : NOTES TO ACCOUNTS

1 Statement of Significant Accounting Policies

(A) Accounting Convention

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the applicable accounting standards.

(B) Fixed Assets

Fixed Assets are stated at cost. Cost comprises of the purchase price and all other attributable costs for bringing the asset to its working condition for its intended use.

(C) Depreciation

- (i) Depreciation on Fixed Assets other than intangible assets is provided on Written Down Value Method in accordance with the rates, prescribed in Schedule XIV to the Companies Act, 1956. Individual assets acquired for less than Rs.5000/- are entirely depreciated in the year of acquisition.
- (ii) Depreciation on fixed assets added/disposed off during the year has been provided on pro-rata basis.
- (iii) Lease Premium and related costs are amortised over the lease period.
- (iv) Cost of registration of Trade Marks and for acquiring Copy Rights are amortised over a period of 10 years in equal installments.
- (v) Cost of SAP is amortised over a period of three years in equal instalments.
- (vi) Cost of Softwares are amortised in the year of acquisition.

(D) Expenditure during construction period

Expenditure during construction period are included under capital work-in-progress and the same are allocated to the respective fixed assets on the completion of construction.

(E) Foreign Currency Transactions

- (i) Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year, are restated at the closing rate / forward rate as applicable.
- (ii) The differences in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions other than those relating to fixed assets are recognised in the Profit and Loss Account. Exchange differences in respect of liabilities incurred to acquire fixed assets are adjusted to the carrying amount of such fixed assets.
- (iii) In respect of forward foreign exchange contract, represented by monetary assets/liabilities and are meant for hedging purposes, the premium or discount arising at the inception of such forwards contract is amortised as expense or income over the life of contract. Exchange differences on such a contract is recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense for the period.
- (iv) In respect of foreign exchange contract, not represented by monetary assets/liabilities and are not meant for hedging purposes, gain or loss on such forward exchange contracts is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate. The premium or discount on the forward exchange contract is not recognised separately.

For the year ended 31st March, 2006

- (v) Non - monetary items are carried in terms of historical cost denominated in a foreign currency using the exchange rate at the date of the transactions.

(F) Inventories

Inventories are valued at lower of cost and estimated net realisable value.

- a) Raw materials, packing materials, stores and spares are valued at weighted average cost method.
- b) The Cost of Finished goods and Work-In-Process includes cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

(G) Retirement Benefits

- (i) The Company has taken a policy under group Gratuity Scheme of the Life Insurance Corporation of India and the total present liability for future payments of gratuity to employees at the year end is secured. Premium towards the yearly Gratuity liability determined on the basis of actuarial valuation done by the L.I.C.of India, is paid as and when due.
- (ii) The Company has made provision in respect of total present liability for future payments of leave encashment benefit to employees on the basis of actuarial valuation at the year end.

(H) Investments

Long-term Investments are stated at cost after deducting provision, if any, for permanent diminution in the value of investments. Current Investments are stated at lower of cost and market / fair value.

(I) Borrowing Costs

The Company capitalises the borrowing costs which are directly attributable to the acquisition or construction of qualifying assets till the said asset is put to use or ready to put to use.

(J) Leased Assets

Operating Lease : Rentals are expensed with reference to lease terms and other considerations.

(K) Provision for Tax

Provision for current tax is determined on the basis of taxable income for the period.

Deferred tax is recognized, subject to consideration of prudence, on timing differences between book profits and tax profits using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only when there is a reasonable certainty that the assets will be realized in future.

(L) Merger

The Honorable Bombay High Court has approved merger of its Wholly Owned Subsidiary Navneet Edutainment Limited with the Company effective from 30th June, 2005 and effect of the merger is given in accounts of the Company.

- 2 Estimated amount of Capital Contracts (net of advances) remaining to be executed and not provided for Rs. 33 Lacs (Previous Year Rs.56.79 Lacs)

3 Contingent Liability

- (a) For disputed Income-tax matters Rs.536.66 Lacs (Previous Year Rs.218.76 Lacs) against which amount paid is Rs.479.24 Lacs (Previous Year Rs.218.76 Lacs)
- (b) Against Bank Guarantee
 - (i) Rs.NIL (Previous Year Rs.8.57 lacs): The export obligation for import of machinery against licence granted under EPCG scheme has been fulfilled during the year.

Notes forming part of the Accounts

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

(c) Against Bond

(i) Rs.92.13 lacs (Previous Year Rs.92.13 lacs) : For fulfilment of export obligation of USD 0.95 lacs equivalent to Rs.42.44 Lac, (Previous Year Rs.41.61 lacs) for import of machinery against licence granted under EPCG scheme. The Company has already fulfilled the said export obligation during the year.

(ii) Rs.380.61 lac (Previous Year Rs.380.61 lacs) : For fulfillment of export obligation of US \$ 26.70 lac equivalent to Rs.1195.52 lac (Previous Year Rs.1172.30 lacs) for import of machinery against licences granted under EPCG scheme. The aforesaid export obligation is over and above fulfillment of yearly export obligation of average export turnover of last 3 years. The Company has to fulfill the said export obligation by 9th November, 2012.

(d) Forward foreign exchange contracts of USD 6.80 (Rs.30.26 cr.) (Previous Year USD 18.80 and Euro 0.64 Mn, Rs.88.75 cr.) are open as on balance sheet date.

4. Salaries, Wages & Employee Benefits includes Managing and Whole Time Directors' Remuneration under Section 198 of Companies Act, 1956

| | 2005-2006 | 2004-2005 |
|-------------------------------------|-------------|-------------|
| | Rs. In Lacs | Rs. In Lacs |
| (i) Salary and Bonus | 153 | 139 |
| (ii) Contribution to Provident Fund | 11 | 10 |
| Total | 164 | 149 |

5. Computation of Net Profit as per Sec. 349 read with Section 309(5) and Section 198 of the Companies Act, 1956 :

| | | |
|-----------------------------------------------------------------|--------------|--------------|
| Profit before tax as per Profit & Loss Account | 4,994 | 4,663 |
| Add : Expenses not to be considered as per Section 349 | | |
| Directors' Remuneration | 164 | 149 |
| Directors' Sitting Fees | 2 | 1 |
| Loss on Sale of Fixed Assets | 0 | 5 |
| | <u>166</u> | <u>155</u> |
| | <u>5,160</u> | <u>4,818</u> |
| Less : Income not to be considered | | |
| Profit on Sale of Investments | 6 | 18 |
| | <u>6</u> | <u>18</u> |
| Net Profit computed as per Section 349 of Companies Act, 1956 : | <u>5,154</u> | <u>4,800</u> |

Notes forming part of the Accounts

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

| | 2005-2006 | 2004-2005 |
|---------------------------|-------------|-------------|
| | Rs. In Lacs | Rs. In Lacs |
| 6. Auditors' Remuneration | | |
| Audit Fees | 2 | 2 |
| Tax Audit Fees | 1 | 1 |
| Other Matters | 5 | 6 |
| | <u>8</u> | <u>9</u> |

Additional Information as required under Part II of Schedule VI of the Companies Act, 1956.

7. Licenced Capacity, Installed Capacity and Production.

| | Licenced Capacity | Installed Capacity | Production |
|--------------------|-------------------|--------------------|----------------------------------------------|
| Printing & Binding | | | N.A. * Not Ascertainable * Not Ascertainable |

* In view of the nature of the Company's Business, the Production & Installed Capacity being variable, are not ascertainable and not relevant to the volume of the Company's Sales.

| | Value (Rs. In Lacs) |
|-----------------------------------------------|---------------------|
| 8. Opening & Closing Stocks | |
| (a) Opening Stock : | |
| (i) Finished Goods : Books & Paper Stationery | 5,122 |
| | (6,701) |
| (ii) Trading Stock | 17 |
| | (26) |
| (iii) Work In Process | 709 |
| | (717) |
| Total | <u>5,849</u> |
| | <u>(7,444)</u> |
| (b) Closing Stock : | |
| (i) Finished Goods : Books & Paper Stationery | 6,288 |
| | (5,122) |
| (ii) Trading Stock | 11 |
| | (17) |
| (iii) Work In Process | 586 |
| | (709) |
| Total | <u>6,886</u> |
| | <u>(5,849)</u> |

Notes forming part of the Accounts

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

| | Quantity in Lacs | Value (Rs. In Lacs) |
|---------------------------------------------------------------------|------------------|------------------------|
| 9. Information as regards Raw Materials Consumed | | |
| (a) Paper | 433 Kgs. | 14,870 |
| | (345) Kgs. | (11,746) |
| (b) Other Raw Materials | | 1,128 |
| | | (901) |
| Total | | 15,997 |
| | | (12,647) |
| 10. Information as regards Trading Purchases made during the year : | | |
| (a) Paper | 6 Kgs. | 204 |
| | (2) Kgs. | (83) |
| (b) Books and Other Stationery Items | | 5 |
| | | (2) |
| Total | | 208 |
| | | (84) |
| 11. Information as regards to Sales made during the year : | | |
| Sales : | | |
| (i) Publication sales | | 18,034 |
| | | (16,752) |
| (ii) Stationery sales | | 11,155 |
| | | (10,565) |
| (iii) Others | | 249 |
| | | (137) |
| Total | | 29,439 |
| | | (27,454) |

Notes forming part of the Accounts

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

| | Value (Rs. In Lacs) |
|---------------------------------------------------|---------------------|
| 12. Value of Imports on C.I.F. Basis : | |
| (i) Capital Goods | 83 (442) |
| (ii) Raw Material (Including Consumables) | 5 (29) |
| (iii) Components, Stores & Spares | 39 (42) |
| 13. Expenditure in Foreign Currency on Account of | |
| (i) Royalty | 1 (2) |
| (ii) Interest | 13 (74) |
| (iii) Professional Fees | 3 (0) |
| (iv) Other Matters | 160 (251) |
| 14. Earning in Foreign Exchange : | |
| Export of Goods on FOB basis | 3,196 (4,644) |
| Interest Income | 8 (0) |

15. Percentage and Value of Imported and Indigenous Raw Material and Stores & Machinery Spares Consumed.

| | Raw Material | | Stores & Machinery Spares, etc. | |
|----------------|----------------------------|----------------------------------|---------------------------------|----------------------------|
| | Percentage | Value (Rs. In Lacs) | Percentage | Value (Rs. In Lacs) |
| Imported | 0 (0) | 31 (34) | 8 (3) | 17 (5) |
| Indigenous | 100 (100) | 15,966 (12,613) | 92 (97) | 210 (146) |
| Total : | 100 (100) | 15,997 (12,647) | 100 (100) | 227 (151) |

For the year ended 31st March, 2006

16. During the year, the Company has spent an amount of Rs.5.70 crores (Previous Year Rs.5.61 Crores) under the head Royalty, the said amount is for payment to various authors who write the books and also for obtaining of publishing rights for books being published and sold by the Company.
17. (a) Sundry Creditors as per Schedule 'H' under Current Liabilities include Rs. 97.66 lacs (Previous Year Rs. 69.75 lacs) due to Small Scale Industrial Undertakings.
- (b) The undertakings to whom amounts outstanding for more than 30 days in respect of Small Scale Industrial Undertakings where such dues exceed Rs.1/- lacs are as under : Rs.in lacs
- | | |
|---------------------------|---|
| Hi Scan Pvt. Ltd. | 1 |
| Wilson Princy Ltd. | 1 |
| Yuvraj Printers | 3 |
| Yuvraj Printers Pvt. Ltd. | 2 |
- (c) The above information has been compiled in respect of parties to the extent to which they could be identified as Small Scale Industrial Undertakings on the basis of information available with the Company.
18. Total amount of Rs.63.78 lacs (Previous Year Rs. 3.66 lacs) being the exchange difference is debited to the Profit & Loss account.
19. Related party transactions
- (a) Party where control exists :
- Navneet Edutainment Ltd. – Subsidiary Company 100% of whose equity share capital is held by the Company (Merged with the Company) as at 30th June, 2005
- Chaplin Disenos S.L. – Subsidiary Company 100% of whose equity share capital is held by the Company as at 31st March, 2006
- (b) Other Related Parties with whom transactions have taken place during the year.

Associates

Enterprises owned or significantly influenced by key management personnel or their relatives

Navneet Prakashan Kendra
Vikas Prakashan
Gala Publishers
Sandeep Agencies
Ankur Offset
Nav Vikas Trading Pvt. Ltd.

Key Management Personnel & Relatives

1. Shri A.R. Gala
2. Shri D.R. Gala
3. Shri H.R. Gala
4. Shri S.R. Gala
5. Shri J.L. Gala
6. Shri J.K. Sampat
7. Shri N.N. Shah
8. Shri B.A. Gala
9. Shri A.D. Gala
10. Shri G.D. Gala
11. Shri R.H. Gala
12. Shri D.C. Sampat
13. Shri S.J. Gala
14. Shri S.J. Gala
15. Shri K.H. Gala
16. Shri S.S. Gala
17. Shri K.B. Gala

Notes forming part of the Account

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

Transaction with Related Parties :

| Items / Related Parties | Subsidiaries | Enterprises owned or significantly influenced by key management personnel or their relatives | Key Management Personnel | Total |
|--------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------|--------------------------|------------------|
| (i) Purchase,expense and other services from related parties | 0 (26) | 669 (651) | 369 (324) | 1,038 (1,002) |
| (ii) Sales of goods and services | 17 (1) | - (1) | - (-) | 17 (2) |
| (iii) Investment in equity shares | 270 (30) | - (-) | - (-) | 270 (30) |
| (iv) Loans given | 235 (-) | - (-) | - (-) | 235 (-) |
| (v) Balance outstanding at year end | | | | |
| Debtors | 16 (-) | - (-) | - (-) | 16 (-) |
| Loans and advances given | 235 (-) | - (-) | - (-) | 235 (-) |

20. Earning Per Share :

| | 2005-2006 Rs. In Lacs | 2004-2005 Rs. In Lacs |
|---------------------------------------------------------------------------------------|--------------------------|--------------------------|
| (a) Net Profit after tax | 3,568 | 3,092 |
| Add/(Less) : Excess/(Short) Provision of Taxation of the Earlier Years W / off / back | (20) | 40 |
| Net profit available for Equity Shareholders | 3,548 | 3,132 |
| (b) Number of Equity Shares (in Lacs) | 191 | 191 |
| (c) Basic and Diluted Earning per share of Rs.10/- each | | |
| (i) before Extraordinary Items | 19 | 16 |
| (ii) after Extraordinary Items | 19 | 16 |

For the year ended 31st March, 2006

21. Details of Loans and Advances and Investments as at the year end and maximum balance thereof as per clause 32 of Listing Agreement with Stock Exchange in compliance with SEBI Circular No.SMD/ Policy / Cir / 2 / 2003 dt.10.1.2003

| | Loan having Interest Rate lower than Section 372A of Co.Act | Interest Free Loan and Advances | Maximum Balance at any time during the year |
|-----------------------------------------------|----------------------------------------------------------------|------------------------------------|------------------------------------------------|
| (a) Loans & Advances in the nature of Loans : | | | |
| (i) Subsidiaries | | | |
| Chaplin Disenos S.L. | 235 | – | 235 |

22. During the year the Company invested the temporary surplus funds for short periods in the following Liquid/Cash Mutual Fund schemes, which were purchased and sold during the year.

| | Opening | | Purchase | | Sold | | Balance | |
|-----------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
| | Number of Units in Lacs | Value (Rs. in Lacs) | Number of Units in Lacs | Value (Rs. in Lacs) | Number of Units in Lacs | Value (Rs. in Lacs) | Number of Units in Lacs | Value (Rs. in Lacs) |
| Alliance Mutual Fund | 0 | 0 | 65 | 651 | 65 | 651 | 0 | 0 |
| Birla Mutual Fund | 0 | 0 | 167 | 1,804 | 167 | 1,804 | 0 | 0 |
| Chola Mutual Fund | 0 | 0 | 291 | 3,352 | 291 | 3,352 | 0 | 0 |
| ING Vysya Mutual Fund | 0 | 0 | 30 | 300 | 30 | 301 | 0 | 0 |
| Kotak Liquid Fund | 0 | 0 | 355 | 3,756 | 355 | 3,757 | 0 | 0 |
| LIC Mutual Fund | 0 | 0 | 2283 | 24,907 | 2281 | 24,886 | 2 | 25 |
| Principal Mutual Fund | 0 | 0 | 855 | 8,557 | 855 | 8,557 | 0 | 0 |
| Sahara Mutual Fund | 0 | 0 | 1 | 1,526 | 1 | 1,526 | 0 | 0 |
| SBI Mutual Fund | 0 | 0 | 132 | 1,322 | 132 | 1,321 | 0 | 1 |
| Tata Mutual Fund | 0 | 0 | 1 | 1,151 | 1 | 1,151 | 0 | 0 |

23. Lease Transactions : Accounting standard 19 As a Lessor in an Operating Lease

The existing operating lease agreements permit the lessee to cancel the arrangement before expiry of the normal tenure of the lease. As such, no disclosures are required to be made.

24. Deferred tax liability Comprises of following

| | Deferred tax (asset)/liability as at April 1, 2005 Rs. In Lacs | Current Year charge /(credit) Rs. In Lacs | Deferred tax (asset)/liability as at March 31, 2006 Rs. In Lacs |
|--------------------------------|----------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------|
| Depreciation | 524 | (64) | 460 |
| Disallowance under section 43B | (18) | (6) | (25) |
| Others | 0 | 0 | 0 |
| Total | 506 | (71) | 435 |
| Previous Year | 504 | 1 | 506 |

Notes forming part of the Account

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

25. SEGMENT REPORTING

The Company's operations relates to manufacturing of knowledge based information in educational and general books form and in paper and other stationery items. It caters to the educational need of Indian as well as Global market. Accordingly "Publication" and "Stationery" comprise the primary segments.

Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles and policies used in the preparation of the Financial Statements, as set out in the note on significant accounting policies, are also consistently applied to record revenue and expenditure, in individual segments.

[A] Primary - Business Segments

| | For the year ended 31st March, 2006 (For the year ended 31st March, 2005) | | | | | | Rs. In Lacs | |
|--------------------------------------------------------------------|------------------------------------------------------------------------------|--------|------------|--------|--------|------|-------------|--------|
| | Publication | | Stationery | | Others | | Total | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenue | 18,034 | 16,752 | 11,155 | 10,565 | 249 | 137 | 29,439 | 27,454 |
| Less : Inter Segment Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Revenue | 18,034 | 16,752 | 11,155 | 10,565 | 249 | 137 | 29,439 | 27,454 |
| Other Income | 49 | 76 | 99 | 52 | 0 | 4 | 148 | 132 |
| Segment Revenue | 18,083 | 16,828 | 11,254 | 10,617 | 249 | 141 | 29,586 | 27,586 |
| Segment Results | 4,900 | 4,624 | 1,036 | 993 | 34 | 30 | 5,969 | 5,646 |
| Add : Unallocated Other Income / (Expense) | | | | | | | 81 | (67) |
| Less : Financial Expenses | | | | | | | 229 | 247 |
| Less:Unallocable Expenditures (net of unallocable interest income) | | | | | | | 827 | 670 |
| Profit Before Taxation | | | | | | | 4,994 | 4,663 |
| Provision for Taxation (current tax, FBT and deferred tax) | | | | | | | 1,426 | 1,571 |
| Profit after taxation | | | | | | | 3,568 | 3,092 |
| Segment Assets | 14,821 | 13,356 | 9,487 | 8,863 | 63 | 70 | 24,371 | 22,289 |
| Unallocated Assets | | | | | | | 1,461 | 1,821 |
| Total Assets | | | | | | | 25,832 | 24,110 |
| Segment Liabilities | 882 | 641 | 822 | 847 | 2 | 1 | 1,706 | 1,490 |
| Unallocated Liabilities | | | | | | | 5,740 | 5,268 |
| Total Liabilities | | | | | | | 7,446 | 6,757 |

Notes forming part of the Account

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

Rs. In Lacs

| | Publication | | Stationery | | Others | | Total | |
|----------------------------------|-------------|------|------------|------|--------|------|-------|------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Depreciation on Segmental Assets | 476 | 407 | 304 | 342 | 9 | 11 | 789 | 760 |
| Unallocated Depreciation | | | | | | | 121 | 125 |

Notes :

1. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities, of the respective segment, however, revenue and expenses which cannot be identified or allocated reasonably to a segment being related to the enterprise as a whole have been grouped as unallocable.
2. Segment assets and segment liabilities represent assets and liabilities of respective segments, however the assets and liabilities not identifiable or allocable on reasonable basis being related to enterprise as a whole have been grouped as unallocable.
3. The business which have been grouped under "Others" segment comprises of revenue from generation of power by windmill, sale of trading items, etc.

[B] Secondary - Geographical Segments

For the year ended 31st March, 2006
(For the year ended 31st March, 2005)

| | North & Central America Rs. In Lacs | Africa Rs. In Lacs | Europe Rs. In Lacs | Australia & Oceania Rs. In Lacs | Rest of the world except India Rs. In Lacs | India Rs. In Lacs | Total |
|-----------------|-------------------------------------------|-----------------------|-----------------------|---------------------------------------|--------------------------------------------------|----------------------|----------|
| Segment Revenue | 1,543 | 1,211 | 212 | 22 | 440 | 26,158 | 29,586 |
| | (2,481) | (1,605) | (341) | (26) | (360) | (22,774) | (27,586) |
| Segment Assets | 1,261 | 128 | 31 | 0 | 303 | 24,110 | 25,832 |
| | (1,410) | (194) | (56) | (7) | (334) | (22,109) | (24,110) |

26. Previous Year Figures have been regrouped / rearranged wherever necessary.

As per our report of even date attached hereto
For and on behalf of : **Ghalla & Bhansali** (Chartered Accountants)

For and on behalf of the Board

Haresh K. Chheda
Partner
Mumbai : 31st July, 2006

M. J. Thakar
Company Secretary

A. R. Gala
Managing Director

S. K. Vikamsey
Chairman

Cash Flow Statement

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | For the Year ended 31st March, 2006 | | For the Year ended 31st March, 2005 | |
|----------------------------------------------------------------|----------------------------------------|----------------|----------------------------------------|----------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| (A) Cash Flow from Operating Activities : | | | | |
| Net Profit before tax and extraordinary items | | 4,994 | | 4,663 |
| Adjusted for : | | | | |
| Add : | | | | |
| Depreciation | 910 | | 885 | |
| Loss on sale of Fixed Assets | 21 | | 5 | |
| Interest and Finance Charges | 229 | | 247 | |
| Interest and Finance Income from Operation | 133 | | 105 | |
| | <u>1,293</u> | | <u>1,241</u> | |
| Less : | | | | |
| Investment Income | 46 | | 58 | |
| Profit on Sale of Investment | 6 | | 18 | |
| Interest and Financial Income | 194 | | 67 | |
| | <u>246</u> | | <u>143</u> | |
| | | 1,047 | | 1,098 |
| Operating Profit before working capital changes | | <u>6,041</u> | | <u>5,761</u> |
| Adjusted for : | | | | |
| Add/(Less) :(Decrease) / Increase in trade payables | 207 | | 277 | |
| Decrease / (Increase) in inventories | (2,514) | | 958 | |
| Decrease / (Increase) in trade and other receivables | 243 | | (588) | |
| | | <u>(2,064)</u> | | <u>647</u> |
| Cash Generated from Operations | | 3,978 | | 6,408 |
| Add/(Less):Direct Taxes Paid | (1,633) | | (1,735) | |
| | | <u>(1,633)</u> | | <u>(1,735)</u> |
| Cash Flow before extraordinary items : | | 2,345 | | 4,673 |
| Net Cash Inflow from Operating Activities (A) | | <u>2,345</u> | | <u>4,673</u> |
| (B) Cash Flow from Investing Activities : | | | | |
| Inflow : | | | | |
| Proceeds from Sale of Fixed Assets | 20 | | 16 | |
| Investment Income | 30 | | 58 | |
| Interest Income from Investing | 120 | | 88 | |
| Short-term Loans & Advances | 0 | | 101 | |
| Proceeds from sale of Investments | 0 | | 2,118 | |
| | <u>170</u> | | <u>2,381</u> | |
| Outflow : | | | | |
| Purchase of Fixed Assets | 602 | | 1,287 | |
| Purchase of Investments | 20 | | 0 | |
| Investment in subsidiary Company Chaplin Disenos S.L. & NED | | | | |
| – Direct Investment | 223 | | 30 | |
| – Direct Purchase | 0 | | 0 | |
| Short term loans & Advances | 111 | | 0 | |
| | <u>956</u> | | <u>1,317</u> | |
| Net Cash flow from Investing Activities (B) | | (786) | | 1,064 |

Cash Flow Statement (Contd.)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | For the Year ended 31st March, 2006 | | For the Year ended 31st March 2005 | |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|---------------------------------------|--------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| (C) Cash Flow from Financing Activities: | | | | |
| Inflow : | | | | |
| Proceeds from Re-issue of Share Capital INCL Premium | 0 | | 0 | |
| Proceeds from long term borrowings | 0 | | 0 | |
| Proceeds/repayments from short term loans | 1,071 | | 0 | |
| Proceeds from issue of debentures | 0 | | 500 | |
| Income from financing | 0 | | 0 | |
| | <u>1,071</u> | | <u>500</u> | |
| Outflow : | | | | |
| Repayment of Finance/Lease Liabilities | 0 | | 0 | |
| Redemption of Debentures | 0 | | 0 | |
| Interest/charges paid for Financing Activities | 288 | | 391 | |
| Short Term Loans (Secured & Unsecured Loans) | 0 | | 4,349 | |
| Dividend Paid (Inclusive of Dividend-Tax) | 2,342 | | 1,634 | |
| | <u>2,630</u> | | <u>6,374</u> | |
| Net Cash flow from Financing Activities (C) | | (1,559) | | (5,874) |
| Net Increase/(Decrease) in Cash and Cash Equivalents (A - B - C) | | <u>(1)</u> | | <u>(138)</u> |
| Cash and Cash Equivalents as at the commencement of the year (Opening Balance) (As shown in schedule 'G' of the Balance Sheet) | 185 | | 323 | |
| Cash and Cash Equivalents as at the end of the year (Closing Balance) (As shown in schedule 'G' of the Balance Sheet) | 184 | | 185 | |
| Net Increase /(Decrease) as disclosed above | | (1) | | (138) |

Note:

Significant Accounting Policies and Notes Forming Part of the Accounts
and Contingent Liabilities as per Schedule 'P'

As per our report of even date attached hereto
For and on behalf of : **Ghalla & Bhansali** (Chartered Accountants)

For and on behalf of the Board

Haresh K. Chheda
Partner
Mumbai : 31st July, 2006

M. J. Thakar
Company Secretary

A. R. Gala
Managing Director

S. K. Vikamsey
Chairman

NAVNEET PUBLICATIONS (INDIA) LIMITED

**Consolidated
Financial
Statements**

for the year ended 31st March, 2006

Auditor's Report

NAVNEET PUBLICATIONS (INDIA) LIMITED

TO THE BOARD OF DIRECTORS OF
NAVNEET PUBLICATIONS (INDIA) LIMITED.

We have examined the attached Consolidated Balance Sheet, as at 31st March 2006, the Consolidated Profit and Loss account and the Consolidated Cash Flow Statement of NAVNEET PUBLICATIONS (INDIA) LIMITED (the Company) and its subsidiaries, NAVNEET EDUTAINMENT LIMITED, CHAPLIN DISENOS S.L. for the year ended 31st March 2006 annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared in all material respects, in accordance with the financial reporting framework generally accepted in India and 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.

On the basis of information and explanations given to us, and on consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiary, in our opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiary as at 31st March 2006;
- b. in case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- c. in case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For Ghalla & Bhansali
Chartered Accountants

Haresh K. Chheda

Partner

Membership No. 38262

Place : Mumbai

Dated : 31st July, 2006

Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | Schedule | Rs. In Lacs | As at 31st March, 2006 Rs. In Lacs | As at 31st March, 2005 Rs. In Lacs |
|--------------------------------------------------------------------------|----------|-------------|------------------------------------------|------------------------------------------|
| Sources of Funds | | | | |
| Shareholders' Funds | | | | |
| Share Capital | A | 1,906 | | 1,906 |
| Reserves & Surplus | B | 16,457 | | 14,993 |
| Foreign Currency Translation Reserve | | (1) | | 0 |
| | | | 18,362 | 16,899 |
| Loan Funds | | | | |
| Secured Loans | C | 3,036 | | 3,466 |
| Unsecured Loans | D | 2,000 | | 500 |
| | | | 5,036 | 3,966 |
| Deferred Tax Liability | | | 435 | 506 |
| Total Funds Employed | | | 23,833 | 21,370 |
| Application of Funds | | | | |
| Fixed Assets | | | | |
| Gross Block | E | 13,828 | | 12,992 |
| Less: Depreciation | | 6,848 | | 6,049 |
| Net Block | | 6,980 | | 6,942 |
| Capital Work In Progress | | 4 | | 149 |
| | | | 6,984 | 7,091 |
| Goodwill on Consolidation | | | 0 | 213 |
| Investments | F | | 122 | 0 |
| Current Assets, Loans and Advances | | | | |
| Inventories | G | 12,373 | | 9,705 |
| Sundry Debtors | | 4,813 | | 4,767 |
| Cash & Bank Balances | | 182 | | 191 |
| Loans & Advances | | 1,498 | | 1,693 |
| | | 18,867 | | 16,357 |
| Less: Current Liabilities and Provisions | H | | | |
| Current Liabilities | | 2,063 | | 1,686 |
| Provisions | | 80 | | 605 |
| | | 2,143 | | 2,291 |
| Net Current Assets | | | 16,724 | 14,066 |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | | | | |
| Preliminary Expenses (net) | | | 2 | 0 |
| Total Funds Utilised | | | 23,833 | 21,370 |

As per our report of even date attached hereto
For and on behalf of : **Ghalla & Bhansali** (Chartered Accountants)

For and on behalf of the Board

Haresh K. Chheda
Partner
Mumbai : 31st July, 2006

M. J. Thakar
Company Secretary

A. R. Gala
Managing Director

S. K. Vikamsey
Chairman

Profit and Loss Account (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | Schedule | For the year ended | |
|-------------------------------------------------------------------------------------------------|----------|--------------------|------------------|
| | | 31st March, 2006 | 31st March, 2005 |
| | | Rs. In Lacs | Rs. In Lacs |
| Income | | | |
| Sales & Income from Operation | | | 29,626 |
| Other Income | I | | 225 |
| Increase/(Decrease) In Stocks | J | | 1,177 |
| | | | <u>31,028</u> |
| Expenditure | | | |
| Cost of Materials | K | | 16,284 |
| Manufacturing Expenses | L | | 1,818 |
| Salaries Wages & Employee Benefit | M | | 2,402 |
| Administrative & Selling Expenses | N | | 4,405 |
| Interest | O | | 229 |
| | | | <u>25,137</u> |
| Profit before Depreciation & Tax | | | 5,891 |
| Depreciation | E | | 921 |
| Profit after Depreciation | | | <u>4,970</u> |
| Less : Provision for Taxation | | | 1,497 |
| Less : Provision for Deferred Tax | | | (71) |
| Profit after Tax | | | <u>3,544</u> |
| Add/(Less) : Excess/(Short) Provision of taxation of Earlier Year W/off/back | | | (20) |
| Add : Loss of subsidiary attr.to Minority | | | 0 |
| Less :Excess cost over Parent's portion of Equity | | | 0 |
| Add : Balance Brought Forward from last year | | 7,993 | 7,506 |
| Add : Ajd.for previous years for fresh issue of Shares | | 0 | 18 |
| Goodwill W/off on A/c of Merger | | (213) | 0 |
| | | | <u>7,780</u> |
| Profit available for Appropriation | | | <u>11,304</u> |
| Appropriations / Adjustments : | | | |
| Dividend (First Interim) | | 953 | 953 |
| Dividend (Second Interim) | | 667 | 476 |
| | | | <u>1,429</u> |
| Corporate Tax on Dividend | | | 227 |
| General Reserve | | | 1,000 |
| | | | <u>2,847</u> |
| Surplus Carried to Balance Sheet | | | <u>8,457</u> |
| Basic and Diluted Earning per Share of Rs.10/- each [Refer Note 7 of Schedule 'P'] | | | |
| Before Extraordinary Items | | | 18.49 |
| After Extraordinary Items | | | 18.49 |
| Significant Accounting Policies and Notes Forming Part of the Accounts and Contingent Liability | P | | |

As per our report of even date attached hereto
For and on behalf of : **Ghalla & Bhansali** (Chartered Accountants)

For and on behalf of the Board

Schedules forming part of the Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | As at 31st March, 2006 | As at 31st March, 2005 |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| | Rs. In Lacs | Rs. In Lacs |
| SCHEDULE A : SHARE CAPITAL | | |
| Authorised : | | |
| 2,00,00,000 Equity Shares of Rs.10/- each | <u>2,000</u> | <u>2,000</u> |
| Issued, Subscribed & Paid Up : | | |
| 1,90,57,200 Equity Shares of Rs.10/- each | <u>1,906</u> | <u>1,906</u> |
| Total | <u>1,906</u> | <u>1,906</u> |
| Note : | | |
| Of the above 1,27,04,800 Shares were allotted as fully paid-up Bonus Shares by Capitalisation of Share Premium and General Reserve | | |
| SCHEDULE B : RESERVES & SURPLUS | | |
| Capital Reserve | | |
| As per last Balance Sheet | 0 | 0 |
| General Reserve | | |
| As per last Balance Sheet | 7,000 | 6,000 |
| Add: Set aside this Year | <u>1,000</u> | <u>1,000</u> |
| | 8,000 | 7,000 |
| Surplus in Profit and Loss Account | <u>8,457</u> | <u>7,993</u> |
| Total | <u>16,457</u> | <u>14,993</u> |

Schedules forming part of the Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | As at 31st March, 2006 | As at 31st March, 2005 |
|-----------------------------------|---------------------------|---------------------------|
| | Rs. In Lacs | Rs. In Lacs |
| SCHEDULE C : SECURED LOANS | | |
| Loans from Banks : | | |
| Working capital borrowings | | |
| – Rupee Loans | 1,678 | 563 |
| – Foreign Currency Loans | 1,343 | 2,854 |
| Other Loans | 15 | 48 |
| Total | <u>3,036</u> | <u>3,466</u> |

Notes :

(a) All rupee loans and foreign currency loans equivalent to Rs. 3,022/- Lac (Previous Year Rs. 3,417/-) are secured against :

- (1) Hypothecation & first charge over stock of raw materials work-in-process, finished goods stores & spares not relating to plant and machinery & book debts.
- (2) Hypothecation & first charge over movable plant and machinery, machinery spares, tools and accessories both present and future of the Company.

(b) Other loans are secured against hypothecation of respective assets

SCHEDULE D : UNSECURED LOANS

Debentures :

Non-Convertible Debentures

Total

| | |
|--------------|------------|
| 2,000 | 500 |
| <u>2,000</u> | <u>500</u> |

Schedules forming part of the Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

SCHEDULE E : FIXED ASSETS

| Sr. No. | Description of Assets | Gross Block | | | | Depreciation | | | | Net Block | |
|---------|-----------------------|-----------------------|---------------------------|------------------------------|-----------------------|---------------------------|--------------|-----------------------------|-----------------------|------------------|------------------|
| | | Cost as on 01.04.2005 | Additions during the year | Deduction on sale / transfer | Cost as on 31.03.2006 | Provided up to 01.04.2005 | For the year | Deductions on Sale/Transfer | Total upto 31.03.2006 | As on 31.03.2006 | As on 31.03.2005 |
| 1 | Land - Freehold | 340 | 0 | 0 | 340 | 0 | 0 | 0 | 0 | 340 | 340 |
| 2 | Land - Leasehold | 84 | 0 | 0 | 84 | 6 | 6 | 0 | 13 | 71 | 77 |
| 3 | Building | 3,470 | 394 | 0 | 3,864 | 980 | 176 | 0 | 1,157 | 2,707 | 2,490 |
| 4 | Plant & Machinery | 7,218 | 456 | 133 | 7,541 | 4,042 | 491 | 76 | 4,458 | 3,083 | 3,176 |
| 5 | Office Equipment | 171 | 14 | 5 | 180 | 99 | 12 | 3 | 107 | 73 | 72 |
| 6 | Furniture & Fixtures | 906 | 76 | 37 | 944 | 489 | 81 | 23 | 548 | 396 | 416 |
| 7 | Vehicles | 603 | 40 | 23 | 621 | 297 | 85 | 20 | 362 | 259 | 306 |
| 8 | Trade Mark | 2 | 54 | 0 | 57 | 1 | 5 | 0 | 6 | 51 | 1 |
| 9 | SAP | 190 | 0 | 0 | 190 | 127 | 63 | 0 | 190 | 0 | 63 |
| 10 | Software | 8 | 1 | 1 | 7 | 8 | 1 | 1 | 7 | 0 | 0 |
| | Total | 12,992 | 1,036 | 199 | 13,828 | 6,049 | 921 | 123 | 6,848 | 6,980 | 6,942 |
| | Previous Year | 12,025 | 1,041 | 75 | 12,992 | 5,207 | 896 | 54 | 6,049 | 6,942 | 0 |

As at
31st March, 2006 As at
31st March, 2005

Rs. In Lacs Rs. In Lacs Rs. In Lacs

SCHEDULE F : INVESTMENTS

LONG TERM - NON TRADE

Long Term financial Investments

57 0

OTHER INVESTMENTS

Temporary Financial Investments

39 0

CURRENT INVESTMENTS

Mutual Funds

Units of Rs.10/-each fully paid up

(2,28,207.8390) LICMF Liquid Fund

25 0

(8,719.4998) SBI Mutual Fund

1 0

26 0

Market value of Quoted Investment Rs. 25,87,883.21

Previous year Rs. (-)

Aggregate Book Value of Investments

TOTAL

122 0

Schedules forming part of the Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | Rs. In Lacs | As at 31st March, 2006 Rs. In Lacs | As at 31st March, 2005 Rs. In Lacs |
|---------------------------------------------------------------------|-------------|------------------------------------------|------------------------------------------|
| SCHEDULE G : CURRENT ASSETS, LOANS & ADVANCES | | | |
| Current Assets | | | |
| Inventories | | | |
| (At Lower of Cost or Net Realisable value) | | | |
| (Certified and valued by the Management) | | | |
| Stores Spares & Consumables | 242 | | 192 |
| Raw Materials | 5,102 | | 3,662 |
| Finished Goods | 6,442 | | 5,142 |
| Work In Process | 586 | | 709 |
| | | 12,373 | 9,705 |
| Sundry Debtors | | | |
| (Unsecured considered good) | | | |
| Over six months | 1,592 | | 1,454 |
| Others | 3,221 | | 3,314 |
| | | 4,813 | 4,767 |
| Cash and Bank Balances | | | |
| Cash on hand | 23 | | 25 |
| Balance with Scheduled Banks | | | |
| In Current Account | 34 | | 90 |
| In Fixed Deposit Account | 1 | | 1 |
| In Dividend Account | 124 | | 76 |
| | | 182 | 191 |
| LOANS & ADVANCES | | | |
| (Unsecured considered good) | | | |
| LOANS | | | |
| Staff Loans | 148 | | 122 |
| Corporate Deposits | 0 | | 42 |
| Other Deposits | 184 | | 266 |
| | | 332 | 430 |
| ADVANCES | | | |
| Advances Recoverable in Cash or in Kind or for value to be received | 712 | | 941 |
| Deposits with Public Bodies Govt.etc | 53 | | 52 |
| Deposit with Others | 30 | | 30 |
| Advance Tax paid (Net) | 372 | | 240 |
| | | 1,167 | 1,263 |
| | | 1,498 | 1,693 |
| | | 18,867 | 16,357 |
| 62 TOTAL | | | |

Schedules forming part of the Balance Sheet (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | Rs. In Lacs | As at 31st March, 2006 Rs. In Lacs | As at 31st March, 2005 Rs. In Lacs |
|--------------------------------------------------------|-------------|------------------------------------------|------------------------------------------|
| SCHEDULE H : CURRENT LIABILITIES AND PROVISIONS | | | |
| Current Liabilities | | | |
| Sundry Creditors | 1,272 | | 1,172 |
| Advances Received | 82 | | 19 |
| Unclaimed Dividend | 124 | | 76 |
| Other Liabilities | 564 | | 414 |
| Interest Accrued But Not Due | 21 | | 4 |
| | | 2,063 | 1,686 |
| Provisions | | | |
| For Leave Encashment Benefit | 80 | | 62 |
| Dividend (Proposed Dividend / 2nd Interim) | 0 | | 476 |
| Corporate Tax on Proposed Dividend (Interim Dividend) | 0 | | 67 |
| | | 80 | 605 |
| TOTAL | | 2,143 | 2,291 |

Schedules forming part of the P & L Account (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | | For the Year Ended 31st March, 2006 | For the Year Ended 31st March, 2005 |
|--------------------------------------------------------|--------------|----------------------------------------|----------------------------------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| SCHEDULE I : OTHER INCOME | | | |
| On Current Investment (Gross) | | | |
| Dividend | | 46 | 58 |
| Profit / Loss on Sale of Investments | | 6 | 18 |
| Miscellaneous Income | | (17) | 3 |
| Exchange Fluctuation on Consolidation | | 0 | 0 |
| Interest & Financial Income | | 190 | 67 |
| [TDS Rs. 15,97,195/-; (Previous year Rs. 18,84,415/-)] | | | |
| TOTAL | | <u>225</u> | <u>145</u> |
| SCHEDULE J : INCREASE/(DECREASE) IN STOCK | | | |
| Closing Stock | | | |
| Work In Process | 586 | | 709 |
| Finished Goods | <u>6,442</u> | | <u>5,142</u> |
| | | 7,029 | 5,851 |
| Opening Stock | | | |
| Work In Process | 709 | | 717 |
| Finished Goods | <u>5,142</u> | | <u>6,727</u> |
| | | 5,851 | 7,444 |
| TOTAL | | <u>1,177</u> | <u>(1,592)</u> |
| SCHEDULE K : COST OF MATERIAL | | | |
| Raw Materials Consumed | | 16,083 | 12,647 |
| Freight & Octroi | | 96 | 86 |
| Purchase of Finished / Trading Goods | | 105 | 49 |
| TOTAL | | <u>16,284</u> | <u>12,783</u> |
| SCHEDULE L : MANUFACTURING EXPENSES | | | |
| Printing Expenses | | 580 | 483 |
| Binding Expenses | | 307 | 255 |
| Other Manufacturing Expenses | | 549 | 418 |
| Power & Fuel | | 155 | 135 |
| Content Creation | | 1 | 7 |
| Stores & Spares Consumed | | 136 | 85 |
| Repairs to Plant & Machinery | | 91 | 66 |
| TOTAL | | <u>1,818</u> | <u>1,451</u> |

Schedules forming part of the P & L Account (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | For the Year Ended 31st March, 2006 | For the Year Ended 31st March, 2005 |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------|
| | Rs. In Lacs | Rs. In Lacs |
| SCHEDULE M : SALARIES, WAGES & EMPLOYEE BENEFITS | | |
| Salaries, Wages & Bonus | 2,033 | 1,704 |
| Contribution to Provident & Other Funds | 205 | 182 |
| Staff Welfare | 164 | 114 |
| TOTAL | 2,402 | 2,001 |
| SCHEDULE N : ADMINISTRATIVE & SELLING EXPENSES | | |
| Rates & Taxes | 51 | 28 |
| Sales Tax | 317 | 318 |
| Rent | 135 | 105 |
| Royalty | 570 | 561 |
| Building Repairs & Maintenance | 114 | 147 |
| Other Repairs | 67 | 66 |
| Insurance | 91 | 78 |
| Transportation Expenses | 771 | 730 |
| Commission | 51 | 55 |
| Advertisement | 240 | 226 |
| Marketing Expenses | 424 | 390 |
| Sales Promotion Expenses | 248 | 317 |
| Discount & Rebate | 189 | 115 |
| Bad debts and other irrecoverable advance w/off | 0 | 6 |
| Donation | 159 | 162 |
| Bank Charges | 25 | 30 |
| Prior Period Items | 1 | 3 |
| Other Administrative & Selling Expenses | 952 | 703 |
| TOTAL | 4,405 | 4,040 |
| SCHEDULE O : INTEREST | | |
| Debentures | 37 | 25 |
| Others | 192 | 222 |
| TOTAL | 229 | 247 |

For the year ended 31st March, 2006

SCHEDULE P: NOTES TO ACCOUNTS

1 Statement of Significant Accounting Policies

(a) Principles of Consolidation :

The Consolidated Financial Statements relate to Navneet Publications (India) Ltd. and its subsidiaries Navneet Edutainment Ltd. up to 30th June, 2005 & Chaplin Disenos S.L.

The consolidated financial statements have been prepared on the following basis :

- (i) The financial statements of the Company and its subsidiary Companies are combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 "Consolidated financial Statements" issued by the Institute of Chartered Accountants of India.
- (ii) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- (iii) The honorable Bombay high court has approved merger of Navneet Edutainment Limited with the Company effective from 30th June, 2005 and effect of the merger is given in accounts of the Company.

(iv) Chaplin Disenos S.L. accounts are drawn considering depreciation at straight line method as against W.D.V. method adopted by NPIL. The same is not aligned with for consolidation purpose considering the negligible impact of the same.

(v) Chaplin Disenos S.L. balance sheet is as at 31st December, 2005 with due effect for inter-party transaction for intervening period.

(b) Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on Accounting for Investments

(c) Other Significant accounting Policies

These are set out under "Significant Accounting Policies" as given in separate financial statements of Parent and subsidiary.

2 Estimated amount of Capital Contracts (net of advances) remaining to be executed and not provided for Rs. 32.82 Lacs (Previous Year Rs.56.79 Lacs)

3 Contingent Liability

(a) For disputed Income-tax matters Rs.536.66 Lacs (Previous Year Rs.218.76 Lacs) against which amount paid is Rs.479.24 Lacs (Previous Year Rs.218.76 Lacs)

(b) Against Bank Guarantee

Rs.NIL (Previous Year Rs.8.57 lacs): The export obligation for import of machinery against licence granted under EPCG scheme has been fulfilled during the year.

For the year ended 31st March, 2006

(c) Against Bond

- (i) Rs.92.13 lacs (Previous Year Rs.92.13 lacs) : For fulfilment of export obligation of USD 0.95 lacs equivalent to Rs.42.44 Lacs, (Previous Year Rs.41.61 lacs) for import of machinery against licence granted under EPCG scheme. The Company has already fulfilled the said export obligation during the year.
- (ii) Rs.380.61 lacs (Previous Year Rs.380.61 lacs) : For fulfillment of export obligation of US \$ 26.70 lac equivalent to Rs.1195.52 lacs (Previous Year Rs.1172.30 lacs) for import of machinery against licences granted under EPCG scheme. The aforesaid export obligation is over and above fulfillment of yearly export obligation of average export turnover of last 3 years. The Company has to fulfill the said export obligation by 9th November, 2012.

(d) Forward foreign exchange contracts of USD 6.80 (Rs.30.26 cr.) (Previous Year USD 18.80 and Euro 0.64 Mn, Rs.88.75 cr.) are open as on balance sheet date.

- 4 During the year, the Company has spent an amount of Rs.5.70 crores (Previous Year Rs.5.61 Crores) under the head Royalty, the said amount is for payment to various authors who write the books and also for obtaining of publishing rights for books being published and sold by the Company.
- 5 Total amount of Rs.63.65 lacs (Previous Year Rs.3.66 lacs) being the exchange difference is debited to the Profit & Loss account.

6 Related party transactions

(a) Other Related Parties with whom transactions have taken place during the year

- (i) *Enterprises owned or significantly influenced by key management personnel or their relatives* - Navneet Prakashan Kendra
Vikas Prakashan
Gala Publishers
Sandeep Agency
Ankur Offset
Nav Vikas Trading Pvt.Ltd.
- (ii) *Key Management Personnel & Relatives* - Shri A.R.Gala
Shri D.R.Gala
Shri H.R.Gala
Shri S.R.Gala
Shri J.L.Gala
Shri J.K.Sampat
Shri N.N.Shah
Shri B.A.Gala
Shri A.D.Gala
Shri G.D.Gala
Shri R.H.Gala
Shri D.C.Sampat
Shri S.J.Gala
Shri S.J.Gala
Shri K.H.Gala
Shri S.S.Gala
Shri K.B.Gala

Notes forming part of the Account (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

For the year ended 31st March, 2006

Transaction with Related Parties: (Rs. In Lacs)

| Items / Related Parties | Enterprises owned or significantly influenced by key management personnel or their relatives | Key Management Personnel | Total |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------|--------------------------|----------------|
| (i) Purchase, expense and other services from related parties | 669 (651) | 369 (331) | 1,038 (982) |

7 Earning Per Share :

| | 2005-2006 Rs. In Lacs | 2004-2005 Rs. In Lacs |
|--------------------------------------------------------------------|--------------------------|--------------------------|
| (a) Net Profit after tax | 3,544 | 3,048 |
| (Add) / Less : Excess/(Short) Provision of Earlier Year W/off/back | (20) | 40 |
| Net Profit available for Equity Shareholders | <u>3,524</u> | <u>3,088</u> |
| (b) Number of Equity Shares | 191 | 191 |
| (c) Basic and Diluted Earning per share of Rs.10/- each | | |
| (i) before Extra ordinary Item | 18.49 | 16.20 |
| (ii) after Extra ordinary Item | 18.49 | 16.20 |

8 Lease Transactions : Accounting Standard 19

As a lessor in an Operating Lease

The existing operating lease agreements permit the lessee to cancel the arrangement before expiry of the normal tenure of the lease. As such, no disclosures are required to be made.

9 Deferred tax liability Comprises of following

| | Deferred Tax (asset)/liability as at April 1, 2005 | Current Year charge / (credit) | Deferred Tax (asset)/liability as at March 31, 2006 |
|--------------------------------|----------------------------------------------------------|-----------------------------------|-----------------------------------------------------------|
| Depreciation | 524 | (64) | 460 |
| Disallowance under section 43B | (18) | (6) | (25) |
| Total | 506 | (71) | 435 |
| Previous Year | 504 | 1 | 506 |

10 Segment Reporting

The Company's operations relates to manufacturing of knowledge based information in educational and general books form as well as in electronic media and in paper and other stationery items. It caters to the educational need of Indian as well as Global market. Accordingly "Publication" and "Stationery" comprise the primary segments.

Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles and policies used in the preparation of the Financial Statements, as set out in the note on significant accounting policies, are also consistently applied to record revenue and expenditure, in individual segments.

Notes forming part of the Account (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

[A] Primary - Business Segments

For the year ended 31st March, 2006
(For the year ended 31st March, 2005)

| | Publication | | Stationery | | Others | | Total | |
|-------------------------------------------------------------------------|-------------|--------|------------|--------|--------|------|--------|--------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenue | 18,222 | 16,781 | 11,155 | 10,565 | 249 | 137 | 29,626 | 27,483 |
| Less : Inter Segment Revenue | — | — | — | — | — | — | — | — |
| Net Revenue | 18,222 | 16,781 | 11,155 | 10,565 | 249 | 137 | 29,626 | 27,483 |
| Other Income | 45 | 76 | 99 | 52 | 0 | 4 | 144 | 133 |
| Segment Revenue | 18,267 | 16,857 | 11,254 | 10,617 | 249 | 141 | 29,770 | 27,615 |
| Segment Results | 4,876 | 4,580 | 1,036 | 993 | 34 | 30 | 5,945 | 5,602 |
| Add : Unallocated Other Income/(Expense) | — | — | — | — | — | — | 81 | (67) |
| Less : Financial Expenses | — | — | — | — | — | — | 229 | 247 |
| Less : Unallocable Expenditures (net of unallocable interest income) | — | — | — | — | — | — | 827 | 670 |
| Profit Before Taxation | — | — | — | — | — | — | 4,970 | 4,619 |
| Provision for Taxation (current tax and deferred tax) | — | — | — | — | — | — | 1,426 | 1,571 |
| Profit after taxation | — | — | — | — | — | — | 3,544 | 3,048 |
| Segment Assets | 14,966 | 13,409 | 9,487 | 8,863 | 63 | 70 | 24,515 | 22,341 |
| Unallocated Assets | — | — | — | — | — | — | 1,461 | 1,320 |
| Total Assets | — | — | — | — | — | — | 25,976 | 23,661 |
| Segment Liabilities | 1,050 | 646 | 822 | 847 | 2 | 1 | 1,874 | 1,494 |
| Unallocated Liabilities | — | — | — | — | — | 0 | 5,740 | 5,268 |
| Total Liabilities | — | — | — | — | — | 0 | 7,614 | 6,762 |
| Depreciation on Segmental Assets | 486 | 418 | 304 | 342 | 9 | 11 | 799 | 771 |
| Unallocated Depreciation | — | — | — | — | — | — | 121 | 125 |

Notes :

- Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the respective segment, however, revenue and expenses which cannot be identified or allocated reasonably to a segment being related to the enterprise as a whole have been grouped as unallocable.
- Segment assets and segment liabilities represent assets and liabilities of respective segments, however the assets and liabilities not identifiable or allocable on reasonable basis being related to enterprise as a whole have been grouped as unallocable.
- The business which have been grouped under "Others" segment comprises of revenue from generation of power by windmill , sale of trading items, etc.

[B] Secondary - Geographical Segments

For the year ended 31st March, 2006
(For the year ended 31st March, 2005)

| | North & Central America | Africa | Europe | Australia & Oceania | Rest of the world except India | India | Total |
|-----------------|----------------------------|------------------|--------------|------------------------|--------------------------------------|--------------------|--------------------|
| Segment Revenue | 1,543 (2,481) | 1,211 (1,605) | 212 (341) | 22 (26) | 440 (360) | 26,342 (22,803) | 29,770 (27,615) |
| Segment Assets | 1,261 (1,410) | 128 (194) | 31 (56) | 0 (7) | 303 (334) | 24,254 (21,660) | 25,976 (23,661) |

11. Previous Year Figures have been regrouped/rearranged wherever necessary.

As per our report of even date attached hereto
For and on behalf of :

For and on behalf of the Board

Ghalla & Bhansali
Chartered Accountants

Haresh K. Chheda
Partner
Mumbai : 31st July, 2006

M. J. Thakar
Company Secretary

A. R. Gala
Managing Director

S. K. Vikamsey
Chairman

Cash Flow Statement (Consolidated)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | For the Year ended 31st March, 2006 | | For the Year ended 31st March 2005 | |
|----------------------------------------------------|----------------------------------------|----------------|---------------------------------------|----------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| (A) Cash Flow from Operating Activities : | | | | |
| Net Profit before tax and extraordinary items | | 4,970 | | 4,619 |
| Adjusted for : | | | | |
| Add : | | | | |
| Depreciation | 921 | | 896 | |
| Loss on sale of Fixed Assets | 21 | | 5 | |
| Interest and Finance Charges | 229 | | 247 | |
| Interest and Finance Income From Operation | 133 | | 105 | |
| | <u>1,303</u> | | <u>1,252</u> | |
| Less : | | | | |
| Investment Income | 46 | | 58 | |
| Profit on Sale of Investment | 6 | | 18 | |
| Interest and Financial Income | 190 | | 67 | |
| Foreign Currency Translation Reserve | 1 | | 0 | |
| | <u>243</u> | | <u>143</u> | |
| | | <u>1,060</u> | | <u>1,109</u> |
| Operating Profit before working capital changes | | 6,030 | | 5,728 |
| Adjusted for : | | | | |
| Add/(Less): (Decrease)/Increase in trade payables | 371 | | 266 | |
| Decrease/(Increase) in inventories | (2,668) | | 955 | |
| Decrease/(Increase) in trade and other receivables | 40 | | (576) | |
| | | <u>(2,257)</u> | | <u>645</u> |
| Cash Generated from Operations | | 3,773 | | 6,373 |
| Add/(Less): Direct Taxes Paid | (1,633) | | (1,735) | |
| | | <u>(1,633)</u> | | <u>(1,735)</u> |
| Cash Flow before extraordinary items : | | 2,140 | | 4,638 |
| Less : Preliminary Expenses (Net) | | 2 | | 0 |
| Net Cash flow from Operating Activities (A) | | <u>2,138</u> | | <u>4,638</u> |
| (B) Cash Flow from Investing Activities : | | | | |
| Inflow : | | | | |
| Proceeds from Sale of Fixed Assets | 20 | | 16 | |
| Investment Income | 30 | | 58 | |
| Interest Income from Investing | 116 | | 88 | |
| Short-term Loans and Advances | 124 | | 101 | |
| Proceeds from sale of Investment | 0 | | 2,118 | |
| | <u>290</u> | | <u>2,381</u> | |
| Outflow : | | | | |
| Purchase of Fixed Assets | 762 | | 1,287 | |
| Purchase of Investments | 117 | | 0 | |
| | <u>878</u> | | <u>1,287</u> | |
| Net Cash flow from Investing Activities (B) | | <u>(588)</u> | | <u>1,094</u> |

Cash Flow Statement (Consolidated) (Contd.)

NAVNEET PUBLICATIONS (INDIA) LIMITED

| | For the Year ended 31st March, 2006 | | For the Year ended 31st March 2005 | |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------|---------------------------------------|----------------|
| | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs | Rs. In Lacs |
| (C) Cash Flow from Financing Activities : | | | | |
| Inflow : | | | | |
| Proceeds from Short Term Loans | 1,071 | | 0 | |
| Proceeds from Issue of Debentures | 0 | | 500 | |
| | <u>1,071</u> | | <u>500</u> | |
| Outflow : | | | | |
| Interest / Charges Paid for Financing Activities | 288 | | 391 | |
| Short Term Loans (Secured & Unsecured Loans) | 0 | | 4,349 | |
| Dividend Paid (Inclusive of Dividend-Tax) | 2,342 | | 1,634 | |
| | <u>2,630</u> | | <u>6,374</u> | |
| Net Cash flow from Financing Activities (C) | | <u>(1,559)</u> | | <u>(5,874)</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents (A - B - C) | | <u>(9)</u> | | <u>(143)</u> |
| Cash and Cash Equivalents as at the commencement of the year (Opening Balance) | 191 | | 334 | |
| Cash and Cash Equivalents as at the end of the year (Closing Balance) (As shown in schedule 'G' of the Balance Sheet) | 182 | | 191 | |
| Net Increase /(Decrease) as disclosed above | | (9) | | (143) |

Note:

Significant Accounting Policies and Notes Forming Part of the Accounts and Contingent Liabilities as per Schedule 'P'

As per our report of even date attached hereto
For and on behalf of :

For and on behalf of the Board

Ghalla & Bhansali
Chartered Accountants

Haresh K. Chheda
Partner
Mumbai : 31st, July, 2006

M. J. Thakar
Company Secretary

A. R. Gala
Managing Director

S. K. Vikamsey
Chairman

Balance Sheet Abstract

NAVNEET PUBLICATIONS (INDIA) LIMITED

Accounting Year : 2005 - 2006

Additional Information as required Under Part IV of Schedule VI of the Companies Act, 1956

Balance Sheet Abstract and the Company's General Business Profile.

1. Registration Details

Registration no. State Code No. (Refer Code List 1) Balance Sheet Date

2. Capital Raised During the period (Amount in Rs Thousands)

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Issue | Right Issue |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> |
| Bonus Issue | Private Placement |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> |

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

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total Liabilities | Total Assets |
| <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="1"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="1"/> |

Sources of Funds

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Paid-up Capital | Reserve & Surplus |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="2"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="4"/> |
| Secured Loans | Unsecured Loans |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="0"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> |
| Deferred Tax Liability | |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="4"/> | |

Application of Funds

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Net Fixed Assets | Investments | |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="0"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="4"/> | |
| Net Current Assets | Deferred Revenue Expenditure | Accumulated Losses |
| <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="6"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> |

4. Performance of the Company (Amount in Rs Thousands)

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Turnover | Total Expenditure |
| <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="0"/> | <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> |
| + - Profit / (Loss) before tax | + - Profit / (Loss) after tax |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="4"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="0"/> |
| Earnings per share (in Rs.) | Dividend (%) |
| <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="•"/> <input type="text" value="6"/> <input type="text" value="2"/> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="5"/> |

5. Generic Names of three Principal Products / Services of the Company

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Item Co No. (ITC Code) | Product Description |
| <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/> | P R I N T E D B O O K |
| <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> | C H I L D R E N S |
| <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> | P I C T U R E B O O K |
| | L E T T E R P A D S |

Details of Subsidiary

NAVNEET PUBLICATIONS (INDIA) LIMITED

Statement pursuant to Section 212 of the Companies Act, 1956, relating to the Subsidiary Company for the year ended 31st March, 2006

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 1. Name of the Subsidiary Company | Chaplin Disenos S.L. |
| 2. Financial Year of the Subsidiary Company | 31st December, 2005 |
| 3. No. of Shares held in Subsidiary Company as on the above date | 5,03,600 Equity Shares @ Euro 1 each |
| 4. % of holding (Equity) | 100% |
| 5. % of holding (Preference) | NIL |
| 6. The net aggregate of Profit (Losses) of the Subsidiary Company so far as they concern the members of the Company | |
| (a) Dealt with in the Accounts of the Company for the year ended 31st December, 2005 | NIL |
| (b) Not Dealt with in the Accounts of the Company for the year ended 31st December, 2005 | (Rs. 19,17,954/-) |
| 7. The net aggregate of Profit (Losses) of the Subsidiary Company for the previous financial years since it became a Subsidiary Company so far as they concern the members of the Company | |
| (a) Dealt with in the Accounts of the Company for the year ended 31st December, 2005 | NIL |
| (b) Not Dealt with in the Accounts of the Company for the year ended 31st December, 2005 | (Rs. 19,17,954/-) |
| 8. Changes in the interest of the Company between the end of the financial year of the Subsidiary Company and of the Company's Financial year ended 31st December, 2005 | NIL |
| 9. Material changes between the end of the Financial year of the Subsidiary Company and the Company's Financial year ended 31st March, 2006 | |
| (a) Fixed Assets | NIL |
| (b) Investments | NIL |
| (c) Money Lent | NIL |
| (d) Money borrowed other than those for meeting current liabilities | NIL |

Chaplin Disenos S.L.

Corporate Information

Board of Directors

| | |
|-----------------|----------|
| Anil D. Gala | Director |
| Dilip C. Sampat | Director |
| Gnanesh D. Gala | Director |

Bankers

ABN Amro Bank N.V.
Barclays Bank

Office

Camino De las Badegas,
9,28410 fuent de Saz,
Madrid, Spain.

Balance Sheet

Chaplin Disenos S.L.

| | Schedule | Rs. In Lacs. | As at 31st Dec, 2005 Rs. In Lacs |
|---------------------------------------------|----------|-------------------|----------------------------------------|
| Sources of Funds | | | |
| Shareholders' Funds | | | |
| Share Capital | A | 269 | |
| Reserves & Surplus | B | (20) | |
| Foreign Currency Translation Reserve | | <u>1</u> | 250 |
| Loan Funds | | | |
| Unsecured Loans | C | <u>235</u> | <u>235</u> |
| Total Funds Employed | | | <u><u>485</u></u> |
| Application of Funds | | | |
| Fixed Assets | | | |
| Gross Block | D | 196 | |
| Less: Depreciation | | <u>9</u> | |
| Net Block | | 187 | |
| Capital Work in Progress | | <u>0</u> | 187 |
| Investments | | | |
| Current Assets, Loans and Advances | E | | 97 |
| Inventories | F | 161 | |
| Sundry Debtors | | 227 | |
| Cash & Bank Balance | | (2) | |
| Loans & Advances | | <u>4</u> | |
| | | <u><u>390</u></u> | |
| Less : Current Liabilities & Provisions | G | | |
| Current Liabilities | | <u>191</u> | |
| | | <u><u>191</u></u> | |
| Net Current Assets | | | 199 |
| Preliminary Expense | | | 2 |
| (To the extent not written off or adjusted) | | | |
| Total Funds Utilised | | | <u><u>485</u></u> |

Significant Accounting Policies & Notes forming Part of the Accounts & Contingent Liabilities P

For and on behalf of the Board

A.D. Gala
Director

Dilip C. Sampat
Director

G. D. Gala
Director

Profit and Loss Account

Chaplin Disenos S.L.

| | Schedule | For the year ended 31st Dec, 2005 |
|-----------------------------------------------------|----------|-----------------------------------------|
| | | Rs. In Lacs |
| Income | | |
| Sales & Income from Operation | | 185 |
| Other Income | H | 0 |
| Increase / (Decrease) in stocks | I | 147 |
| | | <u>332</u> |
| Expenditure | | |
| Cost of Materials | J | 111 |
| Manufacturing Expenses | K | 104 |
| Salaries, Wages & Employee Benefits | L | 38 |
| Administrative & Selling Expenses | M | 85 |
| Interest | N | 4 |
| | | <u>343</u> |
| Loss before Depreciation and Tax | | (11) |
| Depreciation | D | 9 |
| Loss carried to balance sheet | | <u>(20)</u> |
| Basic & Diluted Earning per Share of Euro. 1/- each | | |
| Before Extra Ordinary Items | | <u>(0.07)</u> |
| After Extra Ordinary Items | | <u>(0.07)</u> |

For and on behalf of the Board

A.D. Gala
Director

Dilip C. Sampat
Director

G. D. Gala
Director

Schedules forming part of the Balance Sheet

Chaplin Disenos S.L.

As at
31st Dec, 2005

Rs. In Lacs

SCHEDULE A : SHARE CAPITAL

Issued and Subscribed and Paid-up :
5,03,600 Equity Shares of Euro1/- each

269

269

SCHEDULE B : RESERVES & SURPLUS

Surplus in Profit & Loss Account

(20)

Total

(20)

SCHEDULE C : UNSECURED LOANS

Inter Corporate Deposits

235

Total

235

SCHEDULE D : FIXED ASSETS as at 31st December, 2005

| Sr. No. | Description of Assets | Gross Block | | | | Depreciation | | | | Net Block | |
|---------|-----------------------|----------------------|-----------------------------|------------------------------|-----------------------|---------------------------|----------------|-----------------------------|------------------------|------------------|------------------|
| | | Cost as on 01.4.2005 | Additions during the period | Deduction on Sale / Transfer | Cost as on 31.12.2005 | Provided up to 01.04.2005 | For the period | Deductions on Sale/Transfer | Total up to 31.12.2005 | As on 31.12.2005 | As on 31.03.2005 |
| 1. | Building | — | 186 | — | 186 | — | 9 | — | 9 | 177 | — |
| 2. | Plant & Machinery | — | 5 | — | 5 | — | 0 | — | 0 | 5 | — |
| 3. | Office Equipment | — | 0 | — | 0 | — | 0 | — | 0 | 0 | — |
| 4. | Furniture & Fixtures | — | 4 | — | 4 | — | 0 | — | 0 | 4 | — |
| 5. | Vehicles | — | 1 | — | 1 | — | 0 | — | 0 | 0 | — |
| | Total | — | 196 | — | 196 | — | 9 | — | 9 | 187 | — |
| | Previous Year | — | — | — | — | — | — | — | — | — | — |

Schedules forming part of the Balance Sheet

Chaplin Disenos S.L.

As at
31st Dec, 2005

Rs. In Lacs Rs. In Lacs

SCHEDULE E: INVESTMENTS LONG TERM - NONGRADE OTHER INVESTMENTS

Current Investments

| | | |
|----------------------------------------------------------------|----|------------------|
| Long Term Financial Investments | 57 | |
| Temporary Financial Investments (Bonds) | 39 | |
| | | <u>97</u> |
| Aggrerate Book Value of Investments Total | | <u><u>97</u></u> |

SCHEDULE F: CURRENT ASSETS, LOANS & ADVANCE

Current Assets

Inventories

(At Lower of Cost or Net Realisable value)
(Certified and valued by the Management)

Stores, Spares & Consumables

Raw Materials

Finished Goods

14

147

161

Sundry Debtors

Unsecured, considered good)

Over six months

Others

0

227

227

Cash & Bank Balances

Cash On hand

Balance with Schedule Banks

– In Current Account

1

(3)

(2)

Loans & Advances

(Unsecured, considered good)

Advances

– Advances Recoverable in Cash or in Kind or for value to be received

– Deposit with Others

1

3

4

4

390

Schedules forming part of the Profit & Loss Account

Chaplin Disenos S.L.

As at
31st Dec, 2005

| | Rs. In Lacs | Rs. In Lacs |
|----------------------------------------------------------|-------------|-------------|
| SCHEDULE G : CURRENT LIABILITIES & PROVISIONS | | |
| Current Liabilities | | |
| Sundry Creditors | 191 | |
| Total | | <u>191</u> |
| SCHEDULE H : OTHER INCOME | | |
| Miscellaneous Income | | 0 |
| Interest & Financial Income | | 0 |
| Total | | <u>0</u> |
| SCHEDULE I : INCREASE / (DECREASE) IN STOCK | | |
| Closing Stock | | |
| – Finished Goods | 147 | 147 |
| SCHEDULE J : COST OF MATERIAL | | |
| Raw Materials Consumed | | 86 |
| Purchase of Finished / Trading Goods | | 26 |
| Total | | <u>111</u> |
| SCHEDULE K : MANUFACTURING EXPENSES | | |
| Printing Expenses | | 47 |
| Binding Expenses | | 33 |
| Other Manufacturing Expenses | | 24 |
| Total | | <u>104</u> |

Schedules forming part of the Profit & Loss Account

Chaplin Disenos S.L.

As at
31st Dec, 2005

| | Rs. In Lacs | Rs. In Lacs |
|-------------------------------------------------------------|-------------|-------------|
| SCHEDULE L : SALARIES, WAGES & EMPLOYEE BENEFITS | | |
| Salaries, Wages & Bonus | | 29 |
| Staff Welfare | | 9 |
| Total | | <u>38</u> |
| SCHEDULE M : ADMINISTRATIVE AND SELLING EXPENSES | | |
| Rent | | 12 |
| Other Repairs | | 2 |
| Transportation Expenses | | 6 |
| Commission | | 3 |
| Marketing Expenses | | 10 |
| Preliminary Expenses W/off. | | 0 |
| Bank Charges | | 2 |
| Other Administrative & Selling Expenses | | 50 |
| Total | | <u>85</u> |
| SCHEDULE N : INTEREST | | |
| Others | | 4 |
| Total | | <u>4</u> |

“CHAPLIN DISENOS, S.L. UNIPERSONAL SOCIETY”

BRIEF MEMORY CORRESPONDING TO THE CLOSED EXERCISE THE 31st OF DECEMBER OF 2005

I. Nature and Main Activity.

“CHAPLIN DISENOS, S.L. UNIPERSONAL SOCIETY” (in ahead, the Society) constituted like limited society on 8 of February of 2005, by a period of indefinite time being his main activity the infantile book edition, import, export, distribution and transaction.

II. Bases of Presentation.

In fulfilment of the effective legislation, the Council of Administration of the Society has formulated the attached annual accounts with object to show the faithful image of the patrimony, the financial situation and the results of the Society.

The mentioned annual accounts have been prepared from the auxiliary registries of accounting and they are formulated expressing its values in Euros. The same is converted to INR to presentation in this report.

The Council of Administration of the Society esteem that the accounts of the exercise closed to the 31st of December of 2005 will be approved without significant variations by the unique partner of the company.

III. Distribution of Results.

It does not come to propose the distribution of the result obtained in the exercise, because it throws a loss of 34,501 Euros (INR 19,17,954) that will be destined to compensate with the benefits of future exercises.

IV. Norms of Valuation.

The main norms of valuation used by the Society in the elaboration of its annual accounts for exercise 2005, in agreement with the established ones by the General Plan of Accounting, and other applicable legislation, have been the following:

A) Expenses of Establishment

This inscription basically gathers the expenses of constitution and increase in capital and are entered by the incurred costs. Its amortization is carried out in five years and they appear in the attached Balance sheet by its value of net cost of the accumulated amortization.

B) Immobilized Immaterial

Immaterial immobilizations essentially consisting of rights of intellectual property, appear valued by their price of acquisition and they are amortized linearly based on its considered life utility. This considered life utility is of 10 years.

C) Immobilized Material

Material immobilizations appear valued to the acquisition cost and they are amortized linearly based on its considered life utility as of the moment of entrance in operation. The life utility considered by each category is the following one:

| <i>Type</i> | <i>Years</i> |
|---------------------------------|--------------|
| Furniture: | 10 |
| Computer informatics equipment: | 4 |
| Machinery: | 8 |

D) Existence:

The Existence valued on the criteria established under the norms of valuation of general accounting plan. According to that final balance of Raw Material is Euro 26,125 (INR 13,95,319) and of finished products is Euro 258,768 (INR 1,46,74,058).

E) Non-commercial debts

The non-commercial debts are registered by the value of reimbursement. In the balance non-commercial debts by a value of 440,000 euros (INR 2,34,99,740) consists, amount that has been lent by the matrix Navneet Publications (India) Limited. This loan is given for 2 years. The interests accrued by these loans appear in the liabilities of the balance.

F) Tax of Societies:

The Society is subject to the general regime of the Tax on Societies. In the exercise the tax basis of the company has been negative. In application of the prudence principle the Company has chosen not to recognize in the assets of the balance the credit by compensation of negative taxes basis in future exercises.

D) Income and Expenses:

The income and expenses are imputed following the criteria of accrued income, this is, when the real current of goods and services to that those respond, of the moment takes place independently at which the collection or respective payment takes place.

V. Own Capital.

To the 31st December, 2005 the share capital is made up of FIVE HUNDRED THREE THOUSAND SIX social participation of a EURO of nominal value each one of them. All the constituent participation of the subscribed capital enjoy such right.

VI. Repayments and benefits to the administration advice.

During the present exercise repayments or benefits to the members of the Council of Administration of the Society have not existed, by the exercise of their position.

VII. Environmental Information.

The global operations of the organization do not affect the environment, that is why organization has not adopted any measurable opportunity in relation to the protection and improvement of the environment and the minimization, in its case, of the environment impact.

For and on behalf of the Board

A. D. Gala
Director

G. D. Gala
Director

D. C. Sampat
Director

Madrid,
30th March, 2006.

Scribbling Page
